

HD KOREA SHIPBUILDING & OFFSHORE
ENGINEERING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Financial Statements

December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

To the Board of Directors and Stockholders of
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Opinion

We have audited the consolidated financial statements of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, including material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Group's Internal Control over Financial Reporting ("ICFR") as of December 31, 2025 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 18, 2026 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2025. 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) Overview

An overview of key audit matters described in this audit report is as follows:

As described in Note 4 to the consolidated financial statements, the Group recognizes revenue for customized vessels and offshore units, mainly related to the Group's shipbuilding segment and offshore and industrial plant engineering segment, over time using the input method, when one of the following conditions is met.

- (i) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (ii) 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.



The percentage-of-completion is calculated based on the ratio of contract costs incurred to date for work performed to estimated total contract costs except contract costs that do not reflect the progress of completion. The contract assets are presented for all contracts in which contract costs incurred to date plus recognized profits (less recognized losses) exceeded progress billings. The contract liabilities are presented for all contracts in which progress billings exceed contract costs incurred to date plus recognized profits (less recognized losses).

(2) Uncertainty in estimating total contract costs

As described in Note 35 to the consolidated financial statements, total contract costs are estimated based on expected costs of materials, labor costs and construction periods, and are subject to uncertainties related to fluctuations in exchange rates, changes in steel prices and variations in production hours. Accordingly, considering the impacts on profit or loss for the year ended December 31, 2025 and future periods, we identified the estimation of total contract costs as a significant risk.

We performed the following audit procedures regarding estimation of total contract costs:

- Testing certain internal controls over the Group's revenue recognition accounting policies
- Testing certain internal controls over the Group's process for establishing and updating estimated total contract costs
- Inspecting new contracts to assess the appropriateness of recognizing revenue over time using the input method
- Performing inquiries and analytical procedures on significant period-over-period changes in major components of total contract costs
- Conducting retrospective reviews of projects that experienced significant changes in estimated total contract costs and, where necessary, inspecting supporting documentation for the underlying causes
- Comparing estimated total contract costs across similar vessel types to assess consistency of key assumptions
- Obtaining and inspecting the data of estimated total contract costs prepared by production department for major projects
- Comparing material costs estimates with purchase orders issued by purchase department
- Assessing whether the estimated total contract costs were approved by appropriately authorized person
- Performing analytical procedures on changes in percentage-of-completion by each reporting period
- For selected major projects, comparing the progress of construction with the calculated percentage-of-completion
- Conducting inquiries regarding progress status and significant changes in major projects
- Validation and recalculation of progress ratios and revenue by vessel
- Visiting ship construction sites

(3) Assessment of the percentage-of-completion

As described in Note 35 to the consolidated financial statements, when the Group measures progress using the input method, only contract costs incurred to date that relate to work performed are included in the calculation of percentage-of-completion. There is a risk that changes in contract costs incurred to date may include construction inefficiency costs or other amounts that do not depict performance. Therefore, we identified assessment of the percentage-of-completion as a significant risk, considering the impact of uncertainty on earnings volatility.

We performed the following audit procedures with respect to the estimated total contract costs and accumulated costs which affect the calculation of the percentage-of-completion as of December 31, 2025:

- Performing inquiries and analytical procedures on the components of cumulative contract costs incurred to date for each reporting period
- For selected samples, inspecting supporting documents on existence of material costs incurred and appropriateness of project-level aggregation of material cost
- Inspecting supporting documents on existence of labor costs and expenses incurred and appropriateness of project-level aggregation of such costs
- Inspecting supporting documents regarding the timing of recognition of material costs aggregated by each project for selected samples
- Involving our IT specialists to assist in assessing the appropriateness of the aggregation and allocation of overhead costs to individual projects
- Involving our IT specialists to assist in testing risk scenarios including verification on whether the costs are allocated appropriately to each project



(4) Accounting for the construction modifications

As described in Note 35 to the consolidated financial statements, although contract revenue is initially measured based on the amount agreed in the contract, it may increase due to claims and incentive payments, or decrease due to penalties arising from delays attributable to the Group. Construction modifications, including specification or design changes requested by customers, occur frequently in the shipbuilding sector and may result in significant variations in contract revenue. Accordingly, we identified the accounting for the construction modifications as a significant risk.

We performed the following audit procedures with respect to the accounting for the construction modifications as of and for the year ended December 31, 2025:

- Testing certain internal controls over changes in contract terms
- Performing inquiries and analytical review procedures for projects in which significant changes in contract revenue were made
- Inspecting supporting documents (change-order document, etc.) to assess the appropriateness of adjustments to construction contract amounts
- Inspecting documents regarding completion of construction (Delivery protocol, etc.) to evaluate the existence of contract revenue for completed work
- Comparing the contractual delivery dates with expected delivery date as of December 31, 2025
- Assessing the appropriateness of liquidated damages and the estimated amount of compensation

(5) Assessment of recoverability of contract assets

As described in Note 35 to the consolidated financial statements, the Group frequently enters into heavy-tail payment plans, under which a substantial portion of the contract consideration is collected near or upon delivery. Because such payment terms may expose the Group to significant losses if a contract is cancelled, we identified the recoverability of contract assets as a significant risk.

We performed the following audit procedures with respect to the assessment of recoverability of contract assets as of December 31, 2025:

- Testing certain internal controls over the identification and assessment of impairment indicators relating to contract assets
- For contracts with significant increases in contract assets, performing inquiries and inspecting supporting documents related to payment terms, liquidated damages, delivery schedules, and other contractual obligations
- Inspecting contract terms for ongoing projects to assess the appropriateness of the Group's payment conditions
- Assessing management's basis for estimating the collectability of contract assets
- For selected major customers, obtaining external confirmation letters

Other Matter

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Won Pyo Jeon.

KPMG Samjony Accounting Corp.

Seoul, Korea
March 18, 2026

This report is effective as of March 18, 2026, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2025 and 2024

<i>(In thousands of won)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Assets			
Cash and cash equivalents	6,844,45	₩ 3,742,015,549	3,717,318,959
Short-term financial assets	7,844,45	4,434,581,429	1,922,179,180
Trade and other receivables	9,35,44,45,48	1,812,029,587	1,640,342,822
Contract assets	9,35,44,45	7,738,830,382	7,503,003,889
Inventories	10	2,765,843,221	2,232,067,007
Current derivative assets	29,44,45	13,602,672	1,162,386
Current firm commitment assets	29	677,523,868	1,192,312,019
Current tax assets		657,633	6,101,774
Assets held for sale	49	-	63,000,193
Other current assets	11	2,239,393,500	2,153,868,206
Total current assets		<u>23,424,477,841</u>	<u>20,431,356,435</u>
Investments in associates and joint ventures	12,13,48	206,177,773	256,615,052
Long-term financial assets	7,8,15,44,45	139,177,025	141,591,459
Long-term trade and other receivables	9,35,44,45,48	119,081,383	192,697,653
Investment property	16,36	130,204,194	216,566,150
Property, plant and equipment	17,21,36	12,025,454,745	11,110,889,882
Right-of-use assets	18,36	444,896,479	484,619,594
Intangible assets	19,34,36	519,011,458	374,650,945
Non-current derivative assets	29,44,45	102,577,918	64,055,704
Non-current firm commitment assets	29	1,143,741,563	1,702,190,498
Deferred tax assets	41	719,521,365	1,384,870,586
Other non-current assets	11,27	567,891,544	359,033,464
Total non-current assets		<u>16,117,735,447</u>	<u>16,287,780,987</u>
Total assets		<u>₩ 39,542,213,288</u>	<u>36,719,137,422</u>

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position, Continued
As of December 31, 2025 and 2024

<i>(In thousands of won)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Liabilities			
Short-term financial liabilities	21,22,26,44,45 ₩	252,311,444	562,278,960
Current lease liabilities	18,26,44,45	55,018,444	30,537,728
Trade and other payables	23,24,44,45,48	4,314,759,546	3,883,696,728
Contract liabilities	35	13,887,788,859	12,715,929,767
Advances received		29,413,004	38,451,216
Current derivative liabilities	29,44,45	959,135,631	1,679,859,697
Current firm commitment liabilities	29	14,222,100	11,922,035
Current tax payables		61,851,397	19,321,106
Short-term provisions	28	435,852,814	382,454,505
Other current liabilities	25	461,068	606,649
Total current liabilities		<u>20,010,814,307</u>	<u>19,325,058,391</u>
Long-term financial liabilities	22,26,44,45	805,610,588	866,206,844
Non-current lease liabilities	18,26,44,45	398,797,408	452,815,922
Long-term trade and other payables	23,44,45,48	47,062,972	34,511,487
Long-term contract liabilities	35	19,545,490	20,200,985
Liabilities for defined benefit plans	27	44,333,504	58,441,449
Long-term provisions	28	111,316,771	102,619,024
Non-current derivative liabilities	29,44,45	1,156,346,458	1,702,190,498
Non-current firm commitment liabilities	29	35,500,214	86,993
Deferred tax liabilities	41	4,532,744	1,192,625
Total non-current liabilities		<u>2,623,046,149</u>	<u>3,238,265,827</u>
Total liabilities		<u>22,633,860,456</u>	<u>22,563,324,218</u>
Equity			
Common stock	30	353,865,580	353,865,580
Capital surplus	30	3,016,775,294	2,599,782,415
Capital adjustments	31	(8,608,784,607)	(8,609,021,440)
Accumulated other comprehensive income	29,32	1,856,691,821	1,670,921,039
Retained earnings	33	16,667,529,658	15,083,879,465
Equity attributable to owners of the Controlling Company	34	<u>13,286,077,746</u>	<u>11,099,427,059</u>
Non-controlling interests		<u>3,622,275,086</u>	<u>3,056,386,145</u>
Total equity		<u>16,908,352,832</u>	<u>14,155,813,204</u>
Total liabilities and equity	₩	<u>39,542,213,288</u>	<u>36,719,137,422</u>

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2025 and 2024

(In thousands of won except earnings per share)

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Sales	29,35,36,48	₩ 29,933,215,227	₩ 25,538,577,356
Cost of sales	29,38,48	24,604,794,179	22,943,209,928
Gross profit		<u>5,328,421,048</u>	<u>2,595,367,428</u>
Selling general and administrative expenses	37,38,44	1,423,931,470	1,161,276,936
Operating profit	36	<u>3,904,489,578</u>	<u>1,434,090,492</u>
Finance income	29,39,44	1,723,447,998	1,877,492,060
Finance costs	29,39,44	2,094,299,823	5,179,027,639
Other non-operating income	17,29,40,44	729,168,827	3,954,347,418
Other non-operating expenses	17,19,29,40,44	696,705,024	264,100,002
Share of income (loss) of associates and joint venture	12,13	205,008	(139,257)
Profit before income taxes		<u>3,566,306,564</u>	<u>1,822,663,072</u>
Income tax expense	41	637,911,299	368,082,961
Profit for the year	36,43	<u>2,928,395,265</u>	<u>1,454,580,111</u>
Other comprehensive income (loss)	17,27,29,32,44		
Items that may be subsequently reclassified to profit or loss:			
Gain (loss) on valuation of cash flow hedges		20,026,757	(11,576,301)
Exchange differences on translation of foreign operations		3,611,205	16,076,871
Changes in equity of equity method investments		1,730,538	10,873,924
Total items that may be subsequently reclassified to profit or loss		<u>25,368,500</u>	<u>15,374,494</u>
Items that will not be subsequently reclassified to profit or loss:			
Gain (loss) on valuation of financial assets measured at FVOCI		1,964,923	(10,679,856)
Actuarial gains and losses		13,122,728	(183,405,027)
Gain (loss) on revaluation of property, plant and equipment		227,246,089	(883,553)
Changes in retained earnings of equity method investments		109,805	(150,434)
Total items that will not be subsequently reclassified to profit or loss		<u>242,443,545</u>	<u>(195,118,870)</u>
Other comprehensive income (loss) for the year, net of income tax		<u>267,812,045</u>	<u>(179,744,376)</u>
Total comprehensive income for the year		<u>₩ 3,196,207,310</u>	<u>₩ 1,274,835,735</u>
Profit attributable to:			
Owners of the Controlling Company		₩ 2,168,412,429	₩ 1,172,335,951
Non-controlling interests		759,982,836	282,244,160
		<u>2,928,395,265</u>	<u>1,454,580,111</u>
Total comprehensive income attributable to:			
Owners of the Controlling Company		2,356,352,404	1,054,772,950
Non-controlling interests		839,854,906	220,062,785
		<u>₩ 3,196,207,310</u>	<u>₩ 1,274,835,735</u>
Earnings per share			
Basic earnings per share (in won)	42	<u>₩ 30,664</u>	<u>₩ 16,578</u>

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2025 and 2024

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2024	₩ 353,865,580	2,459,694,580	(8,609,897,214)	1,325,567,794	14,374,459,760	2,466,412,432	12,370,102,932
Total comprehensive income (loss) for the period:							
Profit for the year	-	-	-	-	1,172,335,951	282,244,160	1,454,580,111
Changes in fair value of financial assets measured at FVOCI	-	-	-	(10,416,044)	-	(263,812)	(10,679,856)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(6,536,415)	-	(5,039,886)	(11,576,301)
Exchange differences on translating foreign operations	-	-	-	5,939,621	-	10,137,250	16,076,871
Land revaluation surplus	-	-	-	15,061,087	-	(15,944,640)	(883,553)
Changes in equity of equity method investments	-	-	-	10,878,084	-	(4,160)	10,873,924
Actuarial gains and losses	-	-	-	-	(132,338,900)	(51,066,127)	(183,405,027)
Changes in retained earnings of equity method investments	-	-	-	-	(150,434)	-	(150,434)
Transactions with owners of the Group, recognized directly in equity:							
Dividends	-	-	-	-	-	(1,039,285)	(1,039,285)
Equity transaction within the Group	-	140,087,835	875,774	-	-	370,950,213	511,913,822
Reclassification of accumulated other comprehensive income	-	-	-	330,426,912	(330,426,912)	-	-
Balance at December 31, 2024	₩ 353,865,580	2,599,782,415	(8,609,021,440)	1,670,921,039	15,083,879,465	3,056,386,145	14,155,813,204
Balance at January 1, 2025	₩ 353,865,580	2,599,782,415	(8,609,021,440)	1,670,921,039	15,083,879,465	3,056,386,145	14,155,813,204
Total comprehensive income (loss) for the period:							
Profit for the year	-	-	-	-	2,168,412,429	759,982,836	2,928,395,265
Changes in fair value of financial assets measured at FVOCI	-	-	-	1,706,781	-	258,142	1,964,923
Effective portion of changes in fair value of cash flow hedges	-	-	-	10,256,796	-	9,769,961	20,026,757
Exchange differences on translating foreign operations	-	-	-	7,598,254	-	(3,987,049)	3,611,205
Land revaluation surplus	-	-	-	160,253,342	-	66,992,747	227,246,089
Changes in equity of equity method investments	-	-	-	1,714,780	-	15,758	1,730,538
Actuarial gains and losses	-	-	-	-	6,300,217	6,822,511	13,122,728
Changes in retained earnings of equity method investments	-	-	-	-	109,805	-	109,805
Transactions with owners of the Group, recognized directly in equity:							
Dividends	-	-	-	-	(586,931,429)	(128,377,866)	(715,309,295)
Equity transaction within the Group	-	416,992,879	236,833	-	-	(145,588,099)	271,641,613
Reclassification of accumulated other comprehensive income	-	-	-	4,240,829	(4,240,829)	-	-
Balance at December 31, 2025	₩ 353,865,580	3,016,775,294	(8,608,784,607)	1,856,691,821	16,667,529,658	3,622,275,086	16,908,352,832

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024

<i>(In thousands of won)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Cash flows from operating activities			
Profit for the year	₩	2,928,395,265	₩ 1,454,580,111
Adjustments		1,430,909,129	2,753,926,201
Cash generated from operations	43	4,359,304,394	4,208,506,312
Interest received		225,539,589	216,070,139
Interest paid		(79,705,976)	(151,631,421)
Dividends received		1,128,588	31,612,665
Income taxes paid		(84,215,951)	(15,897,517)
Net cash provided by operating activities		<u>4,422,050,644</u>	<u>4,288,660,178</u>
Cash flows from investing activities			
Net increase in short-term financial assets		(2,502,579,084)	(240,413,259)
Decrease in other receivables		5,851,413	6,272,297
Decrease in investments in associates and joint ventures		-	4,539,175
Decrease in long-term financial assets		23,865,041	90,096,993
Decrease in long-term other receivables		1,306,512	13,330,183
Proceeds from disposal of investment property		-	2,434,854
Proceeds from disposal of property, plant and equipment		31,925,934	24,496,126
Proceeds from disposal of intangible assets		4,279,167	500,000
Proceeds from disposal of assets held for sale		60,363,710	-
Government grants received		5,530,371	3,044,438
Decrease in other non-current assets		14,000,000	-
Changes in scope of consolidation (acquisition of control)		(203,001,518)	(134,241,716)
Increase in other receivables		(5,000,000)	(2,792,249)
Increase in investments in associates and joint ventures		-	(20,724,983)
Increase in long-term financial assets		(32,588,543)	(69,461)
Increase in long-term other receivables		(2,620,302)	(14,679,469)
Acquisition of investment property		-	(88,944)
Acquisition of property, plant and equipment		(946,834,728)	(890,989,039)
Acquisition of intangible assets		(56,866,219)	(58,052,631)
Increase in other non-current assets		(1,472,078)	(15,463,721)
Net cash used in investing activities		<u>(3,603,840,324)</u>	<u>(1,232,801,406)</u>
Cash flows from financing activities			
	26		
Increase in short-term financial liabilities		805,672,443	1,028,073,180
Increase in long-term financial liabilities		619,995,096	368,332,000
Increase in non-controlling interests		-	352,274,267
Repayment of short-term financial liabilities		(1,269,027,815)	(3,252,879,124)
Repayment of long-term financial liabilities		(180,000,000)	(816,686,599)
Repayment of lease liabilities		(37,348,742)	(35,226,699)
Dividends		(715,259,341)	(1,039,285)
Decrease in non-controlling interests		(16,307,648)	(1,815,781)
Net cash used in financing activities		<u>(792,276,007)</u>	<u>(2,358,968,041)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(1,237,723)</u>	<u>2,037,263</u>
Net increase in cash and cash equivalents		24,696,590	698,927,994
Cash and cash equivalents at January 1		<u>3,717,318,959</u>	<u>3,018,390,965</u>
Cash and cash equivalents at December 31	₩	<u>₩ 3,742,015,549</u>	₩ <u>3,717,318,959</u>

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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For the years ended December 31, 2025 and 2024

1. Reporting Entity

(1) Description of the controlling company

HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (the “Controlling Company”) was incorporated in 1973, under the Commercial Code of the Republic of Korea. In August 1999, the Controlling Company was listed on the Korea Exchange. As a holding company under Article 8 of the Monopoly Regulation and Fair Trade Act, the controlling Company is engaged in the investment, R&D, and other projects. The Controlling Company’s head office is located in Seongnam, Republic of Korea. As of December 31, 2025, the Group’s major stockholders consist of HD Hyundai Co., Ltd. (35.05%) and National Pension Service (7.44%).

(2) Consolidated subsidiaries

Subsidiaries as of December 31, 2025 and 2024 are summarized as follows:

Company	Main business	Location	Fiscal year end	Ownership (%)	
				2025	2024
HD Hyundai Heavy Industries Co., Ltd.(*7)	Shipbuilding	Korea	December	69.23	75.02
HD Hyundai Samho Co., Ltd.	Shipbuilding	Korea	December	96.65	96.65
HD Hyundai Mipo Co., Ltd. (*4)	Shipbuilding	Korea	December	-	42.40
HD Hyundai E&T Co., Ltd. (*1)	Other engineering services	Korea	December	100.00	100.00
HD Ulsan Hyundai Football Club Co., Ltd.	Football club	Korea	December	100.00	100.00
HD Hyundai Energy Solutions Co., Ltd.	Solar photovoltaic and renewable energy	Korea	December	53.57	53.57
HD Hyundai Engine Company Ltd. (*1)	Manufacture of internal combustion engine	Korea	December	100.00	100.00
Seamarq Service Co., Ltd.	Hotel management services	Korea	December	100.00	100.00
HD Hyundai Marine Engine Co., Ltd. (*2)	Manufacture of marine engine	Korea	December	35.05	35.05
HD Hyundai Crankshaft Co., Ltd. (*1)	Manufacture of ship engine components	Korea	December	100.00	100.00
HD Hydrogen Co., Ltd.	Manufacture of storage batteries	Korea	December	100.00	100.00
AMC Sciences Co., Ltd.	Research and development of medicine	Korea	December	84.38	84.38
HD Hyundai M&S Co., Ltd. (*1,3)	Manufacture of ship components	Korea	December	100.00	-
HD Hyundai Asia Holdings Pte. Ltd. (*3)	Management of Overseas Subsidiaries	Singapore	December	100.00	-
HD Hyundai Vietnam Shipbuilding Co., Ltd. (*1)	Shipbuilding	Vietnam	December	65.00	65.00
Hyundai Heavy Industries Miraflores Power Plant Inc. (*5)	Manufacturing	Panama	December	100.00	100.00
HHI Mauritius Limited	Manufacturing	Mauritius	December	100.00	100.00
Hyundai Arabia Company L.L.C	Industrial plant construction	Saudi Arabia	December	100.00	100.00
Hyundai Samho Heavy Industries Panama, Inc. (*6)	Civil engineering	Panama	December	-	100.00
HD Hyundai Energy Solutions America, Inc. (*1)	Sale of solar photovoltaic module	USA	December	100.00	100.00
HD Hyundai Technology Center India Private Limited	Research and development	India	March	100.00	100.00
Pontos Investment LLC	Investing	USA	December	100.00	100.00
HD Hyundai Europe Research and Development Center GmbH	Research and development	Germany	December	100.00	100.00
Hyundai Heavy Industries Argentina S.R.L (*1)	Construction	Argentina	December	99.99	99.98
HD Hyundai Heavy Industries Philippines, Inc. (*3)	Manufacturing	Philippines	December	100.00	100.00
STX HI Malaysia Sdn. Bhd. (*1)	Industrial plant construction	Malaysia	December	100.00	100.00
Convion OY (*1)	Manufacture of generator	Finland	December	97.52	97.46
HD Hyundai Eco Vina Co., Ltd.(*1,3)	Manufacturing	Vietnam	December	100.00	-

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1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

- (*1) The percentage of ownership includes indirect ownership.
- (*2) Although the ownership interest was less than a majority, the remaining shareholders were widely dispersed into small shareholders, and in the past general meetings of shareholder, the majority of voting rights in the decision-making process were judged to be in control, considering the circumstances in which the controlling company's share alone was able to exercise the majority of voting rights in the decision-making process.
- (*3) It was newly established and acquired for the year ended December 31, 2025.
- (*4) It was included in a business combination with HD Hyundai Heavy Industries Co., Ltd. for the year ended December 31, 2025(See Note 34).
- (*5) Liquidation procedures are in progress as of December 31, 2025.
- (*6) Liquidation procedures are completed as of December 31, 2025.
- (*7) The Controlling Company's ownership interest decreased due to the exercise of exchange rights attached to the exchangeable bonds and the business combination with HD Hyundai Mipo Co., Ltd. for the year ended December 31, 2025.

