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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc and UBS AG Hong Kong Branch (the "Managers") that (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act") AND (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

U.S.$1,550,000,000 Zero Coupon Exchangeable Bonds due 2031

(a corporation with limited liability incorporated under the laws of the Republic of Korea)

exchangeable into common shares of HD Hyundai Heavy Industries Co., Ltd.
Issue Price: 100.00%

The US$1,550,000,000 Zero Coupon Exchangeable Bonds due 2031 (the "Bonds", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds (the "Conditions" or the "Terms and Conditions of the Bonds")) are being issued by HD Korea Shipbuilding & Offshore Engineering Co., Ltd., a corporation with limited liability incorporated under the laws of the Republic of Korea (the "Company"). The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Company and the Bonds shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, unconditional, unsubordinated and unsecured obligations.

Subject as provided in the Conditions, the Bonds shall entitle the holder to exchange such Bonds into common shares of par value Won 5,000 each of HD Hyundai Heavy Industries Co., Ltd. (such common shares, the "Shares" or "HHI Shares") credited as fully paid or Exchange Property (as defined in Conditions) at any time during the Exchange Period (as defined in Conditions) (the "Exchange Right"). The price at which the Shares will be delivered upon exercise of an Exchange Right will initially be Won 523,125 per HHI Share (the "Exchange Price"). The Exchange Price of the Bonds is subject to adjustment in the circumstances described under "*Terms and Conditions of the Bonds—Exchange—Adjustments to Exchange Price*."

Unless previously redeemed, exchanged or purchased and cancelled as provided in the Conditions, the Company will redeem the Bonds at its principal amount on 4 May 2031. The Bonds may be redeemed, at the option of the Company, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Conditions and in writing to the Trustee and the Principal Agent on the date specified in the Tax Redemption Notice (as defined in the Conditions) for redemption at their principal amount upon the occurrence of certain tax events.

The Bonds may be redeemed by the Company, in whole, but not in part, on the date specified in the Optional Redemption Notice (as defined in the Conditions) at their principal amount on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Conditions and in writing to the Trustee and the Principal Agent (i) at any time on or after 4 May 2028, provided that the Closing Price (as defined in the Conditions) of an HHI Share (translated into U.S. dollars at the Prevailing Rate (as defined in the Conditions) applicable to the relevant Trading Day (as defined in the Conditions)) for each of any 15 Trading Days within the period of 30 consecutive Trading Days immediately prior to the date upon which the Optional Redemption Notice is given was at least 130% of the then applicable Exchange Price on such Trading Day (translated into U.S. dollars at the Fixed Exchange Rate); or (ii) at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued, as the case may be.

Following the occurrence of a Change of Control Event (as defined in the Conditions), the holder of the Bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Bonds on the Change of Control Put Date (as defined in the Conditions) at the Early Redemption Amount (as defined in the Conditions). Following the occurrence of a Delisting Event (as defined in the Conditions), the holder of the Bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Bonds on the Delisting Event Put Date (as defined in the Conditions) at their principal amount. On 4 May 2028 (the "Optional Put Date"), the holder of the Bonds will have the right at such holder's option, to require the Company to redeem all of such holder's Bonds on the Optional Put Date at their principal amount. See "*Terms and Conditions of the Bonds— Redemption, Purchase and Cancellation.*"

The Shares are listed and admitted for trading on the KRX KOSPI Market. The closing price of the Shares on the KRX KOSPI Market was Won 465,000 per Share on 31 March 2026.

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Bonds. There can be no assurance that such listing and quotation will be granted or, if granted, that such listing and quotation will be maintained.

The Bonds will initially be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 4 May 2026 (the "Closing Date") with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 12.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners
(*in alphabetical order*)

HSBC **J.P. Morgan** **UBS**

Offering Circular dated 31 March 2026

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NOTICE TO INVESTORS

You should rely only on the information contained in this offering circular. We have not authorised anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell the Bonds. You should not assume that the information in this offering circular is accurate as of any date other than the date at the front of this offering circular. You are authorised to use this offering circular solely for the purpose of considering the purchase of the Bonds described in this offering circular. You may not reproduce or distribute this offering circular in whole or in part, and you may not disclose any of the contents of this offering circular or use any information herein for any purpose other than considering a purchase of the Bonds.

The offer and sale of the Bonds have not been, and the Bonds and the HHI Shares will not be, registered under the Securities Act or the securities laws of any other jurisdiction. We are offering the Bonds in reliance on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. We are not, and The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc and UBS AG Hong Kong Branch (collectively, the "Managers") are not, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering of the Bonds, including the merits and risks involved. We are not making any representation to any purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. Neither this offering circular nor any information supplied in connection with the issue of the Bonds should be considered as a recommendation or constituting an invitation or offer by us that any recipient of this offering circular should purchase any Bonds. The contents of this offering circular should not be construed as providing legal, business, accounting or tax advice.

No person is authorised in connection with any offering of the Bonds to give any information or make any representation other than as contained in this offering circular in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Managers, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there have been no changes in our affairs since the date hereof. This offering circular does not constitute an offer to sell or a solicitation of an offer to buy any Bonds by any person except in compliance with all applicable laws and regulations. No representation, undertaking or warranty, express or implied, is made by the Managers, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them as to the accuracy or completeness of the information contained herein, and nothing contained in this offering circular is, or shall be relied upon as a promise or representation by the Managers or their affiliates or advisers. The Managers, the Trustee and the Agents, and any of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them assume no responsibility or liability for the accuracy or completeness of any such information or any other information (financial, legal or otherwise) provided by us in connection with the issue of the Bonds or their distribution.

Each person receiving this offering circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them in connection with investigation of the accuracy of such information or its investment decisions.

The distribution of this offering circular and the sale or offering of the Bonds in certain jurisdictions may be restricted by law. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this document may come are required by us, the Managers, the Trustee and the Agents, and any of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them to inform themselves about and to observe such restrictions, and are deemed to have knowledge of and to have represented and warranted to us,

the Managers, the Trustee and the Agents, and any of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them that they have observed and complied with such restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. For a description of certain further restrictions on offers and resales of the Bonds and the HHI Shares and distribution of this offering circular, see "*Subscription and Sale*."

We reserve the right to withdraw this offering of the Bonds at any time. We and the Managers also reserve the right to reject any offer to purchase the Bonds in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Bonds sought by such investor.

Notice to investors in Singapore: By accepting this offering circular, if you are an investor in Singapore, you: (I) represent and warrant that you are either (1) an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "SFA")) pursuant to Section 274 of the SFA; or (2) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA, and (II) agree to be bound by the limitations and restrictions described herein.

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE "FSCMA"). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF KOREA ("KOREA") OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND ITS ENFORCEMENT DECREE, RULES AND REGULATIONS PROMULGATED THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENTS OF KOREA FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THE BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, UNTIL THE EXPIRATION OF ONE YEAR AFTER THE ISSUANCE OF THE BONDS, THE BONDS MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

Any purchase or acquisition of the Bonds is in all respects conditional on the satisfaction of certain conditions set out in the Subscription Agreement (as defined herein) and the issue of the Bonds by us to the Managers pursuant to the Subscription Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Bonds pursuant to this offering circular shall (without liability or responsibility on the part of us or the Managers) lapse and cease to have any effect if (for any other reason whatsoever) the Bonds are not issued by us to the Managers pursuant to the Subscription Agreement.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS

The offering circular has been prepared on the basis that any offer of the Bonds in any Member State of the European Economic Area (the "EEA") will be made pursuant to an exemption under Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation") from the requirement to publish a prospectus for offers of the Bonds.

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The offering circular has been prepared on the basis that any offer of the Bonds in the United Kingdom (the "UK") will be made pursuant to an exception from the prohibition on offers to the public under the Public Offers and Admissions to Trading Regulations 2024 (the "POATRs")

The Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA").

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") which applies up to and including 5 April 2026, or disclosure document required by the FCA Product Disclosure Sourcebook ("DISC") which will apply from and including 6 April 2026, for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation or DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024, as applicable.

This offering circular is for distribution only to, and is only directed at, persons who (i) are outside of the UK, (ii) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, or (iv) are persons to whom, in connection with the issue or sale of any securities, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("FSMA")) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The offering circular and any other material relation to the Bonds are directed at relevant persons and must not be acted or relied on by persons who are not relevant persons. The Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Bonds will be engaged in only with, relevant persons.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including the Managers, are "capital market intermediaries" (together, the "CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an "Association") with the Issuer, the CMI or the relevant group company (as the case may be). Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Managers, such prospective investor should so indicate when placing an order if it is for a fund or portfolio where the Managers or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." If a prospective investor is otherwise affiliated with the Managers, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should so indicate to the Managers when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering circular, unless otherwise specified or the context otherwise requires:

- the "Issuer," "Company," "KSOE," "we," "us" or "our" refers to HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries (including HHI);
- "HHI" or "HD Hyundai Heavy Industries" refers to HD Hyundai Heavy Industries Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries;
- "HD Hyundai Samho" refers to HD Hyundai Samho Co., Ltd.;
- "HMD" refers to HD Hyundai Mipo Co., Ltd. (formerly known as Hyundai Mipo Dockyard Co., Ltd.);
- "Original Hyundai Heavy Industries" refers to Hyundai Heavy Industries Co., Ltd., which is KSOE's predecessor before splitting off its shipbuilding, offshore and industrial engineering, and engine and machinery businesses into the newly established entity, HHI.
- "Government" refers to the government of the Republic of Korea;
- "Korea" or the "Republic" refers to the Republic of Korea;
- "U.S." or the "United States" refers to the United States of America;
- "Euro," "EUR" or "€" refers to the currency of the participating member states of the European Union;
- "U.S. dollars," "U.S.$," "US$" or "$" refers to the lawful currency of the United States of America;
- "S$" refers to the lawful currency of Singapore; and
- "Won" or "₩" refers to the lawful currency of the Republic of Korea.

All exchange rate data between the Won and the U.S. dollar contained in this offering circular, unless otherwise specified, has been translated using the applicable market average exchange rate, announced by Seoul Money Brokerage Services, Ltd. in Seoul, rounded to the nearest tenth of one Won (the "Market Average Exchange Rate"). No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Any discrepancies in any table between the totals and sums of the amounts listed are due to rounding.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements as of and for the years ended 31 December 2025 and 2024 and HHI's audited consolidated financial statements as of and for the years ended 31 December 2025 and 2024 included in this offering circular have been prepared in accordance with Korean International Financial Reporting Standards ("K- IFRS"), which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States, as well as International Financial Reporting Standards as issued by the International Accounting Standards Board. We have made no attempt to identify or quantify the impact of these differences.

Effective 1 December 2025, HMD was merged with and into HHI, with HHI continuing as the surviving entity. Accordingly, HHI's audited consolidated financial statements as of and for the year ended 31 December 2025 include the results of operations (for the one-month period following the merger) and financial condition of post-merger HMD, which were not reflected in HHI's audited consolidated financial statements as of and for the year ended 31 December 2024.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability organised under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon or to enforce against us, our directors or executive officers judgments obtained in United States courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

GLOSSARY

Definitions of certain abbreviations used in this offering circular that relate to our business and the industries in which we operate are as follows.

BWTS	Ballast Water Treatment System
CNG	Compressed Natural Gas
CO2	Carbon Dioxide
DF	Dual Fuel
DO	Diesel Oil
EDG	Emergency Diesel Generator
ECA	Emission Control Area
EPC	Engineering, Procurement and Construction
EPCIC	Engineering, Procurement, Construction, Installation and Commissioning
FGSS	Fuel Gas Supply System
FLNG	Floating Liquefied Natural Gas
FPSO	Floating Production, Storage and Offloading
FPU	Floating Production Unit
FSRU	Floating Storage Regasification Unit
GHG	Greenhouse Gas
HFO	Heavy Fuel Oil
HJT	Heterojunction Technology
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
NOx	Nitrogen Oxide
P/C	Product and Chemical
SCR	Selective Catalytic Reduction
SMR	Small Modular Reactor
SOx	Sulphur Oxide
SPAR	Single Point Anchor Reservoir
TLP	Tension Leg Platform
VLAC	Very Large Ammonia Carrier
VLCC	Very Large Crude Carrier
VLGC	Very Large Gas Carrier
VOC	Volatile Organic Compound

SUMMARY

The following summary highlights information appearing elsewhere in this offering circular and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including the financial statements and related notes, appearing elsewhere in this offering circular. You should carefully consider, among other things, the matters discussed in "Risk Factors."

We, KSOE, are the intermediate holding company overseeing HD Hyundai Group's shipbuilding and offshore businesses, with our principal subsidiaries collectively forming a globally leading shipbuilding and heavy industries powerhouse. Originally established in 1973 as the shipbuilding arm of the Hyundai Group, we assumed our current structure following the split-off of HHI in June 2019, pursuant to which KSOE became the holding company. In this capacity, KSOE continues to lead the strategic direction, capital allocation, and investment activities of HD Hyundai Group's shipbuilding and related businesses. As of the date of this offering circular, we operate 26 subsidiaries, including three publicly listed companies.

Our business can be divided into the following five business units: (i) shipbuilding, (ii) offshore, industrial plant and engineering, (iii) engine and machinery, (iv) green energy, and (v) others.

- **Shipbuilding**: Our shipbuilding business designs, constructs and sells a broad range of commercial and specialised vessels, including crude oil tankers, product tankers, container ships, liquefied natural gas ("LNG") carriers and naval vessels, as well as other high-value-added ships, and provides related ship design and construction services. Our shipbuilding activities cover the entire process from basic and detailed design to construction, outfitting, testing and delivery, and are focused on technologically advanced, fuel-efficient and environmentally compliant vessels that meet increasingly stringent international regulatory standards. We leverage our accumulated engineering expertise, production scale and project management capabilities to deliver customised vessels tailored to customer specifications and end-market requirements. We conduct our shipbuilding business primarily through HHI (into which HMD merged effective 1 December 2025), HD Hyundai Samho and HD Hyundai-Vietnam Shipbuilding Co., Ltd.
- **Offshore, Industrial Plant and Engineering**: Our offshore, industrial plant and engineering business provides integrated engineering, procurement, construction, installation and commissioning ("EPCIC") solutions for offshore and onshore energy projects. Our activities include the design, fabrication, installation and commissioning of offshore structures and facilities, such as fixed platforms and other offshore structures, as well as the design and manufacture of floating production units ("FPU"), including floating production, storage and offloading ("FPSO") units, and land-based modular plants. We execute projects on a turnkey or phased basis, drawing on our engineering capabilities, project management expertise and offshore installation experience to deliver customised solutions in accordance with client specifications and applicable regulatory and safety standards. We conduct our offshore, industrial plant and engineering business primarily through HHI.
- **Engine and Machinery**: Our engine and machinery business designs, manufactures and supplies a broad range of marine engines, including proprietary medium- and high-speed engines under the HiMSEN brand, as well as diesel power generation equipment and related machinery and systems. Our products are used primarily for vessel propulsion and onboard power generation, and also for selected industrial and offshore applications. We leverage our shipbuilding and engineering expertise, integrated manufacturing capabilities and after-sales support to deliver reliable, high-performance and fuel-efficient engine and machinery solutions that meet applicable technical and environmental standards. We conduct our engine and machinery business primarily through HHI and HD Hyundai Marine Engine Co., Ltd. ("HD Hyundai Marine Engine").
- **Green Energy**: Our green energy business focuses on renewable and low-carbon energy solutions, including the development, manufacture and sale of solar modules, energy management and control systems and related components, as well as other renewable energy solutions and hydrogen fuel cell systems, including small-scale fuel cell applications. Through these activities, we provide integrated solutions supporting power generation, energy

efficiency and system control across a range of applications, while selectively expanding our product portfolio in response to evolving market demand and regulatory frameworks. Our green energy business also complements our traditional shipbuilding and heavy industries operations by broadening our technological capabilities and supporting the global transition toward lower-carbon energy systems. We conduct our green energy business primarily through HD Hyundai Energy Solutions Co., Ltd.

- **Others**: Our others business comprises activities related primarily to research and development of future technologies and gas- and eco-friendly systems, as well as other ancillary and emerging businesses. Through these activities, we conduct research, development and feasibility studies on next-generation technologies applicable to shipbuilding, offshore, industrial plant and engineering, engine and machinery and green energy solutions. These efforts include the development and integration of advanced gas-related systems, low- and zero-emission technologies, and environmentally sustainable solutions designed to enhance energy efficiency, reduce greenhouse gas ("GHG") emissions and support compliance with evolving international environmental regulations. This segment also supports our other core operating segments by providing technological innovation, system engineering capabilities and long-term growth options, and may expand or evolve as new technologies and market opportunities emerge.

Our core facilities are centred at HHI's Ulsan shipyard, one of the world's largest integrated shipbuilding complexes, which provides us with significant operational advantages through its advanced infrastructure and proximity to major regional industry clusters. In addition, we operate the Samho shipyard in Yeongam, Jeollanam-do through HD Hyundai Samho, which is located at a separate site and further enhances our production capacity and operational flexibility across vessel types. We also operate two overseas shipbuilding facilities in Vietnam (through HD Hyundai Vietnam Shipbuilding Co., Ltd., a joint venture with Vietnam Shipbuilding Industry Corporation (SBIC)) and the Philippines (through HD Hyundai Heavy Industries Philippines, Inc.), which serve as strategic hubs in Southeast Asia and provide a platform for the continued expansion and success of our overseas operations.

To maintain our global leadership, we leverage a HD Hyundai Group-wide integrated research and development platform that coordinates the activities of specialised institutes focused on maritime, engine and frontier technologies, supported by dedicated research personnel, proprietary testing and simulation capabilities, and collaborative programmes with affiliates, academic institutions and industry partners to accelerate innovation, technology commercialisation and long-term competitiveness. Leveraging advanced engineering capabilities and a strong focus on sustainability, HD Hyundai Group has developed competitive strengths in next-generation, eco-friendly propulsion technologies, including dual fuel ("DF") engines capable of operating on LNG and other lower-emission fuels, positioning us to respond to increasingly stringent environmental regulations and evolving customer demand for greener vessels.

For the years ended 31 December 2024 and 2025, our sales were Won 25,538.6 billion and Won 29,933.2 billion, respectively. We recorded operating profit of Won 1,434.1 billion and Won 3,904.5 billion for the years ended 31 December 2024 and 2025, respectively. As of 31 December 2025, we had total assets of Won 39,542.2 billion and total equity of Won 16,908.4 billion.

THE OFFERING

The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "The Global Certificate" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this offering circular.

