

HD KOREA SHIPBUILDING & OFFSHORE
ENGINEERING CO., LTD.

Separate 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 separate financial statements of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2025 and 2024, the separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2025 and 2024, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 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 unmodified opinion on the effectiveness of the Company'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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2025. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of impairment on investments in subsidiaries

As described in Note 12 to the separate financial statements, the carrying amount of investments in subsidiaries as of December 31, 2025 is ₩8,995,311 million and amounted for 70% of total assets. In addition, estimation of the recoverable amount requires the management's estimate and judgement including future cash flow and discount rate, and there is considerable uncertainty in the estimation and judgment. Therefore, we identified the assessment of impairment of investments in subsidiaries as a key audit matter.

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

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



Other Matter

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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



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

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

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

The engagement partner on the audit resulting in this independent auditors' report is 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate Statements of Financial Position

As of December 31, 2025 and 2024

(In thousands of won)

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Assets			
Cash and cash equivalents	6,38,39	₩ 523,688,180	762,696,863
Short-term financial assets	7,38,39	1,530,000,000	980,500,000
Trade and other receivables	9,30,38,39,42	345,911,868	142,205,888
Contract assets	9,30,38,39	7,781,493	556,295
Inventories	10	199,477,496	71,499,272
Current tax assets		-	2,214,649
Other current assets	11,30	228,784,564	67,460,782
Total current assets		<u>2,835,643,601</u>	<u>2,027,133,749</u>
Investments in subsidiaries, associates and joint ventures	12,13,14	9,235,911,590	9,012,227,620
Long-term financial assets	7,8,15,38,39	40,070,373	56,391,048
Long-term trade and other receivables	9,38,39,42	8,389,863	5,987,556
Investment property	16	54,604,368	139,778,311
Property, plant and equipment	17	624,978,368	600,537,639
Right-of-use assets	18	13,586,899	18,740,885
Intangible assets	19	38,422,081	47,459,991
Deferred tax assets	35	22,868,363	144,162,967
Other non-current assets	11,23	26,650,183	4,837,644
Total non-current assets		<u>10,065,482,088</u>	<u>10,030,123,661</u>
Total assets		<u>₩ 12,901,125,689</u>	<u>12,057,257,410</u>

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Separate 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	20,22,25,38,39	473,565,664	-
Current lease liabilities	18,22,38,39 ₩	10,330,509	8,601,861
Trade and other payables	21,38,39,42	230,562,830	113,963,379
Contract liabilities	30	380,304,500	207,481,696
Short-term provisions	24	2,831,304	1,626,986
Current tax liabilities		18,458,907	-
Other current liabilities	21	-	32,042
Total current liabilities		<u>1,116,053,714</u>	<u>331,705,964</u>
Long-term financial liabilities	20,22,38,39,40	11,530,696	11,812,755
Non-current lease liabilities	18,22,38,39	3,615,678	10,327,947
Long-term trade and other payables	21,38,39,42	13,748,829	10,591,829
Long-term contract liabilities	30	9,841,920	10,205,242
Liabilities for defined benefit plans	23	201,552	119,759
Long-term provisions	24	5,145,540	1,959,857
Total non-current liabilities		<u>44,084,215</u>	<u>45,017,389</u>
Total liabilities		<u>1,160,137,929</u>	<u>376,723,353</u>
Equity			
Common stock	26	353,865,580	353,865,580
Capital surplus	26	2,353,534,269	2,353,534,269
Capital adjustments	27	(8,060,450,512)	(8,060,450,512)
Accumulated other comprehensive income	28	127,615,132	89,243,605
Retained earnings	29	16,966,423,291	16,944,341,115
Total equity		<u>11,740,987,760</u>	<u>11,680,534,057</u>
Total liabilities and equity	₩	<u>12,901,125,689</u>	<u>12,057,257,410</u>

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Separate Statements of Comprehensive Income
For the years ended December 31, 2025 and 2024

<i>(In thousands of won, except share information)</i>	Note	2025	2024
Sales	30,42	₩ 1,493,753,828	₩ 516,796,333
Cost of sales	32,42	680,327,067	425,641,407
Gross profit		<u>813,426,761</u>	<u>91,154,926</u>
Selling, general and administrative expenses	31,32	112,777,539	73,896,644
Operating income		<u>700,649,222</u>	<u>17,258,282</u>
Finance income	25,33,38	90,556,908	77,513,384
Finance costs	25,33,38	204,920,804	12,387,772
Other non-operating income	34	245,098,105	139,371,149
Other non-operating expenses	34	285,533,706	7,069,121
Profit before income tax		<u>545,849,725</u>	<u>214,685,922</u>
Income tax expense (benefit)	35	(68,485,141)	49,087,945
Profit for the year	29,37	₩ <u>614,334,866</u>	₩ <u>165,597,977</u>
Other comprehensive income (loss)	23,28,38		
Items that will not be reclassified to profit or loss:			
Gain (loss) on valuation of financial assets measured at FVOCI		1,850,383	(9,000,725)
Actuarial gains and losses		856,440	(5,661,536)
Gain on revaluation of property, plant and equipment		30,343,443	-
		<u>33,050,266</u>	<u>(14,662,261)</u>
Other comprehensive income (loss) for the year, net of income tax		<u>33,050,266</u>	<u>(14,662,261)</u>
Total comprehensive income for the year		₩ <u>647,385,132</u>	₩ <u>150,935,716</u>
Earnings per share	36		
Basic earnings per share (in won)		₩ <u>8,688</u>	₩ <u>2,342</u>

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate 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 (loss)	Retained earnings	Total equity
Balance at January 1, 2024	₩	353,865,580	2,353,534,269	(8,060,450,512)	(128,341,633)	17,010,990,637	11,529,598,341
Total comprehensive income (loss) for the year:							
Profit for the year		-	-	-	-	165,597,977	165,597,977
Changes in fair value of financial assets measured at FVOCI		-	-	-	(9,000,725)	-	(9,000,725)
Actuarial gains and losses		-	-	-	-	(5,661,536)	(5,661,536)
Other:							
Reclassification of accumulated other comprehensive income		-	-	-	226,585,963	(226,585,963)	-
Balance at December 31, 2024	₩	<u>353,865,580</u>	<u>2,353,534,269</u>	<u>(8,060,450,512)</u>	<u>89,243,605</u>	<u>16,944,341,115</u>	<u>11,680,534,057</u>
Balance at January 1, 2025	₩	353,865,580	2,353,534,269	(8,060,450,512)	89,243,605	16,944,341,115	11,680,534,057
Total comprehensive income (loss) for the year:							
Profit for the year		-	-	-	-	614,334,866	614,334,866
Changes in fair value of financial assets measured at FVOCI		-	-	-	1,850,383	-	1,850,383
Revaluation of property, plant and equipment		-	-	-	30,343,443	-	30,343,443
Actuarial gains and losses		-	-	-	-	856,440	856,440
Transactions with owners of the Company, recognized directly in equity:							
Dividends		-	-	-	-	(586,931,429)	(586,931,429)
Other:							
Reclassification of accumulated other comprehensive income		-	-	-	6,177,701	(6,177,701)	-
Balance at December 31, 2025	₩	<u>353,865,580</u>	<u>2,353,534,269</u>	<u>(8,060,450,512)</u>	<u>127,615,132</u>	<u>16,966,423,291</u>	<u>11,740,987,760</u>

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Separate 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	₩	614,334,866	₩ 165,597,977
Adjustments		<u>(633,399,835)</u>	<u>(40,366,324)</u>
Cash provided by(used in) operations	37	(19,064,969)	125,231,653
Interest received		58,518,700	65,845,458
Interest paid		(1,236,699)	(1,334,257)
Dividends received		716,584,525	35,958,861
Income taxes paid		<u>(309,398)</u>	<u>(493,558)</u>
Net cash provided by operating activities		<u>754,492,159</u>	<u>225,208,157</u>
Cash flows from investing activities			
Net increase in short-term financial assets		(549,500,000)	(30,000,000)
Decrease in long-term financial assets		21,060,600	62,449,205
Decrease in long-term other receivables		-	12,136,119
Decrease in investments in subsidiaries, associates and joint ventures		-	352,208,986
Proceeds from disposal of property, plant and equipment		27,831,604	6,128,809
Proceeds from disposal of intangible assets		-	500,000
Proceeds from sale of non-current assets held for sale		504,287	8,637,813
Increase in long-term financial assets		(5,668,383)	(10,000)
Increase in long-term other receivables		(408,028)	(932,741)
Increase in investments in subsidiaries, associates and joint ventures		(447,818,903)	(333,976,832)
Acquisition of property, plant and equipment		(33,491,434)	(25,318,063)
Acquisition of intangible assets		(7,051,082)	(10,800,146)
Acquisition of investment property		-	(88,944)
Net cash provided by(used in) investing activities		<u>(994,541,339)</u>	<u>40,934,206</u>
Cash flows from financing activities			
Decrease in other non-current financial liabilities	22	599,736,096	-
Repayment of current lease liabilities		(11,814,322)	(8,541,777)
Dividends		<u>(586,881,475)</u>	<u>-</u>
Net cash provided by(used in) financing activities		<u>1,040,299</u>	<u>(8,541,777)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>198</u>	<u>5,020</u>
Net increase(decrease) in cash and cash equivalents		(239,008,683)	257,605,606
Cash and cash equivalents at January 1		<u>762,696,863</u>	<u>505,091,257</u>
Cash and cash equivalents at December 31	₩	<u>523,688,180</u>	₩ <u>762,696,863</u>

See accompanying notes to the separate financial statements

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

1. Reporting Entity

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

2. Basis of Preparation

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

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

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

(1) Basis of measurement

The separate financial statements have been prepared on a historical cost basis, except for the following material items in the separate 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

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

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

2. Basis of Preparation, Continued

(3) Use of estimates and judgments

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

Estimates and underlying assumption are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively.

(i) Judgments

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

- Note 12 – Scope of Consolidation: Whether the Company has de facto control over an investee;
- Note 13 – Investments in Associates: Whether the Company has significant influence over an associate
- Note 14 – Classification of joint ventures
- Note 16 – Classification of investment property
- Note 18 – Lease term: whether the Company is reasonably certain to exercise extension options
- Note 30 – 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 11, 12, 13, 14, 17, 19 – Impairment test - key assumptions underlying recoverable amounts, including the recoverability of other current assets, investments in subsidiaries, associates and joint ventures, property, plant and equipment, and intangible assets;
- Note 23 – Measurement of defined benefit obligations - key actuarial assumptions;
- Notes 24, 40, 41 – Recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 30 – Revenue recognition in proportion to stage of completion, the estimates of total contract costs; and
- Note 35 – Measurement of deferred tax

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair values

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

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

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

When measuring the fair value of an asset or a liability, the Company 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 39.

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

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

- Note 15 – Financial assets measured at fair value;
- Note 16 – Investment property;
- Note 17 – Property, plant, and equipment; and
- Note 39 – Financial instruments

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

3. Changes In Accounting Policies

The Company has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2025. The Company 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 defines when a currency is considered exchangeable into another currency for accounting purposes and clarifies the requirements for assessing exchangeability, estimating the spot exchange rate when exchangeability is absent, and related disclosures. When a currency is not exchangeable, an entity is required to estimate the spot exchange rate at the measurement date, using an observable exchange rate without adjustment, if available, or otherwise applying an appropriate estimation technique.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

4. Material Accounting Policies

The Material accounting policies applied by the Company in the preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements except for the changes in accounting policies as explained in Note 3.

(1) Separate financial statements

1) Investments in subsidiaries, associates and joint ventures

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 'Separate Financial Statements'. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with K-IFRS No. 1027. However, in the separate financial statements as of the date of conversion to K-IFRS, the Company measured the carrying amounts under the previous K-GAAP as deemed cost in accordance with K-IFRS No. 1101 'First-time Adoption Of Korean International Financial Reporting Standards'.

2) Acquisitions from entities under common control

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

(2) Cash and cash equivalents

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

(3) 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.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

4. Material Accounting Policies, Continued

(4) Non-derivative financial assets

1) Recognition and Initial Measurements

The Company 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 Company becomes a party to the contractual provisions of the instrument.

2) Classification and subsequent measurement

(i) Financial assets – Business model assessment

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

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

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

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

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

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

In making this assessment, the Company considers:

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

3) Derecognition

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

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4. Material Accounting Policies, Continued

(4) 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 Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) 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 Company holds interest rate swaps and other derivative contracts to manage interest rate risk, foreign exchange risk. The Company 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 Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

(i) Fair value hedge

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

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

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the 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. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows 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

(5) 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.