(3) Changes in scope of consolidation

- ① The subsidiaries newly included in the consolidated financial statements for the year ended December 31, 2025 are as follows:

The subsidiaries	Reasons
HD Hyundai M&S Co., Ltd. HD Hyundai Asia Holdings Pte. Ltd. HD Hyundai Eco Vina Co., Ltd.	New establishment New acquisition

- ② The current status of subsidiaries excluded from the preparation of consolidated financial statements for the year ended December 31, 2025 are as follows:

The subsidiaries	Reasons
HD Hyundai Mipo Co., Ltd. Hyundai Samho Heavy Industries Panama, Inc.	Business combination Liquidation

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1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries

① Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2025 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit	Total comprehensive income
HD Hyundai Heavy Industries Co., Ltd.	₩ 26,199,062	16,816,487	9,382,575	17,569,457	1,422,481	1,600,977
HD Hyundai Samho Co., Ltd.	7,952,179	4,933,575	3,018,604	8,071,351	1,001,460	993,644
HD Hyundai Marine Engine Co., Ltd.	783,778	320,487	463,291	379,848	157,206	170,126
HD Hyundai Energy Solutions Co., Ltd.	518,866	108,630	410,236	484,388	45,137	51,566
HD Hyundai Vietnam Shipbuilding Co., Ltd.	713,306	572,032	141,274	959,051	20,126	17,345

② Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2024 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit	Total comprehensive income (loss)
HD Hyundai Heavy Industries Co., Ltd.	₩ 19,401,294	13,698,694	5,702,600	14,476,390	618,335	494,809
HD Hyundai Samho Co., Ltd.	8,386,198	5,901,086	2,485,112	7,003,139	684,107	658,542
HD Hyundai Mipo Co., Ltd.	5,067,754	3,050,839	2,016,915	4,572,567	94,766	62,654
HD Hyundai Marine Engine Co., Ltd.	473,661	180,497	293,164	295,824	63,579	29,863
HD Hyundai Energy Solutions Co., Ltd.	440,750	82,080	358,670	404,895	(11,378)	(11,297)
HD Hyundai Vietnam Shipbuilding Co., Ltd.	721,071	591,598	129,473	850,540	17,153	32,235

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1. Reporting Entity, Continued

(5) Non-controlling interests

① The information about non-controlling interests of significant consolidated subsidiaries as of and for the year ended December 31, 2025 is summarized as follows:

<i>(In millions of won)</i>	2025	
	HD Hyundai Heavy Industries Co., Ltd.	
Ownership of non-controlling interests(*)		30.77%
Net assets	₩	9,382,575
Book value of non-controlling interests		2,845,042
Net income		1,422,481
The profit attributable to non-controlling interests		370,535
Cash flows from operating activities		3,528,980
Cash flows from investing activities		(2,076,861)
Cash flows from financing activities		(855,142)
Effects of changes in foreign exchange rates on cash and cash equivalents		2,531
Net increase (decrease) in cash and cash equivalents		599,508
Dividends paid to non-controlling interests		84,353

(*) Ownership of non-controlling interests considering the treasury stocks.

② The information about non-controlling interests of significant consolidated subsidiaries as of and for the year ended December 31, 2024 is summarized as follows:

<i>(In millions of won)</i>	2024		
		HD Hyundai Heavy Industries Co., Ltd.	HD Hyundai Mipo Co., Ltd.
Ownership of non-controlling interests(*)		24.98%	57.54%
Net assets	₩	5,702,600	₩ 2,016,915
Book value of non-controlling interests		1,475,151	1,160,451
Net income		618,335	94,766
The profit attributable to non-controlling interests		153,533	54,524
Cash flows from operating activities		2,886,381	278,218
Cash flows from investing activities		(489,244)	(132,534)
Cash flows from financing activities		(2,048,774)	(335,716)
Effects of changes in foreign exchange rates on cash and cash equivalents		(5,881)	-
Net increase (decrease) in cash and cash equivalents		342,482	(190,032)
Dividends paid to non-controlling interests		-	-

(*) Ownership of non-controlling interests considering the treasury stocks.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
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2. Basis of Preparation

The Parent company and its subsidiaries (“the Group”) prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in Article 5, Clause 1 of *the Act on External Audit of Stock Companies, Etc.* of the Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on February 9, 2026 and submitted for approval to the shareholders’ meeting to be held on March 31, 2026.

(1) Basis of measurement

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

- Derivative financial instruments measured at fair value;
- Financial assets measured at fair value through profit or loss (“FVTPL”);
- Financial assets measured at fair value through other comprehensive income (“FVOCI”);
- Land measured at fair value
- Liabilities for defined benefit plans recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(2) Functional and presentation currency

The financial statements of individual entities within the Group are prepared in functional currency, which is the currency of the primary economic environment in which the individual entities operate. The consolidated financial statements are prepared and presented in Korean won, which is the Parent company’s functional currency and presentation currency.

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2. Basis of Preparation, Continued

(3) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for consistency with our risk management and climate-related commitments. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Judgments

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

- Note 1 – Scope of Consolidation: Whether the Group has de facto control over an investee;
- Note 12 – Investments in Associates: Whether the Group has significant influence over an associate;
- Notes 13,14 – Classification of joint ventures;
- Note 16 – Classification of investment property;
- Note 18 – Lease term: whether the Group is reasonably certain to exercise extension options; and
- Note 35 – Revenue

The financial impact of the armed conflict in Ukraine, started in February 2022, and subsequent international sanctions against Russia cannot be estimated reasonably.

(ii) Uncertainties of assumptions and estimation

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

- Note 5 – Measurement of account receivable and contract asset's expected credit loss;
- Notes 11, 17, 19 – Impairment test: key assumptions underlying recoverable amounts, including the recoverability of property, plant and equipment and intangible assets;
- Note 27 – Measurement of defined benefit obligations: key actual assumptions;
- Notes 28, 46, 47 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 35 – Revenue recognition in proportion to stage of completion, the estimates of total contract costs; and
- Note 41 – Measurement of deferred tax

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2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair value

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

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as explained note 45.

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

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

- Note 15 – Financial assets measured at fair value;
- Note 16 – Investment property;
- Note 17 – Property, plant, and equipment; and
- Note 45 – Financial instruments.

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3. Changes In Accounting Policies

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

K-IFRS No. 1021 ‘The Effects of Changes in Foreign Exchange Rates’ – Lack of Exchangeability

The amendment define circumstances in which an entity is considered able to exchange one currency for another for accounting purposes, and clarify the assessment of exchangeability between currencies, the estimation of a spot exchange rate when exchangeability is lacking, and the related disclosure requirements. When a currency is not exchangeable, the Group is required to estimate the spot exchange rate at the measurement date, using either an observable exchange rate without adjustment or other estimation techniques.

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4. Material Accounting Policies

The material accounting policies applied by the Group in the preparation of the consolidated financial statements in accordance with K-IFRS are included below. The accounting policies set out below have applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in Note 3.

(1) Operating segments

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

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

(2) Basis of consolidation

- 1) Non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets on the acquisition date.
- 2) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.
- 3) Business combination of entities under common control
The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of capital surplus.

(3) Cash and cash equivalents

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

(4) Inventories

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

The carrying amount of inventory is recognized as cost of goods sold in the period in which revenue from the sale of the inventory is recognized.

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4. Material Accounting Policies, Continued

(5) Non-derivative financial assets

1) Recognition and initial measurement

The Group initially recognizes trade receivables and debt securities issued on the date on which they are originated. Other financial assets and financial liabilities are recognized on trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

2) Classification and subsequent measurement

(i) Financial assets – Business model assessment

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

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

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

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

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

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

In making this assessment, the Group considers:

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

3) Derecognition

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

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4. Material Accounting Policies, Continued

(5) Non-derivative financial assets, continued

4) Offsetting

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

(6) Derivative financial instruments

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

1) Hedge accounting

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

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

(i) Fair value hedge

When a derivative is designated as a fair value hedging instrument, changes in fair value of the derivative is recognized in profit or loss. Changes in fair value of the hedged item attributable to hedged risk are also recognized in profit or loss. Changes in fair value of the hedging instrument and hedged item attributable to hedged risk are recognized in profit or loss in the same line of item of consolidated financial statements of comprehensive income. The Group prospectively discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the fair value hedge no longer meets the criteria for hedge accounting.

(ii) Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognized in other comprehensive income and ineffective portion of changes in fair value of the derivative is recognized immediately in profit or loss.

If the cash flow hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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4. Material Accounting Policies, Continued

(6) Derivative financial instruments, continued

2) Embedded derivative

If an embedded derivative is not closely related to the economic characteristics and risks of the host contract and a separate instrument with the same terms would meet the definition of a derivative, the embedded derivative is accounted for separately from the host contract as long as the combined financial instrument is not measured at fair value through profit or loss. Changes in the fair value of the separated embedded derivative are recognized in profit or loss.

3) Other derivative financial instruments

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

(7) Impairment of financial assets

1) Financial instruments and contract assets

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

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

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

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

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

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if an is held); or
- a significant increase in overdue days of financial assets.

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4. Material Accounting Policies, Continued

(7) Impairment of financial assets, continued

2) Credit-impaired financial assets

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

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

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

3) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost and contract assets are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI. In view of the importance of impairment losses related to trade receivables and other receivables, including contract assets, they are presented in 'selling and administrative expenses' or 'other non-operating expenses'. In view of the importance of other financial assets, impairment losses are not presented separately in the consolidated statements of comprehensive income (loss) but are presented in 'finance costs'.

4) Write-off

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

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4. Material Accounting Policies, Continued

(8) Property, plant and equipment

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

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

The estimated useful lives of the Group's property, plant and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	25~50
Structures	20~45
Heavy machinery	8~19
Machinery and equipment	5~45
Ships	15,25
Vehicles	5~14
Tools, furniture and fixtures	3~20
Other property, plant and equipment	10

(9) Intangible assets

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

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

	<u>Useful lives (years)</u>
Development costs	5
Industrial property right	4~10
Other intangible assets	3~50
Membership, trademark right, goodwill	Indefinite

(10) Government grants

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

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

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4. Material Accounting Policies, Continued

(11) Investment property

Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequent to initial recognition, investment property is carried at depreciated cost less any accumulated impairment losses.

Investment property is depreciated on a straight-line basis over the following estimated useful lives:

	<u>Useful lives (years)</u>
Buildings	25~50

(12) Lease

1) As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of small underlying assets. The Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

(i) Right-of-use assets

At the lease commencement date, the Group recognizes a right-of-use. The right-of-use asset is initially measured at cost and subsequently measured using the cost model. To apply the cost model, accumulated depreciation and accumulated impairment losses are deducted, and adjustments for remeasurement of lease liabilities are reflected. The Group includes in the cost of the right-of-use asset the amount of the recognized lease liability, initial direct costs, and lease payments made to the lease commencement date, and deducts from the cost of the right-of-use asset any lease incentives received in advance.

(ii) Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date.

Variable lease payments that are not index- or rate-dependent are recognized as expense in the period in which the event or condition that triggers the lease payments occurs (unless they are incurred to produce an inventory asset).

When calculating the present value of the lease payments, the Group uses the incremental borrowing rate at the commencement date of the lease because the implicit interest rate of the lease cannot be easily calculated. Subsequent to initial recognition, the lease liability increases by interests recognized for the lease liability and decreases by lease payments made. In addition, the carrying amount of a lease liability is remeasured when there is a change in the lease term, a change in the lease payments (for example, a change in future lease payments resulting from a change in the index or rate used to calculate the lease payments), or a change in the valuation of the option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the exemption from recognition for short-term leases (i.e., these leases have a term of 12 months or less from the lease commencement date and do not include a purchase option) to leases of machinery and equipment. The Group also applies the exemption from recognition for small asset leases to leases of office supplies, which are considered small assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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4. Material Accounting Policies, Continued

(12) Lease, continued

2) As a lessor

When the Group acts as a lessor, it classifies leases that do not transfer substantially all the risks and rewards of ownership of the underlying assets as operating leases. Lease revenue is recognized on a straight-line basis over the lease term and is included in revenue in the income statement based on the nature of the operation. Direct lease origination costs incurred in entering into an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease revenue. Contingent rent is recognized as revenue when the rent is received.

(13) Contract assets and contract liabilities

If the Group performs the transfer of goods or services to the customer before the customer pays the consideration or before the payment date, the Group presents the contract as a contract asset, except as a receivable. Contract assets are the Group's rights to consideration for transfer of goods or services to the customer.

If the customer pays the consideration before the Group transfers goods or services to the customer, or the Group has an unconditional right to receive consideration (i.e., the receivable), the Group presents the contract as a contract liability either when it is paid or to be paid (early both).

Contract liabilities are the Group's obligation to transfer of goods or services to the customer in accordance with the consideration received from the customer or the consideration of the Group's rights to receive the payment. The Group offsets the contract assets and contract liabilities arising from one contract and presents them in the consolidated statements of financial position on a net basis.

On the other hand, expected losses in contracts (i.e., onerous contracts) that exceed the economic benefits expected to be received by the contract are recognized as current provisions.

(14) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In addition, since the contract for the construction of a ship under construction does not meet the definition of a qualifying asset, finance costs are treated as finance expenses.

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4. Material Accounting Policies, Continued

(15) Non-derivative financial liabilities

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

(16) Employee benefits

1) Retirement benefits: defined benefit plans

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

2) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. When the voluntary retirement is offered to employees, the termination benefits are measured and recognized in profit or loss based on the number of employees expected to accept the offer. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(17) Provisions

1) Provision for construction warranty

A provision for construction warranties is recognized when the rectification of defects on construction is expected, based on historical warranty data.

2) Provision for product warranty

A provision for product warranties is recognized in order to cover ordinary repair related to product defects within the specified period after sales.

3) Provision for construction losses

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

4) Other provision

In accordance with the announced environmental policy and appropriate legal requirements, the Group recognizes the cost of recovering from pollution and the constructive obligation due to performance guarantee as other provisions.

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

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4. Material Accounting Policies, Continued

(18) Emissions rights

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

1) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. Emission rights are recognized as purchase costs by adding other costs that are directly attributable to the acquisition and incurred during the normal course of business.

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

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

2) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Emission liability is estimated obligations for emission rights to be submitted to the government for the performing period. Emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at of the end of the reporting period. Emission liability is derecognized when it is submitted to the government.

(19) Foreign currency

1) Foreign currency transactions

Foreign currency differences arising from translation of monetary items are recognized in profit or loss, except the differences arising from payment of monetary items, net investment in a foreign operation or a financial liability designated as cash flow hedges, which are recognized in other comprehensive income. When gains or losses on non-monetary items are recognized in other comprehensive income, effects of exchange rate changes included in that gains or losses are recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

2) Foreign operations

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

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4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers

Under K-IFRS No. 1115, revenue is measured on the basis of the consideration promised in the contract with the customer. The Group recognized revenue when control of promised goods or services is transferred to the customer. Control may transfer at a point in time or over time. Determining the timing of transfer of control requires judgment.

- Determination of the transaction price

The Group considers if significant benefit of financing is provided to the customer or the Group in relation to the advance payment from customers and reflects the effects of the time value of money to the transaction price. As a practical expedient, the Group need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

- Identification of performance obligations

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

1) Nature of goods or services and timing of satisfying performance obligations

The Group shipbuilding segment builds merchant ships and special vessels, the offshore, industrial plant and engineering segment constructs and installs offshore oil and gas fields, the engine segment produces ships' engines and power generation facilities, and the green energy segment manufactures, sells and installs renewable energy-related products such as solar power modules.

The shipbuilding segment builds and sells ships of the order from the owner and takes at least one year from the date of the contract to the completion of the construction. Due to the nature of the order-made production industry being customized according to the terms presented to the customer, the Group itself has no alternative use, and if the contract is terminated for the customer or other party reasons, it can claim incurred costs and reasonably estimated profit for performance completed to date or claim insufficient amount after the Group resale the asset in accordance with the contractual process.

Consequently, if the Group's performance does not create an asset with an alternative use to the Group and the Group has enforceable right to payment for performance completed to date. The Group recognizes revenue over time in accordance with K-IFRS No.1115.

If the performance obligation is satisfied over time, the timing of satisfaction of performance obligations depends on measuring the progress, to depict the Group's performance in transferring control of goods or services promised to a customer, towards complete satisfaction of that performance obligation.

Because the shipbuilding segment's activities involves design, raw material purchase, production, and commissioning, it is often difficult to obtain the detailed information necessary to apply an output-based measure of progress without incurring excessive cost. Accordingly, the Group applies an input method to measure progress, recognizing revenue based on the costs incurred relative to the total expected costs, when this approach provides a faithful depiction of the Group's performance in satisfying the performance obligation.

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4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

1) Nature of goods or services and timing of performance obligations, continued

The offshore, industrial plant and engineering segment is similar process industry to the shipbuilding segment, but the required facility specifications are complicated and extensive depending on the installation area and the production conditions of crude oil or gas, so the construction period is long and the construction amount is large.

Because of the nature of the customized order industry under the conditions presented to the customer, the Group itself has no alternative use, and if it terminates the contract for reasons of the customer or other party, it can claim the costs and expected profits it has already entered into for the completion of the contract, and recognizes revenue over time in accordance with K-IFRS No. 1115.

If the performance obligation is satisfied over time, the timing of satisfaction of performance obligations depends on measuring the progress, to depict the Group's performance in transferring control of goods or services promised to a customer, towards complete satisfaction of that performance obligation. If the Group would not be able to reasonably measure its performance, it measures its performance only to the extent of the costs incurred. Because the offshore, industrial plant and engineering segment involves a wide range of activities—from design and procurement of raw materials to production and commissioning—the construction process is highly diverse, and obtaining the detailed information necessary to apply an output based measure of progress would require excessive cost. Accordingly, the Group applies an input method to measure progress, recognizing revenue based on the timing and extent of costs incurred, as this provides a faithful depiction of the Group's performance in satisfying the related performance obligations.

The engine machinery segment supplies the ship's propulsion/power generation engines as its main products. For general contracts, revenues are recognized as being satisfied the performance obligation at a point in time, not as satisfied the performance obligation over time.

The timing of satisfaction of performance obligations is when the assets held by the Group are transferred to and controlled by the customer, and the Group determines the point in time by indicators of the transfer of control, that include right to payment, legal title, physical possession, transfer of the significant risks and rewards, and the customer's acceptance of an asset. Generally, exports are transferred under the same conditions as CIF and FOB, and domestic sales are determined to satisfy performance obligations when the Group transfers physical possession of the asset to the customer.

The Green Energy segment manufactures and sells renewable energy-related products, including solar modules, inverters, and energy storage systems (ESS). Revenue arrangements in this segment are broadly classified into (i) standard product supply contracts comprising a single performance obligation and (ii) multiple-element contracts that include several distinct performance obligations to deliver a combination of products and services within a single contract.

Customized contracts are tailored in accordance with customer specifications and, by their nature, have no alternative use to the Group. In addition, where the contract stipulates that, in the event of termination due to reasons attributable to the customer or other parties, the Group has an enforceable right to payment for costs incurred and a reasonable margin for work completed to date, revenue is recognized over time in accordance with K-IFRS 1115 Revenue from Contracts with Customers.

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4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

1) Nature of goods or services and timing of performance obligations, continued

For general sales contracts that do not meet the criteria for performance obligations satisfied over time, revenue is recognized at a point in time. For contracts in which performance obligations are satisfied over time, the timing of revenue recognition is determined based on the measurement of progress reflecting the transfer of control of goods or services to the customer. If the progress toward complete satisfaction of a performance obligation cannot be measured reliably, revenue is recognized only to the extent of costs incurred.

The timing of performance obligation fulfillment is when the assets held by the sector are transferred to the customer and are controlled by the customer, and the timing of performance obligation is determined by indicators of the transfer of control of the right to payment, ownership, physical possession, transfer of significant risks and rewards. In general, we believe that exports have met performance obligations at a time when they are physically transferred to the customer, primarily on terms such as CIF, FOB and DDP.

Orders contracts are contracts that provide the delivery, installation, and commissioning of components, and the process is so diverse that it is difficult to obtain information to apply the calculation method without incurring excessive cost. Therefore, the timing of the cost injection is determined as the timing of implementation, as the input method can faithfully represent the performance of the Group.

2) Significant collection terms

The shipbuilding segment collects by each stage of ship-building, and the timing of collection for general merchant ships is divided into Contract, Steel Cutting, Keel laying, Launching, Delivery, and in particular, the Heavy Tail payment plan, which collects most of the contract price at delivery of ships is a major collection term.

For special-purpose vessels, payments are made in accordance with the *Rules for Start-up and Intermediate Payments* applicable to the defense industry, under which advances and progress payments are limited to funds planned to be spent within 180 days from the date of the claim.

The offshore, industrial plant and engineering segment charges and collects by the progress of the construction, including the advance payment, amount of work completed, the achievement amount of milestone, and the reserve for performance. The engine machinery segment collects separately by the advance, middle, and balance payments in accordance with the payment terms as specified in the contract.

The green energy segment generally receives payment within 60 to 180 days from the billing date for the supply of standard goods. For installation contracts, amounts are collected based on construction progress, and for multi-component order contracts, consideration is typically structured into advance, interim, and final payments.

Depending on the terms of payment, there may exist a significant financing component, that adjusts the promised consideration to reflect the effect of the time value of money, when the difference between when we receive the goods or services from the customer and when we expect to transfer the promised goods or services to the customer occurs.

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4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

- 3) Nature of warranty and the length of the warranty coverage period
The shipbuilding segment typically provides a warranty of 12 months or 24 months depending on type of ship. The offshore, industrial plant and engineering segment offers warranty periods that vary based on the nature of the asset and the terms of the contract. For engine and machinery contracts, the warranty period is typically the earlier of either 12 months from the date of delivery of vessels or 24 months from the date of delivery of engines. The green energy sector provides a warranty of about 12 years after delivery. These warranty periods are generally consistent with those of industry peers. Usually, after the warranty period granted, it will be converted to paid-in-AS. The provided warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.
- 4) How to determine the transaction price, estimating the variable consideration, input variables, information
Because the shipbuilding, offshore, industrial plant and engineering, and green energy segments each involve a single performance obligation for the supply of standard goods, there is generally no requirement to estimate a stand-alone selling price when allocating the transaction price. However, in the engine machinery segment, certain contracts include additional distinct services—such as installation and supervision—that constitute separate performance obligations. In the green energy segment, multi-component contracts may also include several distinct performance obligations for the various goods and services provided within a single contract.

When the Group allocates the transaction price on a stand-alone selling price basis and the stand-alone selling price does not exist in the market, the total contract amount is allocated to the distinct performance obligations by the expected cost plus a margin approach – the Group forecasts its expected costs of satisfying a performance obligation and then add on appropriate margin for that good or service.

The consideration receivable from customers may be variable by change order due to design changes and additional work caused by requests from owners of the shipbuilding and the offshore, industrial plant and engineering segment, and delayed compensation due to delay in delivery and fail to achieve specifications. In the case of change order, variable consideration is included in the transaction price only to the extent it is highly probable that a significant revenue reversal will not occur. In the case of delayed compensation, the Group recognizes revenue by deducting the estimated amount incurred by the contract terms from the contract price.

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4. Material Accounting Policies, Continued

(21) Finance income and finance costs

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

- interest income
- interest expense;
- dividend income;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and liabilities;
- impairment loss (and reversals) on investments in debt securities carried at amortized cost or FVOCI; and
- re-measurement gains on the fair value of existing interests in the acquiree in a business combination;
- fair value loss on contingent consideration classified as a financial liability;
- hedge ineffectiveness recognized in profit or loss; and
- the reclassified net profit or loss previously recognized in other comprehensive income in the cash flow hedge accounting for borrowing liabilities (See Note 29).