Offering	The Bonds are being offered by the Managers in reliance on Regulation S.
Issuer	HD Korea Shipbuilding & Offshore Engineering Co., Ltd.
Shares	The Bonds are exchangeable into common shares of HD Hyundai Heavy Industries Co., Ltd. listed on the Korea Exchange (stock code: 329180 KS).
Maturity Date	4 May 2031.
Offering Price	100.00% of the principal amount of the Bonds.
Size of Offering	The aggregate principal amount of the Bonds to be issued in this offering is US$1,550,000,000.
Denomination	The Bonds will be issued in denominations of US$200,000 and integral multiples of US$100,000 in excess thereof.
Interest	The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused. See "*Terms and Conditions of the Bonds – Interest.*"
Additional Amounts	All payments made by or on behalf of the Company in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Company shall pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except for certain exceptions, as set out in the Conditions. See "*Terms and Conditions of the Bonds—Taxation.*"
Redemption on Maturity	Unless previously redeemed, exchanged or purchased and cancelled as provided in the Conditions, the Company will redeem the Bonds at its principal amount on 4 May 2031.
Exchange Right	Subject as provided in the Conditions, each Bond shall entitle the holder to exchange such Bond into the Shares (as defined in the Conditions) credited as fully paid or Exchange Property at any time during the Exchange Period. See *"Terms and Conditions of the Bonds—Exchange Right."*
Exchange Period	Subject to and upon compliance with the Conditions, the Exchange Right in respect of a Bond may be exercised, at the

	option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after 14 June 2026 up to the close of business (being 3:00 p.m.) (at the place where the Certificate evidencing such Bond is deposited for exchange) on the date which falls seven days prior to the relevant Maturity Date (or if such day is not a business day, then up to the close of business (being 3:00 p.m.) on the immediately preceding business day) (both days inclusive) (but, except as provided in Conditions, in no event thereafter) or, if such Bond shall have been called for redemption by the Company before the relevant Maturity Date, then up to and including the close of business (being 3:00 p.m.) (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof. See "*Terms and Conditions of the Bonds—Exchange Right."*
Exchange Price and Exchange Price Adjustments	The price at which the Shares will be delivered upon exercise of an Exchange Right (the "Exchange Price") will initially be Won 523,125 per Share. The Exchange Price will be subject to adjustment in the circumstances described under "*Terms and Conditions of the Bonds—Exchange—Adjustments to Exchange Price.*"
Redemption for Taxation Reasons	The Bonds may be redeemed, at the option of the Company, in whole, but not in part, at any time, on the date specified in the Tax Redemption Notice for redemption at their principal amount on giving not less than 30 nor more than 60 days notice to the Bondholders and in writing to the Trustee and Principal Agent, upon the occurrence of certain tax events. See "*Terms and Conditions of the Bonds—Redemption, Purchase and Cancellation—Redemption for Taxation Reasons.*"
Redemption at the Option of the Company	The Bonds may be redeemed by the Company, in whole, but not in part, on the Optional Redemption Date (as defined in the Conditions) specified in the Optional Redemption Notice at their principal amount on giving not less than 30 nor more than 60 days notice to the Bondholders and in writing to the Trustee and Principal Agent (i) at any time on or after 4 May 2028, provided that the Closing Price of an HHI Share (translated into U.S. dollars at the Prevailing Rate applicable to the relevant Trading Day) for each of any 15 Trading Days within the period of 30 consecutive Trading Days immediately prior to the date upon which the Optional Redemption Notice is given was at least 130% of the then applicable Exchange Price on such Trading Day (translated into U.S. dollars at the Fixed Exchange Rate); or (ii) at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, Exchange Rights shall have been exercised and/ or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued, as the case may be. See "*Terms and Conditions of the Bonds—Redemption, Purchase and Cancellation—Redemption at the Option of the Issuer.*"
Redemption for Change of Control Event	Following the occurrence of a Change of Control Event, the holder of the Bonds will have the right at such holder's option,

	to require the Company to redeem all or some only of such holder's Bonds on the Change of Control Event Put Date at the Early Redemption Amount. See "*Terms and Conditions of the Bonds—Redemption, Purchase and Cancellation—Redemption for Change of Control Event.*"
Redemption for Delisting Event . . .	Following the occurrence of a Delisting Event, the holder of the Bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Bonds on the Delisting Event Put Date at their principal amount. See "*Terms and Conditions of the Bonds—Redemption, Purchase and Cancellation—Redemption for Delisting Event.*"
Redemption at the Option of the Bondholders	On 4 May 2028 (the "Optional Put Date"), the holder of the Bonds will have the right at such holder's option, to require the Company to redeem all of such holder's Bonds on the Optional Put Date at their principal amount. See "*Terms and Conditions of the Bonds—Redemption, Purchase and Cancellation—Redemption at the Option of the Bondholders.*"
Negative Pledge	The Bonds will contain certain limitations on the ability of the Company to create or permit to be outstanding any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its undertaking, assets or revenues, present or future to secure certain types of indebtedness. See "*Terms and Conditions of the Bonds—Negative Pledge*."
Form of the Bonds	The Bonds will be issued in registered form only in denominations of US$200,000 each and integral multiples of US$100,000 in excess thereof. A Certificate will be issued to each Bondholder in respect of its registered holding of Bonds. See "*Terms and Conditions of the Bonds—Form, Denomination and Title*."
Governing Law	The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
Trustee	Citicorp International Limited
Principal Agent	Citibank, N.A., London Branch
Registrar	Citibank, N.A., London Branch
Transfer Agent	Citibank, N.A., London Branch
Listings/Applications	Application will be made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. There can be no assurance that a listing and quotation of the Bonds on the SGX-ST will be obtained. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged

	for the Definitive Certificates, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for the Definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.
Use of Proceeds	The net proceeds from the sale of the Bonds, which are estimated to amount to approximately US$1,540,700,000 (net of underwriting commissions to the Managers but prior to deducting discretionary incentive payments (if any) and other offering expensesrelated to the offering of the Bonds), will be used by the Company primarily to fund global investments, provide operating capital for its overseas business operations and support working capital needs for its high-value-added, eco-friendly marine equipment business, as well as for general corporate purposes. See "*Use of Proceeds*."
Lock up Agreement	Neither the Company nor any person acting on its behalf shall (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe for or purchase any interest in, or any securities convertible into, exchangeable for or which carry rights to subscribe for or purchase, the Shares or securities of the same class as the Shares or other instruments representing interests in the Shares or other securities of the same class as them (collectively, the "Securities"), (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers, between the date hereof and the date which is 90 days after the Closing Date; except for (i) the Exchange Shares delivered on exchange of the Bonds, (ii) any offer, sale and pledge of, contract to sell or other disposal of, any Securities to any of its subsidiaries or affiliates, so long as the subsidiary or affiliate agrees in writing to be bound by the restrictions on the Securities for the remainder of the 90-day period in the same manner as set out herein and (iii) any public announcement of an intention to effect any transaction described in (i) through (ii) above.
Security Identification	ISIN: XS3328693703
	Common Code: 332869370
Legal Entity Identifier of the Company	988400DPTJ9KH5R6W540
Legal Entity Identifier of HHI	988400CAR8W9URQLGF30

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present our summary consolidated financial information and that of HHI. This information has been derived from, and should be read in conjunction with, the consolidated financial statements and related notes included elsewhere in this offering circular, which have been prepared in accordance with K-IFRS.

HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Our Selected Consolidated Statements of Comprehensive Income Data

	For the Year Ended 31 December	
	2024	2025
	(in billions of Won except earnings per share)	
Sales	₩ 25,539	₩ 29,933
Cost of sales	(22,943)	(24,605)
Gross profit	2,595	5,328
Selling general and administrative expenses	(1,161)	(1,424)
Operating profit	1,434	3,904
Finance income	1,877	1,723
Finance costs	(5,179)	(2,094)
Other non-operating income	3,954	729
Other non-operating expenses	(264)	(697)
Share of income (loss) of associates and joint venture	0	0
Profit before income taxes	1,823	3,566
Income tax expense	368	638
Profit for the year	1,455	2,928
Other comprehensive income (loss) for the year, net of income tax	(180)	268
Total comprehensive income for the year	1,275	3,196
Profit attributable to:		
Owners of the Controlling Company	1,172	2,168
Non-controlling interests	282	760
Total comprehensive income attributable to:		
Owners of the Controlling Company	1,055	2,356
Non-controlling interests	220	840
Earnings per share		
Basic earnings per share (in Won)	16,578	30,664

Our Selected Consolidated Statements of Financial Position Data

	As of 31 December	
	2024	2025
	(in billions of Won)	
Assets		
Cash and cash equivalents	₩ 3,717	₩ 3,742
Short-term financial assets	1,922	4,435
Trade and other receivables	1,640	1,812
Contract assets	7,503	7,739
Inventories	2,232	2,766
Current derivative assets	1	14
Current firm commitment assets	1,192	678
Current tax assets	6	1
Assets held for sale	63	—
Other current assets	2,154	2,239
Total current assets	20,431	23,424
Investments in associates and joint ventures	257	206
Long-term financial assets	142	139
Long-term trade and other receivables	193	119
Investment property	217	130
Property, plant and equipment	11,111	12,025
Right-of-use assets	485	445
Intangible assets	375	519
Non-current derivative assets	64	103
Non-current firm commitment assets	1,702	1,144
Deferred tax assets	1,385	720
Other non-current assets	359	568
Total non-current assets	16,288	16,118
Total assets	₩36,719	₩39,542
Liabilities		
Short-term financial liabilities	562	252
Current lease liabilities	31	55
Trade and other payables	3,884	4,315
Contract liabilities	12,716	13,888
Advances received	38	29
Current derivative liabilities	1,680	959
Current firm commitment liabilities	12	14
Current tax payables	19	62
Short-term provisions	382	436
Other current liabilities	1	0
Total current liabilities	19,325	20,011
Long-term financial liabilities	866	806
Non-current lease liabilities	453	399
Long-term trade and other payables	35	47
Long-term contract liabilities	20	20
Liabilities for defined benefit plans	58	44
Long-term provisions	103	111
Non-current derivative liabilities	1,702	1,156
Non-current firm commitment liabilities	0	36
Deferred tax liabilities	1	5
Total non-current liabilities	3,238	2,623
Total liabilities	₩22,563	₩22,634

	As of 31 December	
	2024	2025
	(in billions of Won)	
Equity		
Common stock	354	354
Capital surplus	2,600	3,017
Capital adjustments	(8,609)	(8,609)
Accumulated other comprehensive income	1,671	1,857
Retained earnings	15,084	16,668
Equity attributable to owners of the Controlling Company	11,099	13,286
Non-controlling interests	3,056	3,622
Total equity	14,156	16,908
Total liabilities and equity	₩36,719	₩39,542

Our Other Financial Data

	For the Year Ended 31 December	
	2024	2025
	(in billions of Won)	
Net cash provided by operating activities	₩ 4,289	₩ 4,422
Net cash used in investing activities	(1,233)	(3,604)
Net cash used in financing activities	(2,359)	(792)

HD Hyundai Heavy Industries Co., Ltd.

HHI's Selected Consolidated Statements of Comprehensive Income Data

	For the Year Ended 31 December	
	2024	2025[1]
	(in billions of Won except earnings per share)	
Sales	₩ 14,486	₩ 17,581
Cost of sales	(12,993)	(14,616)
Gross profit	1,494	2,964
Selling, general and administrative expenses	(789)	(927)
Operating profit	705	2,038
Finance income	964	1,018
Finance costs	(3,244)	(1,265)
Other non-operating income	2,543	430
Other non-operating expenses	(170)	(416)
Share of loss of associates and joint venture	0	(4)
Profit before income tax	798	1,801
Income tax expense	177	385
Profit for the year	622	1,415
Other comprehensive income (loss) for the year, net of income tax	(124)	167
Total comprehensive income for the year	498	1,582

	For the Year Ended 31 December	
	2024	2025(1)
	(in billions of Won except earnings per share)	
Profit attributable to:		
Owners of the Controlling Company	622	1,415
Non-controlling interests	0	0
Total comprehensive income attributable to:		
Owners of the Controlling Company	498	1,582
Non-controlling interests	0	0
Earnings per share		
Basic earnings per share (in Won)	7,001	15,702

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.

HHI's Selected Consolidated Statements of Financial Position Data

	As of 31 December	
	2024	2025(1)
	(in billions of Won)	
Assets		
Cash and cash equivalents	₩ 1,258	₩ 1,870
Short-term financial assets	131	1,703
Trade and other receivables	1,660	1,713
Contract assets	3,573	5,132
Inventories	1,511	2,017
Current derivative assets	1	9
Current firm commitment assets	823	500
Current tax assets	0	—
Other current assets	1,447	2,037
Total current assets	10,403	14,980
Investments in associates	1	305
Long-term financial assets	11	25
Long-term trade and other receivables	126	93
Investment property	1	1
Property, plant and equipment	6,610	8,781
Intangible assets	128	161
Right-of-use assets	32	35
Non-current derivative assets	64	81
Non-current firm commitment assets	994	802
Deferred tax assets	809	472
Other non-current assets	212	426
Total non-current assets	8,988	11,183
Total assets	₩19,391	₩26,163
Liabilities		
Short-term financial liabilities	399	157
Current lease liabilities	13	16
Trade and other payables	2,311	3,295
Contract liabilities	7,710	10,808
Short-term provisions	247	334
Current derivative liabilities	1,093	675
Current firm commitment liabilities	8	9
Current tax liabilities	14	39
Total current liabilities	11,796	15,333

	As of 31 December	
	2024	2025(1)
	(in billions of Won)	
Long-term financial liabilities	752	488
Non-current lease liabilities	20	21
Long-term trade and other payables	9	16
Long-term contract liabilities	10	10
Liabilities for defined benefit plans	34	31
Long-term provisions	71	90
Non-current derivative liabilities	994	815
Non-current firm commitment liabilities	0	17
Deferred tax liabilities	—	1
Total non-current liabilities	1,890	1,489
Total liabilities	₩13,686	₩16,821
Equity		
Common stock	444	525
Capital surplus	3,123	5,130
Capital adjustments	(2)	(43)
Accumulated other comprehensive income	851	1,336
Retained earnings	1,288	2,394
Equity attributable to owners of the Controlling Company	5,704	9,342
Non-controlling interests	0	0
Total equity	5,704	9,342
Total liabilities and equity	₩19,391	₩26,163

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.

HHI's Other Financial Data

	For the year ended 31 December	
	2024	2025(1)
	(in billions of Won)	
Net cash provided by operating activities	₩ 2,884	₩ 3,510
Net cash used in investing activities	(499)	(2,040)
Net cash used in financing activities	(2,049)	(860)

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.

RISK FACTORS

You should carefully consider the following risks as well as the other information contained in this offering circular before purchasing the Bonds. These risks could materially affect our ability to meet our obligations under the Bonds or the trading price of the Bonds or the Shares. In such case, you may lose all or part of your original investment in, and the expected return on, the Bonds or the Shares.

Risks Relating to Our Business and Industry

Adverse global and domestic macroeconomic conditions could materially and adversely affect our business, financial condition, results of operations and prospects.

KSOE operates as an intermediate holding company and serves as a control tower for the HD Hyundai Group's shipbuilding and related businesses, providing integrated and smart solutions across shipbuilding, offshore, industrial plant and engineering, engine and machinery and green energy businesses primarily through its subsidiaries.

Demand for our products and services is highly sensitive to global and domestic macroeconomic conditions. In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices, persistent inflationary pressures, supply chain disruptions and the general slowdown in global economic growth, have contributed to heightened uncertainty of global economic prospects in general. In addition, ongoing geopolitical tensions, including the prolonged Russia-Ukraine conflict and related sanctions, continued instability in the Middle East, strategic competition between the United States and China, heightened tensions in the Taiwan Strait and the South China Sea, and an increase in trade protectionism (including the imposition or threat of additional tariffs, particularly by the United States, and corresponding retaliatory measures by affected countries) and export control measures among major economies, have further disrupted global trade flows and investment patterns. In particular, escalating tensions between the United States and Iran, including the risk of direct military confrontation or escalation into a broader regional conflict, have increased the likelihood of broader regional instability with potential global repercussions. Any escalation into an armed conflict involving the United States and Iran could significantly disrupt global energy markets, including sharp increases in oil and gas prices, volatility in energy supply and heightened risks to critical shipping routes such as the Strait of Hormuz.

Expanding economic sanctions regimes, restrictions on technology transfers and cross-border investments, and periodic disruptions to critical maritime shipping routes (including potential blockages, military actions or security incidents affecting key chokepoints in the Middle East) have also increased volatility and operational risks in global supply chains.

Such volatility may adversely affect our access to capital, increase financing costs, impair the value of KSOE's investments in subsidiaries and other equity-method investees, and reduce customers' ability or willingness to finance large-scale projects. In particular, disruptions to global energy markets or shipping routes arising from a U.S.–Iran conflict could adversely affect demand for newbuild vessels, offshore facilities and related services, as well as the timing and execution of existing projects. In addition, adverse movements in interest rates, exchange rates or commodity prices, as well as changes in tariffs, sanctions or other trade restrictions, could increase our operating costs, disrupt procurement of key components and raw materials, delay project execution or result in unfavourable currency translation effects on our consolidated financial statements.

Additionally, during periods of economic slowdown or recession, customers may delay, reduce or cancel orders for vessels, offshore facilities and related equipment and services, which could lead to reduced order intake, lower utilisation rates, pricing pressure and margin deterioration for us. Geopolitical shocks, including any escalation of hostilities between the United States and Iran, could further exacerbate such trends by increasing global uncertainty, reducing capital expenditures in key end markets and disrupting international trade flows. In such circumstances, we may be required to adjust production levels, capital expenditures, workforce size and pricing strategies across our businesses, which may not fully offset adverse macroeconomic and geopolitical developments and could materially and adversely affect our profitability, financial condition and cash flows.

Cyclical fluctuations and market volatility in each of the industries in which we operate may adversely affect our business, financial condition, results of operations and prospects.

The industries in which we operate have historically been cyclical and subject to significant fluctuations in demand, pricing and profitability. As an intermediate holding company with both direct business operations and significant exposure to the performance of its subsidiaries, KSOE is affected not only by the cyclicality of individual business segments, but also by correlated downturns across multiple industries.

The global shipbuilding industry has periodically experienced excess production capacity, which has led to downward pressure on prices and profit margins. If global demand for vessels fails to keep pace with available production capacity, intensified competition may impair our ability to maintain margins, expand sales or efficiently utilise production facilities. As our engine and machinery business is closely linked to new vessel construction and fleet expansion, cyclical downturns in the shipbuilding industry may also reduce demand for marine engines and related equipment. In addition, fixed cost structures within certain business units, including engine and machinery operations, may exacerbate margin pressure during periods of economic downturn.