(6) Impairment of financial assets

1) Financial instruments and contract assets

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

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

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4. Material Accounting Policies, Continued

(6) Impairment of financial assets, continued

2) Credit-impaired financial assets

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

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

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

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

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

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 separate statement 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 Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company's procedures for recovery of amounts due.

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4. Material Accounting Policies, Continued

(7) 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 Company's property, plant and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	25~50
Structures	20~45
Machinery and equipment	5~20
Ships	15,25
Vehicles	5~14
Tools, furniture and fixtures	3~20

(8) Intangible assets

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

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

	<u>Useful lives (years)</u>
Development costs	5
Other intangible assets	20, 40
Membership, trademark right	Indefinite

(9) Government grants

Government grants whose primary condition is that the Company 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 Company for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Company recognizes the related costs as expenses.

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4. Material Accounting Policies, Continued

(10) 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

(11) Lease

1) As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of small underlying assets. The Company, 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 Company 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 Company includes in the cost of the right-of-use assets 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 Company 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 Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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4. Material Accounting Policies, Continued

(11) Lease, continued

2) As a lessor

When the Company 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.

(12) Contract assets and contract liabilities

If the Company performs the transfer of goods or services to the customer before the customer pays the consideration or before the due date, the Company presents the contract as a contract asset, except as a receivable. Contract assets are rights to receive consideration for goods or services transferred by the Company to the customer.

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

Contract liabilities are the Company'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 Company's rights to receive the payment. The Company 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 (liquidity) provisions.

(13) Borrowing costs

The Company 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, there are no capitalized borrowing costs that have been capitalized for the years ended December 31, 2025 and 2024.

(14) Non-derivative financial liabilities

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

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4. Material Accounting Policies, Continued

(15) 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 Company can no longer withdraw the offer of those benefits and when the Company 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.

(16) 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 Company recognizes any impairment loss on the assets associated with that contract.
- 4) Other provision
In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration is recognized.

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

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4. Material Accounting Policies, Continued

(17) Emissions rights

The Company 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 Company 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.

(18) Foreign currencies

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.

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4. Material Accounting Policies, Continued

(19) 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 Company 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 Company considers if significant benefit of financing is provided to the customer or the Company 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 Company 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 Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

- Identification of performance obligations

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

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

The Company engages in other projects such as shipbuilding, management support service, entrusted research service, hotel business, and shipbuilding equipment business as of December 31, 2025.

The shipbuilding business builds and sells ships from the owner of the order 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 industry being customized according to the terms presented to the customer, the Company itself has no alternative use, and if the contract is terminated for the customer or other party reasons, it can claim the cost and expected profit it has already entered into and may claim a shortfall after reselling the asset in accordance with the contractual process.

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

The company provides a service that integrates and operates management support services through customer-specific contracts for tasks that are essential for customers to run their own businesses, but are difficult to perform on their own. Generally, the contract period is one year and will be renewed without special customer requests. If the contract is terminated for the reasons of the customer or another party, the cost and profits can be charged for the part that has already been completed. Because of the nature of service delivery, benefits are provided and consumed as the service is performed, the Company recognized revenue over time in accordance with K-IFRS No. 1115.

If the performance obligation is satisfied over time, the timing of the performance obligation depends on how the Company measures its progress to indicate performance when control of the goods or services is transferred to the customer. However, if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the Company may recognize revenue in the amount to which the Company has a right to invoice, as a practical expedient.

The Company provides the entrusted research service that provides the results by performing the entrusted research tasks at the request of the client. Generally, the contract period is one year and will be renewed without special customer requests. If the contract is terminated for the reasons of the customer or another party, the cost and profits can be charged for the part that has already been completed, the Company recognized revenue over time in accordance with K-IFRS No. 1115.

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4. Material Accounting Policies, Continued

(19) Revenue from contracts with customers, continued

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

If the performance obligation is satisfied over time, the timing of the performance obligation depends on how the Company measures its progress to indicate performance when control of the goods or services is transferred to the customer. However, the contract is service contract in which the Company bills a fixed amount for each hour of service provided and if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the Company may recognize revenue in the amount to which the Company has a right to invoice, as a practical expedient.

The hotel business offers a variety of goods and services, including guest rooms, food and beverage, and banquets. In general, in a contract with a customer, the company control each specified good or service before it is delivered to the customer, so the company act as a principal in the contract with all customers.

The shipbuilding equipment business offers goods for ship with its main products including gas and eco-friendly marine system, electric propulsion system. In general, the Company recognize revenue at a point in time as the performance obligation under typical contracts is not satisfied over time.

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 and FOB.

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.

The management support service and entrusted research service are charged and collected monthly for the amount to which the Company has a right to invoice, and the hotel business and shipbuilding equipment business collects the consideration according to the collection conditions specified in the contract or when the delivery of goods and provision of services are completed.

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.

3) How to determine the transaction price, estimate the variable consideration, input variables, information

In the shipbuilding, management support services, entrusted research services and shipbuilding equipment business, it is not necessary to estimate the stand-alone selling price for the allocation of the transaction price because it corresponds to a single performance obligation, but in the case of hotel business, the transaction price is allocated based on the relative stand-alone selling price to the various performance obligations identified in one contract.

In the shipbuilding, management support services, entrusted research services, hotel business, and shipbuilding equipment business, the transaction price includes variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

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4. Material Accounting Policies, Continued

(20) Finance income and finance costs

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

- interest income
- interest expense;
- dividend income;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- hedge ineffectiveness recognized in profit or loss
- the reclassified net profit or loss previously recognized in other comprehensive income in the cash flow hedge accounting for borrowing liabilities.

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 Company's right to receive payment is established.

(21) Corporate income taxes

The Company applies the consolidated tax filing method, treating the 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 Company 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.

(22) Operating Segment

The Company discloses information on operating segments in the notes to the consolidated financial statements in accordance with K-IFRS No. 1108 'Operating Segments' and does not disclose information related to its operating segments in its separate financial statements.

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4. Material Accounting Policies, Continued

(23) Discontinued operations

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated 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.

(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 Company for the year beginning on January 1, 2025, and the Company has not early adopted them. The following new and amended accounting standards are not expected to have a significant impact on the Company's 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 Korean 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 Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

(1) Financial risk management

1) Risk management framework

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

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

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

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's 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 Company's trade and other receivables and contract assets is influenced mainly by the individual characteristics of each customer. Most of the Company's customers are located in Korea, so the risk of bankruptcy in the country where the customer is located does not significantly affect credit risk.

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

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

(iii) Guarantees

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

3) Liquidity risk

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

The Company has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. If the Company cannot generate sufficient cash flow from operations to meet its cash requirements, the Company 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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

(i) Currency risk

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

The Company hedges trade receivables and trade payables denominated in a foreign currency in respect of forecasted sales and purchases. The Company 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 Company 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 Company hedges interest rate risk using interest rate swap for variable interest borrowings. As a result, the risk that changes in the value of variable interest-bearing bonds and loans will affect the company's profit or loss is avoided.

(iii) Other market price risk

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

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

<i>(In millions of won, except equity ratio)</i>	<u>2025</u>	<u>2024</u>
Total liabilities	₩ 1,160,138	376,723
Total equity	11,740,988	11,680,534
Cash and deposits(*1)	2,053,690	1,743,199
Borrowings(*2)	274,900	11,813
Liability to equity ratio	9.88%	3.23%
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) Exchange right adjustment is deducted from the face value of exchangeable 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 reporting period are as follows.

<i>(In millions of won, except interest coverage ratio)</i>	<u>2025</u>	<u>2024</u>
1. Operating profit	₩ 700,649	17,258
2. Interest expense	19,472	6,177
3. Interest coverage ratio (1÷2)	35.98	2.79

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6. Cash and Cash Equivalents

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

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
Cash	₩	6	6
Others (MMDA and others)		523,682	762,691
	₩	<u>523,688</u>	<u>762,697</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	₩	1,530,000	2	980,500	2
Financial assets measured at FVTPL		-	11,086	-	6,691
Financial assets measured at FVOCI		-	28,982	-	49,698
	₩	<u>1,530,000</u>	<u>40,070</u>	<u>980,500</u>	<u>56,391</u>

8. Restricted Financial Instruments

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

<i>(In millions of won)</i>				
<u>Description</u>		<u>2025</u>	<u>2024</u>	<u>Restrictions</u>
Long-term financial assets	₩	2	2	Guarantee deposits for checking accounts

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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:

(In millions of won)

	2025		2024	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 131,064	-	87,315	-
Allowance for doubtful accounts	-	-	(7)	-
	<u>131,064</u>	<u>-</u>	<u>87,308</u>	<u>-</u>
Other receivables:				
Other accounts receivable	194,987	-	39,577	-
Allowance for doubtful accounts	-	-	(643)	-
Accrued income	18,521	-	12,960	-
Loans	494	-	-	494
Allowance for doubtful accounts	(494)	-	-	(494)
Guarantee deposits	1,340	8,390	3,004	5,988
	<u>214,848</u>	<u>8,390</u>	<u>54,898</u>	<u>5,988</u>
	<u>₩ 345,912</u>	<u>8,390</u>	<u>142,206</u>	<u>5,988</u>

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

(In millions of won)

	2025	2024
Contract assets	₩ 7,781	556

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
Work-in-progress	₩ 123,159	(346)	122,813	64,353	(15)	64,338
Raw materials	28,489	-	28,489	-	-	-
Supplies	866	-	866	837	-	837
Materials-in-transit	47,309	-	47,309	6,324	-	6,324
	<u>₩ 199,823</u>	<u>(346)</u>	<u>199,477</u>	<u>71,514</u>	<u>(15)</u>	<u>71,499</u>

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

(In millions of won)

	2025	2024
Loss(reversal) on valuation of inventories	₩ 331	15

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11. Other Current and Non-current Assets

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

(In millions of won)

	2025		2024	
	Current	Non-current	Current	Non-current
Advance payments	₩ 219,760	-	62,392	-
Prepaid expenses	9,025	641	5,069	671
Others	-	63,307	-	63,307
Accumulated impairment loss	-	(63,307)	-	(63,307)
Net defined benefit assets(*)	-	26,009	-	4,167
	₩ <u>228,785</u>	<u>26,650</u>	<u>67,461</u>	<u>4,838</u>

(*) As of December 31, 2025 and 2024, plan assets of ₩26,009 million and ₩4,167 million in excess of the present value of defined benefit obligations were recorded as other non-current assets.

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12. Investments in Subsidiaries

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

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year	Main business	2025		2024	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
HD Hyundai Heavy Industries Co., Ltd.(*7)	Korea	December	Shipbuilding	69.23	₩ 6,200,239	75.02	₩ 5,276,008
HD Hyundai Samho Co., Ltd.(*1)	Korea	December	Shipbuilding	96.65	1,633,459	96.65	1,633,365
HD Hyundai Mipo Co., Ltd.(*3)	Korea	December	Shipbuilding	-	-	42.40	988,207
HD Hyundai Sports Co., Ltd.	Korea	December	Football club	100.00	5,215	100.00	5,215
HD Hyundai Energy Solutions Co., Ltd.	Korea	December	Solar photovoltaic and renewable energy	53.57	319,404	53.57	319,404
Seamarq Service Co., Ltd.	Korea	December	Hotel management services	100.00	3,136	100.00	3,136
HD Hyundai Marine Engine Co., Ltd.(*2)	Korea	December	Manufacture of Marine engines	35.05	81,956	35.05	81,956
HD Hydrogen Co., Ltd.(*6)	Korea	December	Manufacture of storage batteries	100.00	155,000	100.00	140,000
AMC Sciences Co., Ltd.	Korea	December	Medical and pharmaceutical research and development	84.38	27,000	84.38	27,000
Pontos Investment LLC(*6)	USA	December	Investing	100.00	55,385	100.00	41,266
HD Hyundai Vietnam Shipbuilding Co., Ltd.(*9)	Vietnam	December	Shipbuilding	-	-	10.00	9,484
Hyundai Heavy Industries Miraflores Power Plant Inc.(*5)	Panama	December	Manufacturing	100.00	-	100.00	-
HHI Mauritius Limited	Mauritius Saudi	December	Manufacturing	100.00	-	100.00	-
Hyundai Arabia Company L.L.C	Arabia	December	Industrial plant construction	100.00	-	100.00	-
Hyundai Samho Heavy Industries Panama, Inc.(*4)	Panama	December	Construction-industrial facility construction	-	-	100.00	-
HD Hyundai Heavy Industries Technology Center India Private Ltd.	India	March	Research and development	100.00	2,139	100.00	2,139
HD Hyundai Europe Research and Development Center GmbH	Germany	December	Research and development	100.00	4,107	100.00	4,107
HD Hyundai Heavy Industries Philippines, Inc.(*9)	Philippines	December	Manufacturing	-	-	100.00	70,994
HD Hyundai Asia Holdings Pte. Ltd.(*8)	Singapore	December	Management of overseas subsidiaries	60.00	508,271	-	-
					₩ 8,995,311		₩ 8,602,281

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12. Investments in Subsidiaries, Continued

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

(*1) For the year ended December 31, 2025, the Company have acquired 1,180 common shares of HD Hyundai Samho Co., Ltd. due to the exercise of minority shareholders' appraisal rights.