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

(22) Corporate income taxes

The Group applies the consolidated tax filing method, treating the controlling company, its 90% or more domestically controlled subsidiary (hereinafter referred to as the "consolidated subsidiary"), as a consolidated tax group unit for calculating a single tax base and tax amount. The Group assess the realization potential of temporary differences, considering the future taxable income of individual companies and the consolidated group separately. Changes in deferred tax assets (liabilities) are recognized as income tax expense (income), excluding amounts related to items directly debited or credited to equity accounts.

(23) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale

When an operation is classified as a discontinued operation, the comparative separate statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

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4. Material Accounting Policies, Continued

(24) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are not mandatory for the Group for the year beginning on January 1, 2025, and the Group has not early adopted them. The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification and Measurement of Financial Instruments (K-IFRS No. 1107 'Financial Instruments: Disclosures', K-IFRS No. 1109 'Financial Instrument')
- Nature-Dependent Electricity Contracts (K-IFRS No. 1107 'Financial Instruments: Disclosures', K-IFRS No. 1109 'Financial Instrument')
- Annual Improvements (K-IFRS No. 1007 'Statement of Cash Flows', K-IFRS No. 1101 'First-time Adoption of International Financial Reporting Standards', K-IFRS No. 1107 'Financial Instrument: Disclosures', K-IFRS No. 1109 'Financial Instrument', K-IFRS No. 1110 'Consolidated Financial Statements')
- K-IFRS No.1118 'Presentation and Disclosure in Financial Statements'

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5. Risk Management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk

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

(1) Financial risk management

1) Risk management framework

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

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

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

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and contract assets from customers and investments.

(i) Trade and other receivables and contract assets

The credit risk related to the Group's trade and other receivables and contract assets is influenced mainly by the individual characteristics of each customer. Most of the Group's customers are major and international ship's owner targeting global markets and the risk of bankruptcy in the country where they located does not have a significant impact on credit risk.

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

For receivables that are individually significant and have indications of credit impairment, the Group assesses expected credit losses on an individual basis, taking into consideration the existence of insurance coverage and the customer's creditworthiness.

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5. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk, continued

(ii) Investments

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

(iii) Guarantees

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

3) Liquidity risk

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

The Group has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. If the Group cannot generate sufficient cash flow from operations to meet its cash requirements, the Group may rely on other financing activities, such as external borrowings and issuing bonds.

4) Market risk

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

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

(i) Currency risk

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

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

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5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk

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

(iii) Other market price risk

The Group is exposed to the price risk arising from equity instruments.

The effect of 1% changes in price of marketable available-for-sale securities on the total comprehensive income for the years ended December 31, 2025 and 2024 are ₩23 million and ₩14 million.

(2) Capital management

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

The Group's liability to equity ratio and net borrowing to equity ratio as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won, except equity ratio)</i>	<u>2025</u>	<u>2024</u>
Total liabilities	₩ 22,633,860	22,563,324
Total equity	16,908,353	14,155,813
Cash and deposits(*1)	8,184,228	5,647,219
Borrowings(*2)	1,044,186	1,416,030
Liability to equity ratio	133.86%	159.39%
Net borrowing to equity ratio(*3)	(*4)	(*4)

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

(*2) Discount on bonds is deducted from the face value of bonds.

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

(*4) As the ratio is negative, net borrowing to equity ratio has not been calculated.

The interest coverage ratio and basis of calculation for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won, except interest coverage ratio)</i>	<u>2025</u>	<u>2024</u>
1. Operating profit	₩ 3,904,490	1,434,090
2. Interest expense	158,762	206,322
3. Interest coverage ratio (1÷2)	24.59	6.95

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6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
Cash	₩	222	400
Demand deposits		111,416	81,524
Others (MMDA, and others)		3,630,378	3,635,395
	₩	<u>3,742,016</u>	<u>3,717,319</u>

7. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>		<u>2025</u>		<u>2024</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Financial instruments	₩	4,434,581	7,631	1,922,179	7,721
Financial assets measured at FVTPL		-	38,778	-	19,816
Financial assets measured at FVOCI		-	92,768	-	114,054
	₩	<u>4,434,581</u>	<u>139,177</u>	<u>1,922,179</u>	<u>141,591</u>

8. Restricted Deposits and Others

Deposits and others which are restricted in use as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>	<u>Restrictions</u>
Cash and cash equivalent	₩	12,253	3,418	Contributions to Mutual aid fund and others Escrow accounts and others restricted deposits
Long-term financial assets		7,429	7,425	
	₩	<u>19,682</u>	<u>10,843</u>	

The Group has deposited ₩176,000 million in financial institutions for the purpose of providing financial support to the Group's partners and Implementation of government project as of December 31, 2025.

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9. Trade and Other Receivables and Contract Assets

(1) Trade and other receivables as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	2025		2024	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 2,206,154	84,845	2,173,169	238,640
Allowance for doubtful accounts	(752,070)	(1,716)	(908,867)	(85,639)
	<u>1,454,084</u>	<u>83,129</u>	<u>1,264,302</u>	<u>153,001</u>
Other receivables:				
Other accounts receivable	474,281	264	553,323	1,030
Allowance for doubtful accounts	(233,342)	(17)	(220,871)	(17)
Accrued income	106,322	-	35,990	-
Allowance for doubtful accounts	(6,459)	-	(3,768)	-
Loans	9,611	21,713	6,100	25,040
Allowance for doubtful accounts	(494)	(16,006)	-	(16,500)
Guarantee deposits	8,027	29,998	5,267	30,144
	<u>357,946</u>	<u>35,952</u>	<u>376,041</u>	<u>39,697</u>
₩	<u><u>1,812,030</u></u>	<u><u>119,081</u></u>	<u><u>1,640,343</u></u>	<u><u>192,698</u></u>

(2) Contract assets as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	2025	2024
Contract assets	₩ 7,759,353	7,519,802
Allowance for doubtful accounts	(20,523)	(16,798)
₩	<u><u>7,738,830</u></u>	<u><u>7,503,004</u></u>

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10. Inventories

(1) Inventories as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

	2025			2024		
	Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩ 7,330	(4,453)	2,877	8,961	(2,046)	6,915
Finished goods	105,334	(5,358)	99,976	97,464	(8,208)	89,256
Work-in-progress	955,318	(13,623)	941,695	811,764	(6,296)	805,468
Raw materials	1,095,232	(7,131)	1,088,101	783,151	(9,626)	773,525
Supplies	26,958	(2,188)	24,770	23,176	-	23,176
Materials-in-transit	608,424	-	608,424	533,727	-	533,727
	₩ 2,798,596	(32,753)	2,765,843	2,258,243	(26,176)	2,232,067

(2) Loss (Reversal) on valuation of inventories for the years ended December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

	2025	2024
Loss(reversal) on valuation of inventories	₩ 4,389	(36,188)

11. Other Assets

Other assets as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

	2025		2024	
	Current	Non-current	Current	Non-current
Advanced payments	₩ 1,550,025	-	1,606,926	-
Accumulated impairment loss	(351)	-	(18,718)	-
Prepaid expenses	690,322	11,562	565,381	10,376
Accumulated impairment loss(*1)	(2,350)	-	(179)	-
Emission right	1,693	-	458	-
Others	55	262,743	-	259,791
Accumulated impairment loss	-	(63,307)	-	(63,307)
Net defined benefit assets(*2)	-	356,894	-	152,173
	₩ 2,239,394	567,892	2,153,868	359,033

(*1) Prior to recognition of the provision for the onerous contract, the impairment loss on the related asset was recognized.

(*2) As of December 31, 2025, plan assets in excess of the present value of defined benefit obligations were recognized as other non-current assets (See Note 27).

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12. Investments in Associates

(1) Investments in associates as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Associates	Location	Fiscal year end	Business	2025		2024	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	29.00	₩ 31,439	29.00	30,361
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	-	49.00	-
KC LNG Tech Co., Ltd.(*)	Korea	December	Other engineering service	16.60	-	16.60	-
Zvezda-Hyundai LLC	Russia	December	Shipbuilding	49.00	1,916	49.00	1,082
International Maritime Industries Company	Saudi Arabia	December	Shipbuilding	20.00	-	20.00	-
Elcogen Group PLC(*)	United Kingdom	December	Manufacture of fuel cell components	15.33	11,024	15.33	60,247
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	China	December	Financial and operating leases	41.26	97,776	41.26	95,983
Hyundai Hymys Co., Ltd.	Korea	December	Sale and manufacture of machinery equipment for shipbuilding	20.84	52,701	20.91	48,681
STX China Shipbuilding Holdings Co., Ltd.	Hongkong	December	Holding company	20.25	-	20.25	-
STX Dalian Development Co., Ltd.	China	December	Construction of residential buildings	30.00	-	30.00	-
					₩ 194,856		236,354

(*) Although the controlling company owns less than 20% of the equity interests, the controlling company has determined that it has significant influence because the rest of shareholders are minority and widely spread, as result the controlling company has been able to participate in the board of directors.

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12. Investments in Associates, Continued

(2) Condensed financial information of associates as of and for the years ended December 31, 2025 and 2024 is summarized as follows:

(In millions of won)

Associates	2025										
	Condensed financial information of associates						Operating			Other	Total
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	profit (loss)	Profit (loss)	comprehensive income (loss)	comprehensive income (loss)	received from investments in associates
New Korea Country Club	₩ 40,071	19,798	1,957	6,178	51,734	19,495	4,054	4,217	-	4,217	145
Zvezda-Hyundai LLC	4,667	1,510	1,044	146	4,987	-	(339)	131	1,283	1,414	-
Elcogen Group PLC	20,976	99,578	10,684	37,975	71,895	4,913	(36,166)	(37,211)	8,400	(28,811)	-
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	174,795	56,880	4,908	10,325	216,442	9,254	717	644	3,700	4,344	-
Hyundai Hymys Co., Ltd.(*)	85,858	247,494	44,660	35,795	252,897	248,204	28,759	21,717	527	22,244	740
	₩ 326,367	425,260	63,253	90,419	597,955	281,866	(2,975)	(10,502)	13,910	3,408	885

(*) It is financial information based on the consolidated financial statements of associate as of December 31, 2025.

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12. Investments in Associates, Continued

(2) Condensed financial information of associates as of and for the years ended December 31, 2025 and 2024 is summarized as follows, continued:

(In millions of won)

Associates	2024										
	Condensed financial information of associates										Dividends received from investments in associates
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating profit (loss)	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
New Korea Country Club	₩ 36,171	19,419	2,078	5,497	48,015	19,416	4,091	4,323	-	4,323	145
Zvezda-Hyundai LLC	3,294	1,322	1,041	2	3,573	276	(224)	(931)	(330)	(1,261)	-
Elcogen Group PLC	54,364	59,036	12,287	2,822	98,291	15,045	(26,745)	(25,453)	6,292	(19,161)	-
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	170,529	57,647	4,644	11,434	212,098	16,044	3,057	1,868	27,003	28,871	27,835
Hyundai Hymys Co., Ltd.(*)	72,623	253,707	40,792	52,709	232,829	223,243	21,628	15,850	(719)	15,131	-
	₩ 336,981	391,131	60,842	72,464	594,806	274,024	1,807	(4,343)	32,246	27,903	27,980

(*) It is financial information based on the consolidated financial statements of associate as of December 31, 2024.

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12. Investments in Associates, Continued

(3) Changes in equity-method accounted investees for the years ended December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Associates	2025						
	Beginning balance	Acquisitions (disposals)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Others	Ending balance
New Korea Country Club Hyundai Green Industries Co., W.L.L.	₩ 30,361	-	1,223	-	(145)	-	31,439
KC LNG Tech Co., Ltd.(*)	-	-	-	-	-	-	-
Zvezda-Hyundai LLC International Maritime Industries Company(*)	1,082	-	205	629	-	-	1,916
Elcogen Group PLC HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	60,247	-	(5,574)	1,525	-	(45,174)	11,024
Hyundai Hymys Co., Ltd. STX China Shipbuilding Holdings Co., Ltd.(*)	95,983	-	266	1,527	-	-	97,776
STX Dalian Development Co., Ltd.(*)	48,681	-	4,678	110	(740)	(28)	52,701
	-	-	-	-	-	-	-
	₩ <u>236,354</u>	<u>-</u>	<u>798</u>	<u>3,791</u>	<u>(885)</u>	<u>(45,202)</u>	<u>194,856</u>

(*) Equity method accounting was suspended for KCLNG Tech Co., Ltd. and three other investees due to a cumulative deficit that resulted in a book value of zero, and the unrecognized equity in net income of these investees due to the suspension of equity method accounting amounted to ₩109,404 million.

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12. Investments in Associates, Continued

(3) Changes in equity-method accounted investees for the years ended December 31, 2025 and 2024 are summarized as follows, continued:

(In millions of won)

Associates	2024						
	Beginning balance	Acquisitions (disposals)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Others	Ending balance
New Korea Country Club	₩ 29,258	-	1,248	-	(145)	-	30,361
Hyundai Green Industries Co., W.L.L.	-	-	-	-	-	-	-
KC LNG Tech Co., Ltd.(*)	-	-	-	-	-	-	-
Zvezda-Hyundai LLC	1,384	-	(139)	(163)	-	-	1,082
International Maritime Industries Company(*)	53,730	-	(54,267)	537	-	-	-
Elcogen Group PLC	62,967	48	(4,522)	1,869	-	(115)	60,247
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	116,445	(4,539)	771	11,141	(27,835)	-	95,983
Hyundai Hymys Co., Ltd.	39,766	-	3,397	(150)	-	5,668	48,681
STX China Shipbuilding Holdings Co., Ltd.(*)	-	-	-	-	-	-	-
STX Dalian Development Co., Ltd.(*)	-	-	-	-	-	-	-
	₩ <u>303,550</u>	<u>(4,491)</u>	<u>(53,512)</u>	<u>13,234</u>	<u>(27,980)</u>	<u>5,553</u>	<u>236,354</u>

(*) Equity method accounting was suspended for KCLNG Tech Co., Ltd. and three other investees due to a cumulative deficit that resulted in a book value of zero, and the unrecognized equity in net income of these investees due to the suspension of equity method accounting amounted to ₩48,388 million.

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12. Investments in Associates, Continued

(4) Reconciliation from net assets of the associates to the carrying amount of investments in associates in The Group's consolidated financial statements as of December 31, 2025 and 2024 is summarized as follows:

(In millions of won)

Associates	2025						
	Ending net assets	Percentage of the Group's ownership (%)	Net value	Corporate adjustments (i.e.: goodwill, etc.)	Elimination of intra-company transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 51,734	29.00	₩ 15,003	16,436	-	-	31,439
Hyundai Green Industries Co., W.L.L.	-	49.00	-	-	-	-	-
KC LNG Tech Co., Ltd.	(7,033)	16.60	(1,168)	-	-	1,168	-
Zvezda-Hyundai LLC	4,987	49.00	2,444	-	(528)	-	1,916
International Maritime Industries Company	(380,459)	20.00	(76,092)	-	-	76,092	-
Elcogen Group PLC	71,895	15.33	11,024	-	-	-	11,024
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	216,442	41.26	89,308	8,468	-	-	97,776
Hyundai Hyms Co., Ltd	252,897	20.84	52,701	-	-	-	52,701
STX China Shipbuilding Holdings Co., Ltd.	(146,165)	20.25	(29,598)	-	-	29,598	-
STX Dalian Development Co., Ltd.	(8,486)	30.00	(2,546)	-	-	2,546	-
	₩ <u>55,812</u>		₩ <u>61,076</u>	<u>24,904</u>	<u>(528)</u>	<u>109,404</u>	<u>194,856</u>

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12. Investments in Associates, Continued

(4) Reconciliation from net assets of the associates to the carrying amount of investments in associates in The Group's consolidated financial statements as of December 31, 2025 and 2024 is summarized as follows, continued:

(In millions of won)

Associates	2024						
	Ending net assets	Percentage of the Group's ownership (%)	Net value	Corporate adjustments (i.e.: goodwill, etc.)	Elimination of intra-company transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 48,015	29.00	₩ 13,925	16,436	-	-	30,361
Hyundai Green Industries Co., W.L.L.	-	49.00	-	-	-	-	-
KC LNG Tech Co., Ltd.	(5,487)	16.60	(911)	-	-	911	-
Zvezda-Hyundai LLC	3,573	49.00	1,751	-	(669)	-	1,082
International Maritime Industries Company	(76,665)	20.00	(15,333)	-	-	15,333	-
Elcogen Group PLC	98,291	15.33	15,073	45,174	-	-	60,247
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	212,098	41.26	87,515	8,468	-	-	95,983
Hyundai Hyms Co., Ltd	232,829	20.91	48,681	-	-	-	48,681
STX China Shipbuilding Holdings Co., Ltd.	(146,165)	20.25	(29,598)	-	-	29,598	-
STX Dalian Development Co., Ltd.	(8,486)	30.00	(2,546)	-	-	2,546	-
	<u>₩ 358,003</u>		<u>₩ 118,557</u>	<u>70,078</u>	<u>(669)</u>	<u>48,388</u>	<u>236,354</u>

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13. Investments in a Joint Ventures

(1) Investments in a joint venture as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Company	Location	Fiscal year	Main business	2025		2024	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Saudi Engines Manufacturing Company(*)	Saudi Arabia	December	Manufacture of marine engines	30.00	₩ 11,322	30.00	₩ 20,261

(*) According to the shareholders' agreement, critical financial and operating decisions must be agreed to by ownership parties. For this reason, the entity is classified as joint venture.

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13. Investments in Joint Ventures, Continued

(2) Condensed financial information of a joint venture as of and for the years ended December 31, 2025 and 2024 is summarized as follows:

(i) Summary of financial information

(In millions of won)

Joint venture	2025										Dividends received from investments in joint ventures
	Condensed financial information of joint ventures										
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating loss	Loss for the period	Other comprehensive income	Total comprehensive loss	
Saudi Engines Manufacturing Company	₩ 38,189	27,847	26,572	1,724	37,740	20,226	(29,902)	(27,914)	(1,882)	(29,796)	-

(ii) Additional financial information

(In millions of won)

Joint venture	2025							Income tax expense
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation	Interest income	Interest expense		
Saudi Engines Manufacturing Company	₩ 34,771	19,113	921	1,837	1,849	140	-	

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13. Investments in Joint Ventures, Continued

(2) Condensed financial information of a joint venture as of and for the years ended December 31, 2025 and 2024 is summarized as follows, continued:

(i) Summary of financial information, continued

(In millions of won)

Joint venture	2024										Dividends received from investments in joint ventures
	Condensed financial information of joint ventures										
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating loss	Loss for the period	Other comprehensive income	Total comprehensive loss	
Saudi Engines Manufacturing Company	₩ 71,567	24,010	27,338	703	67,536	5,460	(25,660)	(24,543)	5,112	(19,431)	-

(ii) Additional financial information, continued

(In millions of won)

Joint venture	2024						Interest income	Interest expense	Income tax expense
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation					
Saudi Engines Manufacturing Company	₩	60,924	18,933		50	1,342	1,278	20	66

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13. Investments in a Joint Ventures, Continued

(3) Changes in an equity-method accounted joint venture as of and for the years ended December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Joint venture		2025				Ending balance
		Beginning balance	Acquisitions	Share of loss of equity accounted investees	Changes in equity of equity accounted investees	
Saudi Engines Manufacturing Company	₩	20,261	-	(8,374)	(565)	11,322

(In millions of won)

Joint venture		2024				Ending balance
		Beginning balance	Acquisitions	Share of loss of equity accounted investees	Changes in equity of equity accounted investees	
Saudi Engines Manufacturing Company	₩	5,409	20,677	(7,363)	1,538	20,261

(4) Reconciliation from net assets of the joint ventures to the carrying amount of investments in joint ventures in the Group's consolidated financial statements as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Joint venture		2025			Ending carrying amount
		Ending net assets	Ownership (%)	Net value	
Saudi Engines Manufacturing Company	₩	37,740	30.00	11,322	11,322

(In millions of won)

Joint venture		2024			Ending carrying amount
		Ending net assets	Ownership (%)	Net value	
Saudi Engines Manufacturing Company	₩	67,536	30.00	20,261	20,261

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14. Joint Operation

The joint operation as of December 31, 2025 and 2024 is summarized as follows:

Joint operation	Main Office	Main business	Ownership (%)	
			2025	2024
FDH JV(*1)	Kuwait	Chemical plant	33.33	33.33
FDH JV(*2)	Kuwait	Chemical plant	20.00	20.00

- (*1) The Group holds a significant joint operation 'FDH JV' as of December 31, 2025 and 2024. FDH JV is a joint operation that the main purpose of an arrangement is a construction of Clean Fuels Project MAB2 EPC PKG ordered by Kuwait National Petroleum Company. The Group recognizes assets and liabilities relating to its interest in the joint operation as well as revenues and expenses relating to its interest in the joint operation.
- (*2) The Group holds a significant joint operation 'FDH JV' as of December 31, 2025 and 2024. FDH JV is a joint operation that the main purpose of an arrangement is a construction of Al Zour Refinery Project Package 2 & 3 EPC PKG ordered by Kuwait Integrated Petroleum Industries Company. The Group recognizes assets and liabilities relating to its interest in the joint operation as well as revenues and expenses relating to its interest in the joint operation.

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15. Financial assets measured at fair value

(1) Financial assets measured at FVOCI as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	2025			2024		
	Ownership (%)	Acquisition cost	Carrying amount	Ownership (%)	Acquisition cost	Carrying amount
Listed equity securities:						
KCC Corporation	0.06 ₩	1,071	2,148	0.06 ₩	1,071	1,203
KCC Glass Corporation	0.03	201	127	0.03	201	181
		<u>1,272</u>	<u>2,275</u>		<u>1,272</u>	<u>1,384</u>
Unlisted equity securities(*1):						
Hyundai Heavy Industries Power Systems Co., Ltd.(*2)	-	-	-	20.00	31,888	22,761
Bexco Co., Ltd.(*3)	7.96	9,460	5,603	7.96	9,460	5,254
Hyundai M Partners Co., Ltd.(*4)	9.93	13,145	19,250	9.93	13,145	18,430
OSX Construcao Naval S.A.	0.20	57,498	-	0.20	57,498	-
Other	-	67,920	65,640	-	68,973	66,225
		<u>148,023</u>	<u>90,493</u>		<u>180,964</u>	<u>112,670</u>
	₩	<u>149,295</u>	<u>92,768</u>	₩	<u>182,236</u>	<u>114,054</u>

(*1) Unless otherwise noted, the carrying amounts of unlisted equity securities were recorded at their acquisition cost since their fair values cannot be reliably estimated.

(*2) During the current period, the Group disposed of all its shares in Hyundai Heavy Industries Power System Co., Ltd. for the purpose of asset securitisation.

(*3) The fair value of Bexco Co., Ltd. was calculated by using the free cash flow to equity method and comparison method of similar listed companies.

(*4) The fair value of Hyundai M Partners Co., Ltd. was calculated by using the net asset value method.

Changes in the end of the current year compared to the prior year are attributable to disposals and fair value adjustments.

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15. Financial assets measured at fair value, Continued

(2) Financial assets measured at FVTPL as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	2025			2024		
	Ownership (%)	Acquisition cost	Carrying amount	Ownership (%)	Acquisition cost	Carrying amount
Debt investments(*1):						
KC Coexistence PEF(*2)	16.67	₩ 7,000	5,139	16.67	₩ 7,000	6,489
Beneficiary certificate and others	-	16,533	16,528	-	2,264	2,194
Construction Guarantee Cooperative (investment) and others	-	7,555	11,312	-	7,552	11,133
Convertible Bond	-	5,668	5,799	-	-	-
		₩ <u>36,756</u>	<u>38,778</u>		₩ <u>16,816</u>	<u>19,816</u>

(*1) Unless otherwise noted, the carrying amounts of unlisted equity securities were recorded at their acquisition cost since their fair values cannot be reliably estimated.