Cyclicality and market volatility similarly affect our offshore, industrial plant and engineering business, which are highly dependent on conditions in the global oil and gas markets. Demand for offshore units, floating production facilities, drilling platforms and related equipment is closely tied to oil and gas companies' capital expenditure plans and their willingness to invest in exploration and production, particularly in offshore fields. A sustained decline in oil and gas prices or a prolonged reduction in exploration and development activities could materially reduce demand for our offshore, industrial plant and engineering solutions, adversely affecting our consolidated revenues, profitability and long-term growth prospects.

The green energy sector is also characterised by cyclicality and market volatility, rapid technological change, evolving regulatory frameworks and intense competition, which may require continued investment in research and development and may result in product obsolescence, pricing pressure or margin volatility.

Given our role as an entity that integrates strategy, capital allocation and operational oversight across multiple cyclical businesses, adverse cyclical developments in one or more of these industries could have a compounded and cascading adverse effect on our business, financial condition, results of operations and prospects.

Rising oil prices could have mixed effects on our business and, in certain respects, may adversely affect our offshore, industrial plant and engineering business.

Demand for our products and services is influenced, among other factors, by global oil and energy prices. Sustained increases in oil prices may adversely affect certain aspects of our business, particularly our offshore and energy-related segments. Elevated oil prices may lead to increased cost pressures for our customers, heightened volatility in energy markets and greater uncertainty in capital allocation decisions, which in turn could result in delays, reductions or cancellations of offshore engineering, procurement and construction ("EPC") projects or investments in offshore facilities. In addition, higher oil prices may contribute to broader inflationary pressures, increased raw material and logistics costs and tighter financing conditions, which could adversely affect our operating costs, project execution timelines and overall profitability.

However, the impact of rising oil prices on our business is not uniformly negative and may, in certain respects, be beneficial. Higher oil prices are generally associated with increased exploration, production and transportation activities, which may drive demand for newbuild vessels, particularly crude oil tankers such as very large crude carriers ("VLCC"). Increased orders for VLCCs and other tankers may, in turn, support our shipbuilding order intake, utilisation rates and earnings visibility.

Our offshore, industrial plant and engineering business represents a relatively limited portion of our overall revenue and business portfolio, and adverse developments in this segment may not materially affect our consolidated financial condition or results of operations. Accordingly, while rising oil prices may create volatility and adversely affect certain segments of our business, the overall impact

may be partially mitigated by countervailing factors in our shipbuilding segment and the diversified nature of our operations. Nevertheless, there can be no assurance that such mitigating effects will fully offset any adverse impact, and prolonged periods of elevated or volatile oil prices could still have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in foreign currency exchange rates, including changes in the value of the Won against the U.S. dollar, may affect our results of operations and financial condition.

Our financial statements are prepared from the local currency-denominated financial results, assets and liabilities of KSOE and its subsidiaries around the world, which are then translated as necessary into Won. Accordingly, our financial results and assets and liabilities may be materially affected by fluctuations in exchange rates. A substantial portion of our revenue is denominated in currencies other than the Won, in particular the U.S. dollar, and our purchases of raw materials from overseas suppliers are denominated primarily in U.S. dollars and, to a lesser extent, Euros, British Pound Sterling, Japanese Yen, Swiss Franc, Swedish Krona and Norwegian Krone. To the extent that we incur costs in one currency and derive revenue in another currency, our results of operations may be affected by changes in the exchange rates between the two currencies.

Appreciation of the Won against major foreign currencies causes:

- our export products to be less competitive by raising prices of our products exported from Korea in foreign currency terms; and
- a decrease in Won terms in revenue and accounts receivable from overseas sales, which are primarily denominated in U.S. dollars.

Depreciation of the Won against major foreign currencies, on the other hand, causes:

- an increase in Won terms in costs denominated in such foreign currencies, including operating and non-operating costs, such as costs of raw materials that we purchase from overseas sources, expenses relating to labour, equipment and other manufacturing costs of our overseas operations and a substantial portion of our freight costs, which are denominated principally in U.S. dollars, Chinese Renminbi, Japanese Yen and Euros;
- an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt; and
- foreign exchange translation losses on foreign currency-denominated liabilities, which lower our earnings for accounting purposes.

Although the impact of exchange rate fluctuations has in the past been partially mitigated by our strategies to utilise natural hedges as well as foreign exchange forward contracts and other derivative instruments, our results of operations have historically been affected by exchange rate fluctuations, and there can be no assurance that such strategies will be effective in eliminating or reducing the adverse impact of such fluctuations in the future. Exchange rate fluctuations can also affect the Won value of our equity investments and monetary assets and liabilities denominated in foreign currencies. Exchange rate fluctuations have had and may in the future have an adverse impact on our business, financial condition and results of operations.

We operate in highly competitive industries, and our failure to successfully compete would adversely affect our market position and business.

Because our operations include several business segments in different industries with many product categories, we face a broad range of competition from existing and new competitors ranging from large multinational companies to highly specialised entities that focus on a limited number of business lines.

- Our shipbuilding business faces strong competition from competitors primarily located in Korea, Europe, China and Japan. We compete mainly with our ability to fulfil contractual obligations, including shipyard capacity and capabilities, as well as the price, quality and performance of our vessels and related services. Some competitors may have greater financial resources, lower operating costs or competitive advantages in building certain vessel types, and from time to time may engage in aggressive pricing to expand market share.

- Our offshore, industrial plant and engineering business competes with domestic and international offshore, industrial plant and engineering companies. Competitiveness in the offshore plant industry is largely determined by factors such as pricing, safety management, availability and quality of human resources and fabrication facilities, engineering and design capabilities, project delivery schedules and accumulated project execution experience.
- Our engine and machinery business competes with domestic and international engine and machinery manufacturers. In the environmentally friendly fuel engine segment, our engine business has established a leading market position, particularly in engines fuelled by LNG, liquefied petroleum gas ("LPG"), methanol and ethane, where we hold relatively high market shares compared to our competitors. However, as demand for eco-friendly fuel engines continues to increase, competition is intensifying, including from Chinese manufacturers pursuing capacity expansion through facility investments, as well as from domestic competitors that have strengthened their investment capacity and supply stability. In addition, developments in alternative technologies that may substitute for conventional internal combustion engines, such as batteries, hydrogen fuel cells and small modular reactors ("SMRs"), may introduce new competitive dynamics.
- Our green energy business faces competition from domestic and international solar industry participants that are expanding production capacity through large-scale facility investments, thereby intensifying competition and accelerating technological development. Competition in the solar module market increasingly focuses on the commercialisation of high-output and high-efficiency products, as well as differentiation through product certification, sales network development and performance warranty offerings. In addition, growing commercial and residential demand in Europe and the United States is increasing the importance of advanced high-output module technologies.

Our market position depends on our ability to anticipate and quickly respond to the various competitive factors mentioned above, including the introduction of new or improved products or services by our competitors, pricing strategies adopted by our competitors and changes in our customers' preferences. There can be no assurance that our competitors will not offer products or services that are comparable or superior to our products or services at the same or lower prices or adapt more quickly to evolving industry trends or market requirements. To the extent that our competitors, whether domestic or foreign, gain competitive advantages in terms of pricing, product or service quality, brand name recognition, and financial and technical resources, our market share, future plans and development (including our ability to launch or market new products in a commercially viable manner) and results of operations may be adversely affected.

Our shipbuilding business is subject to a number of risks.

a. **Demand for commercial vessels fluctuates with global trade and energy prices, risking contract cancellations or renegotiations during downturns**: Demand for commercial vessels, including VLCCs, containerships and product and chemical ("P/C") carriers, is closely linked to global trade volumes, freight rates, energy prices and overall economic conditions. Periods of economic slowdown, reduced global trade or sustained volatility in oil and gas prices may lead shipowners to delay, reduce or cancel new vessel orders or seek to renegotiate existing contracts. In addition, customers may face financing constraints or heightened uncertainty regarding future regulatory requirements, which could further reduce ordering activity. Any such developments could result in a decline in order intake, increased contract cancellations or amendments, pricing pressure and reduced visibility over our future revenues and cash flows.

b. **Long lead times and high capital requirements create exposure to cost overruns, delays and penalties if technical or supply issues arise**: Shipbuilding projects typically involve long construction cycles and significant upfront capital commitments, requiring the procurement of specialised materials and high-value equipment and the coordination of complex engineering and production processes over extended periods. As a result, the shipbuilding business is exposed to risks arising from technical challenges, design changes, labour shortages, supply chain disruptions or delays in the delivery of key components. Any failure to manage such risks effectively may lead to cost overruns, construction delays or performance shortfalls, which could result in contractual penalties, liquidated damages,

increased working capital requirements or reputational harm, and may adversely affect our profitability and cash flow.

c. **Raw material prices, high-value equipment costs and foreign-currency-denominated contracts can materially affect margins over long construction periods**: The shipbuilding business requires significant quantities of steel and other raw materials, as well as engines, machinery and other high-value equipment, the prices of which are subject to volatility due to market conditions, supply constraints and geopolitical developments. In addition, shipbuilding contracts are frequently denominated in foreign currencies, while a substantial portion of costs may be incurred in other currencies. Given the long construction periods involved in shipbuilding projects, increases in raw material prices, equipment costs or adverse movements in foreign exchange rates that are not adequately hedged or otherwise mitigated may materially and adversely affect our profitability, margins, results of operations and cash flows.

d. **Compliance with evolving IMO emissions rules, safety standards and military export controls may increase costs or limit addressable markets**: The shipbuilding business is subject to a broad range of environmental, safety and regulatory requirements, including emissions and fuel efficiency standards promulgated by the International Maritime Organisation ("IMO"), safety and technical standards imposed by classification societies and national authorities, and military or strategic export control regimes applicable to certain vessel types, technologies or end users. Compliance with increasingly stringent regulatory requirements may necessitate additional investments in research and development, design modifications, testing and certification processes, which could increase construction costs and reduce competitiveness. Moreover, changes in export control laws or their interpretation or enforcement may restrict our ability to enter into or perform certain contracts, limit access to particular markets or customers and adversely affect revenues and growth prospects.

e. **Our naval and defence-related shipbuilding business is subject to geopolitical, sanctions and export control risks, which may limit our ability to enter into or perform certain contracts and expose us to legal, regulatory and reputational risks**: We engage in the construction of naval and defence vessels, which are subject to heightened geopolitical sensitivities and regulatory scrutiny. Shifting geopolitical dynamics, including escalating regional tensions or conflicts, may result in the imposition, expansion or stricter enforcement of international sanctions, trade restrictions or arms embargoes by the United States, the United Nations, the European Union or other relevant authorities, which could restrict or prohibit our ability to sell, deliver or service such vessels to certain jurisdictions, counterparties or end users. Compliance with applicable sanctions and export control regimes may increase administrative burdens, delay project timelines or prevent the performance of existing or future contracts, and any actual or alleged non-compliance or perceived association with restricted jurisdictions could expose us to penalties, investigations, contract terminations and reputational harm. Accordingly, such geopolitical and regulatory developments may limit our addressable markets and adversely affect our business, financial condition, results of operations and prospects.

Our offshore, industrial plant and engineering business is subject to a number of risks.

a. **Offshore, industrial plant and engineering orders, such as orders for offshore facilities, FPUs and cogeneration power plants, depend heavily on oil, gas and electricity market conditions, which are inherently volatile**: Demand for offshore facilities, FPSO units, cogeneration power plants and other energy-related infrastructure is closely linked to conditions in the global oil, gas and electricity markets. These markets are inherently volatile and influenced by a range of factors, including commodity price fluctuations, supply and demand dynamics, geopolitical developments, regulatory policies and technological changes. Periods of sustained low or volatile oil, gas or electricity prices may reduce customers' willingness or ability to commit to new projects, delay final investment decisions or reduce the scope of existing projects, which could adversely affect order intake, backlog visibility and our revenues. In addition, certain projects secured in prior periods under competitive pricing environments may reflect relatively low contract margins, which could continue to adversely affect the profitability of our offshore, industrial plant and engineering business until such projects are completed.

b. **Engineering, procurement, installation and commissioning activities involve complex interfaces and tight schedules, exposing the business to delay penalties, cost overruns and warranty claims**: Offshore, industrial plant and engineering projects typically involve complex engineering, procurement, installation and commissioning activities, often executed under fixed-price, lump-sum or turnkey arrangements and subject to stringent technical specifications and delivery schedules. These projects require coordination among multiple contractors, suppliers and subcontractors, as well as integration of specialised equipment and systems. Any failure to manage these interfaces effectively, or delays arising from design changes, equipment delivery issues, labour shortages or adverse site conditions, may result in schedule slippage, cost overruns, exposure to delay penalties, increased warranty obligations or claims by customers, which could adversely affect our profitability and cash flows.

c. **Customers may suspend, delay or cancel offshore, industrial plant and engineering projects due to financing constraints, regulatory changes or deterioration in market conditions**: Customers undertaking offshore, industrial plant and engineering projects often require significant external financing and are subject to regulatory approvals and long development timelines. Adverse developments such as tightening credit conditions, increased financing costs, changes in regulatory or permitting requirements, or a deterioration in underlying market conditions may lead customers to suspend, postpone or cancel projects, even after contracts have been awarded or preliminary work has commenced. Such actions may result in reduced revenues, lower backlog conversion, increased working capital requirements or disputes over compensation for work performed.

d. **Processing equipment and cogeneration systems must meet contractual efficiency, output and reliability guarantees, failure of which may trigger liquidated damages or remediation obligations**: Offshore, industrial plant and engineering contracts typically include detailed performance guarantees relating to efficiency, output capacity, availability and reliability of processing equipment, cogeneration systems and integrated facilities. If such systems fail to meet the specified contractual performance criteria during testing, commissioning or operation, we may be required to pay liquidated damages, perform remediation or replacement work at our own cost, or provide other contractual remedies. Performance shortfalls may also result in reputational harm and could adversely affect our ability to secure future contracts.

Our engine and machinery business is subject to a number of risks.

a. **Rapid shifts toward alternative fuels, electrification and low-emission propulsion systems may reduce demand for conventional diesel engines if technological adaptation lags**: The engine and machinery business is undergoing rapid technological change driven by the adoption of alternative fuels, electrification and low-emission propulsion systems in response to environmental regulations and customer demand. If the pace of technological transition accelerates or market preferences shift more rapidly than anticipated, and we are unable to adapt our product portfolio in a timely or cost-effective manner, demand for conventional diesel engines and related products may decline. Such developments could result in reduced order intake, inventory obsolescence, impairment of existing assets or increased research and development expenditures, adversely affecting our revenues, margins and results of operations.

b. **Stricter global and local emissions standards may require costly redesigns, retrofits or may restrict the sale of certain engine models**: The engine and machinery business is subject to increasingly stringent global and local emissions regulations, including standards relating to nitrogen oxide (“Nox”), sulphur oxides (“SOx”), particulate matter and GHG emissions. Compliance with such regulations may require significant investments in research and development, product redesigns, testing, certification and retrofitting of existing engines. In some cases, certain engine models may no longer be permitted for sale or use in specific jurisdictions. Any failure to comply with applicable emissions standards, or delays in achieving regulatory approval, could result in fines, penalties, loss of market access or reputational harm and adversely affect our competitiveness and profitability.

c. **Engines, pumps and hydraulic systems involve long-term service and performance obligations, and defects or failures may result in significant warranty or recall costs**:

Engines, pumps and hydraulic systems are complex products that are subject to performance and reliability requirements over extended operating lifecycles. Contracts typically include warranty and after-sales service obligations, and defects, quality issues or failures in design, materials or manufacturing processes may give rise to warranty claims, recall campaigns, repair or replacement costs and potential liability claims. Such events may also result in business interruption for customers, reputational damage and reduced demand for future products, which could materially and adversely affect our financial condition and results of operations.

d. **Manufacturing engines and machinery relies on specialised components and precision parts, exposing the business to supply disruptions, quality issues and cost inflation**: The manufacture of engines and machinery requires the timely availability of specialised components, precision parts and advanced materials sourced from a limited number of qualified suppliers. Disruptions in the supply chain, whether due to capacity constraints, geopolitical developments, trade restrictions, transportation delays or supplier financial difficulties, may adversely affect production schedules and increase costs. In addition, quality issues or cost inflation affecting key components may not be fully recoverable through pricing adjustments, particularly under fixed-price or long-term supply arrangements, thereby exerting pressure on margins and cash flows.

Our green energy business is subject to a number of risks.

a. **Demand for solar power and renewable energy systems is highly dependent on government policies, incentives and subsidies, which may be reduced, delayed or discontinued**: Demand for solar power systems and other renewable energy solutions is significantly influenced by government policies, incentive schemes and subsidy programmes at the national, regional and local levels. Such policies may include feed-in tariffs, tax credits, renewable portfolio standards and other forms of financial or regulatory support. Any reduction, delay, modification or discontinuation of these policies or incentives, or uncertainty regarding their future availability, may adversely affect the economic viability of renewable energy projects and reduce customer demand and order intake, which would ultimately have an adverse effect on our financial condition and results of operations.

b. **Rapid technological advances in renewable energy solutions may render existing systems less competitive or require additional R&D investment**: The renewable energy sector is characterised by rapid technological innovation and evolving industry standards. Advances in solar module efficiency, energy storage, power electronics, hydrogen and fuel cell technologies or alternative renewable solutions may reduce the competitiveness of existing products or shorten product lifecycles. In order to remain competitive, we may be required to incur significant research and development expenditures, accelerate product upgrades or invest in new technologies. There can be no assurance that such investments will result in commercially successful products or be recoverable through increased sales or margins.

c. **Renewable energy projects require coordination with regulators, grid operators and local stakeholders, increasing the risk of delays and cost overruns**: Renewable energy projects often require multiple regulatory approvals and coordination with grid operators, utilities, local authorities and other stakeholders to secure permits, interconnection agreements and land use rights. Delays or changes in regulatory requirements, grid connection constraints or opposition from local communities may result in project delays, scope changes or increased costs. Such delays or cost overruns may adversely affect project economics, timing of revenue recognition and our overall profitability.

d. **As a relatively new business compared to our other businesses, it may be subject to higher earnings volatility as the business scales and market demand evolves**: Compared to our other more established businesses, the green energy business is at an earlier stage of development and may be subject to higher earnings volatility. As the business scales, revenues and margins may fluctuate due to changes in market demand, pricing dynamics, competitive intensity, project mix and the timing of project execution and completion. In addition, upfront investments in capacity, personnel and technology may be required ahead of revenue generation, which could adversely affect our short- to medium-term profitability and cash flows.