(*2) Even though the Company has under 50% shares of the investee, it is determined that the Company has a control over the investee, since the Company has substantive power to exercise a majority of voting rights considering the circumstance in the previous shareholders' meeting (e.g. voting pattern), the dispersion of the other shareholders, etc.

(*3) It was included in a business combination with HD Hyundai Heavy Industries Co., Ltd. for the year ended December 31, 2025.

(*4) For the year ended December 31, 2025, Hyundai Samho Heavy Industries Panama, Inc. was liquidated.

(*5) For the year ended December 31, 2025, Hyundai Heavy Industries Miraflores Power Plant Inc. is in the process of liquidation.

(*6) For the year ended December 31, 2025, the Company have acquired additional shares of Pontos Investment LLC and HD Hydrogen Co., Ltd.

(*7) The 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.

(*8) For the year ended December 31, 2025, the Company established HD Hyundai Asia Holdings Pte. Ltd.

(*9) For the year ended December 31, 2025, the Company contributed in-kind to HD Hyundai Asia Holdings Pte. Ltd.

Changes in the end of the current year compared to the prior year are attributable to the establishment, capital contribution, and merger of subsidiaries.

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12. Investments in Subsidiaries, Continued

(2) Impairment assessment

The company assesses impairment of the subsidiary investment shares by determining the greater of their value in use and net fair value. The company reasonably estimates the recoverable amount of subsidiary investment shares. Future cash flows were estimated based on past experience, industrial prospects of external rating agencies, actual business results and business plans. And it was derived through DCF using pre-tax cash flow estimation based on a five-year business plan approved by management, reflecting the inflation rate and investment plan.

As of December 31, 2025, the recoverable amount of investments in subsidiaries was determined based on value in use, which exceeded the carrying amount. The discount rate used for impairment testing of subsidiary investment stocks was calculated based on the weighted average of equity and other capital. As of the evaluation date, risk-free interest rate reflecting the creditworthiness of the country, the equity cost using the beta of the companies in the same industry, and the corporate bond interest rate considering the creditworthiness of the company were used to estimation. The permanent growth rate was calculated by considering the market environment and applying the average value of the long-term observation period.

<i>(In percentage)</i>	<u>Discount rate</u>	<u>Permanent growth rate</u>
Input variables	10.20	1.00

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13. Investments in Associates

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

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year	Main business	2025		2024	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	29.00	₩ 22,870	29.00	₩ 22,870
Hyundai Hyms Co., Ltd.(*1)	Korea	December	Sale and manufacture of machinery equipment for shipbuilding	20.84	32,501	20.91	32,501
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	-	49.00	-
International Maritime Industries Company(*2)	Saudi Arabia	December	Shipbuilding	20.00	46,523	20.00	166,572
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO.,Ltd.	China	December	Financial and operating leases	41.26	89,274	41.26	89,274
Elcogen Group PLC(*3, 4)	United Kingdom	December	Manufacture of fuel cell components	15.33	14,816	15.33	64,113
					₩ 205,984		₩ 375,330

(*1) For the year ended December 31, 2025, the Company's ownership ratio in Hyundai Hyms Co., Ltd. decreased due to a capital increase.

(*2) For the year ended December 31, 2025, the Company recognized an impairment loss of ₩120,049 million on International Maritime Industries Company.

(*3) Although its ownership is less than 20%, the company is considered to have a material influence with its participation in the investees' Board of Directors.

(*4) For the year ended December 31, 2025, the Company recognized an impairment loss of ₩49,297 million on Elcogen Group PLC.

Changes in the end of the current year compared to the prior year are attributable to impairment loss.

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(2) Impairment assessment

The company assesses impairment of the associate investment shares by determining the greater of their value in use and net fair value. The company reasonably estimates the recoverable amount of associate investment shares. Future cash flows were estimated based on past experience, industrial prospects of external rating agencies, actual business results and business plans. And it was derived through DCF using pre-tax cash flow estimation based on a five-year business plan approved by management, reflecting the inflation rate and investment plan.

The discount rate used for impairment testing of associate investment stocks was calculated based on the weighted average of equity and other capital. As of the evaluation date, risk-free interest rate reflecting the creditworthiness of the country, the equity cost using the beta of the companies in the same industry, and the corporate bond interest rate considering the creditworthiness of the company were used to estimation. The permanent growth rate was calculated by considering the market environment and applying the average value of the long-term observation period.

<i>(In percentage)</i>	<u>Discount rate</u>	<u>Permanent growth rate</u>
Inputs variables	8.10	1.00

As a result of the impairment test for the current year, the Company recognized an impairment loss on investments in associates of ₩120,049 million for International Maritime Industries Company, as its recoverable amount determined based on value in use was less than its carrying amount. In addition, the Company recognized an impairment loss on investments in associates of ₩49,297 million for Elcogen Group PLC, as its recoverable amount determined based on net fair value was less than its carrying amount.

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14. Investments in Joint Ventures

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

(In millions of won, except percentage of ownership)

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	₩ 34,617	30.00	₩ 34,617

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

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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
OSX Construcao Naval S.A.	0.20	57,498	-	0.20	57,498	-
Hyundai M Partners Co., Ltd.(*4)	9.93	13,145	19,250	9.93	13,145	18,430
Other	-	10,208	1,854	-	10,208	1,869
		<u>90,311</u>	<u>26,707</u>		<u>122,199</u>	<u>48,314</u>
		<u>₩ 91,583</u>	<u>28,982</u>		<u>₩ 123,471</u>	<u>49,698</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) For the year ended December 31, 2025, the Company disposed of all its shares in Hyundai Heavy Industries Power Systems Co., Ltd. for asset securitization.

(*3) The fair value of Bexco Co., Ltd. was calculated by using the 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 evaluation.

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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
Global ICT convergence Fund(*3)	2.00	148	148	2.00	202	202
Convertible bonds	-	5,668	5,799	-	-	-
		₩ 12,816	11,086	₩ 7,202		6,691

(*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.

(*3) For the year ended December 31, 2025, principal of ₩54 million was distributed.

Changes in the end of the current year compared to the prior year are attributable to fair value evaluation.

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16. Investment Property

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

(In millions of won)

		2025			2024		
		Land	Buildings	Total	Land	Buildings	Total
Beginning balance	₩	32,593	107,185	139,778	32,593	104,680	137,273
Acquisitions		-	-	-	-	89	89
Reclassification		-	-	-	-	5,929	5,929
Disposals		-	(82,374)	(82,374)	-	-	-
Depreciation		-	(2,800)	(2,800)	-	(3,513)	(3,513)
Ending balance	₩	<u>32,593</u>	<u>22,011</u>	<u>54,604</u>	<u>32,593</u>	<u>107,185</u>	<u>139,778</u>

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

(In millions of won)

		2025			2024		
		Land	Buildings	Total	Land	Buildings	Total
Acquisition cost	₩	32,593	44,148	76,741	32,593	157,441	190,034
Accumulated depreciation		-	(22,137)	(22,137)	-	(50,256)	(50,256)
Ending balance	₩	<u>32,593</u>	<u>22,011</u>	<u>54,604</u>	<u>32,593</u>	<u>107,185</u>	<u>139,778</u>

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

(In millions of won)

		2025	2024
Rental income	₩	9,829	6,756
Operating and maintenance expense arising from investment property that generated rental income		3,523	4,169

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

(In millions of won)

		2025	2024
Land	₩	74,706	50,698
Buildings		40,730	162,961
	₩	<u>115,436</u>	<u>213,659</u>

The fair value of investment property was determined by external, independent appraiser, having appropriate recognized professional qualifications and experience in relation to the assessment of real estate in the Republic of Korea as of January 1, 2010 when the K-IFRS was adopted. The valuation is achieved by using comparison methods to obtain the economic value based on marketability of the property. The Company 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						Total
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	
Beginning balance	₩	341,977	158,770	22,300	11,029	37,324	29,138	600,538
Acquisitions		-	8	430	8,060	8,340	15,922	32,760
Reclassification		-	200	1,544	-	(2,585)	841	-
Disposals and others		(4,392)	(235)	(1,946)	(190)	(27,895)	(10)	(34,668)
Depreciation		-	(4,173)	(481)	(3,919)	-	(7,907)	(16,480)
Revaluation		47,636	-	-	-	-	-	47,636
Reclassification to non-current assets held for sale		-	-	-	-	(4,780)	-	(4,780)
Government grants		-	-	-	-	-	(28)	(28)
Ending balance	₩	<u>385,221</u>	<u>154,570</u>	<u>21,847</u>	<u>14,980</u>	<u>10,404</u>	<u>37,956</u>	<u>624,978</u>

(In millions of won)

		2024						Total
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	
Beginning balance	₩	344,551	165,299	21,608	7,618	39,050	20,084	598,210
Acquisitions		1	54	632	5,712	4,983	15,434	26,816
Reclassification		4	(1,442)	534	1,062	(6,630)	543	(5,929)
Disposals and others		(2,579)	(1,415)	-	(7)	(79)	(356)	(4,436)
Depreciation		-	(3,726)	(474)	(3,356)	-	(6,567)	(14,123)
Ending balance	₩	<u>341,977</u>	<u>158,770</u>	<u>22,300</u>	<u>11,029</u>	<u>37,324</u>	<u>29,138</u>	<u>600,538</u>

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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	₩	385,221	207,369	30,751	42,900	10,404	91,961	768,606
Accumulated depreciation		-	(52,799)	(8,904)	(27,920)	-	(53,977)	(143,600)
Government grants		-	-	-	-	-	(28)	(28)
Ending balance	₩	<u>385,221</u>	<u>154,570</u>	<u>21,847</u>	<u>14,980</u>	<u>10,404</u>	<u>37,956</u>	<u>624,978</u>

(In millions of won)

		2024						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Acquisition cost	₩	341,977	207,763	30,726	38,346	37,324	76,864	733,000
Accumulated depreciation		-	(48,993)	(8,426)	(27,317)	-	(47,726)	(132,462)
Ending balance	₩	<u>341,977</u>	<u>158,770</u>	<u>22,300</u>	<u>11,029</u>	<u>37,324</u>	<u>29,138</u>	<u>600,538</u>

(3) Construction in progress includes the implementation of business systems and others as of December 31, 2025.