(*2) The fair value of KC Coexistence PEF was calculated by using the net asset value method.

Changes in the end of the current year compared to the prior year are attributable to acquisitions and fair value adjustments.

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16. Investment Property

(1) Changes in investment properties for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025			2024			
	Land	Buildings	Total	Land	Buildings	Others	Total
Beginning balance	₩ 63,077	153,489	216,566	63,077	155,253	-	218,330
Acquisitions	-	-	-	-	89	-	89
Disposals	-	(82,374)	(82,374)	-	-	(2,435)	(2,435)
Effects of changes in scope of consolidation	-	-	-	77,015	7,317	1,480	85,812
Reclassification	-	744	744	(77,015)	(3,565)	955	(79,625)
Depreciation	-	(4,732)	(4,732)	-	(5,605)	-	(5,605)
Ending balance	₩ 63,077	67,127	130,204	63,077	153,489	-	216,566

(2) Investment Properties as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	2025			2024		
	Land	Buildings	Total	Land	Buildings	Total
Acquisition cost	₩ 63,077	115,945	179,022	63,077	228,494	291,571
Accumulated depreciation	-	(48,818)	(48,818)	-	(75,005)	(75,005)
Ending balance	₩ 63,077	67,127	130,204	63,077	153,489	216,566

(3) Revenue and expense from investment property for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024
Rental income	₩ 14,341	11,346
Operating and maintenance expense arising from investment property that generated rental income	5,346	5,781

(4) Fair values from investment property as of December 31, 2025 and 2024 is as follows:

<i>(In millions of won)</i>	2025	2024
Land	₩ 109,591	90,222
Buildings	107,791	234,204
	₩ 217,382	324,426

The fair value of investment property was determined by external, independent appraiser, having appropriate recognized professional qualifications and experience in relation to the assessment of real estate in the Republic of Korea as of January 1, 2010 when the KIFRS was adopted. The valuation is achieved by using comparison methods to obtain the economic value based on marketability of the property. The Group calculated fair value considering the standard market price after transition date in order to estimate the fair value of investment property as of December 31, 2025.

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17. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 5,129,869	1,913,073	1,608,345	1,220,035	415,909	823,659	11,110,890
Acquisitions(*)	79,964	33,361	19,505	247,087	378,909	221,460	980,286
Reclassification	27,799	100,975	59,625	79,604	(349,173)	78,816	(2,354)
Disposals	(12,322)	(7,641)	(6,285)	(2,409)	(12,506)	(1,509)	(42,672)
Depreciation	-	(69,946)	(73,100)	(200,756)	-	(163,711)	(507,513)
Impairment reversals	-	36,718	12,857	21,408	-	981	71,964
Revaluation	368,606	-	-	-	-	-	368,606
Effect of changes in exchange rates	-	(1,173)	(2,311)	(1,127)	(775)	(467)	(5,853)
Effects of changes in scope of consolidation	-	47,938	-	2,679	63	1,421	52,101
Ending balance	₩ 5,593,916	2,053,305	1,618,636	1,366,521	432,427	960,650	12,025,455

(*) Capitalized borrowing costs related to construction in-progress amounted to ₩10,555 million for the year ended December 31, 2025.

(In millions of won)

	2024						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 5,031,366	1,855,914	1,451,465	1,024,684	438,486	701,588	10,503,503
Acquisitions	16	9,700	17,297	244,302	434,927	196,100	902,342
Reclassification	(24,228)	94,416	182,217	126,101	(464,252)	49,313	(36,433)
Disposals	(7,104)	(3,103)	(251)	(17,307)	(79)	(3,186)	(31,030)
Depreciation	-	(71,369)	(63,869)	(185,914)	-	(140,704)	(461,856)
Impairment losses	-	(423)	(1,595)	(1,531)	-	(371)	(3,920)
Impairment reversals	-	-	-	-	-	15,038	15,038
Effect of changes in exchange rates	-	6,246	11,840	9,057	4,335	3,706	35,184
Effects of changes in scope of consolidation	129,819	21,692	11,241	20,643	2,492	2,175	188,062
Ending balance	₩ 5,129,869	1,913,073	1,608,345	1,220,035	415,909	823,659	11,110,890

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17. Property, Plant and Equipment, Continued

(2) Property, plant and equipment as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

	2025						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Acquisition cost	₩ 5,593,916	3,805,216	3,078,933	5,390,900	432,427	3,253,690	21,555,082
Government grants	-	(2,651)	(89)	(1,016)	-	(863)	(4,619)
Accumulated depreciation	-	(1,644,528)	(1,318,011)	(3,899,759)	-	(2,228,380)	(9,090,678)
Accumulated impairment	-	(104,732)	(142,197)	(123,604)	-	(63,797)	(434,330)
Ending balance	₩ 5,593,916	2,053,305	1,618,636	1,366,521	432,427	960,650	12,025,455

(In millions of won)

	2024						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Acquisition cost	₩ 5,129,869	3,526,774	3,014,717	5,106,594	415,909	2,971,183	20,165,046
Government grants	-	(2,731)	(208)	(1,247)	-	(1,021)	(5,207)
Accumulated depreciation	-	(1,465,096)	(1,249,267)	(3,732,734)	-	(2,080,328)	(8,527,425)
Accumulated impairment	-	(145,874)	(156,897)	(152,578)	-	(66,175)	(521,524)
Ending balance	₩ 5,129,869	1,913,073	1,608,345	1,220,035	415,909	823,659	11,110,890

(3) Impairment losses

The Group assessed cash generating units (“CGUs”) for impairment where indications of impairment existed, and as a result, no impairment loss was recognized for the period ended December 31, 2025. In addition, a reversal of impairment losses amounting to ₩71,964 million (₩15,038 million in 2024) was recognized for CGUs for which indicators of impairment reversal were identified. The estimated recoverable amount based on the impairment assessments is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU. The fair value less costs is the expected negotiated sales amount or appraised value. Appraised value corresponds to fair value, which is evaluated based on valuation methods, such as publicly assessed land price, sales comparison approach, and others.

In addition, the Group did not recognize any impairment losses for property, plant and equipment with no intended future use for the years ended December 31, 2025 and 2024.

The Group tests for impairment on CGUs where indications of impairment exist annually. The Group, in principle, defines the business unit as CGU, and determines whether it is impaired by evaluating the value in use of the independent CGU. The recoverable amount of each business unit is reasonably estimated by the Group and is derived through DCF (Discounted Cash Flow) using estimated cash flow before tax based on the five-year business approved by management.

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17. Property, Plant and Equipment, Continued

(3) Impairment losses, continued

At the end of the current period, the recoverable amount was determined using the value in use of the CGU, which exceeds its carrying amount. Estimated cash flows have been updated to reflect increased demand for goods and services since the end of the prior period, and discount rate and terminal growth rate were calculated by taking into account the market environment, and applying the average value of the long-term observation period.

<i>(In percentage)</i>	<u>Discount rate</u>	<u>Terminal growth rate</u>
Inputs variables	10.20	1.00

(4) Construction in progress includes the major overhaul of the Philippines shipyard and others as of December 31, 2025.

(5) Land revaluation

The Group applied revaluation model on land and revalued land by using the value which independent and expertise appraisal institution appraised as of June 30, 2025. The appraisal institution valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraisal results with the estimated price based on recent market transactions among the independent third parties.

As a result of the above land revaluation, revaluation gains additionally recognised in other comprehensive income amounted to ₩266,221 million (net of tax), revaluation gains recognised as other non-operating income amounted to ₩25,228 million, and revaluation losses recognised as other non-operating expenses amounted to ₩19,080 million for the year ended December 31, 2025.

Book values of land assessed by revaluation model and cost model as of December 31, 2025 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	
	<u>Revaluation model</u>	<u>Cost model</u>
Land	₩ 5,593,916	3,215,874

The measured fair value of land is classified into level 3 fair value based on the input variables used in the valuation techniques. The valuation method and input variables which are used for measuring fair value of land are as follows:

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

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18. Right-of-use assets and lease liabilities

(1) Changes in right-of-use assets for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025				
		Land	Buildings	Structures	Others	Total
Beginning balance	₩	32,087	41,725	398,281	12,527	484,620
Acquisitions		6,587	13,723	155,000	4,467	179,777
Termination		(2,886)	(3,012)	-	(191)	(6,089)
Transfers		1,012	202,355	(386,400)	22,785	(160,248)
Depreciation		(9,854)	(25,630)	(3,171)	(4,909)	(43,564)
Effects of changes in scope of consolidation		2	-	-	-	2
Effect of changes in exchange rates		(129)	1,881	(11,554)	200	(9,602)
Ending balance	₩	<u>26,819</u>	<u>231,042</u>	<u>152,156</u>	<u>34,879</u>	<u>444,896</u>

(In millions of won)

		2024				
		Land	Buildings	Structures	Others	Total
Beginning balance	₩	35,413	50,277	2,322	12,421	100,433
Acquisitions		6,418	10,470	367,757	4,288	388,933
Termination		-	(128)	(105)	(116)	(349)
Transfers		434	736	-	(210)	960
Depreciation		(12,020)	(20,042)	(278)	(4,295)	(36,635)
Effects of changes in scope of consolidation		1,120	367	-	434	1,921
Effect of changes in exchange rates		722	45	28,585	5	29,357
Ending balance	₩	<u>32,087</u>	<u>41,725</u>	<u>398,281</u>	<u>12,527</u>	<u>484,620</u>

(2) Right-of-use assets as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

		2025				
		Land	Buildings	Structures	Others	Total
Acquisition cost	₩	50,429	286,813	159,070	43,593	539,905
Accumulated depreciation		(23,610)	(55,771)	(6,914)	(8,714)	(95,009)
Ending balance	₩	<u>26,819</u>	<u>231,042</u>	<u>152,156</u>	<u>34,879</u>	<u>444,896</u>

(In millions of won)

		2024				
		Land	Buildings	Structures	Others	Total
Acquisition cost	₩	49,491	71,879	398,989	19,899	540,258
Accumulated depreciation		(17,404)	(30,154)	(708)	(7,372)	(55,638)
Ending balance	₩	<u>32,087</u>	<u>41,725</u>	<u>398,281</u>	<u>12,527</u>	<u>484,620</u>

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18. Right-of-use assets and lease liabilities, Continued

(3) Lease liabilities

Lease liabilities as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Current lease liabilities	₩ 55,018	30,538
Non-current lease liabilities	398,797	452,816
	<u>₩ 453,815</u>	<u>483,354</u>

The details of the timing of the cash outflow of lease liabilities as of December 31, 2025 are summarized as follows:

<i>(In millions of won)</i>	<u>Contractual cash flow</u>	<u>Within 1 years</u>	<u>1~3 years</u>	<u>More than 3 years</u>
Lease liabilities	₩ 488,296	57,509	86,723	344,064

(4) Profit (loss) and cash outflow from lease

Profit (loss) in lease for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Depreciation on right-of-use assets:	₩ 43,564	36,635
Interest expenses on lease liabilities	3,083	3,563
Short-term lease payments(*)	51,797	60,124
Payment for leases of low-value assets(*)	2,863	2,547
Cash outflows related to leases	95,092	101,461

(*) The amounts are included in cost of sales and selling, general and administrative expenses.

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19. Intangible Assets

(1) Goodwill as of December 31, 2025 and 2024 are as follows:

(In millions of won)

		<u>2025</u>	<u>2024</u>
HD Hyundai Samho Co.,Ltd.	Shipbuilding	₩ 13,141	13,141
HD Hydrogen Co., Ltd.	Green Energy(*1)	118,986	104,116
HD Hyundai Asia Holdings Pte. Ltd.	Others(*2)	43,483	-
		<u>₩ 175,610</u>	<u>117,257</u>

(*1) For the year ended December 31, 2024, the Group recognized goodwill arising from the acquisition of a 97.46% equity interest in Convion OY by its subsidiary, HD Hydrogen Co., Ltd.

(*2) For the year ended December 31, 2025, HD Hyundai Asia Holdings Pte. Ltd., a subsidiary, acquired 100% of the equity interest in HD Hyundai Eco Vina Co., Ltd. resulting in the recognition of goodwill.

(2) Changes in intangible assets for years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		<u>2025</u>			
		<u>Goodwill</u>	<u>Development costs</u>	<u>Other intangible assets</u>	<u>Total</u>
Beginning balance	₩	117,257	156,595	100,799	374,651
Acquisitions		-	54,117	4,429	58,546
Transfers		-	(760)	4,327	3,567
Government grants received		-	(4,314)	(1,240)	(5,554)
Disposals		-	-	(4,603)	(4,603)
Amortization		-	(20,451)	(7,334)	(27,785)
Impairment loss(*)		-	(14,548)	-	(14,548)
Effect of changes in exchange rates		14,870	3,924	16	18,810
Effects of changes in scope of consolidation		43,483	-	72,444	115,927
Ending balance	₩	<u>175,610</u>	<u>174,563</u>	<u>168,838</u>	<u>519,011</u>

(*) For the year ended December 31, 2025, an impairment loss was recognized for the development costs that were determined to have a low likelihood of generating future economic benefits.

(In millions of won)

		<u>2024</u>			
		<u>Goodwill</u>	<u>Development costs</u>	<u>Other intangible assets</u>	<u>Total</u>
Beginning balance	₩	13,141	97,907	79,745	190,793
Acquisitions		-	47,549	8,639	56,188
Transfers		-	(17)	321	304
Government grants received		-	(2,181)	-	(2,181)
Disposals		-	-	(771)	(771)
Amortization		-	(14,529)	(7,148)	(21,677)
Impairment loss		-	(720)	(73)	(793)
Effect of changes in exchange rates		-	204	142	346
Effects of changes in scope of consolidation		104,116	28,382	19,944	152,442
Ending balance	₩	<u>117,257</u>	<u>156,595</u>	<u>100,799</u>	<u>374,651</u>

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19. Intangible Assets, Continued

(3) Intangible assets as of December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025			
	Goodwill	Development costs	Other intangible assets	Total
Acquisition cost	₩ 175,610	285,540	202,464	663,614
Accumulated amortization	-	(89,889)	(30,342)	(120,231)
Accumulated impairment	-	(11,625)	(2,044)	(13,669)
Government grants	-	(9,463)	(1,240)	(10,703)
Ending balance	₩ 175,610	174,563	168,838	519,011

(In millions of won)

	2024			
	Goodwill	Development costs	Other intangible assets	Total
Acquisition cost	₩ 117,257	255,183	124,087	496,527
Accumulated amortization	-	(66,686)	(20,988)	(87,674)
Accumulated impairment	-	(26,501)	(2,300)	(28,801)
Government grants	-	(5,401)	-	(5,401)
Ending balance	₩ 117,257	156,595	100,799	374,651

The carrying amount of intangible assets with indefinite useful lives is ₩60,739 million as of December 31, 2025 and 2024.

(4) Details of research and development costs, ordinary development costs and development cost amortization included in intangible asset for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025	2024
Research and development costs	Selling, general and administrative expenses	₩ 33,088	21,126
	Government grants	(1,102)	(1,227)
		₩ 31,986	19,899
Ordinary development costs	Selling, general and administrative expenses	126,396	96,952
	Government grants	(3,737)	(1,441)
		₩ 122,659	95,511
Development cost amortization	Manufacturing costs	18,618	14,078
	Selling, general and administrative expenses	2,086	637
	Government grants	(253)	(186)
		₩ 20,451	14,529

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19. Intangible Assets, Continued

- (5) The Group tests goodwill for impairment annually and assesses the recoverable amount of each cash-generating unit (CGU). The recoverable amount of cash generating unit (CGU) is measured by the calculation of the value in use. The value in use is measured by applying discount rate to future cash flow to be derived from continuing use of the asset. Assumptions used in calculating the value in use as of December 31, 2025, are as follows:

	<u>HD Hyundai Samho Co., Ltd.</u>	<u>HD Hydrogen Co., Ltd.</u>
Discount rate(*)	9.63%	14.88%
Terminal growth rate(*)	1.00%	1.00%

(*) The discount rate and terminal growth rate were determined based on the market environment, using the average value over a long-term observation period.

20. Greenhouse Gas Emission Rights and Emission Liabilities

- (1) The estimated quantities of emission rights allocated free of charge for each performing period during the third planning period (from 2021 to 2025) as of December 31, 2025 are as follows:

<i>(In ton)</i>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
Emission allowances allocated free of charge	933,899	953,099	1,020,185	968,235	975,114	4,850,532

- (2) The contents of emission permits and their carrying amount for the years ended December 31, 2025 and 2024, are as follows.

(In ton, In millions of won)

	<u>2025</u>									
	<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>	
	<u>Quantity</u>	<u>Book value</u>	<u>Quantity</u>	<u>Book value</u>	<u>Quantity</u>	<u>Book value</u>	<u>Quantity</u>	<u>Book value</u>	<u>Quantity</u>	<u>Book value</u>
Beginning balance and free of charge	1,190,153	₩ -	1,105,232	₩ -	1,106,726	₩ -	1,037,997	₩ 459	1,038,085	₩ 490
Purchases (sales)	(69,547)	-	(30,080)	-	73,992	-	159,494	1,365	119,076	1,217
Government submission	(968,473)	-	(988,611)	-	(1,110,956)	-	(1,134,520)	(1,334)	-	-
Borrowing (carry-over)	(152,133)	-	(86,541)	-	(69,762)	-	(62,971)	-	-	-
Ending balance	<u>-</u>	<u>₩ -</u>	<u>-</u>	<u>₩ -</u>	<u>-</u>	<u>₩ -</u>	<u>-</u>	<u>₩ 490</u>	<u>1,157,161</u>	<u>₩ 1,707</u>

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20. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

- (2) The contents of emission permits and their carrying amount for the years ended December 31, 2025 and 2024, are as follows, continued

(In ton, In millions of won)

	2024									
	2021		2022		2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning balance										
and free of charge	1,190,153	₩ -	1,105,232	₩ -	1,106,726	₩ -	1,000,508	₩ 459	930,746	₩ -
Purchases (Sales)	(69,547)	-	(30,080)	-	73,992	-	-	-	-	-
Government submission	(968,473)	-	(988,611)	-	(1,110,956)	-	-	-	-	-
Borrowing (carry-over)	(152,133)	-	(86,541)	-	(69,762)	-	-	-	-	-
Ending balance	-	₩ -	-	₩ -	-	₩ -	1,000,508	₩ 459	930,746	₩ -

- (3) As of December 31, 2025, there are no emission rights provided as collateral.

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20. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

(4) The estimated quantity of greenhouse gas emission for the current performing period is 1,139,808 ton.

(5) The changes in emission liabilities for the years ended December 31, 2025 and 2024 are as follows.

(In millions of won)

		2025	2024
Beginning balance	₩	1,572	420
Increase		1,718	1,572
Reversal		(249)	(168)
Offset		(1,334)	(252)
Ending balance	₩	1,707	1,572

21. Pledged Assets

(1) Assets pledged as collateral for the Group's borrowings as of December 31, 2025 are summarized as follows:

(In millions of won)

Pledged assets	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Buildings and others	₩ 26,296	33,986	Short-term borrowings	6,000	KEB Hana Bank and others

(2) The Group receives payment guarantees from financial institutions for advances from customers on ships as of December 31, 2025. Regarding these guarantees, the Group provides its ships under construction and materials for shipbuilding as collateral (See Note 46).

(3) The Group has pledged stand-by letter of credit issued by Hana Bank as collateral to Atlantic Specialty Insurance Company (See Note 46).

(4) The Group provides ships under construction, raw materials for construction and export receivables as collateral in connection with VND 3,805,000 million general loan borrowing arrangements (See Note 46).

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22. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

		2025		2024	
		Current	Non-current	Current	Non-current
Borrowings	₩	99,344	40,122	249,666	202,145
Bonds		152,967	751,753	312,613	651,606
Financial liabilities measured at FVTPL		-	6,868	-	6,228
Other non-current financial liabilities		-	6,868	-	6,228
	₩	<u>252,311</u>	<u>805,611</u>	<u>562,279</u>	<u>866,207</u>

23. Trade and Other Payables

Trade and other payables as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

		2025		2024	
		Current	Non-current	Current	Non-current
Trade payables	₩	2,328,408	-	2,247,211	-
Other accounts payable		581,985	892	504,199	906
Dividends payable		50	-	-	-
Accrued expense		1,404,313	21,969	1,132,284	11,405
Deposits received		4	24,202	3	22,200
	₩	<u>4,314,760</u>	<u>47,063</u>	<u>3,883,697</u>	<u>34,511</u>

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24. Supplier Finance Arrangements

The Group participates in a supplier financing arrangement whereby a financial institution settles the Group's payables to suppliers, and the Group subsequently reimburses the financial institution. This arrangement is intended to streamline the payment process and offer suppliers earlier settlement terms compared to the original payment schedule. As the Group remains legally obligated to settle the underlying payables, the related liabilities have not been derecognized.

The Group has entered into supplier financing arrangements with financial institutions in connection with accounts receivable-backed loans and others. As of December 31, 2025, all liabilities arising from these supplier financing arrangements have been classified as current liabilities.

Supplier financing arrangements as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	2025		2024	
	Accounts payable and other payables(*)	Short-term borrowings	Accounts payable and other payables(*)	Short-term borrowings
Carrying amount of financial liabilities under supplier financing arrangements ₩	115,305	-	145,055	12,572
Carrying amount that the supplier has already received from the financial institution	4,687	-	7,568	12,572
Payment terms of financial liabilities under supplier financing arrangements	Within 1 years	Within 1 years	Within 1 years	Within 1 years

(*) Payment terms for comparable accounts payables not subject to supplier financing arrangements range from 60 to 90 days from the invoice date.

There were no material non-cash changes in the carrying amount of financial liabilities under supplier financing arrangements for the year ended December 31, 2025.

25. Other Liabilities

Other liabilities as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	2025		2024	
	Current		Current	
Unearned revenues	₩	246		476
Others		215		131
	₩	461		607

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26. Borrowings and Bonds

(1) Short-term borrowings as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2025
Production finance	VCB	3.10~3.30	₩	93,344
Facility financing(*)	KEB Hana Bank	4.83		4,000
				97,344
Current portion of long-term borrowings				2,000
			₩	99,344

(*) The Group has provided buildings and other assets as collateral in relation to facility financing (See Note 21).

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2024
General loan in foreign currency	VCB and others	3.50~5.00	₩	174,267
Usance L/C	Kookmin Bank	3.94~5.67		12,572
				186,839
Current portion of long-term borrowings				62,827
			₩	249,666

(2) Long-term borrowings as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2025
General loan	Shinhan Bank	1.30~1.93	₩	15,031
Loan for petroleum development project(*1)	Korea Energy Agency	0.75		11,531
Facility financing(*2)	Shinhan Bank and others	1.93~2.25		15,560
				42,122
Current portion of long-term borrowings				(2,000)
Non-current portion of long-term borrowings			₩	40,122

(*1) During 2013, the consortium that included the Group decided to withdraw from its oil development business in the 4 mining areas in Yemen. The amount borrowed from Korea Energy Agency was classified as liquidity according to the original repayment plan, but maturities of business loans from Korea Energy Agency are not readily determinable since the decision on the redemptions of these business loans are still being deliberated by the supervisory institution (See Note 46).

(*2) The Group has provided buildings and other assets as collateral in relation to facility financing (See Note 21).