KSOE may not succeed in implementing its strategy to take advantage of, or fail to realise the anticipated benefits of, its holding company structure and diversification strategy.

KSOE became a holding company in 2019, and one of its principal strategies is to leverage its holding company structure to selectively invest in and support promising businesses. KSOE has sought to achieve growth by effectively allocating capital across its existing business portfolio and enhancing operational efficiency and strategic coordination among its subsidiaries. From time to time, KSOE may selectively acquire or invest in companies to pursue its diversification strategy. The implementation of this strategy may require additional investments of capital, infrastructure, human resources and management attention. This strategy entails certain risks, including the possibility that KSOE may face significant competition from other holding companies and operating companies in particular segments. If KSOE's strategy does not succeed, it may incur losses on its investments and its results of operations and financial condition may suffer.

KSOE's success under a holding company structure depends on its ability to realise anticipated synergies, growth opportunities and cost savings from coordinating the businesses of its various subsidiaries. Although KSOE may integrate certain aspects of its subsidiaries' operations within its holding company structure, its subsidiaries will generally continue to operate as independent entities with separate management and staff, and KSOE's ability to direct its subsidiaries' day-to-day operations may be limited.

KSOE may continue to increase its equity interests in its subsidiaries or investees and may also consider acquiring or merging with other companies to achieve more balanced growth and further diversify its revenue base. The integration of the separate businesses and operations of new subsidiaries or investees, as well as those of any companies KSOE may acquire or merge with in the future, into its holding company structure could require significant time, financial resources and management attention. Moreover, such integration could disrupt KSOE's operations, reduce employee morale, produce unintended inconsistencies in its standards, controls, procedures or policies, and adversely affect its relationships with customers and its ability to retain key personnel. The realisation of the anticipated benefits of KSOE's holding company structure and any mergers or acquisitions it may pursue could be blocked, delayed or reduced as a result of many factors, some of which may be outside KSOE's control.

These factors include:

- unforeseen contingent risks, including lack of required capital resources or increased tax liabilities, relating to its holding company structure;
- difficulties in integrating the diverse activities and operations of subsidiaries or investees or any companies KSOE may acquire or merge with;
- unforeseen contingent risks or latent liabilities relating to any such acquisition that may become apparent in the future;
- difficulties in managing a larger business;
- unexpected business disruptions;
- loss of key management personnel or customers; and
- labour unrest.

Accordingly, KSOE may not be able to realise the anticipated benefits of its holding company structure, and its business, results of operations and financial condition may be adversely affected as a result.

Our orderbook and information relating to our order backlog in shipbuilding and offshore, industrial plant and engineering businesses may not be an accurate indicator of our future performance.

We include a project in our order backlog when a contract is awarded or a firm order commitment is obtained. The backlog amount for each contract is reduced over time in proportion to the work performed. Accordingly, our order backlog at any given date represents the aggregate contract value of orders not yet completed, less net sales already recognised in respect thereof. We predominantly

apply the percentage-of-completion method for revenue recognition in our shipbuilding and construction-related businesses, including our offshore, industrial plant and engineering businesses. Sales in our shipbuilding and offshore, industrial plant and engineering businesses are, in most cases, subject to a "heavy-tail" payment structure. The order backlog at the end of the period represents the order backlog at the beginning of the period, plus new orders for a given period, less sales recognised during the period. We maintain records of new orders and order backlog primarily in Korean Won.

The contracts that make up our orderbook have a significant impact on our future revenues and profits. Our order backlog as of 31 December 2024 and 2025 was Won 83,508 billion and Won 82,237 billion, respectively.

The order backlog amount contained in this offering circular does not necessarily indicate actual revenues to be recorded in any particular period in the future, and the revenues to be recognised from our existing orders may be substantially smaller than the orderbook value. The successful conversion of these orders into our revenue depends on a number of factors including, among other things, the general conditions or changes in the markets and industries in which we and our customers operate, the availability of funds to our customers, competition, our production capacity, research and development and ability to deliver our products and services on time. Some of the factors are beyond our control and are subject to uncertainty by nature. Although projects in our orderbook represent business that we consider firm, defaults or scope adjustments by the customers or other unforeseen delays may occur. Because of these uncertainties, we cannot predict when or if the projects in our orderbook will be performed as originally contemplated and will generate revenues and profits.

We may continue to expand our operations geographically into markets in which we have limited or no operating experience, which may expose us to new or increased risks.

We conduct a substantial portion of our business through subsidiaries and projects located outside Korea and expect to continue expanding our global footprint to support our businesses. However, the expansion of our operations abroad may be difficult due to the presence of established competitors in such markets. In addition, overseas expansion and managing our operations on a global scale will require considerable management resources and attention and will be subject to the particular challenges of supporting a growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems and commercial markets. Global expansion may require us to make significant expenditures for research and development and marketing and sales, and there can be no assurance that we will successfully achieve our overseas growth objectives. If we are unable to manage the operational, regulatory and geopolitical risks associated with our international operations effectively, or if our overseas expansion initiatives are unsuccessful, our business, financial condition and results of operations could be materially and adversely affected.

The reputation of, and value associated with, our brand names are critical to our business, and if we are unable to enforce our intellectual property rights, or if we are accused of infringing on a third party's intellectual property rights, our business may suffer.

Our business relies in part on the reputation and recognition of our corporate brand, technology platforms and product-related trademarks used across our business areas. The reputation and perceived reliability associated with our brand names and technology platforms are important factors in customers' procurement decisions, particularly for large-scale projects involving long construction periods, performance guarantees and after-sales service obligations.

We own and manage various trademarks, service marks, trade names and related intellectual property, which are primarily registered in Korea and, on a selective basis, in other jurisdictions in which we conduct business. Maintaining the reputation of, and value associated with, our corporate and technology brands is central to our competitiveness; however, there can be no assurance that our branding strategy and its implementation will be successful. In addition, any quality issues, safety incidents, regulatory violations or contractual disputes may adversely affect the reputation of our brand and, by extension, our business as a whole.

Moreover, our ability to protect and enforce our trademarks and other proprietary rights may be affected by changes in domestic or foreign intellectual property laws, differing legal standards across jurisdictions or challenges in enforcing such rights in certain markets. The loss, impairment or dilution

of any of our significant proprietary rights, or any substantial erosion in the reputation or value associated with our brand names or technology platforms, could materially and adversely affect our business, financial condition and results of operations.

In addition, we may be subject to claims by third parties alleging infringement, misappropriation or other violations of their intellectual property rights, including trademarks, trade names, patents or other proprietary rights, whether or not such claims have merit. Such claims may be time-consuming and costly to defend and could result in injunctions, restrictions on the use of certain technologies or brand names, or requirements to redesign products or enter into licensing arrangements. Any of these outcomes could adversely affect our ability to conduct our business, delay project execution, increase costs or result in reputational harm, and could have a material adverse effect on our business, financial condition and results of operations.

We rely on trade secrets, unpatented proprietary know-how and confidential information to maintain our competitive position, and unauthorised disclosure of such information could adversely affect our business.

We rely on trade secrets, unpatented proprietary know-how and confidential information to maintain our competitive position across our business areas. Such know-how includes engineering designs, production processes, system integration techniques and project execution expertise developed and used across numerous HD Hyundai Group-wide projects over the years.

We generally require employees, officers, consultants and certain contractors to enter into confidentiality and non-disclosure agreements, and we have adopted internal policies to promote the development and protection of proprietary information. However, we cannot assure that such agreements will be enforceable in all jurisdictions or that they will not be breached, nor can we assure that we will have adequate remedies in the event of a breach.

Any unauthorised disclosure or misappropriation of our trade secrets, unpatented proprietary know-how and confidential information could erode our competitive advantages, reduce differentiation of our products and services and materially and adversely affect our business, financial condition and results of operations.

A disruption in information technology systems that we or our third-party vendors operate could adversely affect our operations.

Our business relies to a significant extent on the efficient and uninterrupted operation of information technology systems, including computer, communications and enterprise resource planning systems, operated by us and by third-party service providers. We outsource certain aspects of the operation, maintenance and backup of these systems to external vendors.

Any failure, breakdown or disruption of our information technology systems or those of our service providers, whether due to system failures, cyber incidents, power outages, natural disasters or other events, could impair our ability to manage operations, execute projects, process data and communicate effectively. In addition, we may not be able to maintain or upgrade our information technology systems in a timely or effective manner without experiencing interruptions or disruptions.

Any material interruption, failure or inability to maintain or upgrade the information technology systems on which we rely could materially and adversely affect our business, financial condition and results of operations.

If we are unable to attract, retain and motivate employees or efficiently utilise their skills, we may not be able to compete effectively and will not be able to grow our business.

Our success and ability to grow are dependent, in large part, on our ability to hire, retain and motivate sufficient numbers of talented professionals with increasingly diverse and specialised skills required in the shipbuilding and related industries. Competition for skilled personnel is intense at all levels of experience and seniority and across all markets and geographies. During industry downturns, skilled workers may leave the industry or relocate to other sectors, while upcycles may result in acute labour shortages and wage inflation. In addition, an ageing workforce in certain skilled trades and a

declining inflow of younger workers into heavy industries may exacerbate labour shortages over the medium to long term.

The processes and costs associated with recruiting, training, certifying and retaining skilled personnel are substantial and time-consuming, particularly given the stringent quality, safety and regulatory standards applicable to the industries in which we operate. If we are unable to maintain a stable and sufficiently skilled workforce, or effectively deploy our personnel across projects and sites, our operational efficiency, ability to meet contractual delivery timelines and overall competitiveness may be materially and adversely affected.

Complaints or litigation from customers and other third parties could adversely affect us.

We are the subject of complaints and litigation from our customers, employees or other third parties, alleging health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations, including labour laws. See, "*Our Business—Legal and Regulatory Proceedings*." These claims, even if successfully disposed of without direct adverse financial effect, could have a material adverse effect on our reputation and divert our financial and management resources from more beneficial uses. While we do not believe that any of these claims to which we are currently subject will have a material adverse effect on us, there is no guarantee that we will not be subject to future claims that may have such an effect on our business, financial condition or results of operations

Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.

Although we maintain various safety and loss prevention programmes and carry property and casualty insurance to cover certain risks, our insurance policies do not cover all types of losses and liabilities. There can be no assurance that our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured. In addition, we cannot guarantee that we will be able to renew our current insurance policies on favourable terms, or at all. If we sustain significant losses or make significant insurance claims, our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected. If our insurance coverage is not adequate, or we become subject to damages that cannot be insured against, this could adversely affect our financial condition or results of operations.

Unexpected events, including natural disasters or health epidemics, may increase our cost of doing business or disrupt our operations.

If earthquakes, tsunamis, floods, severe health epidemics (such as COVID-19) or any other natural calamities were to occur in the future in any area where any of our operations are conducted, our business, results of operations or financial condition could be adversely affected. Any occurrence of such natural calamities in countries where our suppliers are located may lead to shortages or delays in the supply of parts, components or raw materials. In addition, natural calamities in areas where our customers are located, whether in Korea or overseas, may cause disruptions in their businesses, which in turn could adversely impact their demand for our products and services.

KSOE is a holding company and derives a significant portion of its income and cash flow from its subsidiaries.

KSOE is an operating holding company that conducts a portion of its business operations directly, while holding significant equity investments in its subsidiaries, as well as in certain affiliates and joint ventures. At the holding company level, a substantial portion of KSOE's assets consists of its equity investments in its subsidiaries. Accordingly, KSOE's financial condition, results of operations and liquidity are significantly dependent on, and influenced by, the performance, financial condition and prospects of its subsidiaries.

The value of KSOE's equity interests in its subsidiaries is subject to various risks, including the subsidiaries' operating performance, capital requirements, leverage levels, regulatory environment and prevailing market conditions. Any deterioration in the business, financial results or outlook of its subsidiaries may result in a decline in the value of KSOE's investments, the recognition of impairment

charges or a reduced ability to monetise such interests, which could materially and adversely affect KSOE's financial condition and results of operations at the holding company level.

Although KSOE may receive dividends or other distributions from its subsidiaries from time to time, such payments are subject to applicable legal and regulatory restrictions, the subsidiaries' financial performance, capital needs and other business considerations, and may be limited or suspended. In addition, KSOE's ability to realise value from its equity investments is inherently constrained, as such value is generally accessible only through dividends, intercompany payments, asset sales, restructurings or other strategic transactions, each of which may be subject to regulatory approvals, contractual limitations or unfavourable market conditions.

In particular, if the Bonds are exchanged in significant amounts, KSOE's ownership interests in HHI may be diluted, which could reduce its percentage ownership, voting power and economic interest in HHI. Any such dilution may also result in a decrease in KSOE's share of earnings, dividends and net asset value attributable to its investment, and could, in certain circumstances, affect KSOE's ability to maintain control over HHI. Furthermore, actual or expected exchanges of Bonds may create downward pressure on the market price of the underlying shares and increase volatility, which could adversely affect the value of KSOE's investments and its financial condition.

If KSOE is unable to obtain sufficient cash flows from its subsidiaries or otherwise realise the value of its equity investments in a timely manner, or at all, its liquidity and ability to meet its obligations at the holding company level could be materially and adversely affected, notwithstanding any direct operating activities conducted by KSOE.

KSOE and HHI remain jointly and severally liable for each other's debts and liabilities that were incurred prior to the split-off of HHI.

Under the Korean Commercial Code, in case of a corporate split-off, both the existing company and the newly split off company (as such existing company's subsidiary) remain jointly and severally liable for all of their liabilities which existed prior to such corporate split-off unless such joint and several liability has been successfully eliminated through a special resolution adopted at a general meeting of shareholders and certain creditor protection procedures, such as obtaining consents from affected creditors and discharging all outstanding liabilities owed to any dissenting creditors or providing sufficient security or entrustment of assets for such dissenting creditors. Accordingly, KSOE and HHI remain jointly and severally liable for each other's debts and other liabilities that arose prior to 3 June 2019, the record date of HHI's split-off, to the extent such obligations remain outstanding.

Following the split-off, HHI succeeded to all assets, liabilities, rights and obligations relating to the shipbuilding, offshore, industrial plant and engineering, and engine and machinery business divisions previously operated by KSOE, including the related licences, employment relationships, contracts and pending or threatened legal proceedings. Assets, liabilities, rights and obligations relating to KSOE's remaining business areas were retained by KSOE. Notwithstanding this allocation, KSOE and HHI continue to be jointly and severally liable for liabilities existing prior to the split-off. As a result, if either KSOE or HHI defaults on, or otherwise fails to satisfy, any such pre-split-off liabilities, the other entity could be required to satisfy those obligations. Any significant claims or defaults in respect of such liabilities could have a material adverse effect on the respective company's financial condition, results of operations and liquidity.

Risks Relating to Regulations

We are subject to health, safety and environmental laws and regulations, and violation of such laws or regulations could expose us to substantial liabilities.

Our operations are subject to extensive national and local health, safety and environmental laws and regulations, including those relating to workplace safety, the operation of industrial facilities and shipyards, air emissions and GHG controls, wastewater and other pollutant discharges, hazardous substance management, waste handling and disposal and broader environmental protection requirements. Compliance with these laws and regulations requires significant expenditures, ongoing monitoring and reporting and the implementation of comprehensive internal controls and safety management systems. In addition, certain laws impose enhanced criminal and civil liability on

companies and responsible management in the event of serious workplace accidents if required preventive measures are not adequately implemented.

While we believe that we have implemented measures designed to comply in all material respects with applicable health, safety and environmental requirements, we cannot assure that violations will not occur. Any failure to comply, or any serious accident, could result in government investigations, administrative or criminal penalties, civil liabilities for personal injury, property damage or environmental harm and reputational damage.

Moreover, the increasingly stringent health, safety and environmental regulations, or heightened public and regulatory scrutiny, may require additional capital expenditures, operational changes or compliance costs. Any such developments could materially and adversely affect our business, financial condition and results of operations.

We are subject to a variety of regulatory requirements governing our operations, including those governing holding companies such as Article 8 of the Monopoly Regulation and Fair Trade Act.

We are subject to a variety of regulatory requirements imposed by the authorities in the respective jurisdictions in which we operate. These include, but are not limited to, regulations relating to emission permits, import and export, use of land/coastline, employment, finances, accounting, conversion of foreign currency, taxation and access to utilities as well as those governing holding companies such as Article 18 of the Monopoly Regulation and Fair Trade Act. See "*Korean Foreign Exchange and Securities Regulation*." Such regulations are subject to changes and amendments, which may adversely affect our operations and profitability. Our failure to obtain and maintain any licences, permits and approvals necessary to operate our business could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to HHI's Business and Industry

Adverse macroeconomic conditions may adversely affect demand and pricing dynamics for HHI's products and services, and in turn, HHI's business, financial condition and results of operations.

HHI is a leading fully integrated global shipbuilding company possessing complementary offshore industrial plant and engine design and manufacturing capabilities. Demand for its products and services typically depends on the level of general economic activity, particularly relating to the prevailing market dynamics and conditions of the shipping, marine transportation, oil, natural gas and other heavy industry sectors. If general economic conditions are weak and there is a slowdown in economic activity, there will be a decline in demand for its products and services. Accordingly, demand for its products and services is inextricably linked to macroeconomic conditions and general economic activity, and adverse macroeconomic conditions could adversely affect HHI's business, financial condition and results of operations. See "*—Risks Relating to Our Business and Industry—Adverse global and domestic macroeconomic conditions could materially and adversely affect our business, financial condition, results of operations and prospects*."

Cyclical fluctuations and market volatility in each of the industries in which HHI operates may adversely affect HHI's business, financial condition, results of operations and prospects.

The shipbuilding, offshore, industrial plant and engineering, and engine and machinery industries have historically been cyclical. Companies in these industries, including HHI, are subject to significant fluctuations and volatility in their revenues and profitability due to a variety of factors, including general and sector-specific cyclical fluctuations and market trends affecting each of these industries.

There can be no assurance that future changes in the supply and demand for HHI's products and services will not adversely affect its operating margins and profitability. If HHI fails to accurately predict future cyclical fluctuations and market trends, it may fail to optimise its production volumes leading to inefficiencies and loss, which in turn may have a material adverse effect on its business, financial condition, results of operations and prospects. See "*—Risks Relating to Our Business and Industry—Cyclical fluctuations and market volatility in each of the industries in which we operate may adversely affect our business, financial condition, results of operations and prospects*."