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17. Property, Plant and Equipment, Continued

(4) Land revaluation

The Company 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 ₩35,607 million (net of tax), revaluation gains recognised as other non-operating income amounted to ₩753 million, and revaluation losses recognised as other non-operating expenses amounted to ₩1,628 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>		2025	
		Revaluation model	Cost model
Land	₩	385,221	158,599

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) Right-of-use assets

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	Others	Total
Beginning balance	₩	378	17,546	817	18,741
Acquisition		4,124	4,694	571	9,389
Termination		(2,327)	(231)	(37)	(2,595)
Depreciation		(1,876)	(9,613)	(459)	(11,948)
Ending balance	₩	299	12,396	892	13,587

(In millions of won)

		2024			
		Land	Buildings	Others	Total
Beginning balance	₩	464	23,878	774	25,116
Acquisition		-	2,178	627	2,805
Termination		-	(7)	(111)	(118)
Depreciation		(86)	(8,503)	(473)	(9,062)
Ending balance	₩	378	17,546	817	18,741

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

(In millions of won)

		2025			
		Land	Buildings	Others	Total
Acquisition cost	₩	895	35,673	1,638	38,206
Accumulated depreciation		(596)	(23,277)	(746)	(24,619)
Ending balance	₩	299	12,396	892	13,587

(In millions of won)

		2024			
		Land	Buildings	Others	Total
Acquisition cost	₩	887	31,259	1,415	33,561
Accumulated depreciation		(509)	(13,713)	(598)	(14,820)
Ending balance	₩	378	17,546	817	18,741

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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	₩	10,331	8,602
Non-current lease liabilities		3,616	10,328
	₩	<u>13,947</u>	<u>18,930</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 year</u>	<u>1~3 years</u>	<u>More than 3 years</u>
Lease liabilities	₩	16,412	11,442	1,985	2,985

(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	₩	11,948	9,062
Interest expenses on lease liabilities		1,237	1,334
Short-term lease payments(*)		1,402	1,509
Payment for leases of low-value assets(*)		974	802
Total cash outflows related to leases		15,427	12,187

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

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19. Intangible Assets

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

(In millions of won)

		2025		
		Development costs	Others	Total
Beginning balance	₩	22,000	25,460	47,460
Acquisition		6,031	1,020	7,051
Reclassification		(571)	-	(571)
Impairment loss(*)		(13,954)	-	(13,954)
Amortization		(1,537)	(27)	(1,564)
Ending balance	₩	11,969	26,453	38,422

(*) 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)

		2024		
		Development costs	Others	Total
Beginning balance	₩	14,543	24,220	38,763
Acquisition		8,778	2,022	10,800
Disposals		-	(771)	(771)
Amortization		(1,321)	(11)	(1,332)
Ending balance	₩	22,000	25,460	47,460

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

(In millions of won)

		2025		
		Development costs	Others	Total
Acquisition cost	₩	15,162	26,506	41,668
Accumulated amortization		(3,193)	(53)	(3,246)
Ending balance	₩	11,969	26,453	38,422

(In millions of won)

		2024		
		Development costs	Others	Total
Acquisition cost	₩	23,770	25,486	49,256
Accumulated amortization		(1,770)	(26)	(1,796)
Ending balance	₩	22,000	25,460	47,460

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19. Intangible Assets, Continued

- (3) The details of research and development cost and ordinary development costs amortization included in intangible asset as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>			2025	2024
Research and development costs	Selling, general and administrative expenses	₩	26,665	15,460
	Government grants		(1,102)	(1,012)
		₩	25,563	14,448
Ordinary development costs	Selling, general and administrative expenses	₩	2,758	-

20. Short-term and Long-term Financial Liabilities

The details of short-term and long-term financial liabilities 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
Financial liabilities measured at FVTPL	₩	210,197	-	-	-	-
Borrowings		-	11,531	-	-	11,813
Exchangeable bonds		320,000	-	-	-	-
Adjustment of exchange rights		(56,631)	-	-	-	-
	₩	473,566	11,531	-	-	11,813

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21. Trade and Other Payables and Other Current Liabilities

(1) Trade and other payables 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 payables	₩ 148,128	-	50,925	-
Other accounts payable	25,157	-	26,596	-
Accrued expenses	57,228	5,269	36,442	2,838
Dividends payable	50	-	-	-
Deposits received	-	8,480	-	7,754
	₩ <u>230,563</u>	<u>13,749</u>	<u>113,963</u>	<u>10,592</u>

(2) Other current liabilities as of December 31, 2025 and 2024 are summarized as follows:

<i>(In millions of won)</i>	2025	2024
Unearned revenues	₩ -	32

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22. Borrowings and Bonds

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

(In millions of won)

Description	Type of borrowing	Lender	Annual interest rate (%)	2025	2024
Long term borrowings	Loan for petroleum development project(*)	Korea Energy Agency	0.75	₩ 11,531	11,813

(*) During 2013, the consortium that included the Company 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) Bonds as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)	2025	2024
Exchangeable bonds(*)	2030-03-28	0.00	₩ 320,000	-
			320,000	-
Discount on bonds			(56,631)	-
			₩ 263,369	-

(*) 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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22. Borrowings and Bonds, Continued

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

1) 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.

2) Redemption at maturity

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

3) 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.

4) 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.

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22. Borrowings and Bonds, Continued

(3) 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	₩	11,813	-	18,930	-	30,743
Cash flows	Borrowings	-	599,736	-	-	599,736
from financing	Repayment	-	-	(11,814)	-	(11,814)
activities	Dividend payable	-	-	-	(586,881)	(586,881)
	Effects of changes in foreign exchange rates	(282)	-	(4)	-	(286)
	Adjustment of exchangeable bond exchange rights	-	(56,367)	-	-	(56,367)
Non-cash flows	Exercise of exchangeable bond exchange rights	-	(280,000)	-	-	(280,000)
	Dividends resolution	-	-	-	586,931	586,931
	Others	-	-	8,072	-	8,072
Cash flows from operating activities(*)		-	-	(1,237)	-	(1,237)
Ending balance	₩	11,531	263,369	13,947	50	288,897

(*) 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	Lease liabilities	Total
Beginning balance	₩	10,361	24,875	35,236
Cash flows from financing	Repayment	-	(8,542)	(8,542)
activities	The effects of changes in foreign exchange rates	1,452	-	1,452
Non-cash flows	Others	-	3,931	3,931
Cash flows from operating activities(*)		-	(1,334)	(1,334)
Ending Balance	₩	11,813	18,930	30,743

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

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23. 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>	2025	2024
Present value of defined benefit obligations	₩ 76,712	68,348
Fair value of plan assets(*)	76,510	68,228
Recognition of liabilities of defined benefit plans	202	120

(*) Plan assets exceed the present value of defined benefit obligations in the amount of ₩26,009 million and ₩4,167 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 ₩102,519 million and ₩72,395 million.

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

<i>(In millions of won)</i>	2025	2024
Retirement pension(*)	₩ 102,519	72,395

(*) 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>	2025	2024
Current service costs	₩ 12,626	9,607
Interest cost	2,177	1,824
Interest income	(2,800)	(3,086)
Expense for defined contribution plans	209	-
	₩ 12,212	8,345

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23. Employee Benefits, Continued

(4) Changes in the 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	₩ 68,348	53,285
Current service costs	12,626	9,607
Interest cost	2,177	1,824
Benefits paid	(16,847)	(12,870)
Transfers from related parties and others	11,134	8,907
Actuarial losses (gains) in other comprehensive income:		
Demographic assumption	101	-
Financial assumption	(1,076)	6,193
Experience adjustment	249	1,402
Ending balance	₩ <u>76,712</u>	<u>68,348</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	₩ 72,395	69,073
Benefits paid	(4,216)	(5,937)
Contributions paid into the plan	31,100	6,000
Interest income	2,800	3,086
Actuarial gains in other comprehensive income	440	173
Ending balance	₩ <u>102,519</u>	<u>72,395</u>

The Company 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 ₩ 13,466 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	₩ 7,722	29,883	30,479	318,903	386,987

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23. Employee Benefits, Continued

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

<i>(In percent)</i>	2025	2024
Discount rate	4.31	3.91
Future salary growth rate	4.21	3.95
Future mortality (Males, at age 45)	0.18	0.18

(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	11.16	11.84

(9) Reasonably possible changes as of December 31, 2025 and 2024 to the 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)	₩ (6,383)	7,455	(5,937)	6,962
Future salary growth (1% movement)	7,388	(6,447)	6,890	(5,990)

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24. Provisions

Changes in Provisions for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

		2025			
		Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	-	2,858	729	3,587
Increase		68	4,849	-	4,917
Decrease		-	(256)	-	(256)
Offset		-	(271)	-	(271)
Ending balance	₩	68	7,180	729	7,977

Provisions as of December 31, 2025 are as follows:

(In millions of won)

		2025			
		Provision for construction warranty	Provision for product warranty	Other Provision	Total
Current portion	₩	-	2,102	729	2,831
Non-current portion		68	5,078	-	5,146
Ending balance	₩	68	7,180	729	7,977

(In millions of won)

		2024		
		Provision for product warranty	Other Provision	Total
Beginning balance	₩	688	606	1,294
Increase		2,171	177	2,348
Offset		(1)	(54)	(55)
Ending balance	₩	2,858	729	3,587

Provisions as of December 31, 2024 are as follows:

(In millions of won)

		2024		
		Provision for product warranty	Other Provision	Total
Current portion	₩	898	729	1,627
Non-current portion		1,960	-	1,960
Ending balance	₩	2,858	729	3,587

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25. Derivative Financial Instruments

The Company measured the exchange right granted under the exchangeable bonds at fair value as of December 31, 2025, as such exchange rights meet the criteria for embedded derivatives. The valuation details for the current period and the resulting transaction gains and losses are as follows.

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

(In millions of won)

<u>Description</u>	<u>Type</u>	<u>Currency</u>	<u>Amount</u>	<u>Average Maturities</u>	<u>Number of Contracts</u>
For trading	Exchange right(*)	KRW	320,000	2030-02-28	2

(*) The Company recognized the exchange option embedded in the exchangeable bonds as derivative financial liability.

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

(In millions of won)

<u>Description</u>	<u>Type</u>	<u>Financial liabilities measured at FVTPL</u>	
		<u>Current</u>	<u>Non-current</u>
For trading	Consideration for exchange rights	₩ 210,197	-

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

(In millions of won)

<u>Description</u>	<u>Type</u>	<u>Finance Income and Expenses</u>	
For trading	Valuation loss on consideration for exchange rights	₩	(144,720)
	Loss on disposal of exchange right consideration		(20,112)
	Gain on disposal of exchange right consideration		3,588

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26. Capital and Capital Surplus

(1) Common stock

The 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

(i) Paid-in capital in excess of par value as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024
Paid-in capital in excess of par value by public offering on August, 1999 ₩	565,410	565,410
Paid-in capital in excess of par value by public offering on December, 1999	333,720	333,720
Paid-in capital in excess of par value by public offering on March, 2018	1,172,500	1,172,500
Paid-in capital in excess of par value by spin-off and merger on December, 2018	347,416	347,416
	2,419,046	2,419,046
Stock-issuing costs and capital incorporation	(55,806)	(55,806)
Decrease in capital due to spin-off in April 2017	(214,544)	(214,544)
Stock-issuing costs at increased paid-in capital in March 2018	(7,196)	(7,196)
Stock-issuing costs at spin-off and merger in December 2018	(3,188)	(3,188)
	(280,734)	(280,734)
	₩ 2,138,312	2,138,312

(ii) Capital surplus as of December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	2025	2024
Paid-in capital in excess of par value ₩	2,138,312	2,138,312
Gain on disposal of treasury stock	159,392	159,392
Gain on merger	21,830	21,830
Other capital surplus	34,000	34,000
	₩ 2,353,534	2,353,534

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27. 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
Loss on capital reduction	7,036,683	7,036,683
Other capital adjustments	1,013,236	1,013,236
	₩ <u>8,060,451</u>	<u>8,060,451</u>

(2) Treasury shares as of December 31, 2025 and 2024 are as follows:

<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

28. 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	₩ (41,217)	(51,370)
Revaluation of property, plant and equipment	168,832	140,614
	₩ <u>127,615</u>	<u>89,244</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>Before tax amount</u>	<u>Tax effect</u>	<u>After tax amount</u>
Net change in fair value of financial assets measured at FVOCI	₩ 290	1,560	1,850
Actuarial gains and losses	1,166	(310)	856
Revaluation of property, plant and equipment	48,511	(18,168)	30,343
	₩ <u>49,967</u>	<u>(16,918)</u>	<u>33,049</u>

<i>(In millions of won)</i>	<u>2024</u>		
	<u>Before tax amount</u>	<u>Tax effect</u>	<u>After tax amount</u>
Net change in fair value of financial assets measured at FVOCI	₩ (11,797)	2,796	(9,001)
Actuarial gains and losses	(7,421)	1,759	(5,662)
Revaluation of property, plant and equipment	-	-	-
	₩ <u>(19,218)</u>	<u>4,555</u>	<u>(14,663)</u>

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29. Retained Earnings

(1) 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(*3)	14,563,282	14,990,576
Unappropriated retained earnings (Undisposed accumulated deficit)	<u>382,727</u>	<u>(66,649)</u>
	<u>₩ 16,966,423</u>	<u>16,944,341</u>

(*1) The Korean Commercial Code requires the Company 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 issued capital. This reserve is not available for the payment of cash dividends but may be transferred to issued capital or used to offset accumulated deficit, if any, through a resolution of stockholders.

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

(*3) Pursuant to the *Tax Exemption and Reduction Control Law*, the Company is allowed to make reserves for facilities and others, which are appropriated in accordance with related law.