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26. Borrowings and Bonds, Continued

(2) Long-term borrowings as of December 31, 2025 and 2024 are summarized as follows, continued:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2024
General loan	The Korea Development Bank and others	1.93~5.51	₩ 230,800
General loan in foreign currency	Valtiokonttori - State Treasury	1.00	1,161
Loan for petroleum development project (*1)	Korea Energy Agency	0.75	11,813
Facility financing(*2)	Shinhan Bank and others	1.93~5.89	21,198
			<u>264,972</u>
Current portion of long-term borrowings			(62,827)
Non-current portion of long-term borrowings			₩ <u>202,145</u>

(*1) During 2013, the consortium that included the Group decided to withdraw from its oil development business in the mining area 4 in Yemen. The amount borrowed from Korea Energy Agency was classified as liquidity according to the original repayment plan, but maturities of business loans from Korea Energy Agency are not readily determinable since the decision on the redemptions of these business loans are still being deliberated by the supervisory institution.

(*2) The Group has provided machinery and equipment as collateral in relation to facility financing.

(3) Bonds as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)	2025
Secured bond	2027-03-28	3.18	₩ 430,470
Debentures	2027-01-29	4.43~5.38	211,000
Exchangeable bonds(*)	2030-03-28	0.00	320,000
			<u>961,470</u>
Discount on bonds			(56,750)
Current portion of bonds			(153,000)
Discount on current portion of bonds			33
			₩ <u>751,753</u>

(*) The details of exchangeable bonds issued as of December 31, 2025 are as follows:

Type	Date of issue	Maturity date	Coupon rate	Shares subject to exchange	Exchange request period	Exchange price	Issue amount
Unsecured privately placed exchangeable bonds	2025-03-28	2030-03-28	0.00%	Registered ordinary shares of HD Hyundai Heavy Industries Co., Ltd.	From 31 March 2025 to 28 February 2030	₩ 346,705 per share	₩ 600,000 million

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26. Borrowings and Bonds, Continued

(3) Bonds as of December 31, 2025 and 2024 are summarized as follows, continued:

A. Early redemption clause

The holders of the exchangeable bonds have the right to request early redemption of the bonds before maturity on the date falling 24 months after the issuance date (March 28, 2027) and every three months thereafter. The redemption amount will be the total registered amount requested for early redemption multiplied by the early redemption rate. If the early redemption payment date is not a business day, the payment will be made on the following business day, and no interest will accrue after the original early redemption payment date.

B. Redemption at maturity

The bonds will be redeemed in a lump sum on the maturity date, March 28, 2030.

C. Adjustment of exercise price

If, prior to the exercise of exchange rights by a holder of the exchangeable bonds, the issuing entity issues shares at a price below market price through a capital increase with consideration, stock dividends, or capitalization of reserves, or issues equity-linked bonds (e.g., convertible bonds or bonds with warrants) at a conversion price or exercise price below market price, the exchange price shall be adjusted accordingly.

D. Exercise of exchange right

As of December 31, 2025, exchangeable bonds amounting to ₩280,000 million have been exchanged upon the exercise of exchange rights. The number of shares disposed of upon the exercise is 807,600 shares.

(In millions of won)

Description	Maturity	Annual interest rate (%)	2024
Secured bond	2027-03-28	3.18	₩ 441,000
Debentures	2027-01-29	4.27~5.38	524,000
			965,000
Discount on bonds			(781)
Current portion of bonds			(313,000)
Discount on current portion of bonds			387
			₩ 651,606

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26. Borrowings and Bonds, Continued

(4) Aggregate repayment schedules of the Group's borrowings and bonds as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>		2025		
Periods		Borrowings	Bonds	Total
Within 1 year	₩	99,344	153,000	252,344
1~5 years		17,043	808,470	825,513
More than 5 years		23,079	-	23,079
	₩	<u>139,466</u>	<u>961,470</u>	<u>1,100,936</u>

<i>(In millions of won)</i>		2024		
Periods		Borrowings	Bonds	Total
Within 1 year	₩	249,666	313,000	562,666
1~5 years		196,675	652,000	848,675
More than 5 years		5,470	-	5,470
	₩	<u>451,811</u>	<u>965,000</u>	<u>1,416,811</u>

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26. Borrowings and Bonds, Continued

(5) Changes in liabilities arising from financing activities for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025				
		Borrowings	Bonds	Lease liabilities	Dividends Payable	Total
Beginning balance		₩ 451,811	964,219	483,354	-	1,899,384
Cash flows from financing activities	Borrowings	825,932	599,736	-	-	1,425,668
	Repayment	(1,136,028)	(313,000)	(37,349)	-	(1,486,377)
	Dividend payable	-	-	-	(715,259)	(715,259)
	Effects of changes in foreign exchange rates	(2,249)	(10,530)	(9,245)	-	(22,024)
	Amortization of bond discounts	-	662	-	-	662
Non-cash flows	Adjustment of exchangeable bond conversion rights	-	(56,367)	-	-	(56,367)
	Exercise of exchangeable bond conversion rights	-	(280,000)	-	-	(280,000)
	Dividends resolution	-	-	-	715,309	715,309
	Others	-	-	20,122	-	20,122
Cash flows from operating activities(*)		-	-	(3,067)	-	(3,067)
Ending balance		₩ <u>139,466</u>	<u>904,720</u>	<u>453,815</u>	<u>50</u>	<u>1,498,051</u>

(*) Interest expense part of lease payments for the year ended December 31, 2025 is classified as cash flows from operating activities.

(In millions of won)

		2024			
		Borrowings	Bonds	Lease liabilities	Total
Beginning balance		₩ 2,450,216	1,465,518	98,222	4,013,956
Cash flows from financing activities	Borrowings	1,196,405	200,000	-	1,396,405
	Repayments	(3,313,686)	(755,880)	(35,227)	(4,104,793)
	Effects of changes in foreign exchange rates	24,403	54,180	620	79,203
Non-cash flows	Amortization of bond discounts	-	401	-	401
	Effects of changes in scope of consolidation	94,867	-	2,683	97,550
	Others	(394)	-	420,619	420,225
Cash flows from operating activities(*)		-	-	(3,563)	(3,563)
Ending balance		₩ <u>451,811</u>	<u>964,219</u>	<u>483,354</u>	<u>1,899,384</u>

(*) Interest expense part of lease payments for the year ended December 31, 2024 is classified as cash flows from operating activities.

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27. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Present value of defined benefit obligations	₩ 1,854,475	1,813,304
Fair value of plan assets(*)	<u>1,810,141</u>	<u>1,754,863</u>
Recognition of liabilities of defined benefit plans	₩ <u>44,334</u>	<u>58,441</u>

(*) Plan assets exceed the present value of defined benefit obligations in the amount of ₩356,894 million and ₩152,173 million as of December 31, 2025 and 2024, respectively. Such amounts were recognized as defined benefit assets (in other non-current assets). The fair value of the plan assets added to the surplus is ₩2,167,035 million and ₩1,907,036 million(See Note 11).

(2) Plan assets as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Retirement pension(*)	₩ 2,166,476	1,906,357
Transfer to National Pension Fund	<u>559</u>	<u>679</u>
	₩ <u>2,167,035</u>	<u>1,907,036</u>

(*) As of December 31, 2025 retirement pension is fully invested in principal and interest guaranteed products and bond mixed fund products.

(3) Expenses recognized in profit or loss for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Current service costs	₩ 177,071	156,328
Past service costs	(8,496)	(692)
Interest cost	63,678	62,200
Interest income	(70,349)	(79,221)
Expense for defined contribution plans	<u>6,612</u>	<u>3,990</u>
	₩ <u>168,516</u>	<u>142,605</u>

The Group recognized additional retirement benefits cost of ₩2,138 million and ₩1,849 million for the years ended December 31, 2025 and 2024, respectively.

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27. Employee Benefits, Continued

(4) Changes in defined benefit obligations for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Beginning balance	₩ 1,813,304	1,512,840
Current service costs	177,071	156,328
Past service costs	(8,496)	(692)
Interest cost	63,678	62,200
Changes in scope of consolidation	20	3,801
Benefits paid	(190,124)	(177,872)
Transfers from related parties	20,334	16,794
Effect of changes in exchange rates and others	(80)	365
Actuarial losses (gains) in other comprehensive income:		
Demographic assumptions	(1,773)	11
Financial assumptions	(41,344)	200,978
Experience adjustments	21,885	38,551
Ending balance	₩ <u>1,854,475</u>	<u>1,813,304</u>

(5) Changes in the plan assets for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Beginning balance	₩ 1,907,036	1,820,711
Benefits paid	(136,356)	(129,360)
Contributions to plan assets	328,832	136,877
Interest income	70,349	79,221
Changes in scope of consolidation	-	3,051
Actuarial gains (losses) in other comprehensive income	(2,826)	(3,464)
Ending balance	₩ <u>2,167,035</u>	<u>1,907,036</u>

The Group reviews the level of the fund every year and takes the policy to preserve fund in the event of a loss to the fund. As of December 31, 2025, the estimated fund payment for the next year amounted to ₩ 175,306 million.

(6) Expected payment date of the defined benefit obligations as of December 31, 2025 is as follows:

<i>(In millions of won)</i>	<u>Within 1 year</u>	<u>1 ~ 5 years</u>	<u>5 ~ 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Expected payment	₩ 71,522	567,773	953,604	4,624,731	6,217,630

(7) Principal actuarial assumptions as of December 31, 2025 and 2024 are as follows:

<i>(In percentage)</i>	<u>2025</u>	<u>2024</u>
Discount rate	3.68 ~ 6.50	3.42 ~ 4.35
Future salary growth	2.00 ~ 7.00	1.79 ~ 4.50
Future mortality (Males, at age 45)	0.18	0.02 ~ 0.18

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27. Employee Benefits, Continued

(8) Weighted average durations of defined benefit obligations

Weighted average durations of defined benefit obligations as of December 31, 2025 and 2024 are as follows:

<i>(In years)</i>	2025	2024
Weighted average durations	9.95	10.20

(9) Sensitivity analysis of changes of defined benefit obligations

Reasonably possible changes as of December 31, 2025 and 2024 to each relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below.

<i>(In millions of won)</i>	2025		2024	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	₩ (152,940)	176,534	(153,636)	178,169
Future salary growth (1% movement)	163,706	(145,267)	159,232	(141,161)

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28. Provisions

(1) Changes in provisions for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025					
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	98,265	1,572	143,193	223,915	18,129	485,074
Increase		18,914	1,718	63,811	175,239	1,169	260,851
Decrease		(38,667)	(249)	(18,832)	(39,091)	-	(96,839)
Offset		-	(1,334)	(27,852)	(70,818)	(492)	(100,496)
Changes in scope of consolidation		-	-	868	-	-	868
Other (*)		(2,170)	-	-	-	-	(2,170)
Effect of changes in exchange rates		-	-	(92)	(2)	(24)	(118)
Ending balance	₩	76,342	1,707	161,096	289,243	18,782	547,170

(*) For the year ended December 31, 2025, this is effect of changes in impairment losses previously recognized for assets related to onerous contracts.

(In millions of won)

		2024					
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	185,039	420	187,822	103,142	7,957	484,380
Increase		8,450	1,572	121,145	199,570	4,137	334,874
Decrease		(102,379)	(168)	(41,652)	(35,585)	(1,083)	(180,867)
Offset		-	(252)	(124,402)	(43,665)	(3,354)	(171,673)
Changes in scope of consolidation		29	-	-	434	10,273	10,736
Other (*)		7,106	-	-	-	-	7,106
Effect of changes in exchange rates		20	-	280	19	199	518
Ending balance	₩	98,265	1,572	143,193	223,915	18,129	485,074

(*) For the year ended December 31, 2024, this is effect of changes in impairment losses previously recognized for assets related to onerous contracts.

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28. Provisions, Continued

(2) Provisions for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025					
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision	Total
Current portion	₩	76,342	1,693	116,090	227,390	14,338	435,853
Non-current portion		-	14	45,006	61,853	4,444	111,317
Ending balance	₩	76,342	1,707	161,096	289,243	18,782	547,170

(In millions of won)

		2024					
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision	Total
Current portion	₩	98,265	1,572	89,927	179,376	13,315	382,455
Non-current portion		-	-	53,266	44,539	4,814	102,619
Ending balance	₩	98,265	1,572	143,193	223,915	18,129	485,074

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29. Derivative Financial Instruments

The Group has entered into derivative instrument contracts with various banks, including KEB Hana Bank and others to hedge the risk related to changes in foreign exchange rates, interest rate risk and others. Derivatives are measured at fair value by using the forward exchange rate presented by contract counterparty and others.

(1) The description of derivative instrument and hedge accounting is as follows:

Hedge accounting	Type	Description
Fair value hedge	Foreign currency forward	Hedges the risk of changes in foreign currency exchange rate for firm commitments.
Cash flow hedge	Foreign currency forward	Hedges the variability in cash flows attributable to foreign currency exposure in respect of forecasted sales and purchases
	Foreign currency swap	Hedges cash flow risk on interest rate fluctuation and changes in exchange rates of foreign currency liabilities

(2) Terms of derivative contracts as of December 31, 2025 are as follows:

(In millions of won, in thousands of other currency)

Description	Type	Currency	Amount	Currency	Amount	Average Maturities	Number of Contracts
Fair value hedge	Foreign currency forward	USD	23,031,589	KRW	30,359,915	2027-05-21	11,276
	Foreign currency forward	EUR	6,478	KRW	10,817	2026-11-16	3
Cash flow hedge	Foreign currency forward	USD	23,901	GBP	18,447	2027-05-02	2
	Foreign currency forward	USD	235,555	KRW	339,548	2026-11-13	123
	Foreign currency swap	KRW	363,540	USD	300,000	2027-03-28	1

※ Terms of settlement: Netting the settlement or collecting total

※ The contract amount is denominated in the selling currency.

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29. Derivative Financial Instruments, Continued

(3) Book value related to derivatives as of December 31, 2025 is as follows:

(In millions of won)

Description	Type	Derivatives				Firm commitment			
		Assets		Liabilities		Assets		Liabilities	
		Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Fair value hedge	Foreign currency forward	₩ 10,960	35,501	958,337	1,156,346	677,524	1,143,742	14,222	35,500
Cash flow hedge	Foreign currency forward	2,643	3,755	799	-	-	-	-	-
	Foreign currency swap	-	63,322	-	-	-	-	-	-
		₩ 13,603	102,578	959,136	1,156,346	677,524	1,143,742	14,222	35,500

(4) Gains and losses on valuation and transaction of derivatives for the year ended December 31, 2025 are as follows:

(In millions of won)

Description	Type	Sales	Cost of sales	Finance income	Finance costs	Other non-operating Income	Other non-operating expenses	Other comprehensive income (loss)
Fair value hedge	Foreign currency forward	₩ (1,229,074)	-	497,263	648,693	589,473	393,069	-
Cash flow hedge	Foreign currency forward	(5,219)	(1,229)	855	-	-	-	13,358
	Foreign currency swap	-	-	-	10,530	-	-	9,883
For trading	Foreign currency forward	-	-	5,133	31,763	-	-	-
		₩ (1,234,293)	(1,229)	503,251	690,986	589,473	393,069	23,241

For the year ended December 31, 2025, the Group recognized a loss of ₩23,241 million in other comprehensive income (loss), net of a deferred tax adjustment of ₩3,214 million, on the valuation loss of ₩20,027 million on derivatives designated as cash flow hedges. This is comprised of ₩10,257 million attributable to equity holders of the controlling company.

The maximum expected period of exposure to cash flow risk, where the cash flow hedge accounting is applied, is approximately 29 months.

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30. Capital and Capital Surplus

(1) Common stock

The controlling company's common stock as of December 31, 2025 and 2024 are as follows:

<i>(In shares)</i>	2025	2024
Authorized shares	160,000,000	160,000,000
Issued shares	70,773,116	70,773,116
Par value (in won)	5,000	5,000

(2) Capital surplus

Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of controlling company. Other capital surplus of the controlling company is derived from various sources including gains arising from previous business combination, gains on disposal of treasury stocks, and others. Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock.

Capital surplus as of December 31, 2025 and 2024 is summarized as follows:

<i>(In millions of won)</i>	2025	2024
Paid-in-capital in excess of par value	₩ 1,794,083	1,794,083
Gains on disposal of treasury stocks	442,353	442,353
Gains on business combination	21,830	21,830
Other capital surplus	758,509	341,516
	₩ 3,016,775	2,599,782

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31. Capital Adjustments

(1) Capital adjustments as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Treasury shares	₩ (10,532)	(10,532)
Capital adjustment of equity method securities	(1,221)	(1,457)
Loss on capital reduction	(7,036,683)	(7,036,683)
Other capital adjustments	(1,560,349)	(1,560,349)
	₩ <u>(8,608,785)</u>	<u>(8,609,021)</u>

(2) Treasury stocks as of December 31, 2025 and 2024 are as follow:

<i>(In millions of won, except share data)</i>	<u>2025</u>	<u>2024</u>
Number of shares (in shares)	58,486	58,486
Carrying amount	₩ 10,532	10,532
Fair value	23,804	13,335

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32. Accumulated Other Comprehensive Income (loss)

(1) Accumulated other comprehensive income (loss) as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
Net change in fair value of financial assets measured at FVOCI	₩	180,683	170,674
Effective portion of changes in fair value of cash flow hedges		837	(9,420)
Exchange differences on translating foreign operations		62,001	54,403
Changes in equity of equity method investments		29,537	27,822
Revaluation of property, plant and equipment		1,583,634	1,427,442
	₩	<u>1,856,692</u>	<u>1,670,921</u>

(2) Other comprehensive income (loss) for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>		<u>2025</u>			<u>2024</u>		
		<u>Other comprehensive Income (loss)</u>	<u>Owners of the controlling company</u>	<u>Non-controlling interests</u>	<u>Other comprehensive Income (loss)</u>	<u>Owners of the controlling company</u>	<u>Non-controlling interests</u>
Net change in fair value of financial assets measured at FVOCI	₩	1,965	1,707	258	(10,680)	(10,416)	(264)
Effective portion of changes in fair value of cash flow hedges		20,027	10,257	9,770	(11,576)	(6,536)	(5,040)
Exchange differences on translating foreign operations		3,611	7,598	(3,987)	16,077	5,939	10,138
Changes in equity of equity method investments		1,730	1,715	15	10,874	10,878	(4)
Retained earnings of equity method investments		110	110	-	(150)	(150)	-
Actuarial gains and losses		13,123	6,300	6,823	(183,405)	(132,339)	(51,066)
Revaluation of property, plant and equipment		227,246	160,253	66,993	(884)	15,061	(15,945)
	₩	<u>267,812</u>	<u>187,940</u>	<u>79,872</u>	<u>(179,744)</u>	<u>(117,563)</u>	<u>(62,181)</u>

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33. Retained Earnings

Retained earnings as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Legal reserves(*1,2)	₩ 2,020,414	2,020,414
Voluntary reserves	14,563,283	14,990,576
Unappropriated retained earnings	83,833	(1,927,111)
	<u>₩ 16,667,530</u>	<u>15,083,879</u>

(*1) The Korean Commercial Code requires the Group to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of capital. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to offset accumulated deficit, if any, through a resolution of shareholders.

(*2) Only available for the reduction of accumulated deficit or transfer to capital stock in accordance with related laws.

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34. Acquisitions of Subsidiary and Non-controlling Interests

(1) Business combinations

1) General information

- (i) For the year ended December 31, 2025, a business combination occurred between the Group's subsidiaries, HD Hyundai Heavy Industries Co., Ltd. and HD Hyundai Mipo Co., Ltd. (See Note 1).
- (ii) For the year ended December 31, 2025, the subsidiary HD Hyundai Asia Holdings Pte. Ltd. acquired a 100% equity interest in HD Hyundai Eco Vina Co., Ltd. , thereby obtaining control and including it in the consolidated group as a subsidiary.

2) Transfer price

Transfer price on acquisition date is as follows:

(In millions of won)

		<u>HD Hyundai Eco Vina Co., Ltd.</u>
Cash and cash equivalents	₩	366,175

3) Identifiable assets and liabilities acquired

The total fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date is as follows:

(In millions of won)

		<u>HD Hyundai Eco Vina Co., Ltd.</u>
Assets:		
Cash and cash equivalents	₩	163,173
Trade and other receivables		54,315
Inventories		7,824
Property, plant and equipment		52,101
Intangible assets		72,444
Tax assets		6,701
Other assets		4,858
Total Assets:		<u>361,416</u>
Liabilities:		
Trade and other payables		18,300
Contract liabilities		19,334
Provisions		828
Defined benefit obligations		20
Other liabilities		242
Total Liabilities:		<u>38,724</u>
Net Assets:	₩	<u>322,692</u>

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34. Acquisitions of Subsidiary and Non-controlling Interests, Continued

(1) Business combinations, continued

4) Goodwill and fair value adjustment

Goodwill from business combinations are as follow:

(In millions of won)

	<u>HD Hyundai Eco Vina Co., Ltd.</u>	
Total consideration transferred	₩	366,175
Fair values of identifiable net assets(*)		322,692
Goodwill		43,483

(*) The fair values of the assets acquired and liabilities assumed in connection with the business combination of HD Hyundai Eco Vina Co., Ltd. as of the acquisition date are provisional. The measurement process is expected to be completed within one year from the acquisition date. Additional assets or liabilities may be recognized upon finalization of the measurement, which could result in changes to the amount of goodwill or the gain on bargain purchase.

(2) Changes in the parent company's ownership interest in subsidiaries that did not result in a loss of control during year ended December 31, 2025 and 2024 had the following impact on equity attributable to owners of the parent company:

1) Increase of ownership

(In millions of won)

Subsidiary	2025					
	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non-controlling interest	Change of capital surplus, etc.
HD Hyundai Samho Co., Ltd.	96.65	96.65	Equity transaction within the Group and others	₩ 94	(93)	(1)
Hyundai Heavy Industries Argentina S.R.L.	99.98	99.99	Equity transaction within the Group and others	-	(1)	1

(In millions of won)

Subsidiary	2024					
	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non-controlling interest	Change of capital surplus, etc.
HD Hyundai Samho Co., Ltd.	96.58	96.65	Equity transaction within the Group and others	₩ 1,725	(1,499)	(226)

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34. Acquisitions of Subsidiary and Non-controlling Interests, Continued

(2) Changes in the parent company's ownership interest in subsidiaries that did not result in a loss of control during year ended December 31, 2025 and 2024 had the following impact on equity attributable to owners of the parent company, continued

2) Decrease of ownership

(In millions of won)

Subsidiary	2025					
	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non-controlling interest	Change of capital surplus, etc.
HD Hyundai Heavy Industries Co., Ltd.	75.02	69.23	Equity transaction within the Group and others	₩ (282,300)	(212,743)	495,043

(In millions of won)

Subsidiary	2024					
	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non-controlling interest	Change of capital surplus, etc.
HD Hyundai Heavy Industries Co., Ltd.	78.02	75.02	Equity transaction within the Group and others	₩ (347,274)	162,592	184,682

(3) There was no case in which gains (losses) on disposal upon loss of control of subsidiaries for the years ended December 31, 2025 and 2024.

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35. Revenue

(1) Changes in outstanding contracts for the year ended December 31, 2025 are as follows:

<i>(In millions of won)</i>		Shipbuilding	Offshore, Industrial Plant and Engineering	Other	Total
Beginning balance	₩	72,168,671	3,629,748	7,710,040	83,508,459
Increase during the period(*1)		23,669,403	58,914	4,941,099	28,669,416
Revenue recognized(*2)		(25,036,454)	(1,243,575)	(3,660,966)	(29,940,995)
Ending balance(*3)	₩	<u>70,801,620</u>	<u>2,445,087</u>	<u>8,990,173</u>	<u>82,236,880</u>

(*1) The increase includes the impact from changes in the contract amount and exchange rate.