Fluctuations in foreign currency exchange rates, including changes in the value of the Won against the U.S. dollar, may affect HHI's results of operations and financial condition.

HHI is highly exposed to foreign currency risk arising primarily from contracts denominated in currencies other than the Korean Won, and to a lesser extent, from goods and materials purchased in currencies other than the Korean Won. A substantial majority of HHI's revenue is denominated in foreign currencies, particularly the U.S. dollar. Further, HHI's consolidated financial statements are prepared in Korean Won, while its revenue streams and business costs are denominated in a mixture of Won and foreign currencies. Accordingly, HHI's consolidated results of operations, assets and liabilities may be affected by changes in exchange rates between the Won and other currencies. To the extent that HHI incurs costs in one currency and derives sales in another currency, HHI's results of operations may be affected by changes in the exchange rates between the two currencies. See "*—Risks Relating to Our Business and Industry—Fluctuations in foreign currency exchange rates, including changes in the value of the Won against the U.S. dollar, may affect our results of operations and financial condition*."

HHI is exposed to fluctuations in the market prices of raw materials, equipment and components, and depends on a steady supply of such raw materials, equipment and components.

In undertaking its business projects, HHI procures raw materials, equipment and components from third-party manufacturers and suppliers. HHI purchases significant amounts of raw materials such as steel, and equipment and components such as gas compressors, boilers and pressure vessels to deliver its products and services.

The price of steel generally follows the price trends of, and varies with market conditions for, iron ore or cokes, which at times have been highly volatile, and has a strong impact on HHI's financial performance. In order to minimise the risk of fluctuations in steel prices on its cost of sales, HHI typically enters into contracts with steel suppliers, pursuant to which HHI is entitled to purchase a fixed amount of steel from such suppliers at a fixed price for a specified period of time, typically six months. Additionally, HHI purchases substantially all of its engine equipment from its engine and machinery unit, and effectively negotiates integrated purchase orders, expands annual contract products and signs frame agreements to competitively source its equipment.

HHI enters into reasonable supply contract terms and has numerous partners globally from whom it procures materials and equipment necessary in a timely fashion. While HHI's raw materials, equipment and components can be generally obtained from various sources, depending on the specifications of its customers and the vessels, HHI is at times required to acquire specialised materials and components, which may only be sourced from a single or a limited number of manufacturers or suppliers. Any external events that take place beyond HHI's control may result in a disruption in the global supply of such raw materials, equipment and components, which would have a material adverse effect on its operations.

In addition, HHI is exposed to the risk that the prices of raw materials, equipment and components may increase and that such cost increases may not be passed on to the customers under fixed-price contracts. Particularly, HHI may be unable to maintain profit margin on its shipbuilding contracts since the profit margin realised on fixed-priced shipbuilding contracts may vary from original estimates as a result of fluctuations in the costs of raw materials over the construction period of the ordered vessel. Moreover, any risk mitigating activities undertaken by HHI may not be sufficient to offset cost increases. HHI could incur losses under its fixed-price contracts as a result of cost overruns, delays in delivery or failure to meet contract specifications. HHI relies on third parties for the provision of certain services and is exposed to the performance risk of such third parties.

HHI may incur repair costs for defects under its product warranties and face claims or contract price adjustments if its products and services fail to meet the standards stipulated in the relevant contracts.

A majority of HHI's contracts are fixed-price contracts. Under such fixed-price contracts, HHI retains all cost savings on completed contracts, but is also liable for the full amount of all cost overruns.

HHI generally attempts to anticipate and estimate increases in costs of labour and raw materials in its bids on the fixed-price contracts. However, actual costs incurred and gross profits realised on such fixed-price contracts may vary due to factors such as:

- underestimation of costs and construction time at the initial bidding stage;
- unanticipated variations in labour and equipment productivity over the term of a contract;
- unanticipated increases in costs of raw and other materials, equipment, parts, components, machinery, supplies, subcontracting and other costs (including costs of labour and overheads), which may result from factors such as unforeseeable general cost increases, inflation, shortages, labour disputes, increased demand from companies in shipbuilding and other industries, regulatory changes and unfavourable weather conditions;
- unanticipated delays in delivery of raw materials, equipment, parts, components and machinery;
- failures or defaults by suppliers and defects in raw materials, equipment, parts, components and machinery; and
- delays and corrective measures due to poor workmanship or any other failure to meet customer specifications, including as a result of design defects.

Depending on the size of the project, variations from the estimated contract performance could significantly reduce HHI's earnings and could potentially result in losses. Substantially all of HHI's fixed-price contracts provide liquidated damages for late delivery. Also, from time to time, HHI may bid on fixed-price contracts for the delivery of products or services which are new to HHI and have not been delivered in the past by HHI. The risks of cost overruns or delays under such contracts are greater than those associated with contracts for products and services with which HHI has prior experience. There can be no assurance that such contracts, if awarded, will be completed on a profitable basis.

Although varying contract terms may be negotiated on a case-by-case basis, HHI's contracts ordinarily provide for down payment at the beginning of the contract period, with either milestone or progress payments at specified stages of construction, or a final payment upon delivery. The final payment under certain shipbuilding contracts may be subject to deductions if the vessel fails to meet certain performance specifications based on tests conducted by HHI and the customer's project supervisor prior to delivery. If HHI is unable to collect account receivable in the amount that it has estimated to be collectible, HHI must recognise a charge to current earnings that may result in a reduction of previously recorded profits, which may adversely affect its results of operations.

Estimates that HHI may make in applying percentage-of-completion accounting could result in a reduction in current period profits and have a significant impact on period-to-period results of operations.

Since most of HHI's shipbuilding and offshore, industrial plant and engineering contracts are completed over a period of several months or years, the timing of the recognition of related revenues has a significant impact on HHI's quarter-to-quarter or year-to-year results of operations. HHI uses the percentage-of-completion method to recognise and account for revenues derived from its long-term construction contracts. Under this method, revenues are based on the percentage of costs incurred including labour and raw material costs. As a result, the timing of recognition of revenues that HHI reports may differ materially from the timing of actual contract payments received. In addition, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. These charges may significantly reduce HHI's earnings, depending on the size and magnitude of the contract and required adjustments.

HHI's orderbook and information relating to its order backlog may not be an accurate indicator of its future performance.

HHI's order backlog as of a certain date represents the total nominal contract value of the contracts that have not been completed, less the portion of net sales already recognised in respect thereof using the percentage-of-completion method. For the purpose of calculating its orderbook, HHI considers an order to be effective when it signs the contract with the customer, regardless of what payment arrangement the relevant contract provided.

The contracts that make up HHI's orderbook have a significant impact on its future revenues and profits. HHI's order backlog as of 31 December 2024 and 2025 was Won 46,932 billion and Won 56,384 billion, respectively. See "*Risks Relating to Our Business and Industry—Our orderbook and information relating to our order backlog in Shipbuilding and Offshore, Industrial Plant and Engineering businesses may not be an accurate indicator of our future performance.*"

HHI's future success depends on the successful implementation of its strategies.

The successful implementation of HHI's business strategies and its ability to manage its future growth are important for HHI's future success. The successful implementation of HHI's business strategies will depend upon a number of factors, some of which are beyond HHI's control. These factors include, but are not limited to, its ability to keep up to date with the latest technologies, as well as changes in the competitive landscape and the regulatory environment.

The implementation of HHI's business strategies may impose significant additional responsibilities on its management to manage and operate such additional business lines. Rapid and significant growth or expansion into new business areas or change in business focus may increase the complexity of HHI's business and place a strain on its administrative and operational infrastructure, including its internal accounting and financial reporting processes and systems, as well as its ability to identify, recruit, train and integrate additional employees. Failure to successfully implement HHI's business strategies may adversely affect its business, financial condition and results of operations.

HHI may fail to fully realise the anticipated benefits of its mergers, acquisitions, investments or other strategic alliances, particularly its merger with Mipo.

HHI has pursued, and may continue to pursue, mergers, acquisitions, investments and strategic alliances as part of its growth strategy. These transactions are intended to enhance operational efficiency, expand product offerings, strengthen market position and achieve cost synergies and other strategic benefits. However, there can be no assurance that HHI will be able to fully realise the anticipated benefits of any such transactions, including the merger with HD Hyundai Mipo Dockyard Co., Ltd. ("HMD"), within the expected timeframe or at all.

The successful integration of businesses following a merger or acquisition involves significant challenges, including the integration of operations, production processes, information technology systems, internal controls, supply chains and management structures, as well as the alignment of corporate cultures, personnel policies and labour relations. Subsequent to the merger with HMD, which was consummated on 1 December 2025, HHI may face difficulties in harmonising shipyard operations, optimising capacity utilisation, rationalising overlapping functions and achieving anticipated efficiencies across different facilities and product segments.

In addition, integration efforts may require substantial management time and resources and may divert attention from HHI's ongoing operations. The process may also result in higher-than-expected integration costs, delays in realising synergies, weakened customer relationships, employee attrition or labour-related issues, and challenges in retaining key management and technical personnel. Any such difficulties could adversely affect HHI's operational performance, competitiveness and profitability.

Furthermore, anticipated benefits from mergers, acquisitions or strategic alliances may be affected by external factors beyond HHI's control, including adverse market conditions, cyclical downturns in the shipbuilding and related industries, changes in regulatory requirements, competitive pressures or unforeseen liabilities associated with acquired or merged businesses. If HHI is unable to integrate acquired businesses effectively or realise expected synergies and strategic objectives, its business, financial condition, results of operations and prospects could be materially and adversely affected.

HHI's performance may be affected by the loss of key members of its management or its inability to hire or retain qualified personnel.

HHI's success depends, in large part, on its ability to recruit, retain and motivate key officers and employees to manage and grow its business. HHI's management team consists of individuals with considerable expertise in their respective fields, including production, engineering, sales, marketing, and research and development, who may be difficult to replace. The market for qualified individuals is

highly competitive, and HHI may not have the financial resources to attract and retain qualified personnel or candidates to replace or succeed members of its senior management team or other key personnel. Failure to hire or retain qualified individuals may negatively impact HHI's ability to maintain the quality of its products or compete against its competitors.

HHI's future expansion is limited by its production capacities and subject to risks beyond its control.

The expansion of HHI's business may be limited by the production capacities of HHI's yards, which in turn are limited by, among other things, the availability of berths in its shipyard, the number and size of its dry docks, wharves, plant and equipment. To achieve full operational capacity of its dry docks, HHI may need additional equipment and dry dock facilities, and there can be no assurance that HHI will be able to obtain land, approvals or capital required for the construction of the new shipyard facilities. If HHI is unable to complete construction of the new shipyard facilities in a timely manner, it may have to rely on its existing dry docks, cranes, equipment and facilities to fulfil orders for larger vessels, which may restrict its ability to accept new orders. Moreover, any delay in constructing the new shipyard facilities or in the new shipyard facilities reaching their full production potential may affect HHI's ability to execute its plans to expand its manufacturing capacity, which may adversely affect its business, financial condition and results of operations.

Further, during the expansion of its production capacity, HHI is subject to a number of construction, financing, operational and other risks beyond its control, including, but not limited to:

- shortages of raw materials, equipment and labour;
- adverse weather conditions and natural disasters;
- changes in demand for HHI's products and services;
- loss of business during the reconstruction or upgrading of HHI's existing shipyard facilities;
- labour disputes or disputes with subcontractors;
- inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary for the successful operation of a project;
- failure by HHI's contractors to complete projects according to HHI's specifications;
- accidents;
- changes in governmental policies relating to the shipbuilding industry and approvals for financing;
- inability to obtain and maintain requisite government licences, permits or approvals;
- over-capacity in global shipbuilding and marine engine building; and
- power shortage or disruption of power.

HHI's business operations are subject to adverse weather conditions, natural disasters and other operating hazards.

A large part of HHI's production activities is conducted outdoors and may be materially and adversely affected by adverse weather conditions. For example, HHI may experience significant project delays caused by inclement weather, such as typhoons, protracted periods of precipitation or extreme temperatures. These situations could result in HHI's inability to meet key milestones set forth in its contracts and cause additional costs. In addition, natural disasters and other operating hazards such as earthquakes, floods, typhoons, landslides or fire may interrupt HHI's production. Substantial damage to HHI's projects caused by any of these events or the resulting disruptions, technical or mechanical difficulties or sourcing difficulties could be costly and time-consuming to repair and may disrupt HHI's operations. Any significant delay or interruption could impair HHI's ability to meet its contractual obligations, cause damages or cause HHI's customers to cancel orders, any of which could negatively affect its reputation, business and results of operations.

HHI's continued success depends to a significant extent on its ability to upgrade and maintain its production capabilities, which requires a significant amount of ongoing capital expenditures.

HHI's business operations have required, and may continue to require, significant capital investments to upgrade and maintain its production capabilities. A majority of HHI's capital expenditures was used for upgrade and maintenance works of its main shipyard located in Ulsan, Korea. Upgrade and maintenance works that require significant capital expenditure carry risks including, among others:

- failure to complete such works within the prescribed timetable and/or within budget;
- such works resulting in disruption to business operations, including production; and
- failure of such works to achieve their intended purpose.

Despite HHI's regular maintenance and upgrade works, there is no assurance that such works will be sufficient to discover and address latent or long-term quality issues with HHI's production equipment and facilities. Furthermore, incremental and piece-meal improvement works may result in HHI's delay or inhibition in engaging in much needed structural changes to its production facilities, which may be more cost efficient in the long run. Accordingly, any failure to upgrade and maintain HHI's production facilities in an optimal and cost-efficient manner may have a material adverse effect on HHI's business, financial condition and results of operations.

Any failure by HHI to manage its workforce effectively may limit its production capacity or may be costly.

HHI's future performance depends, among other things, on whether and when HHI will receive new contract awards. Contract awards are often affected by events outside HHI's control, especially market conditions. Because the timing of project awards, as well as project construction, is often uncertain, effective utilisation of the work force is a critical factor in achieving satisfactory profit margins. HHI seeks to maintain a flexible cost structure by utilising subcontracted workers to cover periods of high activity level in the production cycle of a vessel. This flexibility depends partly on the availability of such subcontracted workers at competitive rates. The flexibility also depends on the regulatory environment permitting HHI to continue to use subcontracted workers at the same level that it is using today. There can be no assurance that this flexibility can be maintained in the future. HHI has experienced from time to time certain difficulties in its workforce management, including an inability to attract a sufficient number of skilled employees on short notice. HHI expects that these workforce management challenges will continue to be an important factor in achieving satisfactory profitability in its businesses. If expected contract awards are delayed or not received, HHI would incur costs that could have a material adverse effect on its results of operations and financial condition.

In addition, HHI may need to make adjustments to its existing businesses in response to business downturns or other factors. This may include steps to reduce HHI's workforce, which can be significantly affected by applicable laws governing employee terminations and agreements of HHI's companies with labour unions and governmental authorities. These legal and contractual requirements may make employee reductions difficult and costly to implement.

HHI may not be able to efficiently manage its inventory risks.

HHI's scale and business model require it to manage a large volume of inventories effectively. HHI's inventory mainly comprises work-in-progress, raw materials, materials-in-transit and supplies. If the prices of HHI's inventory drop sharply, HHI may be subject to a decline in inventory values, significant inventory write-downs or write-offs. In addition, HHI may need to lower sale prices in order to reduce its inventory level, which may lead to lower gross margins. High inventory levels may also require HHI to commit substantial capital resources, preventing it from using that capital for other important purposes. Any of the above may materially and adversely affect HHI's results of operations and financial condition.

HHI's cash flows from operations under the "heavy tail" payment structure could lead to a significant time lag between the time that HHI makes cash outlays and the time that HHI collects payments from its customers.

A substantial number of HHI's contracts have back-loaded or "heavy tail" payment terms, where approximately 50% to 70% of the total contract price is paid at the time of delivery. While HHI witnesses substantial cash inflows to it at the end of a project cycle from customers making cash payments to it at delivery, such "heavy tail" payment structure results in reduced cash inflows during the other stages of a project cycle during which HHI makes consistent cash outlays. Because of this mismatch between the actual cash inflows and cash outflows, HHI may at times face short-term liquidity risk of being unable to meet its contractual obligations, accounts payable or other liabilities when they become due, which in turn could adversely affect HHI's business, financial condition and results of operations.

Safety incidents and product-related claims involving HHI may result in liabilities, costs and reputational harm.

HHI's operations involve inherently hazardous activities, including the construction, assembly and testing of vessels and offshore structures, as well as the use of heavy equipment, hazardous materials and high-risk work environments. As a result, HHI is exposed to the risk of workplace accidents, injuries or fatalities at its shipyards or at sites operated by its subcontractors. In recent years, there have been several safety incidents at HHI's workplaces, including incidents that have resulted in fatalities, and there can be no assurance that similar incidents will not occur in the future.

In addition, vessels and offshore structures constructed by HHI may be subject to defects, malfunctions or failures arising from design, engineering, manufacturing or component issues. Such defects or failures may lead to accidents, property damage, environmental claims or personal injury after delivery, and may give rise to warranty claims, indemnity obligations, product liability claims and other legal proceedings by customers or third parties. There have also been reported incidents involving vessels constructed by HHI, which may give rise to similar claims or liabilities. Although HHI's contracts typically include limitations of liability and warranty provisions, there can be no assurance that such provisions will be enforceable in all circumstances or sufficient to protect HHI from liability.

The occurrence of any significant safety incident or product-related claim could result in work stoppages, delays in project delivery, cost overruns, regulatory investigations and potential civil or criminal liability, and HHI may also be subject to fines, penalties or other sanctions, as well as increases in insurance premiums or limitations on coverage. In addition, such incidents or claims could result in substantial costs, including litigation expenses, damages, settlement payments and remediation costs, which may not be fully covered by insurance, and could adversely affect HHI's reputation and its ability to secure new orders or maintain relationships with customers.

HHI has implemented safety management and quality control systems and has adopted various measures intended to mitigate safety-related risks and enhance its overall safety and health management framework. These measures include conducting root cause analyses of accidents and establishing and implementing recurrence prevention measures at relevant sites, carrying out company-wide special safety training programmes following the occurrence of incidents, and implementing comprehensive safety management initiatives. Notwithstanding the foregoing, there can be no assurance that such measures will be effective in preventing accidents or defects, and any failure to adequately manage safety or product-related risks could have a material adverse effect on HHI's business, financial condition and results of operations.

HHI's insurance policies may not fully cover inherent risks associated with its businesses.