(2) Statements of appropriation of retained earnings (Undisposed accumulated deficit) for the years ended December 31, 2025 and 2024 are as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
I. Retained earnings before appropriation		
Unappropriated retained earnings to be carried from previous year	₩ -	-
Profit for the year	614,335	165,598
Actuarial gain (loss)	856	(5,662)
Reclassification of net change in fair value of financial assets measured at FVOCI	(8,303)	(227,644)
Reclassification revaluation surplus	2,125	1,059
Interim dividends	<u>(226,286)</u>	<u>-</u>
	<u>382,727</u>	<u>(66,649)</u>
II. Transfer from voluntary reserves		
Voluntary reserve	<u>260,776</u>	<u>427,294</u>
	<u>260,776</u>	<u>427,294</u>
III. Total (I + II)	<u>643,503</u>	<u>360,645</u>
IV. Appropriation of retained earnings		
Dividend(*)	<u>643,503</u>	<u>360,645</u>
	<u>643,503</u>	<u>360,645</u>
V. Unappropriated retained earnings to be carried over to subsequent year	<u>₩ -</u>	<u>-</u>

(*) The dividend payable per ordinary stock for the years ended December 31, 2025 and 2024, amount to ₩9,100 and ₩5,100, respectively.

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30. Revenue

- (1) The changes in contracts received for shipbuilding materials for the year ended December 31, 2025 are as follows:

<i>(In millions of won)</i>	Amount	
Beginning balance	₩	1,587,555
Increase during the period(*)		941,765
Revenue recognized		(452,985)
Ending balance	₩	2,076,335

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

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>	Amount			
	2026	2027	After 2028	Total
Expected amounts	₩ 748,957	920,815	406,563	2,076,335

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

<i>(In millions of won)</i>		Accumulate d revenue of construction	Accumulated cost of construction	Accumulated profit of construction	Billed receivables on constructio n contracts	Unbilled receivables on construction contracts	Contract liabilities	Provision for construction losses
Shipbuilding	₩	56,679	52,496	4,183	-	6,858	80,998	-

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

<i>(In millions of won)</i>					Contract asset		Trade receivable	
		Contract date	Contract due	Progress(%)	Total amount	Allowance for doubtful accounts	Total amount	Allowance for doubtful accounts
Name								
115K P/C Ship J001		2024.12.02	2027.02.15	36.83	₩ 6,858	-	-	-
115K P/C Ship J002		2024.12.02	2027.06.15	16.41	-	-	-	-
115K P/C Ship J003		2024.12.02	2027.09.15	1.68	-	-	-	-
Shipbuilding 115K P/C Ship J004		2024.12.02	2027.11.05	1.68	-	-	-	-
115K P/C Ship J005		2025.03.28	2028.03.15	0.08	-	-	-	-
115K P/C Ship J006		2025.03.28	2028.03.31	0.08	-	-	-	-
115K P/C Ship J007		2025.04.28	2028.06.30	0.08	-	-	-	-

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30. Revenue, Continued

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

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 (*)	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	₩	(9,750)	(16,672)	4,099	2,823	6,922	6,858	30,895

(*) 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.

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.

(5) Source of revenue

<i>(In millions of won)</i>		2025	2024
Revenue from contracts with customers(*)	₩	777,262	483,314
Dividends		716,492	33,482
	₩	<u>1,493,754</u>	<u>516,796</u>

(*) It includes investment property rental income.

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30. Revenue, Continued

(6) Disaggregation of revenue

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

<i>(In millions of won)</i>		<u>2025</u>	<u>2024</u>
Major product/service lines:			
Shipbuilding		56,555	124
R&D service	₩	146,580	128,109
Management support service		119,210	102,791
Ship equipment		396,430	200,680
Others		58,487	51,610
Total(*)	₩	<u>777,262</u>	<u>483,314</u>
Primary geographical markets:			
Korea	₩	689,817	480,720
North America		87	69
Asia		87,304	2,470
Others		54	55
Total(*)	₩	<u>777,262</u>	<u>483,314</u>
Duration of contract:			
Short-term contract	₩	263,173	272,881
Long-term contract		514,089	210,433
Total(*)	₩	<u>777,262</u>	<u>483,314</u>
Timing of revenue recognition:			
Goods and services transferred at a point in time	₩	433,019	238,457
Goods and services transferred over time		344,243	244,857
Total(*)	₩	<u>777,262</u>	<u>483,314</u>

(*) It includes investment property rental income.

(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>	<u>2025</u>		<u>2024</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Receivables	₩ 131,064	-	87,315	-
Allowance for doubtful accounts	-	-	(7)	-
	<u>₩ 131,064</u>	<u>-</u>	<u>87,308</u>	<u>-</u>
Contract assets	₩ 7,781	-	556	-
Contract liabilities(*)	₩ (380,305)	(9,842)	(207,482)	(10,205)

(*) The amount of ₩63,543 million included in contract liabilities (₩217,687 million) as of December 31, 2024 has been recognized as revenue for the year ended December 31, 2025.

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30. Revenue, Continued

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

The Company 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 Company 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 a contract and amortized to reflect the progress of the construction.

<i>(In millions of won)</i>	2025	2024
Beginning balance	₩ 4,115	-
Increase	3,194	4,116
Depreciation(*)	(584)	(1)
Ending balance	₩ 6,725	4,115

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

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31. 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	₩ 19,839	16,693
Bonus	8,688	6,108
Post-employment benefit costs	1,889	1,345
Employee welfare	7,522	5,575
Depreciation	3,388	2,618
Reversal of bad debt expenses	-	(10)
Ordinary development costs	2,758	-
Advertising	2,517	1,010
Printing	69	39
Power costs	32	17
Warranty expenses	5,486	2,480
Insurance	12	18
Office supplies expenses	111	113
Consumable expenses	8	5
Travel	1,471	1,334
Research	25,563	14,448
Training	58	163
Service contract expenses	14,659	7,486
Transportation	6	11
Rent	1,349	1,246
Data processing	1,027	528
Entertainment	610	447
Taxes and dues	1,352	1,285
Service charges	13,196	10,426
Automobile maintenance	382	320
Sales commissions	520	59
Others	266	133
	<u>₩ 112,778</u>	<u>73,897</u>

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32. Nature of Expenses

The classification of expenses by nature 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 inventories	₩ (127,978)	(39,988)
Purchase of inventories	391,789	205,515
Depreciation	19,280	17,636
Depreciation on right-of-use assets	11,948	9,062
Amortization	1,564	1,332
Labor costs	193,681	151,224
Other expenses	302,821	154,757
Total(*)	<u>₩ 793,105</u>	<u>499,538</u>

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

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33. Finance Income and Finance Costs

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

(In millions of won)

	<u>2025</u>	<u>2024</u>
Finance income:		
Interest income	₩ 64,423	65,589
Gain on valuation of financial instruments measured at FVTPL	131	1,521
Gain on disposal of financial instruments measured at FVTPL	3,588	1,072
Dividend income	93	2,477
Gain on foreign currency translations	1,171	337
Gain on foreign currency transactions	21,151	6,517
	<u>₩ 90,557</u>	<u>77,513</u>
Finance costs:		
Interest expense	₩ 19,472	6,177
Loss on valuation of financial instruments measured at FVTPL	146,070	-
Loss on disposal of financial instruments measured at FVTPL	20,112	-
Loss on foreign currency translations	536	1,931
Loss on foreign currency transactions	18,731	4,280
	<u>₩ 204,921</u>	<u>12,388</u>

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34. 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)

	<u>2025</u>	<u>2024</u>
Other non-operating income:		
Gain on disposal of subsidiaries, associates and joint venture	₩ 242,744	136,452
Gain on disposal of property, plant and equipment	33	1,830
Gain on disposal of right-of-use assets	10	11
Gain on revaluation of property, plant and equipment	753	-
Miscellaneous income	1,558	1,078
	<u>₩ 245,098</u>	<u>139,371</u>
Other non-operating expenses:		
Service charges	₩ 188	192
Loss on disposal of property, plant and equipment	647	140
Loss on disposal of intangible assets	-	271
Impairment loss on intangible assets	13,954	-
Loss on disposal of right-of-use assets	66	-
Impairment loss on investments in subsidiaries, associates and joint ventures	169,346	-
Loss on revaluation of property, plant and equipment	1,628	-
Loss on disposal of non-current assets held for sale	4,276	-
Donation	95,370	2,693
Miscellaneous expenses	59	3,773
	<u>₩ 285,534</u>	<u>7,069</u>

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35. 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)	₩ (148,453)	(73,791)
Origination and reversal of temporary differences	121,295	115,744
Effect of consolidated tax filing	(24,409)	2,580
Income tax recognized in other comprehensive income (loss)	(16,918)	4,555
Total income tax expense (benefit)	₩ <u>(68,485)</u>	<u>49,088</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	₩ 1,560	2,796
Actuarial gains and losses	(310)	1,759
Revaluation of property, plant and equipment	(18,168)	-
Total income tax expense (benefit)	₩ <u>(16,918)</u>	<u>4,555</u>

Income taxes related to changes in fair value of financial assets measured at FVOCI, actuarial gains and losses 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	₩ 545,850	214,686
Tax rate	23.70%	23.70%
Income tax using the Company's statutory tax rate	129,366	50,881
Adjustment for:		
- Change in tax rates	(6,901)	-
- Tax effect of non-deductible expenses	1,958	877
- Tax effect of tax-exempt income	(110,560)	(2,777)
- Tax credits (including carryforward)	(605)	(693)
- Change in unrecognized temporary difference	(57,249)	(1,408)
- Changes due to the tax consolidation system	(24,409)	2,580
- Others	(85)	(372)
Income tax expense (benefit)	₩ <u>(68,485)</u>	<u>49,088</u>
Effective tax rate	(*)	22.87%

(*) As income tax benefit occurred, the Company did not calculate the effective tax rate.

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35. 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	₩ 22,868	144,163
Deferred assets at the beginning of the year	<u>144,163</u>	<u>259,907</u>
Deferred tax effects by origination and reversal of temporary differences	₩ <u>121,295</u>	<u>115,744</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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35. 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	₩	(32,990)	48,173	15,183
Financial assets measured at fair value		15,956	(1,019)	14,937
Trade and other receivables		(3,072)	(1,855)	(4,927)
Asset revaluation		(63,659)	(19,401)	(83,060)
Property, plant and equipment		(4,778)	3,596	(1,182)
Accrued expenses		917	293	1,210
Others		(147,760)	25,957	(121,803)
		<u>(235,386)</u>	<u>55,744</u>	<u>(179,642)</u>
Tax loss carryforward		372,132	(175,750)	196,382
Carryforward tax credit		7,417	(1,289)	6,128
	₩	<u>144,163</u>	<u>(121,295)</u>	<u>22,868</u>

(In millions of won)

		2024		
		Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩	(1,587)	(31,403)	(32,990)
Financial assets measured at fair value		83,871	(67,915)	15,956
Trade and other receivables		(3,207)	135	(3,072)
Asset revaluation		(64,011)	352	(63,659)
Property, plant and equipment		(4,205)	(573)	(4,778)
Derivatives		602	(602)	-
Accrued expenses		1,001	(84)	917
Others		(159,466)	11,706	(147,760)
		<u>(147,002)</u>	<u>(88,384)</u>	<u>(235,386)</u>
Tax loss carryforward		400,320	(28,188)	372,132
Carryforward tax credit		6,589	828	7,417
	₩	<u>259,907</u>	<u>(115,744)</u>	<u>144,163</u>

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

(In millions of won)

		2025	2024	Reason
Investments in subsidiaries and associates(*)	₩	(1,773,788)	(1,532,232)	Remote to be reversed

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

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35. Income Tax Expense (Benefit), Continued

(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>
Carryforward tax credit	₩ 8,579	8,579	Remote to be utilized

(10) The classification of deferred tax assets (liabilities) between current and non-current as of December 31, 2025 and 2024 is as follows:

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Deferred tax assets payment due in 12 months	₩ 182,424	62,876
Deferred tax assets (liabilities) payment due after 12 months	(159,556)	81,287
	<u>₩ 22,868</u>	<u>144,163</u>

(11) Global Minimum Tax

The Company 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 its 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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36. 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 for the year	₩ 614,334,866	165,597,977
Weighted average number of ordinary shares outstanding(*)	<u>70,714,630</u>	<u>70,714,630</u>
Earnings per share (in won)	<u>₩ 8,688</u>	<u>2,342</u>