(*2) The share of profit (loss) of equity accounted investees in associates and joint ventures is not included.

(*3) The balance of contract related to joint operation (FDH JV) is not included.

As of December 31, 2025, the Group provides certain amounts to financial institutions as guarantee deposits or letters of guarantee from various financial institutions to the customers in connection with construction contracts.

As of December 31, 2025, the periods when the ending balance is expected to be recognized as revenue are as follows:

<i>(In millions of won)</i>		2026	2027	After 2028	Total
Expected amounts	₩	33,463,677	30,805,729	17,967,474	82,236,880

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35. Revenue, Continued

(2) Accumulated revenue and cost of construction and others related to construction-in-progress as of December 31, 2025 are as follows:

(In millions of won)

		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit of construction	Billed receivables on construction contracts (*1)	Unbilled receivables on construction contracts (*1)	Contract liabilities	Provision for construction losses
Shipbuilding	₩	20,165,356	17,739,094	2,426,262	494,539	7,604,373	11,169,771	69,259
Offshore, Industrial Plant and Engineering(*2)		2,786,775	2,629,524	157,251	135,757	132,756	743,699	7,083
Others		4,266	3,321	945	216	1,701	-	-
	₩	<u>22,956,397</u>	<u>20,371,939</u>	<u>2,584,458</u>	<u>630,512</u>	<u>7,738,830</u>	<u>11,913,470</u>	<u>76,342</u>

(*1) As of December 31, 2025, allowance for receivables on construction contracts and contract assets amounted to ₩6 million and ₩20,523 million, respectively. The receivables on construction contracts is the amount deducted from the allowance for bad debts.

(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

Heavy-tail payment plan is a major collection term in the Shipbuilding segment, and Offshore, Industrial Plant and Engineering segment mainly based on Progress and Milestone payment plan. Therefore, billed receivables on construction contracts and contract assets might be changed according to the progress of construction.

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35. Revenue, Continued

(3) As of December 31, 2025, information of significant construction contracts is as follows:

(In millions of won)

Name	Contract date	Contract due(*)	Progress (%)	Contract assets		Trade receivables	
				Total amount	Allowance for doubtful accounts	Total amount	Allowance for doubtful accounts
CFP	2014.04.13	2018.10.18	98.50	₩ -	-	965	-
ZOR	2015.10.13	2019.07.27	97.29	-	-	17,663	-
FPSO Petrobras 78 Project	2021.05.08	2025.11.07	98.20	122,142	-	52,024	-
Shenandoah FPS Project	2021.08.05	2025.02.10	100.00	-	-	218,092	-
FPU Project	2023.07.01	2027.04.01	58.57	-	-	-	-
RUYA BATCH 1 PROJECT	2024.01.30	2028.04.15	12.42	-	-	65,104	-

(*) For projects where the construction deadline has elapsed, some remaining work is still ongoing after the final deliverable was transferred, or a discussion with the client to extend the construction period is still under negotiation.

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35. Revenue, Continued

(4) The effect of changes in estimated total contract costs and total contract revenue

(i) Effect of changes in total contract costs and total contract revenue

For the year ended December 31, 2025, the estimated total contract costs and total contract revenue for contracts in progress as of December 31, 2024 have changed. Effects on profit or loss for the current period and the future period, the impact on contract assets and contract liabilities are as follows:

<i>(In millions of won)</i>	Changes in total contract revenue (*1)	Changes in total estimated contract cost	Effect on profit or loss of contract			Change of contract assets	Change of contract liabilities
			Current period	Future period	Total		
Shipbuilding	₩ (1,136,938)	(977,276)	657,041	(816,703)	(159,662)	(251,521)	91,100
Offshore, Industrial Plant and Engineering(*2)	54,668	(119,499)	135,690	38,477	174,167	3,909	(17,567)
	<u>₩ (1,082,270)</u>	<u>(1,096,775)</u>	<u>792,731</u>	<u>(778,226)</u>	<u>14,505</u>	<u>(247,612)</u>	<u>73,533</u>

(*1) Changes in entire contract revenue (including foreign currency fluctuation) are reflected because it is unable to distinguish total contract revenue changed directly by changes in total contract costs.

(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

Effects on profit or loss for the current period and future period is calculated based on the total contract cost and total contract revenue estimated on the basis of situations generated in current period, and these estimations could be changed by variation of situations in the future.

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35. Revenue, Continued

(4) The effect of changes in estimated total contract costs and total contract revenue, continued

(ii) Sensitivity analysis of changes in estimated total contract costs

The amount of contract assets and contract liabilities affected by progress which is determined by accumulated cost incurred divided by estimated total contract cost. An estimated total contract cost is calculated based on an estimated material cost, labor cost and construction period, and has a variance risk related to exchange rate fluctuations, changes in steel prices and changes in production hours.

The Group has entered foreign currency forward contracts to hedge the risk related to exchange rate fluctuations, and hedges the risk related to changes of steel price in short period of time by entering steel purchase agreement by period. The risk and uncertainty related to production hours has been managed by department which is responsible for managing production hours. Effects on profit or loss of current period and future periods, contract assets and contract liabilities in case production hour changes 10% are as follows:

(In millions of won)

	Effect on profit or loss in current period		Effect on profit or loss in future period		Change of contract assets		Change of contract liabilities	
	10%	10%	10%	10%	10%	10%	10%	10%
	increase	decrease	increase	decrease	increase	decrease	increase	decrease
Shipbuilding	₩ (278,530)	288,211	(1,161,934)	1,144,330	(219,609)	232,801	49,432	(47,822)
Offshore, Industrial Plant and Engineering(*)	(9,528)	9,665	(14,552)	14,416	(166)	167	9,327	(9,462)
	₩ <u>(288,058)</u>	<u>297,876</u>	<u>(1,176,486)</u>	<u>1,158,746</u>	<u>(219,775)</u>	<u>232,968</u>	<u>58,759</u>	<u>(57,284)</u>

(*) The accumulated revenue and cost of construction related to joint operation (FDH JV) is not included.

(5) Source of revenue

(In millions of won)

	2025	2024
Revenue from contracts with customers	₩ 31,175,289	26,549,542
Share of profit (loss) of equity accounted investees	(7,781)	(60,735)
Hedging gains and losses	(1,234,293)	(950,230)
	₩ <u>29,933,215</u>	<u>25,538,577</u>

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35. Revenue, Continued

(6) Disaggregation of revenue

Disaggregation of revenue from contracts with customers for the years ended December 31, 2025 and 2024, is as follows:

<i>(In millions of won)</i>	2025	2024
Major products/service lines:		
Shipbuilding	₩ 26,041,683	22,890,545
Offshore, Industrial Plant and Engineering	1,276,607	659,485
Engine and Machinery	3,086,894	2,342,016
Others	770,105	657,496
	₩ 31,175,289	26,549,542
Primary geographical markets:		
Korea	₩ 4,891,885	6,439,984
North America	2,022,755	705,897
Asia	10,758,279	6,749,842
Europe	12,632,706	11,874,629
Others	869,664	779,190
	₩ 31,175,289	26,549,542
Duration of contract:		
Short-term contract	₩ 1,094,852	1,290,095
Long-term contract	30,080,437	25,259,447
	₩ 31,175,289	26,549,542
Timing of revenue recognition:		
Goods and services transferred at a point in time	₩ 3,719,147	2,944,905
Goods and services transferred over time	27,456,142	23,604,637
	₩ 31,175,289	26,549,542

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35. Revenue, Continued

(7) Contract balance

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of December 31, 2025 and 2024.

<i>(In millions of won)</i>	2025		2024	
	Current	Non-current	Current	Non-current
Receivables	₩ 2,206,154	84,845	2,173,169	238,640
Allowance for doubtful accounts	(752,070)	(1,716)	(908,867)	(85,639)
	₩ <u>1,454,084</u>	<u>83,129</u>	<u>1,264,302</u>	<u>153,001</u>
Contract assets	₩ 7,759,353	-	7,519,802	-
Allowance for doubtful accounts	(20,523)	-	(16,798)	-
	₩ <u>7,738,830</u>	<u>-</u>	<u>7,503,004</u>	<u>-</u>
Contract liabilities(*)	(13,887,789)	(19,545)	(12,715,930)	(20,201)

(*) The amount of ₩7,801,780 million included in contract liabilities recognized as of December 31, 2024, has been recognized as revenue for the year ended December 31, 2025.

(8) Incremental costs of obtaining a contract recognized as an asset

The Group pays commission fees in relation to the contract, in accordance with K-IFRS No.1115, which is the incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Commission fees that are expected to be recovered from the customers are recognized as incremental costs of obtaining contract assets and amortized to reflect the progress of the construction.

<i>(In millions of won)</i>	2025	2024
Beginning balance	₩ 435,765	311,888
Increase	130,684	243,112
Depreciation(*)	(92,395)	(126,367)
Reversals (Impairment)	(2,179)	7,132
Ending balance	₩ <u>471,875</u>	<u>435,765</u>

(*) It is amortized in the same way that the controls over involved goods or services are transferred to the customer.

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36. Operating Segments

The Group has five reportable segments, as described below, which are its strategic business units. The policies of reportable segments are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2024.

- (i) Shipbuilding: Manufacturing and sale of VLCCs, containerships, P/C ships, LNG carriers, warships and others.
- (ii) Offshore, Industrial Plant and Engineering: Manufacturing and installation of offshore facilities, floating units, co-generating power plants, and processing equipment
- (iii) Engine and Machinery: Manufacturing and sale of engines for ships, diesel power plants, industrial and marine pumps and hydraulic machinery
- (iv) Green Energy: Services related to solar power systems and new and renewable energy systems
- (v) Others: Gas/ eco-friendly system and others

The financial performance of each reportable segment for the years ended December 31, 2025 and 2024 are as follows:

(1) The financial performance of each segment

(In millions of won)

	2025				
	Sales	Inter-segment sales	Operating profit (loss)	Profit (loss) for the period	Depreciation and amortization (*)
Shipbuilding	₩ 26,402,934	(1,366,480)	3,314,922	2,753,018	380,633
Offshore and Industrial Plant Engineering	1,245,050	(1,475)	137,989	110,799	30,824
Engine and Machinery	4,285,845	(1,395,768)	774,610	764,058	79,887
Green Energy	650,159	(152,908)	39,745	40,287	15,417
Others	1,598,919	(1,333,061)	381,361	(77,105)	72,767
Consolidation adjustments	<u>(4,249,692)</u>	<u>4,249,692</u>	<u>(744,137)</u>	<u>(662,662)</u>	<u>4,066</u>
	₩ 29,933,215	-	3,904,490	2,928,395	583,594

(*) Depreciation on the right-of-use assets for the year ended December 31, 2025 is included.

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36. Operating Segments, Continued

(1) The financial performance of each segment , continued

(In millions of won)

	2024				
	Sales	Inter- segment sales	Operating profit (loss)	Profit (loss) for the period	Depreciation and amortization (*)
Shipbuilding	₩ 23,192,072	(1,121,199)	1,507,455	1,651,401	341,427
Offshore and Industrial Plant					
Engineering	659,715	(1,273)	(99,154)	(56,728)	26,914
Engine and Machinery	3,303,587	(1,092,239)	372,055	347,821	72,500
Green Energy	452,413	(29,411)	(12,476)	(13,851)	11,418
Others	661,624	(486,712)	(241,001)	(327,146)	69,119
Consolidation adjustments	<u>(2,730,834)</u>	<u>2,730,834</u>	<u>(92,789)</u>	<u>(146,917)</u>	<u>4,395</u>
	₩ 25,538,577	-	1,434,090	1,454,580	525,773

(*) Depreciation on the right-of-use assets for the year ended December 31, 2024 is included.

Consolidation adjustments are made by eliminating inter-segment transactions, unrealized profits and losses and profit (loss) of equity accounted investees in associates and joint ventures.

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36. Operating Segments, Continued

(2) Assets and liabilities of each segment

(In millions of won)

		2025		2024	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	25,609,274	20,782,934	24,197,046	18,623,774
Offshore and Industrial Plant					
Engineering		1,430,216	1,587,094	1,155,744	1,480,021
Engine and Machinery		4,365,316	3,222,941	3,658,726	2,996,033
Green Energy		798,975	217,948	635,032	122,239
Others		22,039,304	1,774,323	17,870,005	1,507,945
Consolidation adjustments		(14,700,872)	(4,951,380)	(10,797,416)	(2,166,688)
	₩	<u>39,542,213</u>	<u>22,633,860</u>	<u>36,719,137</u>	<u>22,563,324</u>

Consolidation adjustments are made by eliminating inter-segment transactions, unrealized profits and losses and profit (loss) of equity accounted investees in associates and joint ventures.

(3) Geographical revenue information by subsidiary location

(In millions of won)

		2025				Total
		Korea	North America	Asia and others	Consolidation adjustment	
Sales	₩	32,996,485	161,553	1,024,869	(4,249,692)	29,933,215
Inter-segment sales		(3,239,928)	(122)	(1,009,642)	4,249,692	-

(In millions of won)

		2024				Total
		Korea	North America	Asia and others	Consolidation adjustment	
Sales	₩	27,357,473	46,888	865,050	(2,730,834)	25,538,577
Inter-segment sales		(1,911,567)	(1,280)	(817,987)	2,730,834	-

Consolidation adjustments are made by eliminating inter-segment transactions, unrealized profits and losses and profit (loss) of equity accounted investees in associates and joint ventures.

(4) Non-current assets by subsidiary location

(In millions of won)

		2025	2024
Korea	₩	11,958,049	11,325,619
North America		541	864
Asia		957,844	709,620
Others		14,072	6,857
Consolidation adjustments(*1)		189,061	143,767
Total(*2)	₩	<u>13,119,567</u>	<u>12,186,727</u>

(*1) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses.

(*2) It represents the sum of investment property, property, plant and equipment, intangible assets, and right-of-use assets.

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37. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Salaries	₩ 250,383	216,455
Bonus	113,084	62,848
Post-employment benefit costs	25,014	28,114
Employee welfare	92,346	81,177
Depreciation	47,712	36,347
Depreciation on right-of-use assets	18,357	15,950
Bad debt expenses	6,798	576
Ordinary development costs	122,659	95,511
Advertising	22,612	10,044
Printing	1,375	1,725
Power cost	7,023	4,029
Warranty expenses	158,833	140,347
Insurance	5,040	4,066
Supplies	1,679	1,425
Consumable expenses	3,213	2,345
Water, light and heating expenses	2,132	1,684
Repairs	5,583	3,504
Travel	12,576	10,524
Research	31,986	19,899
Training	8,808	6,377
Service contract expenses	113,597	97,474
Transportation	34,613	22,363
Ceremonial expenses	1,262	935
Rent	8,085	5,756
Data processing	19,454	21,710
Entertainment	3,181	2,681
Taxes and dues	9,426	7,979
Service charges	265,975	238,377
Automobile maintenance	5,021	4,767
Sales commissions	498	134
Others	25,606	16,154
	₩ <u>1,423,931</u>	<u>1,161,277</u>

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38. Nature of Expenses

The classification of expenses by nature for the years ended December 31, 2025 and 2024 is as follows:

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
Changes in inventories	₩	(527,824)	(127,266)
Purchase of inventories		15,561,904	13,805,529
Depreciation		512,245	467,461
Depreciation on right-of-use assets		43,564	36,635
Amortization		27,785	21,677
Labor costs		2,890,128	2,421,658
Other expenses		7,520,924	7,478,793
Total(*)	₩	<u>26,028,726</u>	<u>24,104,487</u>

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

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39. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Finance income:		
Interest income	₩ 254,740	213,074
Gain on valuation of financial instruments measured at FVTPL	205	1,543
Gain on disposal of financial instruments measured at FVTPL	5,286	1,111
Dividend income	245	3,632
Gain on foreign currency translations	151,137	576,005
Gain on foreign currency transactions	813,602	946,909
Gain on valuation of derivatives	73,238	55,546
Gain on derivatives transactions	424,880	79,350
Others	115	322
	<u>₩ 1,723,448</u>	<u>1,877,492</u>
Finance costs:		
Interest expense	₩ 158,762	206,322
Loss on valuation of financial instruments measured at FVTPL	1,990	223
Loss on disposal of financial instruments measured at FVTPL	31,763	80
Loss on foreign currency translations	88,226	183,763
Loss on foreign currency transactions	1,154,336	480,673
Loss on valuation of derivatives	529,080	3,439,846
Loss on derivatives transactions	130,143	867,987
Others	-	134
	<u>₩ 2,094,300</u>	<u>5,179,028</u>

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

Other non-operating income and other non-operating expenses for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025	2024
Other non-operating income:		
Gain on disposal of investments in associates	₩ -	6,060
Gain on disposal of property, plant and equipment	9,577	11,489
Gain on disposal of right-of-use assets	1,165	1,382
Gain on revaluation of property, plant and equipment	25,228	-
Gain on valuation of firm commitments	589,473	3,832,863
Reversal of other allowance for doubtful accounts	1,697	1,785
Gain on disposal of non-current assets held for sale	6,859	-
Impairment reversal on property, plant and equipment	71,964	15,038
Others	23,206	85,730
	<u>₩ 729,169</u>	<u>3,954,347</u>
Other non-operating expenses:		
Service charges	₩ 9,637	6,875
Impairment loss on investments in associates	45,175	-
Impairment loss on intangible assets	14,548	793
Loss on disposal of investments in associates	28	-
Loss on disposal of property, plant and equipment	13,884	17,996
Loss on disposal of intangible assets	324	271
Loss on disposal of right-of-use assets	66	21
Loss on disposal of non-current assets held for sale	4,276	-
Loss on revaluation of property, plant and equipment	19,080	-
Impairment loss on property, plant and equipment	-	3,920
Impairment loss on assets held for sale	-	23,690
Loss on valuation of firm commitments	393,069	118,535
Other bad debt expenses	3,430	11,551
Donation	158,594	54,838
Others	34,594	25,610
	<u>₩ 696,705</u>	<u>264,100</u>

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41. Income Tax Expense (Benefit)

(1) Components of income tax expense (benefit) for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Current tax expense (benefit)	₩ 90,602	(22,086)
Adjustment for prior periods	(278)	(23)
Origination and reversal of temporary differences	668,672	338,879
Income tax recognized in other comprehensive income (loss)	(139,714)	62,447
Others	18,629	(11,134)
Income tax expense	<u>₩ 637,911</u>	<u>368,083</u>

(2) Income taxes recognized directly other than profit or loss for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Changes in fair value of financial assets measured at FVOCI	₩ 1,192	2,917
Effective portion of changes in fair value of cash flow hedges	(3,214)	2,330
Actuarial gains and losses	(5,283)	59,599
Revaluation of property, plant and equipment	(131,290)	266
Others	(1,119)	(2,665)
Total income tax expense (benefit)	<u>₩ (139,714)</u>	<u>62,447</u>

Income taxes related to changes in fair value of financial assets measured at FVOCI, effective portion of changes in fair value of cash flow hedges, actuarial gains and losses, revaluation of property, plant and equipment and others are recognized in other comprehensive income (loss).

(3) Reconciliation of the effective tax rates for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Profit before income tax	₩ 3,566,307	1,822,663
Income tax using each component's statutory tax rate	1,031,893	488,855
Adjustment for:		
- Change in tax rates	(113,164)	(5,004)
- Tax effect of non-deductible expenses	28,662	3,158
- Tax effect of tax-exempt income	(112,839)	(16,626)
- Tax incentives	(23,004)	(9,997)
- Change in unrecognized temporary difference	(119,964)	(42,782)
- Adjustments in respect of corporate income tax of prior years	(278)	(23)
- Impairment (reversal)	-	(15,791)
- Exercise of exchangeable bonds	(65,271)	-
- Others	11,876	(33,707)
Income tax expense	<u>₩ 637,911</u>	<u>368,083</u>
Effective tax rate	17.89%	20.19%

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41. Income Tax Expense (Benefit), Continued

- (4) Deferred tax assets and deferred tax effects by origination and reversal of temporary differences for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Deferred assets at the end of the year	₩ 714,989	1,383,678
Deferred assets at the beginning of the year	1,383,678	1,723,287
Others	<u>(17)</u>	<u>(730)</u>
Deferred tax effects by origination and reversal of temporary differences	₩ <u>668,672</u>	<u>338,879</u>

- (5) As of December 31, 2025, the tax effects of temporary difference were calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed
- (6) Deferred tax assets and liabilities are offset and presented in the separate statements of financial position, only if there are a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

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41. Income Tax Expense (Benefit), Continued

(7) Changes in deferred tax assets (liabilities) for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025		
	Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩ (57,349)	48,176	(9,173)
Financial assets measured at fair value	14,810	(2,949)	11,861
Trade and other receivables	320,305	(43,938)	276,367
Asset revaluation	(281,836)	(228,966)	(510,802)
Property, plant and equipment	20,538	(33,008)	(12,470)
Derivatives	82,180	(47,962)	34,218
Accrued expenses	35,599	14,330	49,929
Provisions	58,346	8,450	66,796
Others	(323,626)	120,480	(203,146)
	(131,033)	(165,387)	(296,420)
Tax loss carryforward	1,501,795	(541,960)	959,835
Carryforward tax credit	12,916	38,658	51,574
	₩ 1,383,678	(668,689)	714,989

(In millions of won)

	2024		
	Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩ (26,006)	(31,343)	(57,349)
Financial assets measured at fair value	118,737	(103,927)	14,810
Trade and other receivables	321,042	(737)	320,305
Asset revaluation	(263,076)	(18,760)	(281,836)
Property, plant and equipment	38,808	(18,270)	20,538
Derivatives	9,487	72,693	82,180
Accrued expenses	38,517	(2,918)	35,599
Provisions	90,503	(32,157)	58,346
Others	(279,564)	(44,062)	(323,626)
	48,448	(179,481)	(131,033)
Tax loss carryforward	1,631,041	(129,246)	1,501,795
Carryforward tax credit	43,798	(30,882)	12,916
	₩ 1,723,287	(339,609)	1,383,678

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41. Income Tax Expense (Benefit), Continued

(8) The details of temporary differences not recognized as deferred tax assets (liabilities) as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>	<u>Reason</u>
Investments in subsidiaries and associates(*)	₩	(2,188,108)	(150,292)	Remote to be reversed
Impairment losses on property, plant, and equipment, etc.(*)		-	196,346	Remote to be utilized
	₩	<u>(2,188,108)</u>	<u>46,054</u>	

(*) The tax rate was applied when recognizing deferred tax assets (liabilities).

(9) The details of deferred tax assets (liabilities) for unrecognized accumulated deficits and temporary differences to be deducted as of December 31, 2025 and 2024 are as follows.

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>	<u>Reason</u>
Tax loss carryforward	₩	70,487	171,519	Remote to be utilized
Carryforward tax credit		8,579	8,579	Remote to be utilized

(10) Expiration schedule of unused deficit as of December 31, 2025 and 2024 is as follows

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
2026	₩	70,487	114,340
After 2031		-	57,179
	₩	<u>70,487</u>	<u>171,519</u>

(11) The classification of deferred tax assets (liabilities) between current and non-current as of December 31, 2025 and 2024 are as follows.

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
Deferred tax assets (liabilities) payment due in 12 months	₩	271,757	133,049
Deferred tax assets (liabilities) payment due after 12 months		443,232	1,250,629
	₩	<u>714,989</u>	<u>1,383,678</u>

(12) The Controlling Company believes that the deferred tax assets arising from tax loss carryforwards are recoverable based on projected future taxable income. Any portion of the tax loss carryforwards for which realization is considered not probable has not been recognized as a deferred tax asset.