HHI's shipbuilding, offshore, industrial plant and engineering and engine and machinery businesses depend on certain critical shipyard facilities, such as dry docks, berths and cranes and other production plants which are subject to unexpected interruptions due to natural disasters and human errors, among others. HHI's shipyard operations and engineering machinery manufacturing activities may be adversely affected by events such as the breakdown, malfunction or misuse of equipment, damage to dry docks, difficulties or delays in obtaining spare parts, labour disputes, raw material shortages, natural disasters, civil disorders and industrial accidents. For example, at HHI's

shipyard, a substantial portion of HHI's activities involves the fabrication and assembly of large steel structures, the operation of cranes and other engineering machinery, construction of vessels in HHI's dry docks and docking and undocking of vessels. At its engine and machinery plants, HHI often uses large steel parts, engineering machinery and equipment and inflammable materials in the process of manufacturing marine engines and other heavy machinery. Each of these activities and materials involve inherent operational hazards.

HHI may, as a result, be exposed to substantial liability for personal injuries, deaths, product liabilities, property damage and environmental damages. The occurrence of any of these events may result in the interruption of HHI's operations, while HHI does not have insurance for business interruption. HHI's insurance covers only some of the risks that HHI faces and may not be sufficient to cover all of HHI's potential losses or liabilities. Moreover, HHI's current insurance coverage may be at significantly lower levels of compensation than international market practice. Furthermore, there can be no assurance that the insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. Any major disruption or disaster at HHI's production facilities could have a material adverse effect on HHI's business, results of operations and financial condition.

HHI faces risks relating to its intellectual property rights.

Even if HHI's research and development efforts are successful, HHI may not be able to apply these newly developed technologies to products that will be accepted by the market or do so in a timely manner to take advantage of the opportunities presented in the market. Furthermore, the market demand expected at the development stage may not materialise or the market may not accept HHI's new products when HHI introduces them. The level of economic benefits that can be derived from newly developed technologies or products may be affected by how quickly HHI's competitors can replicate these technologies or products or develop newer or cheaper alternatives. If HHI's technologies or products are replicated, replaced or made redundant in a manner that HHI did not anticipate, HHI's revenue may not offset the costs that it has incurred in developing the new technologies. Furthermore, if HHI is not able to anticipate trends in technological or product developments and rapidly develop new and innovative technologies or products required by its customers or if the licence fees payable by HHI to third party licensors for the production of certain of its products substantially increase, HHI may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on its business, financial position and results of operations.

HHI's patents, trade secrets, technology licences and other intellectual property rights are important to HHI's business. HHI seeks to protect its intellectual property through a combination of patent registrations, confidentiality and non-disclosure agreements, contractual restrictions, internal controls and other legal and technical safeguards. However, there can be no assurance that these measures will be sufficient to prevent any misappropriation of HHI's intellectual property, or that its competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on its intellectual property. Enforcing HHI's intellectual property rights could be costly and HHI may not be able to detect unauthorised use or take appropriate and timely actions to enforce its intellectual property rights.

If potentially infringing conduct is discovered or claims on use or infringement of intellectual property are brought by or against it, HHI may need to defend its intellectual property rights in legal proceedings. Bringing or defending such claims, should they arise, would divert HHI's financial and human resources from the core activities related to its operations. If HHI does not prevail in such proceedings, it may not be able to stop the third parties from continuing to use the relevant intellectual property and may be required to pay damages and be barred from using certain technologies, designs or other intellectual property rights. No assurance can be given that HHI will be able to develop non-infringing substitutes or replacements or to obtain licences to such intellectual property rights on commercially reasonable terms or at all.

HHI may be unable to obtain external financing on favourable terms, or at all, to fund its ongoing operations and expansions.

To fund its ongoing operations, existing and future capital expenditure requirements, investment plans and other financing requirements, HHI needs sufficient internal sources of liquidity or access to

additional financing from external sources. HHI principally funds its operations from a combination of cash generated from its business operations and bank borrowings. There can be no assurance that in the future HHI will be able to secure sufficient capital to fund its working capital requirements and planned capital expenditures. In particular, the availability of external funding is subject to various factors, some of which are beyond HHI's control, including obtaining governmental approvals, prevailing capital market conditions, credit availability, interest rates and the performance of the businesses it operates.

Prolonged disruptions to the credit markets or a weak financial performance could limit HHI's ability to borrow funds from its funding sources, or cause HHI's continued access to funds to become more expensive. Furthermore, HHI is relying on only a limited number of banks and financial institutions to fund its working capital and other debt requirements, and no assurance can be given that such banks and financial institutions will continue to support HHI. Should the financing available to HHI not be sufficient to meet its financing needs, HHI may be forced to reduce or delay capital expenditures or research and development expenditures, discontinue ongoing projects or not pursue new contracts, or sell assets or businesses at unanticipated times and/or on unfavourable prices or other terms, or to seek additional equity capital or to restructure or refinance its debt. HHI's inability to arrange sufficient funding in a timely manner or on terms that are satisfactory to it could adversely affect its business, financial condition, results of operations and expansion plans.

Upon exchange of the Bonds, KSOE may continue to hold a significant ownership interest in HHI, which could limit the ability of other shareholders to influence key corporate decisions and may give rise to actual or potential conflicts of interest between KSOE and holders of the Bonds or the Shares.

Upon exchange of the Bonds into Shares, KSOE may continue to hold a significant ownership interest in HHI. As a result, KSOE may be able to exercise significant influence over matters requiring shareholder approval or otherwise influence the outcome of key corporate decisions of HHI, including the election of directors, approval of significant corporate transactions, dividend policies and other matters affecting HHI and the Shares.

The interests of KSOE may differ from, or conflict with, the interests of holders of the Bonds or the Shares. In particular, KSOE may have strategic, financial or governance objectives with respect to HHI that are not aligned with the interests of other shareholders or exchangeable bondholders, including with respect to capital allocation, dividend policy, related-party transactions, business strategy or the timing and terms of potential future equity or debt offerings. KSOE may also make decisions in its capacity as a majority shareholder that it believes are in its own best interests or the best interests of the broader HD Hyundai Group, but that may not be in the best interests of HHI's minority shareholders or that may not be supportive of, or could adversely affect, the market price of the Shares. In addition, KSOE's decisions regarding whether, when and how to dispose of or retain its ownership interest in HHI may affect the market price, liquidity and volatility of the Shares.

Accordingly, the continued significant ownership interest of KSOE in HHI following the exchange of the Bonds could limit the ability of other shareholders to influence key corporate decisions and could give rise to actual or potential conflicts of interest, which may materially and adversely affect the value of the Bonds or the Shares.

Labour unrest may disrupt HHI's operations.

In the past, HHI's policies and positions relating to wage, bonus and other labour relations issues have led to increased tension with its labour union. HHI's labour union has occasionally engaged in collective action in the form of sporadic strikes and temporary or partial work stoppages upon an impasse in negotiations with HHI's management over wages and other labour-related issues. There is no assurance that a large-scale strike or other long-term work stoppages will not occur in the future or that any such labour unrest will be satisfactorily resolved. Any labour unrest, work stoppages or strikes could prevent HHI's production facilities from continuing normal operations, which in turn would have a material adverse effect on its business, financial condition and results of operations.

In addition, labour unrest from independent subcontractors that HHI may hire on an annual or project basis, or nationwide strikes by national labour unions over structural labour issues, could have a material adverse effect on HHI's business, financial condition, results of operations and prospects.

HHI was incorporated as a reorganised entity in June 2019 upon its split-off from KSOE, and it has a limited operating history as a separate corporate entity.

HHI was split off from KSOE and incorporated as a reorganised standalone entity effective 1 June 2019. As a result, HHI has a limited operating history as a separate corporate entity, which may make it difficult for investors to evaluate its business, financial condition, results of operations and future prospects.

In connection with the split-off, HHI succeeded to all assets, liabilities, rights and obligations relating to the shipbuilding, offshore, industrial plant and engineering, and engine and machinery business divisions of KSOE, including all licences, employment relationships, contracts and legal proceedings directly associated with such operations. The remaining assets and liabilities and rights and obligations related to other business areas remained with KSOE. Under the Korean Commercial Code, however, KSOE and HHI remain jointly and severally liable for certain liabilities incurred prior to the split-off. Defaults by KSOE of such liabilities, if significant, could have a material adverse effect on HHI's results of operations and financial condition. See "*—Risks Relating to Our Business and Industry—KSOE and HHI remain jointly and severally liable for each other's debts and liabilities that were incurred prior to the split-off of HHI*."

HHI's work with Government customers exposes it to additional risks inherent in the government contract environment.

HHI derives a portion of its revenues from contracts with the Government, such as contracts for the construction of naval or special ships, offshore wind power structure and hydrogen storage tanks. Government contracts generally require compliance with a variety of complex procurement rules and regulations, and HHI must comply with laws and regulations relating to the formation, administration and performance of the government contracts, which affect how HHI does business with its customers and may impose added costs on HHI's business. Government contracts are generally subject to audits and investigations which could result in various civil and other penalties and administrative sanctions, including termination of contracts, suspensions or debarment from future government business. In particular, HHI may be restricted from participating in and submitting bids for future Government projects if HHI is found to be in violation of certain Korean regulatory requirements, including those related to subcontracting and fair competition.

Moreover, Government contracts, and the proceedings surrounding them, are often subject to more extensive scrutiny and publicity than contracts with private sector customers. Negative publicity related to HHI's Government contracts, regardless of its accuracy, may damage HHI's business by affecting its ability to compete for new contracts.

HHI's business may be adversely affected by legal claims and regulatory actions against it.

At any given time, HHI may be subject to legal claims and regulatory actions against it in the ordinary course of its business. See "*HHI's Business—Legal and Regulatory Proceedings*." In the event HHI is found liable in any material litigations or proceedings, HHI could be subject to significant damages, which in turn could have a material adverse impact on its overall business and results of operations. Any limitations on HHI's business resulting from litigation or litigation settlements could impact HHI's relationships with its customers and business partners, including reducing the volume of business that HHI does with them, which could have a material adverse effect on HHI's business, financial condition and results of operations.

Risks Relating to Regulations on HHI

HHI is subject to a variety of regulatory requirements governing its operations.

HHI is subject to a variety of regulatory requirements imposed by the authorities in the respective jurisdictions in which it operates. These include, but are not limited to, regulations relating to emission permits, import and export, use of land/coastline, employment, finances, accounting, conversion of foreign currency, taxation and access to utilities. See "*Korean Foreign Exchange and Securities Regulation*." Such regulations are subject to changes and amendments, which may adversely affect HHI's operations and profitability. HHI's failure to obtain and maintain any licences, permits and approvals necessary to operate HHI's business could have a material adverse effect on its business, financial condition and results of operations.

Adoption of more stringent international environmental rules and standards applicable to the shipbuilding industry may increase HHI's costs.

HHI is subject to extensive and increasingly stringent environmental, climate-related and safety regulations adopted by the IMO, and future regulatory developments could materially increase compliance costs, require design changes or adversely affect construction schedules. Under MARPOL Annex VI, tiered NOx emission limits (IMO Tier I, II and III) apply to marine diesel engines with a power output exceeding 130 kW, with the most stringent IMO Tier III standards applicable to engines installed on vessels constructed on or after 1 January 2016 when operating in designated NOx Emission Control Areas ("ECAs"), which currently include the North American and U.S. Caribbean Sea areas as well as the Baltic Sea and the North Sea. In addition, the global sulphur cap that entered into force on 1 January 2020 ("IMO 2020") reduced the maximum sulphur content of fuel oil used outside emission control areas from 3.50% m/m to 0.50% m/m, while stricter limits apply within sulphur ECAs. Compliance with these requirements has increased, and may continue to increase, vessel design complexity, equipment costs and construction lead times.

Additional regulations may further increase HHI's compliance risks. Amendments to MARPOL Annex I prohibit the use and carriage for use of heavy fuel oil ("HFO") by ships in Arctic waters effective 1 July 2024, subject to limited exemptions and transitional arrangements. The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, which entered into force on 26 June 2025, imposes lifecycle documentation, material identification and traceability requirements that may increase administrative burdens and construction-stage compliance costs. Moreover, amendments to SOLAS and MARPOL that entered into force on 1 January 2026 introduce additional safety, reporting and hazardous-substance restrictions.

If the costs, delays or technical challenges associated with compliance with these regulations are not adequately reflected in HHI's shipbuilding contracts, particularly fixed-price contracts, or if such impacts exceed HHI's estimates, HHI may be unable to fully pass them on to its customers, which could adversely affect its business, financial condition and results of operations.

HHI's vessels are subject to rules and requirements issued by designated classification societies and by governmental authorities.

The vessels that HHI construct are subject to rules and requirements issued by designated classification societies, as well as by national and international governmental and quasi-governmental bodies. These rules and requirements are subject to changes and interpretation outside HHI's control. HHI's ability to interpret, respond to changes in and generally apply such rules and requirements in its design and construction of vessels is important for its performance. For example, any material failure to comply with the standards or regulations or any changes therein which are implemented from time to time may result in non-issuance of certificates. If the appropriate certificates are not issued, HHI would not be able to deliver the vessels to its customers. Should HHI fail to build its vessels in accordance with the applicable rules and requirements, its business and results of operations may be adversely affected.

HHI is subject to various environmental and safety laws and regulations that may increase its costs, limit the demand for its products or restrict its operations.

HHI's operations are subject to numerous national and international environmental, health and safety laws, regulations, treaties and conventions, including those controlling the discharge of materials into the environment, requiring removal and cleanup of environmental contamination, establishing certification, licensing, health and safety, taxes, labour and training standards, or otherwise relating to the protection of human health and the environment. Existing regulations and the licences issued for HHI's business thereunder place limitations on HHI's production capacity and level of activity. A failure to obtain the required environmental licences or any delay in the licensing process as a result of disputes with the environmental licensing authorities could have a material adverse effect on HHI's results of operations. In addition, a failure to obtain amendments of existing licences to reflect future growth, the amendment or modification of existing regulations or the adoption of new regulations curtailing or further regulating HHI's business could also have a material adverse effect on HHI's financial condition and results of operations. HHI cannot predict the extent to which future earnings may be affected by compliance with such new regulations.

In addition, HHI may be subject to significant fines and penalties if it does not comply with environmental laws and regulations including those referred to above, many of which relate to the discharge of hazardous substances and the protection of the environment. Pursuant to these laws and regulations, HHI could be held liable for remediation of some types of pollution, hazardous substances and debris from production, as well as other assets owned or operated by either HHI's customers or its subcontractors. Environmental remediation costs could be significant and cause HHI to incur a substantial loss. Furthermore, some environmental laws provide for joint and several and strict liability for remediation of releases of hazardous substances, which could result in liability for environmental damage without regard to HHI's negligence or fault. Such laws and regulations could expose HHI to liability arising out of the conduct of operations or conditions caused by others, or for HHI's acts which were in compliance with all applicable laws at the time the acts were performed. Additionally, HHI may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances or processes.

Although there have to date been no indications that HHI has failed to comply with applicable environmental rules, regulations or permits in any material respects, current concentration limits for hazardous material will apply to historical contamination, and any further studies or changes in concentration limits may result in clean-up operations or protective measures being imposed in the future. The costs related to such clean-up or protective measures may be significant and could have a material adverse effect on HHI's business, financial condition and results of operations.

HHI's customers are subject to a variety of laws and regulations that may limit the demand for its products and services.

The business of HHI's customers may be significantly affected by various laws and other regulations relating to the oil and gas industries and companies operating globally, changes in these laws and regulations and the level of enforcement of these laws and regulations.

HHI depends to a large extent on demand for its products and services from companies engaged in activities relating to the oil and gas industries. This demand is affected by changing taxes, price controls and other laws and regulations relating to these industries, including regulations relating to the protection of the environment such as various conventions adopted by the IMO, the United Nations agency responsible for improving maritime safety and preventing pollution from ships. For example, in the oil and gas industry, the adoption of laws and regulations curtailing exploration and development activities for oil and gas could adversely affect the demand for HHI's products. The vessels HHI constructs for its customers are also required to meet the standards and requirements of the relevant classification society, as well as relevant local rules and regulations, of the country specified by HHI's customer. HHI's costs would increase if local and international regulations applicable to the oil and gas industries become more stringent in the future or additional regulations or controls requiring the adoption of new construction requirements are introduced which HHI cannot satisfy in a cost-efficient manner. If HHI is unable to pass any additional costs resulting from these new requirements to its customers, it could have a material adverse effect on HHI's business, financial condition, results of operations and prospects.

Related party transactions are subject to scrutiny by the Korea Fair Trade Commission.

HHI's business relationships and transactions with its subsidiaries and affiliates are subject to ongoing scrutiny by the Korea Fair Trade Commission as to, among other things, whether such relationships and transactions constitute undue financial support among companies of the same business group. HHI engages in various transactions with its subsidiaries and affiliates on an arm's-length basis. See "*Certain Relationships and Related Party Transactions*. and "*—Risks Relating to Korea—Related party transactions are subject to scrutiny by the Korea Fair Trade Commission.*"

Related party transactions are subject to scrutiny by the Korean tax authorities.

Under Korean tax law, there is an inherent risk that HHI's transactions with its subsidiaries, affiliates or any other person or company that is related to HHI may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. See "*—Risks Relating to Korea—Related party transactions are subject to scrutiny by the Korean tax authorities.*"

Risks Relating to Korea

If economic conditions in Korea deteriorate, the current business and future growth of us and HHI could be materially and adversely affected.

We are incorporated in Korea and substantially all of our operations and assets are located in Korea. As a result, our business and profits are subject to political, economic, legal and regulatory risks specific to Korea. The future of the Korean economy is subject to many factors beyond our control. In Korea, uncertainty remains regarding the future direction of key macroeconomic and microeconomic indicators, including exports, exchange rates, private consumption, demand for business products and services, unemployment levels, the debt service burden of households and businesses, the availability of credit and the valuation of real estate and securities, any of which could deteriorate.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy, mainly due to the Russia-Ukraine war and the ensuing sanctions against Russia, the escalation of hostilities in the Middle East following the Israel-Hamas war and the Israel-Iran war, the fluctuations in policy interest rates globally to combat inflationary pressures and, more recently, rising global trade tensions, particularly between the United States and its trading partners in light of tariffs to be imposed or increased under the second Trump administration, and the subsequent retaliatory trade measures by affected countries in some cases, among others, have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has also fluctuated. Furthermore, as a result of adverse global and Korean economic conditions, there has been volatility in the stock prices of Korean companies in recent years. Future declines in the Korea Composite Stock Price Index ("KOSPI") and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Political instability may adversely affect the Korean economy and contribute to volatility in the share prices of Korean companies. Periodic political developments or upheavals may result in social unrest and economic uncertainty. Events such as impeachment proceedings or the declaration of martial law, if they occur, could disrupt Korea's political and economic environment and lead to protests, market volatility and temporary disruptions across various sectors of the economy, which could adversely affect businesses operating in Korea.