(*) 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	<u>70,714,630</u>	365/365	<u>70,714,630</u>
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	<u>70,714,630</u>	366/366	<u>70,714,630</u>
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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37. 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>	<u>2025</u>	<u>2024</u>
Profit for the year	₩ 614,335	165,598
Adjustments for:	(633,400)	(40,366)
Retirement benefits	12,003	8,345
Bad debt expenses (reversal of bad debt expenses)	-	(10)
Depreciation	19,280	17,636
Depreciation on the right-of-use asset	11,948	9,062
Amortization	1,564	1,332
Dividend income (sales)	(716,492)	(33,482)
Finance income	(69,406)	(70,996)
Finance costs	186,190	8,108
Other non-operating income	(243,540)	(138,293)
Other non-operating expenses	278,513	411
Income tax expense (benefit)	(68,485)	49,088
Trade receivables	(44,049)	(17,416)
Other receivables	39,677	62,465
Contract assets	(7,372)	435
Inventories	(127,978)	(39,989)
Other current assets	(161,353)	(25,021)
Other non-current assets	(37)	29
Trade payables	98,456	9,631
Other payables	17,373	17,035
Contract liabilities	165,390	100,535
Other current liabilities	(32)	-
Provisions	4,390	2,293
Long-term other payables	3,157	2,462
Retirement benefits paid	(16,847)	(12,870)
Succession of retirement benefits	11,134	8,907
Plan assets	(26,884)	(63)

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37. 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:

(In millions of won)

		<u>2025</u>	<u>2024</u>
Net changes of financial assets measured at FVOCI	₩	1,850	(9,001)
Increase and decrease in revaluation surplus (loss) on property, plant and equipment		47,636	-
Increase in right-of-use assets and lease liabilities		9,389	2,726
Increase and decrease the number of subsidiary investment shares under consolidated tax method		-	340
Replacement of investments in subsidiaries from the deposit		-	9,786
Increase and decrease in accounts payable about acquisition amount of property, plant and equipment		(788)	1,501
Exercise of exchangeable bonds		280,000	-
Non-cash donations		88,596	-

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38. 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				
	Financial instruments measured at	Financial investments measured at	Financial instruments measured at	Total	Fair Value
	FVTPL	FVOCI	amortized cost		
Financial assets measured at fair value:					
Financial assets measured at FVTPL	₩ 11,086	-	-	11,086	11,086
Financial assets measured at FVOCI	-	28,982	-	28,982	28,982
Financial assets not measured at fair value:					
Cash and cash equivalents	-	-	523,688	523,688	-
Financial instruments	-	-	1,530,002	1,530,002	-
Trade and other receivables	-	-	354,302	354,302	-
Contract assets	-	-	7,781	7,781	-
Total financial assets	₩ 11,086	28,982	2,415,773	2,455,841	40,068
Financial liabilities measured at fair value:					
Financial liabilities measured at FVTPL	₩ 210,197	-	-	210,197	210,197
Financial liabilities not measured at fair value:					
Borrowings	-	-	11,531	11,531	-
Bonds	-	-	263,369	263,369	-
Lease liabilities	-	-	13,947	13,947	-
Trade and other payables	-	-	244,312	244,312	-
Total financial liabilities	₩ 210,197	-	533,159	743,356	210,197

(In millions of won)

	2024				
	Financial instruments measured at	Financial investments measured at	Financial instruments measured at	Total	Fair Value
	FVTPL	FVOCI	amortized cost		
Financial assets measured at fair value:					
Financial assets measured at FVTPL	₩ 6,691	-	-	6,691	6,691
Financial assets measured at FVOCI	-	49,698	-	49,698	49,698
Financial assets not measured at fair value:					
Cash and cash equivalents	-	-	762,697	762,697	-
Financial instruments	-	-	980,502	980,502	-
Trade and other receivables	-	-	148,194	148,194	-
Contract assets	-	-	556	556	-
Total financial assets	₩ 6,691	49,698	1,891,949	1,948,338	56,389
Financial liabilities not measured at fair value:					
Borrowings	₩ -	-	11,813	11,813	-
Lease liabilities	-	-	18,930	18,930	-
Trade and other payables	-	-	124,555	124,555	-
Total financial liabilities	₩ -	-	155,298	155,298	-

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38. 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		
	Financial instruments measured at FVTPL	Financial investments measured at FVOCI	Financial instruments measured at amortized cost
Finance income:			
Interest income	₩ -	-	64,423
Gain on valuation of financial instruments measured at FVTPL	131	-	-
Gain on disposal of financial instruments measured at FVTPL	3,588	-	-
Dividend income	-	93	-
Gain on foreign currency translations	-	-	1,171
Gain on foreign currency transactions	-	-	21,151
	₩ <u>3,719</u>	<u>93</u>	<u>86,745</u>
Finance costs:			
Interest expense(*)	₩ -	-	(19,472)
Loss on valuation of financial instruments measured at FVTPL	(146,070)	-	-
Loss on disposal of financial instruments measured at FVTPL	(20,112)	-	-
Loss on foreign currency translations	-	-	(536)
Loss on foreign currency transactions	-	-	(18,731)
	₩ <u>(166,182)</u>	<u>-</u>	<u>(38,739)</u>
Other comprehensive income (loss) (net of tax):			
Changes in fair value of financial assets measured at FVOCI	₩ -	1,850	-
	₩ -	1,850	-
	₩ <u>(162,463)</u>	<u>1,943</u>	<u>48,006</u>

(*) Interest expense arising from effective interest rate amortization and significant financial elements of contract liabilities are included.

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38. 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		
	Financial instruments measured at FVTPL	Financial investments measured at FVOCI	Financial instruments measured at amortized cost
Finance income:			
Interest income	₩ -	-	65,589
Gain on valuation of financial instruments measured at FVTPL	1,521	-	-
Gain on disposal of financial instruments measured at FVTPL	1,072	-	-
Dividend income	-	2,477	-
Gain on foreign currency translations	-	-	337
Gain on foreign currency transactions	-	-	6,517
	<u>₩ 2,593</u>	<u>2,477</u>	<u>72,443</u>
Finance costs:			
Interest expense(*)	₩ -	-	(6,177)
Loss on valuation of financial instruments measured at FVTPL	-	-	-
Loss on disposal of financial instruments measured at FVTPL	-	-	-
Loss on foreign currency translations	-	-	(1,931)
Loss on foreign currency transactions	-	-	(4,280)
	<u>₩ -</u>	<u>-</u>	<u>(12,388)</u>
Other comprehensive income (loss) (net of tax):			
Changes in fair value of financial assets measured at FVOCI	₩ -	(9,001)	-
	<u>₩ -</u>	<u>(9,001)</u>	<u>-</u>
	<u>₩ 2,593</u>	<u>(6,524)</u>	<u>60,055</u>

(*) Interest expense arising from effective interest rate amortization and significant financial elements of contract liabilities are included.

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39. 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>
Cash and cash equivalents(*)	₩ 523,682
Financial assets measured at fair value	11,086
Amortized cost	<u>1,892,085</u>
	<u>₩ 2,426,853</u>

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

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

<i>(In millions of won)</i>	<u>2024</u>
Cash and cash equivalents(*)	₩ 762,691
Financial assets measured at fair value	6,691
Amortized cost	<u>1,129,252</u>
	<u>₩ 1,898,634</u>

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

As of December 31, 2024, there is no credit risk incurred by the Company due to payment guarantee contracts.

The maximum exposure to credit risk for loans and receivables 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	₩ 1,859,761	1,109,799
North America	10	-
Asia	32,296	-
Europe	6	-
Others	12	19,453
	<u>₩ 1,892,085</u>	<u>1,129,252</u>

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39. Financial Instruments, Continued

(1) Credit risk, Continued

(i) Exposure to credit risk, continued

The movement in the allowance for impairment in respect of financial assets at amortized cost (including contract 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	₩ 1,144	1,155
Reversal of allowance for doubtful accounts	-	(10)
Write-offs	(650)	(1)
Ending balance	<u>₩ 494</u>	<u>1,144</u>

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

There is no loss on other receivables for the years ended December 31, 2025 and 2024.

(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>	<u>2025</u>		<u>2024</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	₩ 359,778	-	143,011	(494)
Past due up to 6 months	2,305	-	4,721	-
Past due 6~12 months	494	(494)	1,512	-
Past due 1~3 years	-	-	-	-
More than 3 years	-	-	650	(650)
	<u>₩ 362,577</u>	<u>(494)</u>	<u>149,894</u>	<u>(1,144)</u>

② For the year ended December 31, 2025, certain receivables were recovered and subsequently either reversed or written off, as appropriate.

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39. 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 year 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:					
Borrowings	11,531	-	-	11,531	-
Bonds	320,000	320,000	-	-	-
Lease liabilities	16,412	5,755	5,687	1,985	2,985
Trade and other payables	244,312	230,563	-	-	13,749
Derivative financial liabilities:					
Financial liabilities measured at FVTPL	210,197	210,197	-	-	-
	<u>₩ 802,452</u>	<u>766,515</u>	<u>5,687</u>	<u>13,516</u>	<u>16,734</u>

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

- (ii) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements for the year 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:					
Borrowings	₩ 11,813	-	-	-	11,813
Lease liabilities	21,176	4,396	4,374	9,132	3,274
Trade and other payables	124,555	113,963	-	-	10,592
	<u>₩ 157,544</u>	<u>118,359</u>	<u>4,374</u>	<u>9,132</u>	<u>25,679</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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39. Financial Instruments, Continued

(3) Currency risk

(i) Exposure to currency risk

The Company'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	Others	Total
Assets:				
Cash and cash equivalents	₩ 73,516	116	682	74,314
Trade and other receivables	22,845	32	3	22,880
Contract assets	7,318	-	-	7,318
Financial assets measured at FVTPL	-	5,799	-	5,799
	₩ <u>103,679</u>	<u>5,947</u>	<u>685</u>	<u>110,311</u>
Liabilities:				
Trade and other payables	₩ (37,914)	(6,342)	(6,453)	(50,709)
Borrowings	(11,531)	-	-	(11,531)
Lease liabilities	-	-	(286)	(286)
	₩ <u>(49,445)</u>	<u>(6,342)</u>	<u>(6,739)</u>	<u>(62,526)</u>
Net statement of financial position exposure	54,234	(395)	(6,054)	47,785
Net exposure	₩ <u>54,234</u>	<u>(395)</u>	<u>(6,054)</u>	<u>47,785</u>

(In millions of won)

	2024			
	USD	EUR	Others	Total
Assets:				
Cash and Cash Equivalents	₩ 60,047	75	-	60,122
Trade and other receivables	22,944	25	-	22,969
Contract assets	391	-	-	391
	₩ <u>83,382</u>	<u>100</u>	<u>-</u>	<u>83,482</u>
Liabilities:				
Trade and other payables	₩ (12,101)	(1,721)	(91)	(13,913)
Borrowings	(11,813)	-	-	(11,813)
	₩ <u>(23,914)</u>	<u>(1,721)</u>	<u>(91)</u>	<u>(25,726)</u>
Net statement of financial position exposure	59,468	(1,621)	(91)	57,756
Net exposure	₩ <u>59,468</u>	<u>(1,621)</u>	<u>(91)</u>	<u>57,756</u>

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

(In won)

	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

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39. Financial Instruments, Continued

(3) Currency risk, continued

(ii) Sensitivity analysis

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

(In millions of won)

		Profit or loss	
		2025	2024
USD (3 percent strengthening)	₩	1,627	1,784
EUR (3 percent strengthening)		(12)	(49)

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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39. Financial Instruments, Continued

(4) Interest rate risk

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

<i>(In millions of won)</i>	<u>2025</u>	<u>2024</u>
Fixed rate instruments:		
Financial assets	₩ 2,051,467	1,742,470
Financial liabilities	(263,369)	-
	<u>₩ 1,788,098</u>	<u>1,742,470</u>
Variable rate instruments:		
Financial assets	₩ 2,217	723
Financial liabilities	(11,531)	(11,813)
	<u>₩ (9,314)</u>	<u>(11,090)</u>

(ii) Interest rate risk arises from savings and borrowings with floating interest rates. The Company properly hedges the risk borrowings with floating interest rates through interest rate swaps. There are no interest rate swap contracts as of December 31, 2025.

(iii) 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) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2024.