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41. Income Tax Expense (Benefit), Continued

(8) Global Minimum Tax

The Group applies the temporary exemption provision for deferred tax under K-IFRS No. 1012 'Income Taxes' and, accordingly, does not recognize deferred tax assets and liabilities arising from the Pillar Two legislation. Deferred tax-related disclosures are also not provided.

Under the global minimum tax legislation, a parent company is required to pay additional taxes in Korea or in the jurisdictions of its subsidiaries on the profits of subsidiaries that are subject to an effective tax rate of less than 15%. Based on a review of the effects under the applicable legislation, it was determined that the jurisdictions in which the Group's subsidiaries and permanent establishments are located either qualify for the transitional safe harbour provisions or do not give rise to any additional tax. Accordingly, no current tax expense related to Pillar Two has been recognized in the current period.

The estimated annual effective tax rate may fluctuate due to various factors, including tax incentives granted to subsidiaries and required adjustments to accounting net income under applicable legislation for the calculation of GloBE income in subsequent periods. Accordingly, the current tax expense related to Pillar Two remains subject to estimation uncertainty.

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42. Earnings per Share

(1) Basic earnings per share for the years ended December 31, 2025 and 2024 are as follows:

<i>(In thousands of won, In shares)</i>		<u>2025</u>	<u>2024</u>
Profit attributable to owners of the Company	₩	2,168,412,429	1,172,335,951
Weighted average number of ordinary shares outstanding(*)		70,714,630	70,714,630
Earnings per share <i>(in won)</i>	₩	30,664	16,578

(*) Weighted-average number of ordinary shares for years ended December 31, 2025 and 2024 are as follows:

<i>(In shares)</i>	<u>2025</u>		
	<u>Number of shares outstanding</u>	<u>Weighted average (In days)</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	70,714,630	365/365	70,714,630
Weighted average number of ordinary shares outstanding	<u>70,714,630</u>		<u>70,714,630</u>

<i>(In shares)</i>	<u>2024</u>		
	<u>Number of shares outstanding</u>	<u>Weighted average (In days)</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	70,714,630	366/366	70,714,630
Weighted average number of ordinary shares outstanding	<u>70,714,630</u>		<u>70,714,630</u>

(2) Since there are no potentially dilutive common shares for years ended December 31, 2025 and 2024, diluted earnings per share have not been calculated.

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43. Cash Generated from Operations

(1) Cash generated from operations for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024
Profit for the year	₩ 2,928,395	1,454,580
Adjustments for:	1,430,909	2,753,926
Retirement benefits	161,904	138,615
Depreciation	512,245	467,461
Depreciation on right-of-use assets	43,564	36,635
Amortization	27,785	21,677
Bad debt expenses	6,798	576
Share-based payment expense	2,151	-
Finance income	(479,719)	(849,800)
Finance costs	778,058	3,830,155
Other non-operating income	(706,783)	(3,897,650)
Other non-operating expenses	582,476	208,544
Share of profit of equity accounted investees (sales)	7,781	60,735
Share of profit of equity accounted investees	(205)	139
Income tax expense (benefit)	637,911	368,083
Trade receivables	(270,989)	(7,817)
Other receivables	296,371	65,314
Contract assets	(189,455)	139,483
Inventories	(527,824)	(126,459)
Derivative assets	(1,749,856)	(333,098)
Firm commitments	1,307,355	978,765
Other current assets	(258,401)	(115,890)
Long-term trade receivables	1,380	5,119
Other non-current assets	(16,206)	(7,744)
Trade payables	231,378	264,742
Other payables	88,136	223,776
Advances received	809	45,822
Contract liabilities	1,233,291	1,415,043
Other current liabilities	(750)	81
Long-term other payables	9,741	9,099
Retirement benefits paid	(190,124)	(177,872)
Succession of retirement benefits	20,334	16,794
Plan assets	(192,476)	(7,517)
Provisions	64,229	(17,666)
Other non-current liabilities	-	(1,219)

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43. Cash Generated from Operations, Continued

- (2) Significant transactions that do not involve cash inflows and outflows for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Reclassification of construction-in-progress	₩ 349,173	464,252
Increase and decrease in accounts payable about acquisition amount of property, plant and equipment	22,868	11,357
Reclassification to current portion of bonds and borrowings	155,000	455,683
Net changes of financial assets measured at FVOCI	1,965	(10,680)
Increase in right-of-use assets and lease liabilities	179,777	388,933
Increase in land arising from revaluation	368,606	-
Exercise of exchangeable bonds	(280,000)	-

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

(1) Categories of financial instruments as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

	2025					Fair values
	Fair value - hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Total	
Financial assets measured at fair value:						
Financial assets measured at FVTPL(*1)	₩ -	38,778	-	-	38,778	38,778
Financial assets measured at FVOCI(*2)	-	-	92,768	-	92,768	92,768
Derivative assets	116,181	-	-	-	116,181	116,181
Financial assets not measured at fair value:						
Cash and cash equivalents	-	-	-	3,742,016	3,742,016	-
Financial assets	-	-	-	4,442,212	4,442,212	-
Trade and other receivables	-	-	-	1,931,111	1,931,111	-
Contract assets	-	-	-	7,738,830	7,738,830	-
	₩ 116,181	38,778	92,768	17,854,169	18,101,896	247,727
Financial liabilities measured at fair value:						
Financial liabilities measured at FVTPL	₩ -	6,868	-	-	6,868	6,868
Derivative liabilities	2,115,482	-	-	-	2,115,482	2,115,482
Financial liabilities not measured at fair value:						
Borrowings	-	-	-	139,466	139,466	-
Bonds	-	-	-	904,720	904,720	-
Other long-term financial liabilities	-	-	-	6,868	6,868	-
Lease liabilities	-	-	-	453,815	453,815	-
Trade and other payables	-	-	-	4,361,823	4,361,823	-
	₩ 2,115,482	6,868	-	5,866,692	7,989,042	2,122,350

(*1) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2025 are ₩16,453 million.

(*2) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2025 are ₩45,696 million.

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

(1) Categories of financial instruments as of December 31, 2025 and 2024 are summarized as follows, continued:

(In millions of won)

	2024					
	Fair value - hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Total	Fair values
Financial assets measured at fair value:						
Financial assets measured at FVTPL(*1)	₩ -	19,816	-	-	19,816	19,816
Financial assets measured at FVOCI(*2)	-	-	114,054	-	114,054	114,054
Derivative assets	65,218	-	-	-	65,218	65,218
Financial assets not measured at fair value:						
Cash and cash equivalents	-	-	-	3,717,319	3,717,319	-
Financial assets	-	-	-	1,929,900	1,929,900	-
Trade and other receivables	-	-	-	1,833,041	1,833,041	-
Contract assets	-	-	-	7,503,004	7,503,004	-
	₩ 65,218	19,816	114,054	14,983,264	15,182,352	199,088
Financial liabilities measured at fair value:						
Financial liabilities measured at FVTPL	₩ -	6,228	-	-	6,228	6,228
Derivative liabilities	3,382,050	-	-	-	3,382,050	3,382,050
Financial liabilities not measured at fair value:						
Borrowings	-	-	-	451,811	451,811	-
Bonds	-	-	-	964,219	964,219	-
Other long-term financial liabilities	-	-	-	6,228	6,228	-
Lease liabilities	-	-	-	483,354	483,354	-
Trade and other payables	-	-	-	3,918,208	3,918,208	-
	₩ 3,382,050	6,228	-	5,823,820	9,212,098	3,388,278

(*1) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2024 are ₩2,106 million.

(*2) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2024 are ₩46,748 million.

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

(2) Financial instruments income and costs by categories for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025				Total
	Fair value- hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	
Selling, general and Administrative Expenses:					
Bad dept expenses	₩	-	-	(6,798)	(6,798)
Finance income:					
Interest income(*)	₩	-	-	254,740	254,740
Gain on valuation of financial instruments measured at FVTPL	-	205	-	-	205
Gain on disposal of financial instruments measured at FVTPL	-	5,286	-	-	5,286
Dividend income	-	27	218	-	245
Gain on foreign currency translation	-	-	-	151,137	151,137
Gain on foreign currency transactions	-	-	-	813,602	813,602
Gain on valuation of derivatives	73,238	-	-	-	73,238
Gain on derivatives transactions	424,880	-	-	-	424,880
Others	-	-	-	115	115
	₩	498,118	5,518	218	1,219,594
Finance costs:					
Interest expense(*)	₩	-	-	(158,762)	(158,762)
Loss on valuation of financial instruments measured at FVTPL	-	(1,990)	-	-	(1,990)
Loss on disposal of financial instruments measured at FVTPL	-	(31,763)	-	-	(31,763)
Loss on foreign currency translation	-	-	-	(88,226)	(88,226)
Loss on foreign currency transactions	-	-	-	(1,154,336)	(1,154,336)
Loss on valuation of derivatives	(529,080)	-	-	-	(529,080)
Loss on derivatives transactions	(130,143)	-	-	-	(130,143)
Others	-	-	-	-	-
	₩	(659,223)	(33,753)	-	(1,401,324)
Other non-operating income:					
Reversal of other allowance for doubtful Accounts	₩	-	-	1,697	1,697
Other non-operating expenses:					
Other bad debt expenses	₩	-	-	(3,430)	(3,430)
Other comprehensive income (loss) (net of tax):					
Changes in fair value of financial assets measured at FVOCI	₩	-	-	1,965	1,965
Effective portion of changes in fair value of cash flow hedges	20,027	-	-	-	20,027
	₩	20,027	-	1,965	21,992
	₩	(141,078)	(28,235)	2,183	(190,261)
		(141,078)	(28,235)	2,183	(190,261)
		(141,078)	(28,235)	2,183	(190,261)

(*) Interest income and expense arising from effective interest rate amortization are included.

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

(2) Financial instruments income and costs by categories for the years ended December 31, 2025 and 2024 are as follows, continued:

(In millions of won)

	2024				Total
	Fair value- hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	
Selling, general and Administrative Expenses:					
Bad debt expenses	₩ -	-	-	(576)	(576)
Finance income:					
Interest income(*)	₩ -	-	-	213,074	213,074
Gain on valuation of financial instruments measured at FVTPL	-	1,543	-	-	1,543
Gain on disposal of financial instruments measured at FVTPL	-	1,111	-	-	1,111
Dividend income	-	46	3,586	-	3,632
Gain on foreign currency translation	-	-	-	576,005	576,005
Gain on foreign currency transactions	-	-	-	946,909	946,909
Gain on valuation of derivatives	55,546	-	-	-	55,546
Gain on derivatives transactions	79,350	-	-	-	79,350
Others	-	-	-	322	322
	₩ 134,896	2,700	3,586	1,736,310	1,877,492
Finance costs:					
Interest expense(*)	₩ -	-	-	(206,322)	(206,322)
Loss on valuation of financial instruments measured at FVTPL	-	(223)	-	-	(223)
Loss on disposal of financial instruments measured at FVTPL	-	(80)	-	-	(80)
Loss on foreign currency translation	-	-	-	(183,763)	(183,763)
Loss on foreign currency transactions	-	-	-	(480,673)	(480,673)
Loss on valuation of derivatives	(3,439,846)	-	-	-	(3,439,846)
Loss on derivatives transactions	(867,987)	-	-	-	(867,987)
Others	-	-	-	(134)	(134)
	₩ (4,307,833)	(303)	-	(870,892)	(5,179,028)
Other non-operating income:					
Reversal of other allowance for doubtful Accounts	₩ -	-	-	1,785	1,785
Other non-operating expenses:					
Other bad debt expenses	₩ -	-	-	(11,551)	(11,551)
Other comprehensive income (loss) (net of tax):					
Changes in fair value of financial assets measured at FVOCI	₩ -	-	(10,680)	-	(10,680)
Effective portion of changes in fair value of cash flow hedges	(11,576)	-	-	-	(11,576)
	₩ (11,576)	-	(10,680)	-	(22,256)
	₩ (4,184,513)	2,397	(7,094)	855,076	(3,334,134)

(*) Interest income and expense arising from effective interest rate amortization are included.

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45. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents(*1)	₩ 3,741,794	3,716,919
Fair value -hedging instruments	116,181	65,218
Financial assets measured at fair value	38,778	19,816
Amortized cost(*2)	14,112,153	11,265,945
	<u>₩ 18,008,906</u>	<u>15,067,898</u>

(*1) Cash held as of December 31, 2025 and 2024 is excluded.

(*2) The carrying amounts of contract assets as of December 31, 2025 and 2024 are included.

As of December 31, 2025, there is no credit risk incurred by the Group due to payment guarantee contracts.

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Korea	₩ 5,416,734	3,670,425
North America	648,250	264,681
Asia	484,615	2,576,442
Europe	4,617,345	4,276,103
Others	2,945,209	478,294
	<u>₩ 14,112,153</u>	<u>11,265,945</u>

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45. Financial Instruments, Continued

(1) Credit risk, continued

(ii) Impairment loss

① The aging of financial assets at amortized cost (including contract asset) and the related allowance for impairment as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025		2024	
	Gross	Impairment	Gross	Impairment
Not past due	₩ 9,636,237	(39,811)	9,417,755	(164,584)
Past due up to 6 months	64,439	(1,143)	80,356	(8,066)
Past due 6~12 months	54,040	(53,232)	15,366	(8,623)
Past due 1~3 years	22,156	(17,270)	39,553	(33,667)
More than 3 years	924,570	(919,171)	1,037,904	(1,037,520)
	₩ <u>10,701,442</u>	<u>(1,030,627)</u>	<u>10,590,934</u>	<u>(1,252,460)</u>

② The movement in the allowance for impairment in respect of financial assets at amortized cost (including contract asset) for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024
Beginning balance	₩ 1,252,460	1,204,019
Impairment loss recognized	19,337	69,123
Reversal of allowance for doubtful accounts	(10,805)	(58,781)
Changes in scope of consolidation	5,926	57,932
Write-offs and others	(236,291)	(19,833)
Ending balance	₩ <u>1,030,627</u>	<u>1,252,460</u>

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

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45. Financial Instruments, Continued

(2) Liquidity risk

- (i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements for the years ended December 31, 2025 are summarized as follows:

(In millions of won)

	2025				
	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
Non-derivative financial liabilities:					
Financial liabilities measured at FVTPL ₩	6,868	-	-	-	6,868
Borrowings	142,255	39,144	61,156	14,782	27,173
Bonds	931,787	164,255	8,176	759,356	-
Other financial liabilities	6,868	-	-	-	6,868
Lease liabilities	488,296	17,073	40,436	86,723	344,064
Trade and other payables	4,362,351	4,298,990	15,787	30,889	16,685
Derivative financial liabilities:					
Derivative contracts used for hedging	2,196,497	465,746	508,287	1,197,227	25,237
₩	<u>8,134,922</u>	<u>4,985,208</u>	<u>633,842</u>	<u>2,088,977</u>	<u>426,895</u>

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

The Group is a party to a supplier financing arrangement, under which financial liabilities owed to individual suppliers are concentrated with a financial institution (see Note 24).

- (ii) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements for the years ended December 31, 2024 are summarized as follows:

(In millions of won)

	2024				
	Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
Non-derivative financial liabilities:					
Financial liabilities measured at FVTPL ₩	6,228	-	-	-	6,228
Borrowings	464,715	214,553	42,456	187,524	20,182
Bonds	1,028,040	152,860	195,731	679,449	-
Other financial liabilities	6,228	-	-	-	6,228
Lease liabilities	875,995	15,243	16,576	114,533	729,643
Trade and other payables	3,918,208	3,878,662	5,035	21,254	13,257
Derivative financial liabilities:					
Derivative contracts used for hedging	3,519,857	989,868	716,195	1,671,343	142,451
₩	<u>9,819,271</u>	<u>5,251,186</u>	<u>975,993</u>	<u>2,674,103</u>	<u>917,989</u>

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

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45. Financial Instruments, Continued

(2) Liquidity risk, continued

(iii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

		2025			
		Expected cash flow	6 months or less	6~12 months	1~3 years
Currency forward:					
Assets	₩	6,488	817	1,852	3,819
Liabilities		(798)	(631)	(167)	-
Currency swaps:					
Assets		71,304	1,487	1,399	68,418
Liabilities		-	-	-	-
	₩	<u>76,994</u>	<u>1,673</u>	<u>3,084</u>	<u>72,237</u>

(In millions of won)

		2024			
		Expected cash flow	6 months or less	6~12 months	1~3 years
Currency forward:					
Assets	₩	333	-	333	-
Liabilities		(9,307)	(5,074)	(4,233)	-
Currency swaps:					
Assets		85,559	1,654	1,567	82,338
Liabilities		-	-	-	-
	₩	<u>76,585</u>	<u>(3,420)</u>	<u>(2,333)</u>	<u>82,338</u>

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45. Financial Instruments, Continued

(3) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025					
	USD	EUR	CNY	JPY	Others	Total
Assets:						
Cash and cash equivalents	₩ 1,592,479	2,269	143	166	51,363	1,646,420
Trade and other receivables	1,358,211	13,057	159	212	59,047	1,430,686
Contract assets	7,589,418	6,578	-	-	-	7,595,996
Financial assets measured at FVTPL	-	5,799	-	-	-	5,799
	<u>10,540,108</u>	<u>27,703</u>	<u>302</u>	<u>378</u>	<u>110,410</u>	<u>10,678,901</u>
Liabilities:						
Trade and other payables	(1,400,873)	(154,367)	(1,740)	(3,287)	(153,254)	(1,713,521)
Borrowings and bonds	(442,001)	-	-	-	-	(442,001)
Lease liabilities	(617)	(257)	-	(900)	(3,761)	(5,535)
	<u>(1,843,491)</u>	<u>(154,624)</u>	<u>(1,740)</u>	<u>(4,187)</u>	<u>(157,015)</u>	<u>(2,161,057)</u>
Net statement of financial position exposure	8,696,617	(126,921)	(1,438)	(3,809)	(46,605)	8,517,844
Derivative contracts	(2,000,511)	(97)	-	-	1,307	(1,999,301)
Net exposure	₩ <u>6,696,106</u>	<u>(127,018)</u>	<u>(1,438)</u>	<u>(3,809)</u>	<u>(45,298)</u>	<u>6,518,543</u>

(In millions of won)

	2024					
	USD	EUR	CNY	JPY	Others	Total
Assets:						
Cash and cash equivalents	₩ 1,354,622	9,138	164	157	13,717	1,377,798
Trade and other receivables	1,374,715	26,445	206	225	68,099	1,469,690
Contract assets	7,411,499	10,809	-	-	578	7,422,886
	<u>10,140,836</u>	<u>46,392</u>	<u>370</u>	<u>382</u>	<u>82,394</u>	<u>10,270,374</u>
Liabilities:						
Trade and other payables	(1,364,199)	(222,190)	(1,140)	(6,537)	(161,208)	(1,755,274)
Borrowings and bonds	(458,691)	(12,085)	-	-	(9,677)	(480,453)
	<u>(1,822,890)</u>	<u>(234,275)</u>	<u>(1,140)</u>	<u>(6,537)</u>	<u>(170,885)</u>	<u>(2,235,727)</u>
Net statement of financial position exposure	8,317,946	(187,883)	(770)	(6,155)	(88,491)	8,034,647
Derivative contracts	(3,317,100)	(50)	-	-	318	(3,316,832)
Net exposure	₩ <u>5,000,846</u>	<u>(187,933)</u>	<u>(770)</u>	<u>(6,155)</u>	<u>(88,173)</u>	<u>4,717,815</u>

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45. Financial Instruments, Continued

(3) Currency risk, continued

(i) Exposure to currency risk, continued

Foreign currency risk is based on financial instruments presented in currencies other than the functional currency of the individual company in the Group. Derivative contracts, which contain derivative contracts to hedge the risk of exchange rate fluctuation, are the amount of exposure to currency risk before considering effectiveness of hedge.

Significant exchange rates applied for the years ended December 31, 2025 and 2024 are as follow:

<i>(In won)</i>		Average rate		Spot rate	
		2025	2024	2025	2024
USD	₩	1,422.22	1,363.98	1,434.90	1,470.00
EUR		1,607.46	1,475.05	1,685.72	1,528.73
CNY		197.78	189.20	204.76	201.27
JPY (100)		950.79	900.36	917.63	936.48

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the USD, EUR, CNY, JPY and other currencies as of December 31, 2025 and 2024 would have increased (decreased) profit or loss by the amounts shown below.

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

The changes in profit or loss are as follows:

<i>(In millions of won)</i>		Profit or loss	
		2025	2024
USD (3 percent strengthening)	₩	200,883	150,025
EUR (3 percent strengthening)		(3,811)	(5,638)
CNY (3 percent strengthening)		(43)	(23)
JPY (3 percent strengthening)		(114)	(185)
Others (3 percent strengthening)		(1,359)	(2,645)

A strengthening of the won against the above currencies as of December 31, 2025 would have had the equal but opposite effect on the above currencies to the amounts shown above assuming all other variables remain constant.

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45. Financial Instruments, Continued

(4) Interest rate risk

(i) The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024
Fixed rate instruments:		
Financial assets	₩ 7,044,797	5,302,091
Financial liabilities	(1,070,682)	(1,271,437)
	₩ 5,974,115	4,030,654
Variable rate instruments:		
Financial assets	₩ 1,003,979	528,876
Financial liabilities	(30,255)	(145,374)
	₩ 973,724	383,502

(ii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2025 and 2024 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The changes in equity and profit or loss are as follows:

<i>(In millions of won)</i>	Profit or loss	
	100 bp increase	100 bp decrease
2025:		
Variable rate instruments	₩ 9,737	(9,737)
Net cash flow sensitivity	₩ 9,737	(9,737)
	₩ 9,737	(9,737)
2024:		
Variable rate instruments	₩ 3,835	(3,835)
Net cash flow sensitivity	₩ 3,835	(3,835)
	₩ 3,835	(3,835)

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45. Financial Instruments, Continued

(5) Fair values

Fair value hierarchy

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

The different levels have been defined as follows:

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

The financial instruments carried at fair value, by fair value hierarchy as of December 31, 2025 and 2024 are as follows:

(In millions of won)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2025:					
Financial assets measured at FVTPL	₩	-	2,031	20,294	22,325
Financial assets measured at FVOCI		2,275	-	44,797	47,072
Derivative assets		-	116,181	-	116,181
Financial liabilities measured at FVTPL		-	-	6,868	6,868
Derivative liabilities		-	2,115,482	-	2,115,482
2024:					
Financial assets measured at FVTPL	₩	-	1,992	15,718	17,710
Financial assets measured at FVOCI		1,384	-	65,922	67,306
Derivative assets		-	65,218	-	65,218
Financial liabilities measured at FVTPL		-	-	6,228	6,228
Derivative liabilities		-	3,382,050	-	3,382,050

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45. Financial Instruments, Continued

(5) Fair values, continued

Fair value hierarchy, continued

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

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

Unlisted equity securities, investments in capital and other investments in entities newly established or having no comparative entity are excluded from the fair value valuation because their fair value cannot be measured reliably.