Developments that could adversely affect Korea's economy in the future include the following:

- fiscal difficulties, political turbulence and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- adverse change or increased volatility in macroeconomic indicators, including interest rates, inflation level, foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, Euro or Japanese Yen or revaluation of the Renminbi), stock market indices and inflows and outflows of foreign capital;
- continued volatility or deterioration in Korea's credit and capital markets;
- adverse developments in the economies of countries and regions that are Korea's important export markets (such as the United States, Europe, China and Japan, or in emerging market economies in Asia or elsewhere), including as a result of economic and trade tensions between the United States and China and increased uncertainties in the global financial markets and industry;
- deterioration in economic or diplomatic relations between Korea and its major trading partners or allies, as a result of trading or territorial disputes or disagreements in foreign policy, and between the United States and its major trading partners, including China, as a result of the imposition of significant tariffs by the United States on its trading partners, which has been followed by retaliatory tariffs in some cases;
- the use of monetary policies, including increasing the policy interest rate, to curb rising levels of inflation and household debt to the extent such policies may increase recessionary pressures;

- imposition of tariffs, quotas, trade barriers and other trade protection measures by various countries;
- substantial fluctuations in the market prices of the Korean real estate market and uncertainties arising from construction companies' exposures to project financing loans;
- a continuing rise in the level of household debt and an increase in delinquency and credit default by retail and small- or medium-sized enterprise borrowers in Korea;
- a rise in unemployment or stagnation of real wages;
- an increase in social expenditures to support an ageing population in Korea or decreases in productivity due to shifting demographics and the declining population size in Korea;
- shortages of imported raw materials, natural resources, rare earth minerals or component parts, including semiconductors, due to disruptions to the global supply chain;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- social and labour unrest;
- a decline in consumer confidence and a slowdown in consumer spending and corporate investments in the Korean or global economy;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- a widening fiscal deficit from a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programmes that, together, would lead to an increased Government budget deficit;
- a deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Government's policies to increase the minimum wage and limit working hours of employees;
- political gridlock within the Government or in the legislature, which prevents or disrupts timely and effective policy making;
- political scandal, including but not limited to, bribery, power abuse and illegal dealings by the government officials;
- investigation on chaebols and arrest of their senior management, which causes volatility of the Korean stock market and delays decision making of major businesses in Korea;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- laws, regulations or other government actions (financial, economic or otherwise) that fail to achieve desired policy objectives, produce adverse unintended consequences or otherwise constrain or distort sound economic activities;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues, including in respect of certain chaebols;
- volatility of the Won-dollar exchange rate, driven by rising domestic and external uncertainties and a growing preference for safe assets;
- hostilities, political or social tensions involving Russia (including the Russia-Ukraine war and ensuing actions that the United States and other countries have taken or may take in the future) as well as the escalation of hostilities in the Middle East (including the Israel-Hamas war and the Israel-Iran war) and in other regions such as North Africa and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- changes in financial regulations in Korea; and

- any other developments that have a material adverse effect on the global or Korean economy, such geopolitical tensions, an act of war, a terrorist act, a breakout of an epidemic or natural or man-made disasters.

Escalations in tensions with North Korea could have an adverse effect on us and the market price of the Bonds and Shares.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapons, ballistic missile and satellite programmes as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has continued to conduct a series of missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. North Korea increased the frequency of its missile tests in 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles, and in November 2023, successfully launched its first spy satellite. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaeseong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, in December 2017, in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

Since April 2018, North Korea has held a series of bilateral summit meetings with Korea and the United States to discuss peace and denuclearisation of the Korean peninsula. At the end of July 2021, the inter-Korean communication lines were restored for the first time since June 2020, when North Korea severed all inter-Korean governmental communications, but days later, North Korea stopped answering routine calls from Korea in apparent protest of the joint U.S.-Korea military exercises scheduled for August 2021. Although in October 2021, North Korea began answering military and liaison office communication lines again, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future or that such escalation will not have a material adverse impact on the Korean economy and us. Despite some mixed signs of improved relations between North Korea and Korea as well as the United States in recent years, North Korea has not ceased its missile testing, heightening tensions, and the outlook for discussions with North Korea remains uncertain.

North Korea's economy also faces severe challenges, including severe inflation and food shortages, which may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. In addition, reunification of Korea and North Korea may suddenly occur in the future, which would entail significant economic commitment and expenditure by Korea that may outweigh any resulting economic benefits of reunification. Any further increase in tension or uncertainty relating to the military, political or economic stability in the Korean peninsula, including a breakdown of diplomatic negotiations over the North Korean nuclear programme, occurrence of military hostilities, heightened concerns about the stability of North Korea's political leadership or its actual collapse, a leadership crisis, a breakdown of high-level contacts or accelerated reunification could have a material adverse effect on our business, financial condition and results of operations, as well as the credit rating for Korean issuers, including us, or for the Bonds.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.

As we are a Korean company and operate in a business and cultural environment that is different from that of other countries, there are risks associated with investing in our securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Foreign Exchange Transactions Act of Korea and the Presidential Decree and regulations under that Act and Decree (collectively referred to as the "Foreign Exchange Transaction Laws"), if the Government determines that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilising the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of the Ministry of Finance and Economy ("MOFE") for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other types of capital transactions. Moreover, if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of the MOFE may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other governmental agencies or financial institutions.

In addition, our audited consolidated financial statements included in this offering circular are presented in accordance with K-IFRS and our future financial statements will be prepared in accordance with K-IFRS, which differ in certain respects from accounting principles applicable to companies in certain other countries. We also make regulatory filings and disclosures regarding other aspects of our business in accordance with applicable rules and regulations and accepted practice in Korea. These filing and disclosure rules and practices differ in many material respects from those applicable to companies in certain other countries. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public companies in other countries. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial and other information contained in this offering circular.

We are incorporated in Korea, and it may be more difficult to enforce judgments of U.S. courts.

We are a corporation with limited liability organised under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon us or to enforce against us, our directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

Related party transactions are subject to scrutiny by the Korea Fair Trade Commission.

KSOE's business relationships and transactions with its subsidiaries and affiliates are subject to ongoing scrutiny by the Korea Fair Trade Commission as to, among other things, whether such relationships and transactions constitute undue financial support among companies of the same business group. KSOE engages in various transactions with its subsidiaries and affiliates on an arm's-length basis. See "*Certain Relationships and Related Party Transactions*."

We are also subject to fair trade regulations limiting cross-guarantees of debt and cross-shareholdings among member companies of the HD Hyundai Group. In addition, KSOE's material business transactions with its subsidiaries, affiliates and member companies of the HD Hyundai Group are subject to approval by KSOE's board of directors pursuant to the Korean Commercial Code and the Monopoly Regulation and Fair Trade Act and are subject to public disclosure requirements under the Monopoly Regulation and Fair Trade Act. Any future determinations by the Korea Fair Trade Commission that KSOE has engaged in transactions that violate the fair trade laws and regulations may result in fines or other punitive measures and may have a material adverse effect on its reputation and business.

Related party transactions are subject to scrutiny by the Korean tax authorities.

Under Korean tax law, there is an inherent risk that KSOE's transactions with its subsidiaries, affiliates or any other person or company that is related to KSOE may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. If the Korean tax authorities determine that any of KSOE's transactions with related parties was not on an arm's-length basis, KSOE would not be permitted to deduct the amount equivalent to such undue financial support as expenses, which may have adverse tax consequences for it.

Amendments to the Korean Commercial Code may adversely affect our management control and corporate governance.

The Korean Commercial Code has recently undergone three successive rounds of legislative amendments, the majority of which are in the process of coming into effect or will take effect in the near term.

The first round of amendments, enacted in July 2025, introduces several significant changes, including: (i) an expansion of directors' fiduciary duties to expressly include shareholders; (ii) the introduction of electronic shareholder meetings for listed companies, including a requirement for certain large listed companies to hold parallel electronic and in-person shareholder meetings; (iii) an expansion of the so-called "3% rule," which limits the voting rights of shareholders holding more than 3% of issued shares in the election and dismissal of audit committee members, with shares held by related parties of the largest shareholder aggregated for purposes of calculating the threshold; and (iv) the replacement of outside directors with independent directors and an increase in the required proportion of such directors on the board from one-quarter to one-third for certain large listed companies.

The second round of amendments, enacted in August 2025, provides for (i) mandatory cumulative voting for large listed companies with total assets of at least Won 2 trillion, notwithstanding any contrary provision in their articles of incorporation, and (ii) an increase in the number of audit committee members required to be elected separately from other directors at large listed companies from at least one to at least two.

The third round of amendments, enacted in February 2026, introduces new rules relating to treasury shares, including a general requirement to cancel treasury shares within one year of acquisition and additional shareholder approval requirements for retaining or disposing of treasury shares beyond that period.

These amendments are intended to enhance shareholder participation and strengthen the independence and effectiveness of boards of directors and audit committees. As a result, they may increase the influence of minority shareholders, institutional investors, hedge funds or other activist shareholders in corporate governance matters, which could adversely affect our management control, business, financial condition and results of operations.

Risks Relating to the Bonds and the Shares

The Bonds will be unsecured obligations.

Because the Bonds will be unsecured obligations, their repayment may be compromised if:

- the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Company's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Company's indebtedness.

If any of these events occurs, the Company's assets may not be sufficient to pay amounts due on the Bonds.

Holders of the Bonds will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds will be affected by, among other things, fluctuations in the trading price of the Shares. No assurance can be given as to the future trading price of the Shares or the Bonds. The trading price of the Shares will be influenced by, among other things, the results of operations of HHI and sales of additional Shares or securities exchangeable for or convertible into Shares, as well as political, economic, financial and other factors in the Korean market. Any future sales of a significant number of Shares by HHI or its shareholders, or the perception that these events may occur, could cause the trading price of the Shares to decrease or to be lower than it might be in the absence of these events or perceptions.

Stock markets, including the KRX KOSPI Market on which the Shares are traded, have from time to time experienced significant price and volume fluctuations that have affected the market prices of securities. These fluctuations often have been unrelated or disproportionate to the operating performance of publicly traded companies

Holders of the Bonds will have no rights as holders of the Shares until the exchange of the Bonds for Shares.

Unless and until the holders of the Bonds acquire Shares upon exchange of the Bonds, the holders of the Bonds will have no rights with respect to the Shares, including any voting rights or rights to receive any dividends or other distributions with respect to the Shares. Holders who exchange the Bonds for Shares will be entitled to exercise the rights as holders of the Shares only as to actions for which the applicable record date occurs after the date of the exchange.

Bondholders will have no security interest in the Shares or Exchange Property Securities.

The Company and the Korea Securities Depository will enter into an exchange share deposit and entrust agreement, pursuant to which the legal title and ownership of the Shares (or Exchange Property Securities (as defined in the Conditions)) will be transferred to the Korea Securities Depository on trust, and the Korea Securities Depository would become the registered legal holders of the Shares as trustee for the benefit of the Bondholders. Accordingly, such Shares (or Exchange Property Securities) will be ring fenced for the benefit of the Bondholders and will not form part of the assets of the Company available to all unsecured creditors of the Company in the event the Company becomes insolvent, bankrupt or is in liquidation. However, the arrangements described herein in relation to the Shares (or Exchange Property Securities) do not amount to any security interest in favour of Bondholders to secure the debt obligations of the Bonds.

Fluctuations in the exchange rate between the Won and the U.S. dollar may have a material adverse effect on the market price of the Shares in U.S. dollar terms.

The Shares are traded and quoted in Won on the KRX KOSPI Market. In addition, cash dividends, if any, in respect of the Shares will be paid in Won. As a result, fluctuations in the exchange rate between the Won and the U.S. dollar will affect, among other things, the market price of the Shares in U.S. dollar terms and the U.S. dollar value of any cash dividends paid in respect of the Shares.

If the Government believes that serious difficulties exist or are expected in relation to the international balance of payments or that the movement of capital between Korea and abroad poses serious obstacles in carrying out its currency, exchange rate and other macroeconomic policies, it may take measures to require any person who intends to perform capital transactions to obtain the permission of or to require any person who performs capital transactions to deposit part of the payment acquired in such transactions with certain Korean governmental agencies or financial institutions. See "Korean Foreign Exchange and Securities Regulations." Any of the foregoing events could adversely affect the price of the Bonds and the market price of the Shares.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of the Bonds in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this offering circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or premium payments is different from the potential investor's market currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Bonds are legal investments for it; (ii) the Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

There will be limitations on the ability of Bondholders to exercise Exchange Rights.

The Bonds will be exchangeable into Shares at the option of a Bondholder pursuant to the Conditions. A Bondholder will be able to exercise its Exchange Right only within the exchange period specified in the Conditions and will not be able to exercise their Exchange Right during the Closed Period (as defined in the Conditions). See "*Terms and Conditions of the Bonds — Exchange — Exchange Right — Exchange Period.*" As such, the ability of a Bondholder to exercise Exchange Rights will be restricted during these periods.

Certain transactions may dilute the potential ownership interest in the Shares to which the holders of the Bonds are entitled.

The number of Shares that holders of the Bonds will be entitled to receive when they exchange their Bonds is subject to adjustment for certain events, including but not limited to a free distribution, bonus issue or subdivision, consolidation or re-classification of the Shares, an issuance of options, rights or warrants to purchase Shares, a distribution of cash, assets, evidences of indebtedness and share or cash dividends and other similar dilutive actions that the Company may undertake to modify its capital structure. However, the number of Shares to be received will not be adjusted for other events, such as certain offerings or issuances of options, warrants, rights or certain other securities to our directors, officers or employees, that may adversely affect the market price of the Shares and therefore the secondary market price of the Bonds. See "*Terms and Conditions of the Bonds— Exchange —Adjustments to Exchange Price.*" The Company cannot give any assurance that it will not take any of the foregoing actions in the future.

HHI has no obligations with respect to the Bonds.

HHI has no obligation with respect to the Bonds, including any obligation to consider the needs of the Company or holders of the Bonds. As a consequence, there can be no assurance that information regarding the events occurring prior to the date hereof that would affect the trading price of the Shares (and possibly the price of the Bonds) becomes publicly available or known to prospective investors of the Bonds. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning HHI could affect the trading price of the Shares deliverable upon exchange of the Bonds and therefore the trading price of the Bonds. HHI will not receive any of the proceeds from the offering of the Bonds and is not responsible for, and has not participated in, the determination of the timing of, price for, or quantities of, the Bonds.

Bondholders may only be entitled to the Cash Settlement Amount.

Upon the exercise of Exchange Rights by a Bondholder in accordance with the Conditions, the Company, by giving notice to the relevant Bondholders, has the option to pay to the relevant Bondholder the Cash Settlement Amount (as defined in the Conditions) in order to satisfy such Exchange Right in full or in part (the "Cash Settlement Option"). A Cash Settlement Option may be made in respect of the whole or any part of the Shares (or Exchange Property Securities) that would otherwise be deliverable in respect of the relevant exercise of Exchange Rights. In such event, a Bondholder will receive fewer or no Shares (as applicable) upon the exercise of Exchange Rights.

The Cash Settlement Amount payable to Bondholders will be subject to market price volatility during the 20 consecutive Stock Exchange Business Day calculation period.

Upon the exercise of Exchange Rights by a Bondholder in accordance with the Conditions, the Company, by giving notice to the relevant Bondholders, has the option to pay to the relevant Bondholder the Cash Settlement Amount in order to satisfy such Exchange Right in full or in part. The Cash Settlement Amount will be calculated using the arithmetic average of the Volume Weighted Average Price of the Shares (or Exchange Property Securities) (translated into US dollars at the Prevailing Rate on such day) for each day during the 20 consecutive Stock Exchange Business Days (as defined in the Conditions) immediately after the Cash Settlement Notice Date (as defined in the Conditions). As such, a Bondholder will need to wait for such calculation period to be completed before receiving any payment of the Cash Settlement Amount. The calculation of the Cash Settlement Amount will be affected by share price movements and volatility during the cash settlement calculation period, which can be affected by a wide array of factors including, without limitation, the results of operations of HHI, sales of additional Shares or securities exchangeable for or convertible into the Shares, as well as political, economic, financial and other factors in the Korean market and elsewhere in the world or economic downturn locally or globally. See "*Risk Factors—Risks relating to the Bonds and the Shares—Bondholders may only be entitled to the Cash Settlement Amount*" and "*Risk Factors—Risks relating to the Bonds and the Shares—Holders of the Bonds will bear the risk of fluctuations in the price of the Shares*".

There are risks attached to the exercise of exchange rights.

Bondholders should be aware that the Bonds, being exchangeable for the Shares (or Exchange Property), bear certain risks. Depending upon the performance of the Shares (or Exchange Property), the value of the Shares (or Exchange Property) may be substantially lower at such time that Bondholders seek to exercise their Exchange Rights, than at the time when the Bonds were initially purchased. In addition, the value of the Shares (or Exchange Property) to be delivered may vary substantially between the date on which the Exchange Rights are exercised and the date on which such Shares (or Exchange Property) are delivered.

The Bonds are subject to optional redemption by the Company.

As described in Conditions 8(B) and 8(C) of the Conditions, the Bonds may be redeemed at the option of the Company in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Company may elect to redeem the Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. See "*Terms and Conditions of the Bonds—Redemption, Purchase and*

Cancellation". If the Company redeems the Bonds prior to their maturity, an investor may not be able to reinvest the redemption proceeds at a rate of return as high as that on the Bonds being redeemed. It may therefore cause a negative financial impact on the holders of the Bonds. Potential investors should consider reinvestment risks in light of other investments available at that time.

The Bonds and any Shares deliverable upon exchange will be subject to transfer restrictions.

The Bonds will be subject to restrictions on transfer as described under "Subscription and Sale—Transfer Restrictions." Among other things, the Bonds may not be offered, sold or otherwise transferred to a Korean resident on or prior to the first anniversary of the issuance of the Bonds. These transfer restrictions may adversely affect the liquidity of the Bonds. In addition, Bondholders seeking to exercise their exchange rights and acquire Shares may be required to file an over-the-counter transaction report of the acquisition with the Governor of the Financial Supervisory Service (the "FSS") without delay in accordance with applicable Korean laws and regulations (as described in "Korean Foreign Exchange and Securities Regulations"). Unless specifically exempted, any trading of the Shares by a non-Korean resident or a non-Korean corporation is required to be made on the KRX KOSPI Market through a broker-dealer licensed to do business in Korea. Such requirements may further affect the liquidity of the Bonds, and may limit a Bondholder's ability to take advantage of short-term increases in the market price of the Shares.