The changes in profit or loss are as follows:

<i>(In millions of won)</i>	<u>Profit or loss</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>
2025		
Variable rate instruments	₩ (93)	93
Net cash flow sensitivity	<u>₩ (93)</u>	<u>93</u>

<i>(In millions of won)</i>	<u>Profit or loss</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>
2024		
Variable rate instruments	₩ (111)	111
Net cash flow sensitivity	<u>₩ (111)</u>	<u>111</u>

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39. Financial Instruments, Continued

(5) Fair values

Fair value hierarchy

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

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)

		Level 1	Level 2	Level 3	Total
2025:					
Financial assets measured at FVTPL	₩	-	-	10,938	10,938
Financial assets measured at FVOCI		2,275	-	25,897	28,172
Financial liabilities measured at FVTPL		-	-	210,197	210,197
2024:					
Financial assets measured at FVTPL	₩	-	-	6,489	6,489
Financial assets measured at FVOCI		1,384	-	47,504	48,888

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 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.

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39. Financial Instruments, Continued

(5) Fair values, continued

Fair value hierarchy, continued

Specific valuation techniques used to value financial instruments include:

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

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

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

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

- (i) There are no assets or liabilities classified at Level 2 of the fair value hierarchy among assets and liabilities measured at fair value as of December 31, 2025.
- (ii) There are no assets or liabilities classified at Level 2 of the fair value hierarchy among assets and liabilities measured at fair value as of December 31, 2024.

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39. 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 FVOCI	Financial assets measured at FVTPL	Financial liabilities measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at FVTPL	Financial liabilities measured at FVTPL
Beginning Balance	₩ 47,504	6,489	-	55,579	6,436	2,540
Acquisition	-	5,668	122,827	-	-	-
Disposal	(21,006)	-	(57,350)	-	-	(1,072)
Included profits in other comprehensive income	(601)	-	-	(8,075)	-	-
Included profits in Profit and loss	-	(1,219)	144,720	-	53	(1,468)
Ending Balance	₩ 25,897	10,938	210,197	47,504	6,489	-

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2025 and 2024 are as follows:

	Valuation techniques	2025		
		Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Financial assets measured at FVOCI:				
Hyundai M Partners Co., Ltd	Net Asset Value Method	-	-	-
	Comparable Company			
Bexco Co., Ltd.	Method	PBR	PBR	0.98
	Comparable Company			
Chang Myung Shipping Co., Ltd.	Method	PBR	PBR	0.81
Financial assets measured at FVTPL:				
KC Coexistence PEF	Net Asset Value Method	-	-	-

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39. Financial Instruments, Continued

(7) Level 3 fair values, continued

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2025 and 2024 are as follows, continued:

		2024		
		Input	Significant	Ranges of significant
Financial assets measured at FVOCI:	Valuation techniques	variables	unobservable input variables	unobservable input variables
Hyundai Heavy Industries Power Systems Co., Ltd.	Comparable Company Method	PBR	PBR	1.47
Hyundai M Partners Co., Ltd	Net Asset Value Method	-	-	-
Bexco Co., Ltd.	Comparable Company Method	PBR	PBR	0.80
Chang Myung Shipping Co., Ltd.	Comparable Company Method	PBR	PBR	0.76
Financial assets measured at FVPTL:				
KC Coexistence PEF	Net Asset Value Method	-	-	-

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39. 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:

(In millions of won)

				2025			
				Effects of changes in fair value			
				Profit (loss) for the year		Other comprehensive income (loss)	
		Effects by changes in unobservable input variables on		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
		Unobservable input variables	fair value measurement	Measuring methods of the effect of changes			
Bexco Co., Ltd.	PBR		Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	₩ -	-	56 (56)
Chang Myung Shipping Co., Ltd.	PBR		Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	-	-	10 (10)

(In millions of won)

				2024			
				Effects of changes in fair value			
				Profit (loss) for the year		Other comprehensive income (loss)	
		Effects by changes in unobservable input variables on		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
		Unobservable input variables	fair value measurement	Measuring methods of the effect of changes			
Hyundai Heavy Industries Power Systems Co, Ltd.	PBR		Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	₩ -	-	228 (228)
Bexco Co., Ltd.	PBR		Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	-	-	53 (53)
Chang Myung Shipping Co., Ltd.	PBR		Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	-	-	11 (11)

(8) Offsetting of financial assets and financial liabilities

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

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40. Commitments and Contingencies

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

(In millions of won)

Financial institution	Description	Commitment limits(*)
	Import letters of credit	₩ 35,873
	Warranty guarantee and others	83,587
Hana Bank Co., Ltd. and others	Advance payment guarantees and others	157,839

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

- (2) As of December 31, 2025, the Company has provided three blank notes as collateral to counterparties in relation to its long-term borrowings.
- (3) As of December 31, 2025, the Company has provided various guarantees in relation to its subsidiaries' contractual obligations. These include a performance guarantee for a construction contract entered into by HD Hyundai Heavy Industries Co., Ltd. with a contract value of USD 1,913,868 thousand and ₩1,786 million; a performance guarantee for a lease agreement entered into by HD Hyundai Heavy Industries Philippines, Inc. with a contract value of USD 475,000 thousand; and a guarantee related to a put option granted by HD Hydrogen Co., Ltd. to the employees of CONVION OY, with a maximum option value of EUR 8,148 thousand (See Note 42).
- (4) The Company 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 Company was involved decided to withdraw from the project. As of December 31, 2025, the Company continues to have borrowings related to the project from the Korea Energy Agency (See Note 22).
- (5) The 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 Company and the newly established entities are jointly and severally liable for obligations incurred prior to the spin-off.
- (6) In April 2019, the Company sold its equity interest in Hyundai Hymys Co., Ltd. to Hercules Holdings for ₩97,500 million. The shareholders' agreement related to the transaction includes the company's tag-along right and Hercules Holdings' drag-along right. The shareholder agreement related to this divestiture includes the Company's tag-along participation rights and Hercules Holdings' drag-along rights.
- (7) On June 1, 2019, the 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 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 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 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.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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41. Litigations

As of December 31, 2025, the Company is currently a defendant in four lawsuits involving claims amounted to ₩1,800 million. Currently, the impact on the Company's financial statements, if any, cannot be reliably estimated.

42. Related Parties

(1) As of December 31, 2025, related parties with the Company are as follows:

Parent Company	Main business
HD Hyundai Co., Ltd	Holding company
Subsidiaries	Main business
HD Hyundai Heavy Industries Co., Ltd.	Shipbuilding
HD Hyundai Samho Co., Ltd.	Shipbuilding
HD Hyundai Mipo Co., Ltd.(*3)	Shipbuilding
HD Hyundai E&T Co., Ltd.	Other engineering services
HD Hyundai Sports Co., Ltd.	Football club
HD Hyundai Energy Solutions Co., Ltd.	Solar photovoltaic and renewable energy
HD Hyundai Engine Company Ltd.	Manufacture of internal combustion engines
Seamarq Service Co., Ltd.	Hotel management services
HD Hyundai Marine Engine Co., Ltd.	Manufacture of marine engines
HD Hyundai Crankshaft Co., Ltd.	Manufacture of ship components
HD Hydrogen Co., Ltd.	Manufacture of storage batteries
AMC Sciences Co., Ltd.	Medical and pharmaceutical research and development
HD Hyundai M&S Co., Ltd.(*2)	Manufacture of ship components
HD Hyundai-Vietnam Shipbuilding Co., Ltd.	Shipbuilding
HD Hyundai Technology Center India Private Limited	Research and development
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing
HD Hyundai Energy Solutions America Inc.	Sale of photovoltaic module
HHI Mauritius Limited	Manufacturing
Hyundai Arabia Company L.L.C	Industrial plant construction
Pontos Investment L.L.C	Investing
HD Hyundai Asia Holdings Pte. Ltd.(*2)	Management of Overseas Subsidiaries
HD Hyundai Eco Vina Co. Ltd.(*2)	Manufacturing
HD Hyundai Europe Research and Development Center GmbH	Research and development
Hyundai Heavy Industries Argentina S.R.L	Construction
HD Hyundai Heavy Industries Philippines, Inc.	Manufacturing
STX HI Malaysia Sdn. Bhd.	Industrial plant construction
Convion OY	Manufacture of generator
Associates and joint ventures(*1)	Main business
Hyundai Hyms Co., Ltd.	Sale and manufacture of machinery equipment for shipbuilding
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	Financial and operating leases
Elcogen Group PLC	Manufacture of fuel cell components
International Maritime Industries Company	Shipbuilding
Saudi Engines Manufacturing Company and 2 other companies	Manufacture of marine engines and others

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

42. Related Parties, Continued

(1) As of December 31, 2025, related parties with the Company are as follows, continued:

Others (large-scale corporate conglomerate)	Main business
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 Marine Solution Co., Ltd.	Engineering services
HD Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products
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 Marine Solution Co., Ltd.	Other business
Other related parties of HD Hyundai Oilbank Co., Ltd.	Other business
Other related parties of HD Hyundai Infracore Co., Ltd.	Other business
Other related parties	Other business

(*1) Associates and joint ventures include their subsidiaries.

(*2) For the year ended December 31, 2025, it was included as a subsidiary upon its establishment and acquisition of an ownership interest.

(*3) It was included in a business combination with HD Hyundai Heavy Industries Co., Ltd., a subsidiary of the Company, for the year ended December 31, 2025.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
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42. Related Parties, Continued

(2) Transactions with related parties

(i) 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	Dividend income	Other (*2)	Purchase of property, plant and equipment	Purchase of others(*3)
Parent company:					
HD Hyundai Co., Ltd.(*1)	₩ 10,610	-	14,228	-	15,133
Subsidiaries:					
HD Hyundai Heavy Industries Co., Ltd.	401,526	249,523	29,207	21,083	20,864
HD Hyundai Samho Co., Ltd.	111,760	445,375	3,390	-	123
HD Hyundai Mipo Co., Ltd.(*5)	50,957	20,154	4,121	-	18,261
HD Hyundai Energy Solutions Co., Ltd.	1,466	-	147	-	-
HD Hyundai Marine Engine Co., Ltd.	566	-	19	-	-
HD Hyundai E&T Co., Ltd.	672	-	126	-	3,702
Seamarq Service Co., Ltd.	30	-	17	-	13,727
Others	2,741	555	10,441	-	47,737
	<u>569,718</u>	<u>715,607</u>	<u>47,468</u>	<u>21,083</u>	<u>104,414</u>
Associates and joint ventures(*4):					
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	1	-	-	-	-
Others	429	885	33	1	-
	<u>430</u>	<u>885</u>	<u>33</u>	<u>1</u>	<u>-</u>
Other related parties:					
HD Hyundai Electric Co., Ltd.	11,006	-	4,644	337	985
HD Hyundai Robotics Co., Ltd.	2,232	-	316	-	668
HD Hyundai Construction Equipment Co., Ltd.	4,455	-	1,525	-	171
HD Hyundai Oilbank Co., Ltd.	7,418	-	681	37	106
HD Hyundai Marine Solution Co., Ltd.	11,183	-	1,136	7,441	1,675
HD Hyundai Xite Solution Co., Ltd.	8,322	-	849	183	50
HD Hyundai Infracore Co., Ltd.	3,735	-	274	-	1,350
Others	1,249	-	189	107	13,604
	<u>49,600</u>	<u>-</u>	<u>9,614</u>	<u>8,105</u>	<u>18,609</u>
	<u>₩ 630,358</u>	<u>716,492</u>	<u>71,343</u>	<u>29,189</u>	<u>138,156</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 and others.

(*3) Including acquisitions of property, plant and equipment and payments of lease (₩8,916 million) and others.

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

(*5) The transaction amount of HD Hyundai Mipo Co., Ltd. represents the amount incurred during the period prior to the merger of HD Hyundai Mipo Co., Ltd. into HD Hyundai Heavy Industries Co., Ltd.

For the year ended December 31, 2025, the Company acquired an additional 1,180 ordinary shares of its subsidiary, HD Hyundai Samho Co., Ltd., due to the exercise of appraisal rights by non-controlling (minority) shareholders.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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42. Related Parties, Continued

(2) Transactions with related parties, continued

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

For the year ended December 31, 2025, the Company made a capital contribution of ₩140,516 million to its subsidiary, HD Hyundai Heavy Industries Philippines, Inc.

For the year ended December 31, 2025, the Company made a capital contribution of ₩14,119 million to its subsidiary, Pontos Investment L.L.C.

For the year ended December 31, 2025, the Company made a capital contribution of ₩15,000 million to its subsidiary, HD Hydrogen Co., Ltd.

For the year ended December 31, 2025, in relation to an ongoing wage litigation, HD Hyundai Heavy Industries Co., Ltd. made an advance payment of the full amount of unpaid allowances and subsequently collected the portions attributable to each affiliate and paid the related withholding taxes. Accordingly, the Company received an amount of ₩ 16 million in withholding tax.