(6) Valuation techniques and input variables of Level 2 fair values

The valuation techniques and input variables used in measuring Level 2 fair values rates as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024	Valuation techniques	Input variables
Financial assets measured at FVPL :				
Beneficiary certificates and others	₩ 2,031	1,992	Market Approach, Net Asset Value Method, Discounted Cash Flow Model and others	CER future price, discount rate and others
Derivative Assets:				
Derivatives	116,181	65,218	Discounted Cash Flow Model and others	Currency forward price, discount rate and others
Derivative liabilities:				
Derivatives	2,115,482	3,382,050	Discounted Cash Flow Model and others	Currency forward price, discount rate and others

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45. Financial Instruments, Continued

(7) Level 3 fair values

(i) Changes in assets and liabilities which are classified as Level 3 fair values among assets and liabilities measured at fair value for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025			2024		
		Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial liabilities measured at FVTPL	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial liabilities measured at FVTPL
Beginning Balance	₩	15,718	65,922	6,228	15,609	74,633	2,540
Acquisitions		5,822	-	-	3	-	-
Disposals		-	(22,761)	-	(1)	-	(1,072)
Changes in scope of consolidation		-	-	-	52	-	6,228
Valuation		(1,194)	1,636	640	55	(8,611)	(1,468)
Reclassification		(52)	-	-	-	(100)	-
Ending Balance	₩	<u>20,294</u>	<u>44,797</u>	<u>6,868</u>	<u>15,718</u>	<u>65,922</u>	<u>6,228</u>

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45. Financial Instruments, Continued

(7) Level 3 fair values, continued

(ii) The valuation techniques and input of assets and liabilities classified as level 3 in the fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2025 and 2024 are as follows:

2025			
Valuation techniques	Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Financial assets measured at FVOCI:			
	-	-	-
	Discount rate	Discount rate	9.09%
Equity securities	PBR	PBR	0.81 ~ 0.98
	EV/Sales	EV/Sales	0.88
Financial assets measured at FVTPL:			
Equity securities and others	-	-	-
	PBR	PBR	0.56
2024			
Valuation techniques	Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Financial assets measured at FVOCI:			
	-	-	-
	Discount rate	Discount rate	10.90%
Equity securities	PBR	PBR	0.76 ~ 1.47
	EV/Sales	EV/Sales	0.91
Financial assets measured at FVTPL:			
Equity securities and others	-	-	-
	PBR	PBR	0.52

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45. Financial Instruments, Continued

(7) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 2025 and 2024 are as follows:

				2025				
				Effects of changes in fair value				
		Unobservable input variables	Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Profit (loss) for the year		Other comprehensive income (loss)	
					Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets measured at FVOCI:								
	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1%P discount rate increase or decrease	₩ -	-	584	(456)	
Equity securities	Share price multiple	Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	-	-	66	(66)	
	Valuation multiple	Fair value increase by valuation multiple increase	Measuring fair value changes by 1P valuation multiple increase or decrease	-	-	516	(516)	
Financial assets measured at FVTPL:								
Equity securities and others	Share price multiple	Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	69	(69)	-	-	

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45. Financial Instruments, Continued

(7) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 2025 and 2024 are as follows, continued:

				2024				
				Effects of changes in fair value				
		Unobservable input variables	Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Profit (loss) for the year		Other comprehensive income (loss)	
					Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets measured at FVOCI:								
	Discount rate		Fair value decrease by discount rate increase	Measuring fair value changes by 1%P discount rate increase or decrease	₩ -	-	445	(363)
Equity securities	Share price multiple		Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	-	-	292	(292)
	Valuation multiple		Fair value increase by valuation multiple increase	Measuring fair value changes by 1P valuation multiple increase or decrease	-	-	541	(541)
Financial assets measured at FVTPL:								
Equity securities and others	Share price multiple		Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	69	(69)	-	-

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45. Financial Instruments, Continued

(8) Transfers of financial assets

There is no financial assets and financial liabilities netting arrangements as of December 31, 2025 and 2024.

(9) Offsetting of financial assets and financial liabilities

(i) Carrying amounts of recognized financial assets and financial liabilities subject to offsetting arrangements as of December 31, 2025 are as follows:

(In millions of won)

	2025					
	Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the statement of financial position	Related amount: won't be setoff in the statement of financial position		Net amount
				Financial instruments	Received cash security	
Financial assets:						
Trade and other receivables	₩ 204	(201)	3	-	-	3
Financial liabilities:						
Trade and other payables	5,946	(201)	5,745	-	-	5,745

The 'related amount that won't be setoff in the statement of financial position' is recognized up to the amount of 'Net financial assets presented in the consolidated statements of financial position.'

(ii) Carrying amounts of recognized financial assets and financial liabilities subject to offsetting arrangements as of December 31, 2024 are as follows:

(In millions of won)

	2024					
	Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the statement of financial position	Related amount: won't be setoff in the statement of financial position		Net amount
				Financial instruments	Received cash security	
Financial assets:						
Trade and other receivables	₩ 291	(276)	15	-	-	15
Financial liabilities:						
Trade and other payables	5,269	(276)	4,993	-	-	4,993

The 'related amount that won't be setoff in the statement of financial position' is recognized up to the amount of 'Net financial assets presented in the consolidated statements of financial position.'

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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46. Commitments and Contingencies

(1) As December 31, 2025, the Group's agreements with financial institutions are as follows:

(In millions of won)

Financial institution	Description	Commitment limits(*1, 2)
	General loan	₩ 428,753
The Korea Development Bank and others	Import letters of credit	3,184,876
	Production finance and others	146,076
	Advance payment guarantees and others	51,952,383

(*1) For foreign currency commitments, the limit amounts have been translated using the exchange rates prevailing as of December 31, 2025.

(*2) The Group has provided collateral in the form of a letter of credit in the amount of USD 900 thousand, issued by KEB Hana Bank, in favor of Atlantic Specialty Insurance Company.

(2) As of December 31, 2025, the Group has provided three blank notes as collateral to counterparties in relation to its long-term borrowings.

(3) The Group participated in a consortium, including Korea National Oil Corporation and others, to invest in a resource development project. In 2013, the consortium in which the Group was involved decided to withdraw from the project. As of December 31, 2025, the Group continues to have borrowings related to the project from the Korea Energy Agency (See Note 26).

(4) The parent company was spun off on April 1, 2017, through a (physical) spin-off. As a result, HD Hyundai Heavy Industries Co., Ltd. became the surviving entity, continuing the shipbuilding and related businesses, while newly established entities — HD Hyundai Electric Co., Ltd., HD Hyundai Construction Equipment Co., Ltd., and HD Hyundai Co., Ltd. — took over the electric and electronic business, construction equipment business, and robotics/investment business, respectively. In accordance with Article 530-9(1) of the Korean Commercial Act, the parent company and the newly established entities are jointly and severally liable for obligations incurred prior to the spin-off.

(5) In April 2019, the parent company sold its equity interest in Hyundai Hym Co., Ltd. to Hercules Holdings for ₩97,500 million. The shareholders' agreement related to the transaction includes the parent company's tag-along right and Hercules Holdings' drag-along right. The shareholder agreement related to this divestiture includes the controlling Company's tag-along participation rights and Hercules Holdings' drag-along rights.

(6) On June 1, 2019, the parent company underwent a spin-off. As a result, HD Korea Shipbuilding & Offshore Engineering Co., Ltd. remained as the surviving entity, continuing to engage in investment and related businesses, while HD Hyundai Heavy Industries Co., Ltd. was established as the new entity to take over the shipbuilding and related businesses. In accordance with Article 530-9(1) of the Korean Commercial Act, both the parent company and the newly established entity, HD Hyundai Heavy Industries Co., Ltd., are jointly and severally liable for the obligations of HD Hyundai Heavy Industries Co., Ltd. incurred prior to the spin-off.

In addition, on December 1, 2018, the parent company completed a business combination with the spin-off division of HD Hyundai Samho Co., Ltd., which had been separated through a physical spin-off. In accordance with Article 530-9(1) of the Korean Commercial Act, both the parent company and HD Hyundai Samho Co., Ltd. are jointly and severally liable for obligations incurred by HD Hyundai Samho Co., Ltd. prior to the spin-off and business combination.

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46. Commitments and Contingencies, Continued

- (7) The Group has granted put options to employees of its subsidiary, Convion OY, with a maximum exercise amount of EUR 8,148 thousand.

47. Litigations

As of December 31, 2025, the Group is currently a defendant in forty-seven lawsuits involving claims amounted to ₩65,100 million. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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48. Related Parties

(1) Transactions between the controlling Company and its subsidiaries are eliminated in the preparation of the consolidated financial statements and the related parties as of December 31, 2025 are as follows:

	<u>Company</u>	<u>Main business</u>
Parent company	HD Hyundai Co., Ltd.	Holding company
Associates and joint ventures(*)	Hyundai Hymys Co., Ltd.	Sale and manufacture of machinery equipment for shipbuilding
	HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	Financial and operating leases
	International Maritime Industries Company Elcogen Group PLC	Shipbuilding Manufacture of fuel cell components
	Saudi Engines Manufacturing Company and 7 other companies	Manufacture of marine engines and others
Others (large-scale corporate conglomerates)	HD Hyundai Electric Co., Ltd.	Sale and manufacture of industrial electric equipment
	HD Hyundai Robotics Co., Ltd.	Manufacture of Industrial and LCD Robots
	HD Hyundai Construction Equipment Co., Ltd.	Sale and manufacture of machinery equipment for construction
	HD Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products
	HD Hyundai Marine Solution Co., Ltd.	Engineering services
	HD Hyundai Infracore Co., Ltd.	Sale and manufacture of machinery equipment for construction
	HD Hyundai Xite Solution Co., Ltd.	Manufacture of construction and mining machinery and equipment
	Other related parties of HD Hyundai Co., Ltd.	Other business
	Other related parties of HD Hyundai Electric Co., Ltd.	Other business
	Other related parties of HD Hyundai Robotics Co., Ltd.	Other business
	Other related parties of HD Hyundai Construction Equipment Co., Ltd.	Other business
	Other related parties of HD Hyundai Oilbank Co., Ltd.	Other business
	Other related parties of HD Hyundai Marine Solution Co., Ltd.	Other business
	Other related parties of HD Hyundai Infracore Co., Ltd.	Other business
	Other related parties of HD Hyundai Xite Solution Co., Ltd.	Other business
	Other related parties	Other business

(*) Associates and joint ventures include their subsidiaries.

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48. Related Parties, Continued

(2) Significant transactions for the years ended December 31, 2025 and 2024 with related parties are as follows:

(In millions of won)

	2025			
	Sales and other		Purchases and other	
	Sales(*2)	Dividends income	Purchase of raw materials	Others purchase(*3)
Parent company:				
HD Hyundai Co., Ltd.(*1)	₩ 44,283	-	9,387	38,119
Associates and joint ventures(*4):				
Hyundai Hyms Co., Ltd.	7,546	740	230,137	8,841
International Maritime Industries Company	18,839	-	-	-
Others	6,972	145	470	-
	<u>33,357</u>	<u>885</u>	<u>230,607</u>	<u>8,841</u>
Other related parties (large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	79,578	-	229,271	16,233
HD Hyundai Robotics Co., Ltd.	3,534	-	33	7,970
HD Hyundai Construction Equipment Co., Ltd.	24,077	-	537	7,670
HD Hyundai Oilbank Co., Ltd.	11,771	-	142,888	4,529
HD Hyundai Marine Solution Co., Ltd.	40,568	-	80,155	84,336
HD Hyundai Xite Solution Co., Ltd.	14,391	-	1,460	5,757
HD Hyundai Infracore Co., Ltd.	10,794	-	-	1,350
Others	2,840	-	9,990	17,910
	<u>187,553</u>	<u>-</u>	<u>464,334</u>	<u>145,755</u>
	<u>₩ 265,193</u>	<u>885</u>	<u>704,328</u>	<u>192,715</u>

(*1) Dividends of ₩205,899 million were paid to the parent company, HD Hyundai Co., Ltd. for the year ended December 31, 2025.

(*2) Including disposal of property, plant and equipment and interest income.

(*3) Including acquisitions of property, plant and equipment and payments of lease (₩15,704 million) and others.

(*4) Including associates and joint ventures' subsidiaries.

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48. Related Parties, Continued

- (2) Significant transactions for the years ended December 31, 2025 and 2024 with related parties are as follows, continued:

(In millions of won)

	2024			
	Sales and other		Purchases and other	
	Sales(*1)	Dividends income	Purchase of raw materials	Others purchase(*2)
Parent company:				
HD Hyundai Co., Ltd.	₩ 31,298	-	8,499	33,505
Associates and joint ventures(*3):				
Hyundai Hyms Co., Ltd.	7,229	-	207,734	647
International Maritime Industries Company	17,039	-	-	-
Others	7,750	27,980	-	653
	<u>32,018</u>	<u>27,980</u>	<u>207,734</u>	<u>1,300</u>
Other related parties (large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	54,992	-	251,326	8,119
HD Hyundai Robotics Co., Ltd.	2,463	-	127	8,944
HD Hyundai Construction Equipment Co., Ltd.	23,842	-	559	4,679
HD Hyundai Oilbank Co., Ltd.	19,256	-	132,240	1,923
HD Hyundai Marine Solution Co., Ltd.	45,836	-	76,904	74,837
HD Hyundai Xite Solution Co., Ltd.	13,935	-	1,080	6,873
HD Hyundai Infracore Co., Ltd.	11,728	-	-	1,230
Others	3,037	-	5,823	11,991
	<u>175,089</u>	<u>-</u>	<u>468,059</u>	<u>118,596</u>
	<u>₩ 238,405</u>	<u>27,980</u>	<u>684,292</u>	<u>153,401</u>

(*1) Including disposal of property, plant and equipment and interest income.

(*2) Including acquisitions of property, plant and equipment and payments of lease (₩14,512 million) and others.

(*3) Including associates and joint ventures' subsidiaries.

For the year ended December 31, 2024, the Group made a capital contribution of SAR 56,250 thousand to its joint venture, Saudi Engines Manufacturing Company.

For the year ended December 31, 2024, the Group received ₩32,374 million from the capital reduction of its associate, HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD., of which ₩27,835 million was recognized as dividend income.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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48. Related Parties, Continued

(3) Outstanding balances as of December 31, 2025 and 2024 with related parties are as follows:

(In millions of won)

	2025				
	Trade and other receivables		Trade and other payables		
	Trade receivable	Other receivables	Trade payables	Other Payables(*2)	
Parent company:					
HD Hyundai Co., Ltd.	₩	2,436	15,155	607	15,202
Associates and joint ventures(*1):					
Hyundai Hymas Co., Ltd.		617	3,161	13,422	-
International Maritime Industries Company(*3)		28,173	4,383	-	4,456
Others		1,757	-	-	-
		<u>30,547</u>	<u>7,544</u>	<u>13,422</u>	<u>4,456</u>
Other related parties					
(large-scale corporate conglomerates):					
HD Hyundai Electric Co., Ltd.		6,434	5,350	52,100	3,915
HD Hyundai Robotics Co., Ltd.		434	1,945	220	255
HD Hyundai Construction Equipment Co., Ltd.		1,378	1,426	40	187
HD Hyundai Oilbank Co., Ltd.		1,140	2,074	50,526	539
HD Hyundai Marine Solution Co., Ltd.		8,298	2,433	27,983	3,359
HD Hyundai XiteSolution Co., Ltd.		1,967	102	2,423	129
HD Hyundai Infracore Co., Ltd.		1,314	25	1,457	91
Others		437	4,836	5,649	125
		<u>21,402</u>	<u>18,191</u>	<u>140,398</u>	<u>8,600</u>
	₩	<u>54,385</u>	<u>40,890</u>	<u>154,427</u>	<u>28,258</u>

(*1) Including associates and joint ventures' subsidiaries.

(*2) Including lease liabilities (₩17,874 million).

(*3) As of the end of the reporting period, the Group has recognized an allowance for expected credit losses in respect of receivables and other balances due from the above related parties. As of December 31, 2025, the allowance amounts to ₩ 7,150 million, and the bad debt expense recognized for the year ended December 31, 2025 is equal to the amount of the allowance recognized.

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48. Related Parties, Continued

(3) Outstanding balances as of December 31, 2025 and 2024 with related parties are as follows, continued:

(In millions of won)

	2024			
	Trade and other receivables		Trade and other payables	
	Trade receivable	Other receivables	Trade payables	Other Payables(*2)
Parent company:				
HD Hyundai Co., Ltd.	₩ 2,662	15,855	341	27,254
Associates and joint ventures(*1):				
Hyundai Hyms Co., Ltd.	619	1,512	10,284	-
International Maritime Industries Company	7,936	-	-	-
Others	2,175	-	718	-
	<u>10,730</u>	<u>1,512</u>	<u>11,002</u>	<u>-</u>
Other related parties (large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	4,200	2,989	70,205	3,883
HD Hyundai Robotics Co., Ltd.	441	3,503	2,212	520
HD Hyundai Construction Equipment Co., Ltd.	1,738	1,778	111	421
HD Hyundai Oilbank Co., Ltd.	1,638	52	43,208	979
HD Hyundai Marine Solution Co., Ltd.	6,213	4,229	24,908	1,799
HD Hyundai XiteSolution Co., Ltd.	2,120	235	1,438	1,879
HD Hyundai Infracore Co., Ltd.	1,079	61	12	215
Others	400	3,534	4,659	166
	<u>17,829</u>	<u>16,381</u>	<u>146,753</u>	<u>9,862</u>
	<u>₩ 31,221</u>	<u>33,748</u>	<u>158,096</u>	<u>37,116</u>

(*1) Including associates and joint ventures' subsidiaries.

(*2) Including lease liabilities (₩30,298 million).

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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48. Related Parties, Continued

- (4) There is no guarantee that provided for related parties or provided by related parties as of December 31, 2025.
- (5) There is no guarantee provided to or received from related parties as of December 31, 2025.
- (6) Compensation for key management of the Group for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Short-term employee benefits	₩ 11,840	12,427
Post-employment benefit	2,692	1,985
Other long-term benefits	772	853
	<u>₩ 15,304</u>	<u>15,265</u>

The above key management consists of directors and internal auditors who have important rights and responsibilities for the planning, operation and control of the Group.

49. Assets held for sale

Assets held for sale as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Property, Plant and Equipment(*)	₩ -	63,000

(*) Property, plant and equipment that are determined to be sold are classified as non-current assets held for sale.

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50. Subsequent Events

- (1) Subsequent to the reporting period, exchange rights were exercised in respect of exchangeable bonds issued by the Group with a principal amount of ₩ 10,000 million.
- (2) Subsequent to the reporting period, the Group acquired convertible bonds issued by Elcogen Group PLC amounting to ₩ 865 million.
- (3) During January 2026, the liquidation of STX HI Malaysia Sdn. Bhd., a subsidiary, was completed.
- (4) On March 13, 2026, HD Hyundai Heavy Industries Co., Ltd., a subsidiary of the Group, entered into a memorandum of agreement with Eco Prime Marine Pacific Co., Ltd. for the proposed sale of the Gunsan Shipyard.

Independent Auditors' Report on Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Stockholders and Board of Directors of
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and its subsidiaries (the "Group")' internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2025 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting for consolidation purposes as of December 31, 2025, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the consolidated financial statements of the Group, which comprise the consolidated statements of financial position as of December 31, 2025, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including material accounting policies, and our report dated March 18, 2026 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

The Group's management is responsible for designing, operating and maintaining effective internal control over financial reporting for consolidation purposes and for its assessment of the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying *Report on the Operations of Internal Control over Financial Reporting for Consolidation Purposes*.

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



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

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

An audit of internal control over financial reporting for consolidation purposes includes performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgement, including the assessment of the risk that a material weakness exists. The audit involves obtaining an understanding of internal control over financial reporting for consolidation purposes, and testing and evaluating the design and operating effectiveness of internal controls based on assessed risks.

Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes

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

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

The engagement partner on the audit resulting in this independent auditors' report is Won Pyo Jeon.

KPMG Samjory Accounting Corp.

Seoul, Korea
March 18, 2026

This report is effective as of March 18, 2026, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Report on the Operations of Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Shareholders, Board of Directors, and Audit Committee of HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

We, as the CEO and ICFR officer of HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. (the "Company"), assessed the effectiveness of the design and operation of internal control over financial reporting ("ICFR") for consolidation purposes for the year ended December 31, 2025.

The design and operation of ICFR for consolidation purposes is the responsibility of the Company's management, including the CEO and the ICFR officer.

We assessed whether the Company's ICFR for consolidation purposes has been effectively designed and operated in order to prevent and detect errors or fraud that may result in a misstatement of the financial statements to ensure preparation and disclosure of reliable financial statements.

We used, as the basis for the design and operation of the Company's ICFR for consolidation purposes, the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR. In assessing the design and operation of the ICFR for consolidation purposes, we used, as the criteria for assessment, the Appendix 6 of the Implementation Guidelines for the Regulation on External Audit and Accounting, etc., the Standard for Evaluation and Reporting of ICFR.

Based on our assessment, we concluded that the Company's ICFR for consolidation purposes is effectively designed and operated as of December 31, 2025, in all material respects, in accordance with the Conceptual Framework for Design and Operation of ICFR.

We confirm that this report does not contain or present any false statement or omit to state a fact necessary to be presented herein. We also confirm that this report does not contain or present any statement which might cause material misunderstanding to the readers, and we have reviewed and verified this report with due care.

(Attachments) Internal control activities performed by the Company in response to fund-related fraud risks such as embezzlements.

Sung Joon, Kim
Chief Executive Officer

Byung Jo, Ko
Internal Accounting Control Officer

February 9, 2026

(Attachment)

Internal Control Activities Conducted by the Company in response to Fund-related Fraud Risks such as Embezzlements, etc.

Classification	Control Activities Conducted by the Company	Assessment Results of Design-Operation Status
Entity level controls	<p><Fraud Prevention System Operation> The Management operates an internal whistle-blower system (anonymous reporting channel) to prevent fraud such as embezzlement incidents.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)</p>
	<p><Fraud Risk Assessment> Management conducts change management and appropriately reflects these changes in internal controls considering changes in business processes.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)</p>
	<p><Separation of Duties> Management defines standards for incompatible duties and periodically reviews whether the corresponding responsibilities are appropriately separated based on the organization or individual in charge.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)</p>
	<p><Effectiveness Evaluation of the ICFR> Management conducts ongoing monitoring as part of routine business procedures and periodically assesses the effectiveness of key control activities through independent evaluations.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)</p>

Classification	Control Activities Conducted by the Company	Assessment Results of Design-Operation Status
Cash Management Controls	<p><Management of Accounts Status> The head of the Cash Management Team reviews any changes in the status of accounts.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, August 2025, January 2026)</p>
	<p><Opening and Closing of Accounts> The head of the Cash Management Team reviews and approves appropriate internal reports related to the opening and closing of bank accounts.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, August 2025, January 2026)</p>
	<p><Seal Management> The department head in charge of corporate and user seals restricts physical access to the seals.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2025)</p>
	<p><Seal Usage> The department head in charge of corporate and user seals verifies the approval and supporting documents from the requesting department head before affixing the seal.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, August 2025, December 2025)</p>
	<p><Restriction on Transactions with Unregistered Vendors> The ERP system is configured to restrict financial transactions with vendors that are not registered in the system.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2025)</p>
	<p><Separation of Duties in Payment Processing> The person requesting the payment and the person approving the payment are separated.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2025)</p>

Classification	Control Activities Conducted by the Company	Assessment Results of Design-Operation Status
Cash Management Controls	<p><Preparation and Approval of Daily Cash Plans></p> <p>The head of the Cash Management Team reviews and approves daily cash reports, including planned inflows and outflows for the day and the actual performance of the previous day.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, August 2025, December 2025)</p>
	<p><Approval and Execution of Borrowing Transactions></p> <p>The head of the Cash Management Team approves the borrowing details, and the borrowing officer executes the transaction based on the borrowing proposal approved by the authorized signatory.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, August 2025, December 2025)</p>
	<p><Separation of Vendor Registration and Confirmation></p> <p>The individuals responsible for registering vendors and confirming vendor information in the ERP system are separated.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2025)</p>