For the year ended December 31, 2025, the Company sold 807,600 ordinary shares due to the exercise of exchange rights on exchangeable bonds of its subsidiary, HD Hyundai Heavy Industries Co., Ltd.

For the year ended December 31, 2025, the Company provides raw material procurement agency services to its subsidiary, HD Hyundai Heavy Industries Philippines, Inc., and recognizes only the related commission fees as revenue. For the year ended December 31, 2025, the amount of raw materials procured by the Company amounted to ₩ 52,969 million, which is not included in the above related party transaction amounts.

For the year ended December 31, 2025, the Company made capital contributions to HD Hyundai Asia Holdings Pte. Ltd., a subsidiary of the Company, consisting of cash amounting to ₩278,090 million and equity interests in HD Hyundai Heavy Industries Philippines, Inc. (147,724 thousand ordinary shares) and Hyundai Vietnam Shipbuilding Co., Ltd. (9,417 thousand ordinary shares) (see Note 12).

For the year ended December 31, 2025, the Company purchased convertible bonds issued by its associate, Elcogen Group PLC, amounting to ₩5,648 million.

For the year ended December 31, 2025, as a result of the merger between HD Hyundai Heavy Industries Co., Ltd. and HD Hyundai Mipo Co., Ltd., both subsidiaries of the Company, the Company disposed of 16,936,492 shares of HD Hyundai Mipo Co., Ltd. and newly acquired 6,874,769 shares of HD Hyundai Heavy Industries Co., Ltd.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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42. Related Parties, Continued

(2) Transactions with related parties, continued

(i) 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 others	
	Sales	Dividend income	Other (*1)	Purchase of property, plant and equipment	Purchase of others(*2)
Parent company:					
HD Hyundai Co., Ltd.	₩ 7,826	-	8,732	-	13,789
Subsidiaries(*3):					
HD Hyundai Heavy Industries Co., Ltd.	209,516	-	18,699	12,621	13,029
HD Hyundai Samho Co., Ltd.	72,244	5,205	3,462	-	2
HD Hyundai Mipo Co., Ltd.	76,282	-	2,893	-	5,157
HD Hyundai Energy Solutions Co., Ltd.	1,513	-	164	-	-
Seamarq Service Co., Ltd.	30	-	17	-	13,569
Others	1,424	297	1,175	-	5,664
	<u>361,009</u>	<u>5,502</u>	<u>26,410</u>	<u>12,621</u>	<u>37,421</u>
Associates and joint ventures(*3):					
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	3	27,835	-	-	-
Hyundai Hyms Co., Ltd.	363	-	17	-	-
Others	-	145	-	-	-
	<u>366</u>	<u>27,980</u>	<u>17</u>	<u>-</u>	<u>-</u>
Other related parties:					
HD Hyundai Electric Co., Ltd.	7,438	-	2,776	-	685
HD Hyundai Robotics Co., Ltd.	1,859	-	241	-	132
HD Hyundai Construction Equipment Co., Ltd.	5,014	-	1,817	-	152
HD Hyundai Oilbank Co., Ltd.	8,004	-	313	-	18
HD Hyundai Marine Solution Co., Ltd.	9,529	-	723	4,375	1,290
HD Hyundai Xite Solution Co., Ltd.	8,781	-	542	-	296
HD Hyundai Infracore Co., Ltd.	3,194	-	323	-	1,230
Others	1,202	-	167	-	10,266
	<u>45,021</u>	<u>-</u>	<u>6,902</u>	<u>4,375</u>	<u>14,069</u>
	<u>₩ 414,222</u>	<u>33,482</u>	<u>42,061</u>	<u>16,996</u>	<u>65,279</u>

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

(*2) Including the acquisition of tangible assets and lease payments (₩7,957 million) and others.

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

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

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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42. Related Parties, Continued

(2) Transactions with related parties, continued

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

For the year ended December 31, 2024, the Company established a subsidiary, HD Hyundai Heavy Industries Philippines, Inc., and has contributed ₩70,994 million in capital.

For the year ended December 31, 2024, the Company acquired a 35.05% equity interest in its subsidiary, HD Hyundai Marine Engine Co., Ltd. (formerly STX Engine Co., Ltd.), for ₩81,956 million.

For the year ended December 31, 2024, the Company established a subsidiary, HD Hydrogen Co., Ltd., through a capital contribution of ₩140,000 million.

For the year ended December 31, 2024, the Company acquired an additional 21,642 ordinary shares of HD Hyundai Samho Co., Ltd. due to the exercise of appraisal rights by non-controlling (minority) shareholders (see Note 12).

For the year ended December 31, 2024, the Company established a subsidiary, AMC Sciences Co., Ltd., through a capital contribution of ₩27,000 million.

For the year ended December 31, 2024, the Company 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.

For the year ended December 31, 2024, the Company made a capital contribution of ₩1,363 million to its subsidiary, HD Hyundai Europe Research and Development Center GmbH.

For the year ended December 31, 2024, in relation to an ongoing wage litigation, HD Hyundai Heavy Industries Co., Ltd. made an payment of the full amount of unpaid allowances on behalf of the group. The respective portions attributable to each affiliate were subsequently settled, and the relevant withholding taxes were also paid. The Company paid ₩54 million to HD Hyundai Heavy Industries Co., Ltd. and received a withholding tax refund of ₩15 million.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2025 and 2024

42. Related Parties, Continued

(2) Transactions with related parties, continued

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

(In millions of won)

	2025			
	Trade receivables and other receivables		Trade payables and other payables	
	Trade receivables	Other receivables	Trade payables	Other payables (*1)
Parent company:				
HD Hyundai Co., Ltd	₩ 2,100	9,642	158	8,039
Subsidiaries:				
HD Hyundai Heavy Industries Co., Ltd.	78,877	81,406	10,969	182,814
HD Hyundai Samho Co., Ltd.	6,824	147,284	111	36,457
HD Hyundai E&T Co., Ltd.	90	9	480	1,460
HD Hyundai Energy Solutions Co., Ltd.	269	13	-	7
HD Hyundai Heavy Industries Philippines, Inc.	492	92,465	-	-
Others	460	8,325	2,654	2,727
	<u>87,012</u>	<u>329,502</u>	<u>14,214</u>	<u>223,465</u>
Associates and joint ventures(*2):				
Others	1	2	-	-
Other related parties:				
HD Hyundai Electric Co., Ltd.	1,954	1,418	384	3,365
HD Hyundai Robotics Co., Ltd.	341	26	35	31
HD Hyundai Construction Equipment Co., Ltd.	471	262	-	144
HD Hyundai Oilbank Co., Ltd.	1,024	15	22	478
HD Hyundai Xite Solution Co., Ltd.	1,335	17	208	120
HD Hyundai Marine Solution Co., Ltd.	1,762	123	405	590
HD Hyundai Infracore Co., Ltd.	295	24	1,457	91
Others	340	25	360	112
	<u>7,522</u>	<u>1,910</u>	<u>2,871</u>	<u>4,931</u>
	<u>₩ 96,635</u>	<u>341,056</u>	<u>17,243</u>	<u>236,435</u>

(*1) Including lease liabilities (₩11,029 million).

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

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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42. Related Parties, Continued

(2) Transactions with related parties, Continued

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

(In millions of won)

	2024			
	Trade receivables and other receivables		Trade payables and other payables	
	Trade receivables	Other receivables	Trade payables	Other payables (*1)
Parent company:				
HD Hyundai Co., Ltd	₩ 1,545	9,620	184	14,483
Subsidiaries(*2):				
HD Hyundai Heavy Industries Co., Ltd.	45,323	4,212	5,018	91,796
HD Hyundai Samho Co., Ltd.	7,707	25,881	-	34,504
HD Hyundai Mipo Co., Ltd.	12,015	90	6,003	14,959
HD Hyundai E&T Co., Ltd.	58	14	186	1,456
HD Hyundai Energy Solutions Co., Ltd.	279	49	-	3
Others	331	126	1,926	356
	<u>65,713</u>	<u>30,372</u>	<u>13,133</u>	<u>143,074</u>
Associates and joint ventures(*2):				
Others	-	5	-	-
Other related parties:				
HD Hyundai Electric Co., Ltd.	1,319	383	-	3,334
HD Hyundai Robotics Co., Ltd.	395	43	35	52
HD Hyundai Construction Equipment Co., Ltd.	890	367	-	190
HD Hyundai Oilbank Co., Ltd.	1,601	47	-	932
HD Hyundai Xite Solution Co., Ltd.	1,882	121	141	79
HD Hyundai Marine Solution Co., Ltd.	2,605	141	544	643
HD Hyundai Infracore Co., Ltd.	474	54	-	215
Others	352	17	193	163
	<u>9,518</u>	<u>1,173</u>	<u>913</u>	<u>5,608</u>
	<u>₩ 76,776</u>	<u>41,170</u>	<u>14,230</u>	<u>163,165</u>

(*1) Including lease liabilities (₩17,564 million).

(*2) Including subsidiaries, associates and joint ventures' subsidiaries.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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42. Related Parties, Continued

(3) Details of guarantees which the Company had provided for the related parties as of December 31, 2025 are as follows:

(In millions of won, In thousands of foreign currency)

Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Subsidiaries:				
HD Hyundai Heavy Industries Co., Ltd.	POSCO INTERNATIONAL Corp.	Performance	USD	473,730
HD Hyundai Heavy Industries Co., Ltd.	WOODSIDE PETROLEO OPERACIONES DE MEXICO, S. DE R.L. DE C.V	Performance	USD	1,440,138
HD Hyundai Heavy Industries Co., Ltd.	Taeon Wind Power Co., Ltd.	Performance	KRW	1,786
HD Hyundai Heavy Industries Philippines, Inc.	Agila South Inc.	Performance	USD	475,000
HD Hydrogen Co., Ltd.	Employees of Convion OY	Performance	EUR	8,148
			KRW	1,786
			USD	2,388,868
			EUR	8,148

In addition to the above guarantee, the Company has provided performance guarantees for components supply, licensing and service supply contracts with Saudi Engines Manufacturing Company, which is being carried out by HD Hyundai Heavy Industries Co., Ltd. Furthermore, from May 2024 to July 2029, the Company will provide performance guarantees of up to USD 270,000 thousand for contracts that may be entered into by HD Hyundai Heavy Industries Co., Ltd. under the U.S. Military Sealift Readiness Agreement (MSRA); however, no such contracts have been executed as of December 31, 2025.

(4) There is no guarantee that provided for related parties as of December 31, 2025.

(5) Compensation for key management of the Company for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025	2024
Short-term employee benefits	₩ 1,770	2,494
Post-employment benefit	666	543
Other long-term benefits	201	204
	₩ 2,637	3,241

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

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
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43. Subsequent events

- (1) Subsequent to the reporting period, exchange rights were exercised in respect of exchangeable bonds issued by the Company with a principal amount of ₩10,000 million.
- (2) Subsequent to the reporting period, the Company acquired convertible bonds issued by Elcogen Group PLC amounting to ₩865 million.
- (3) Subsequent to the reporting period, the Company made a capital contribution of ₩27,000 million to its subsidiary, AMC Sciences Co., Ltd.

Independent Auditors' Report on Internal Control over Financial Reporting

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

We have audited HD Korea Shipbuilding & Offshore Engineering Co., Ltd.'s (the "Company") internal control over financial reporting ("ICFR") 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 Company maintained, in all material respects, effective internal control over financial reporting 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 separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2025, the separate 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 unmodified opinion on those separate financial statements.

Basis for Opinion On Internal Control Over Financial Reporting

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

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

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

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

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

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

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



Definition and Limitations of Internal Control over Financial Reporting

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

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

The engagement partner on the audit resulting in this independent auditors' report is 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 internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Report on the Operations of Internal Control over Financial Reporting

Based on a report originally issued in Korean

To the 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 the year ended December 31, 2025.

The design and operation of ICFR is the responsibility of the Company’s management, including the CEO and the ICFR officer.

We assessed whether the Company’s ICFR 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, 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, 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 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	<Fraud Prevention System Operation> The Management operates an internal whistle-blower system (anonymous reporting channel) to prevent fraud such as embezzlement incidents.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)
	<Fraud Risk Assessment> Management conducts change management and appropriately reflects these changes in internal controls considering changes in business processes.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)
	<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.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)
	<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.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2025, January 2026)

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> 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> 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> 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>