As the Global Certificate will be held by or on behalf of Euroclear and Clearstream, investors will have to rely on their procedures for transfer, payment and communication with the Company.

The Bonds will be represented by the Global Certificate. The Global Certificate will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream. Investors will not be entitled to receive Certificates except in the limited circumstances described in the Global Certificate. Euroclear and Clearstream will maintain records of their direct accountholders having interests in the Bonds represented by the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream. The Company will discharge its payment obligations under the Bonds by making payments to or to the order of the common depositary for Euroclear and Clearstream for distribution to their accountholders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream to receive payments under the Bonds.

None of the Company, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them shall have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream to appoint appropriate proxies.

Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Company in the event of default under the Bonds but will have to rely upon the Trustee to enforce their rights under the Trust Deed and the Bonds unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

There is no existing trading market for the Bonds and, therefore, the Bonds will offer limited liquidity.

The Bonds will constitute a new issue of securities for which there is no existing market. Applications will be made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The offer and sale of the Bonds is not conditioned on obtaining a listing of the Bonds on the SGX-ST or any other exchange. Although the Managers have advised the Company that it currently intends to make a market in the Bonds, they are not obligated to do so, and any market-making activity with respect to the Bonds, if commenced, may be discontinued at any time without notice at their sole discretion. See "Subscription and Sale."

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Bonds. If an active trading market for the Bonds does not develop or is not maintained, the liquidity and market price of the Bonds may be adversely affected. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, including:

- prevailing interest rates;
- our results of operations and financial condition;
- the price and volatility of the Shares and the Korean stock market;
- political and economic developments in and affecting Korea, the United States, the European Union and China;
- the market conditions for similar securities; and
- the financial condition and stability of the semiconductor sector in Korea and other parts of the world.

Future sales of Shares may adversely affect the price of the Shares and the Bonds.

The Company has agreed with the Managers that it will not, without the prior written consent of the Managers, until 90 days following the Closing Date, issue, offer, sell, pledge, contract to sell or otherwise dispose of any Shares or any securities convertible into or exchangeable for the Shares, subject to certain exceptions. However, once these lock-up restrictions expire, terminate or are waived, there is no restriction on our ability to sell or issue Shares. Future issuances or sales of substantial amounts of Shares in the public market after the completion of this offering, or the perception that substantial issuances or sales could occur, could have a material adverse effect on the market price of the Shares and, in turn, the Bonds.

Exchange of the Bonds for Shares may be deemed a taxable event of the holders of the Bonds for tax purposes.

In principle, any gain resulting from the exercise of the exchange rights of the Bonds into the Shares is treated as an unrealised gain and thus does not trigger a taxable event at the time of exchange, but will be subject to taxation upon the subsequent transfer of such Shares. However, any interest income accrued in accordance with the guaranteed yield to maturity will be recognised and, as a general rule, subject to Korean withholding tax at the rate of 15.4% (including local income tax). In case the exchange of the Bonds is deemed to be a taxable event, the holders of the Bonds will be subject to Korean withholding tax and will not be entitled to receive Additional Amounts (as described in “Terms and Conditions of the Bonds—Taxation”) in respect of such withholding tax. Such tax may be exempted or reduced under applicable tax treaties or under Korean tax law, depending on the classification of the income arising from such exchange. See “Taxation.”

Bondholders will be bound by decisions of defined majorities in respect of any modification, waiver and substitution relating to the Bonds.

The Conditions will contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual Bondholders.

The Conditions will also provide that the Trustee may (but shall not be obliged to), without the consent of Bondholders, agree: (i) to any modification (except as mentioned in the Trust Deed and the Conditions) of the Conditions, the Trust Deed or the Agency Agreement if such modification will not be materially prejudicial to the interests of Bondholders; and (ii) to any modification of the Bonds, the Conditions, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any breach or proposed breach of the Conditions, the Trust Deed and/or the Agency Agreement which, in its opinion, is not materially prejudicial to the interests of the Bondholders.

The Trustee may request that Bondholders provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Company pursuant to Condition 11 of the Conditions and the taking of any steps and/or actions and/or the instituting of proceedings against the Company pursuant to Condition 15 of the Conditions, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee will not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/ or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or the Conditions and in such circumstances, or where there is uncertainty or a dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed, the Conditions and applicable laws and regulations, it will be for the Bondholders to take such actions directly.

The Bonds will be subject to prescription regulations in Korea.

Failure to exercise a right of action for more than a certain period of time may operate as a bar to exercising such a right. Under Korean laws, claims against the issuer in respect of the payment of principal of notes or bonds are prescribed upon the expiry of 10 years, and claims for payment of interest in respect of notes or bonds are prescribed upon the expiry of five years, in each case, from the relevant due date as adjusted by any acceleration or otherwise, in respect thereof. If a holder of the Bonds fails to exercise his or her right of payment for more than the period set forth above, the Korean courts may not enforce a claim for payment for principal or interest in respect of the Bonds.

The Bonds will contain limited restrictive covenants and will not restrict the Company's ability to make investments, incur unsecured indebtedness or pay dividends.

The Bonds contain limited restrictive covenants and will not restrict the Company's ability to:

- invest in affiliates, associates or subsidiaries;
- repurchase common or preferred shares, make distributions or issue dividends;
- issue preferred securities or incur unsecured indebtedness; or
- make capital expenditures.

The Company taking such actions could adversely affect its ability to pay amounts due on the Bonds.

The Trustee may request that the Bondholders provide indemnity, security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Bondholders to provide indemnity, security, and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obligated to take any such steps and/or actions and/or institute such proceedings if not indemnified, secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity, security, and/or prefunding can be a lengthy process and may impact when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute proceedings, notwithstanding the provision of indemnity, security or prefunding to it, in breach of the terms of the indenture governing the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Risks Relating to Forward-Looking Statements

This offering circular contains forward-looking statements that are our management's present expectations of future events and are subject to certain factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to our businesses discussed above, other factors could cause actual results to differ materially from those described in the various forward-looking statements contained in this offering circular. These factors include, but are not limited to, the following:

- successful implementation of our business strategies;
- general economic, business and political conditions, and business outlook for our products and services;
- changes in competitive conditions or adverse trends in the industries in which we compete;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- future recurrences of COVID-19 or other types of widespread infectious diseases;
- declines in consumer confidence;
- the monetary policies in Korea;
- changes in technology;
- adverse trends in regulatory, legislative and judicial developments;
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs;
- changes in interest rates and currency exchange rates;
- our leverage and our ability to meet our debt obligations; and
- conditions in the Korean and global financial markets.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialise, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically, but without limitation, revenue could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance may not be fully realised.

Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this offering circular. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the Bonds primarily to fund global investments, provide operating capital for its overseas business operations, and support working capital needs for its high-value-added, eco-friendly marine equipment business, as well as for general corporate purposes.

CAPITALISATION

The following table sets forth our consolidated capitalisation (defined as the sum of our long-term financial liabilities, net of current portion, and our total equity) as of 31 December 2025, on an actual basis and as adjusted to give effect to the issuance of the Bonds offered hereby.

You should read the information set forth below in conjunction with "*Selected Consolidated Financial Data*" and our consolidated financial statements and the notes thereto included elsewhere in this offering circular.

	As of 31 December 2025	
	Actual	As Adjusted[1]
	(in billions of Won)	
Long-term financial liabilities:		
Long-term financial liabilities	₩ 806	₩ 806
Bonds offered hereby[2]	—	2,211
Total long-term financial liabilities	₩ 806	₩ 3,017
Equity:		
Common stock	₩ 354	₩ 354
Capital surplus	3,017	3,017
Capital adjustments	(8,609)	(8,609)
Accumulated other comprehensive income	1,857	1,857
Retained earnings	16,668	16,668
Non-controlling interests	3,622	3,622
Total equity	₩16,908	₩16,908
Total capitalisation	₩17,714	₩19,925

(1) Reflects net proceeds of U.S.$1,540,700,000 from the Offering (after deducting a combined management and underwriting commission but not estimated expenses of the Offering) translated into Won at Won 1,434.9 to U.S.$1.00, the applicable Market Average Exchange Rates in effect as of 31 December 2025. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

(2) Assumes no separate recognition of exchange options, which may be separately accounted for under K-IFRS.

Other than as set forth above, there has been no material change in our capitalisation since 31 December 2025.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate, announced by Seoul Money Brokerage Services, Ltd., between Won and dollars and rounded to the nearest tenth of one Won. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Period	At End of Period	Average Rate[1]	High	Low
		(Won per US$1.00)		
2021	1,185.5	1,144.4	1,199.1	1,083.1
2022	1,267.3	1,292.0	1,436.6	1,185.5
2023	1,289.4	1,305.4	1,360.6	1,219.3
2024	1,470.0	1,364.0	1,474.1	1,289.4
2025	1,434.9	1,422.2	1,483.4	1,352.6
October	1,423.2	1,423.4	1,436.6	1,401.9
November	1,464.8	1,457.8	1,473.5	1,427.4
December	1,434.9	1,467.4	1,483.4	1,433.9
2026 (through 31 March)	1,513.4	1,465.2	1,513.4	1,424.5
January	1,427.0	1,456.5	1,477.5	1,427.0
February	1,424.5	1,449.3	1,470.3	1,424.5
March (through 31 March)	1,513.4	1,486.6	1,513.4	1,435.4

Source: Seoul Money Brokerage Services, Ltd.

(1) The average rate for each period is calculated as the average of the Market Average Exchange Rates on each business day during the relevant period (or portion thereof).

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present our selected consolidated financial data and that of HHI. These data have been derived from, and should be read in conjunction with, the consolidated financial statements and related notes included elsewhere in this offering circular, which have been prepared in accordance with K-IFRS.

HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Our Selected Consolidated Statements of Comprehensive Income Data

	For the Year Ended 31 December	
	2024	2025
	(in billions of Won except earnings per share)	
Sales	₩ 25,539	₩ 29,933
Cost of sales	(22,943)	(24,605)
Gross profit	2,595	5,328
Selling general and administrative expenses	(1,161)	(1,424)
Operating profit	1,434	3,904
Finance income	1,877	1,723
Finance costs	(5,179)	(2,094)
Other non-operating income	3,954	729
Other non-operating expenses	(264)	(697)
Share of income (loss) of associates and joint venture	0	0
Profit before income taxes	1,823	3,566
Income tax expense	368	638
Profit for the year	1,455	2,928
Other comprehensive income (loss) for the year, net of income tax	(180)	268
Total comprehensive income for the year	1,275	3,196
Profit attributable to:		
Owners of the Controlling Company	1,172	2,168
Non-controlling interests	282	760
Total comprehensive income attributable to:		
Owners of the Controlling Company	1,055	2,356
Non-controlling interests	220	840
Earnings per share		
Basic earnings per share (in Won)	16,578	30,664

Our Selected Consolidated Statements of Financial Position Data

	As of 31 December	
	2024	2025
	(in billions of Won)	
Assets		
Cash and cash equivalents	₩ 3,717	₩ 3,742
Short-term financial assets	1,922	4,435
Trade and other receivables	1,640	1,812
Contract assets	7,503	7,739
Inventories	2,232	2,766
Current derivative assets	1	14
Current firm commitment assets	1,192	678
Current tax assets	6	1
Assets held for sale	63	—
Other current assets	2,154	2,239
Total current assets	20,431	23,424
Investments in associates and joint ventures	257	206
Long-term financial assets	142	139
Long-term trade and other receivables	193	119
Investment property	217	130
Property, plant and equipment	11,111	12,025
Right-of-use assets	485	445
Intangible assets	375	519
Non-current derivative assets	64	103
Non-current firm commitment assets	1,702	1,144
Deferred tax assets	1,385	720
Other non-current assets	359	568
Total non-current assets	16,288	16,118
Total assets	₩36,719	₩39,542
Liabilities		
Short-term financial liabilities	562	252
Current lease liabilities	31	55
Trade and other payables	3,884	4,315
Contract liabilities	12,716	13,888
Advances received	38	29
Current derivative liabilities	1,680	959
Current firm commitment liabilities	12	14
Current tax payables	19	62
Short-term provisions	382	436
Other current liabilities	1	0
Total current liabilities	19,325	20,011
Long-term financial liabilities	866	806
Non-current lease liabilities	453	399
Long-term trade and other payables	35	47
Long-term contract liabilities	20	20
Liabilities for defined benefit plans	58	44
Long-term provisions	103	111
Non-current derivative liabilities	1,702	1,156
Non-current firm commitment liabilities	0	36
Deferred tax liabilities	1	5
Total non-current liabilities	3,238	2,623
Total liabilities	₩22,563	₩22,634

	As of 31 December	
	2024	2025
	(in billions of Won)	
Equity		
Common stock	354	354
Capital surplus	2,600	3,017
Capital adjustments	(8,609)	(8,609)
Accumulated other comprehensive income	1,671	1,857
Retained earnings	15,084	16,668
Equity attributable to owners of the Controlling Company	11,099	13,286
Non-controlling interests	3,056	3,622
Total equity	14,156	16,908
Total liabilities and equity	₩36,719	₩39,542

Our Other Financial Data

	For the Year Ended 31 December	
	2024	2025
	(in billions of Won)	
Net cash provided by operating activities	₩ 4,289	₩ 4,422
Net cash used in investing activities	(1,233)	(3,604)
Net cash used in financing activities	(2,359)	(792)

HD Hyundai Heavy Industries Co., Ltd.

HHI's Selected Consolidated Statements of Comprehensive Income Data

	For the Year Ended 31 December	
	2024	2025[1]
	(in billions of Won except earnings per share)	
Sales	₩ 14,486	₩ 17,581
Cost of sales	(12,993)	(14,616)
Gross profit	1,494	2,964
Selling, general and administrative expenses	(789)	(927)
Operating profit	705	2,038
Finance income	964	1,018
Finance costs	(3,244)	(1,265)
Other non-operating income	2,543	430
Other non-operating expenses	(170)	(416)
Share of loss of associates and joint venture	0	(4)
Profit before income tax	798	1,801
Income tax expense	177	385
Profit for the year	622	1,415
Other comprehensive income (loss) for the year, net of income tax	(124)	167
Total comprehensive income for the year	498	1,582
Profit attributable to:		
Owners of the Controlling Company	622	1,415
Non-controlling interests	0	0
Total comprehensive income attributable to:		
Owners of the Controlling Company	498	1,582
Non-controlling interests	0	0
Earnings per share		
Basic earnings per share (in Won)	7,001	15,702

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.

HHI's Selected Consolidated Statements of Financial Position Data

	As of 31 December	
	2024	2025[1]
	(in billions of Won)	
Assets		
Cash and cash equivalents	₩ 1,258	₩ 1,870
Short-term financial assets	131	1,703
Trade and other receivables	1,660	1,713
Contract assets	3,573	5,132
Inventories	1,511	2,017
Current derivative assets	1	9
Current firm commitment assets	823	500
Current tax assets	0	—
Other current assets	1,447	2,037
Total current assets	10,403	14,980
Investments in associates	1	305
Long-term financial assets	11	25
Long-term trade and other receivables	126	93
Investment property	1	1
Property, plant and equipment	6,610	8,781
Intangible assets	128	161
Right-of-use assets	32	35
Non-current derivative assets	64	81
Non-current firm commitment assets	994	802
Deferred tax assets	809	472
Other non-current assets	212	426
Total non-current assets	8,988	11,183
Total assets	₩19,391	₩26,163
Liabilities		
Short-term financial liabilities	399	157
Current lease liabilities	13	16
Trade and other payables	2,311	3,295
Contract liabilities	7,710	10,808
Short-term provisions	247	334
Current derivative liabilities	1,093	675
Current firm commitment liabilities	8	9
Current tax liabilities	14	39
Total current liabilities	11,796	15,333
Long-term financial liabilities	752	488
Non-current lease liabilities	20	21
Long-term trade and other payables	9	16
Long-term contract liabilities	10	10
Liabilities for defined benefit plans	34	31
Long-term provisions	71	90
Non-current derivative liabilities	994	815
Non-current firm commitment liabilities	0	17
Deferred tax liabilities	—	1
Total non-current liabilities	1,890	1,489
Total liabilities	₩13,686	₩16,821

	As of 31 December	
	2024	2025[1]
	(in billions of Won)	
Equity		
Common stock	444	525
Capital surplus	3,123	5,130
Capital adjustments	(2)	(43)
Accumulated other comprehensive income	851	1,336
Retained earnings	1,288	2,394
Equity attributable to owners of the Controlling Company	5,704	9,342
Non-controlling interests	0	0
Total equity	5,704	9,342
Total liabilities and equity	₩19,391	₩26,163

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.

HHI's Other Financial Data

	For the year ended 31 December	
	2024	2025[1]
	(in billions of Won)	
Net cash provided by operating activities	₩ 2,884	₩ 3,510
Net cash used in investing activities	(499)	(2,040)
Net cash used in financing activities	(2,049)	(860)

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of U.S.$1,550,000,000 aggregate principal amount of zero coupon exchangeable bonds due 2031 (the "Bonds", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (the "Issuer") exchangeable into common shares of HD Hyundai Heavy Industries Co., Ltd. ("HHI") was authorised by a resolution of the board of directors of the Issuer on 31 March 2026. The Bonds are constituted by the trust deed (as amended or supplemented from time to time, the "Trust Deed") dated 4 May 2026 (the "Issue Date") between the Issuer and Citicorp International Limited (the "Trustee", which expression shall include all persons for the time being acting as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. These terms and conditions (these "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, exchange and transfer agency agreement (as amended or supplemented from time to time, the "Agency Agreement") dated 4 May 2026 relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent, and exchange agent (collectively, the "Principal Agent") and as transfer agent (the "Transfer Agent"), Citibank, N.A., London Branch as registrar (the "Registrar") and the other paying agents, exchange agents and transfer agents appointed under it (each a "Paying Agent", an "Exchange Agent" and a "Transfer Agent"). References to "Paying Agents" and "Exchange Agents" shall each include the Principal Agent. The Principal Agent, the other Paying Agents, the other Exchange Agents, the Transfer Agent and the Registrar are, collectively, the "Agents". References to the "Principal Agent", the "Registrar", the "Transfer Agents" and the "Agents" below are references to the principal agent, the registrar, the transfer agents and the agents for the time being for the Bonds.

Copies of the Trust Deed and of the Agency Agreement are available at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) electronically to a requesting Bondholder, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Agent.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, "Bondholder" and (in relation to a Bond) "holder" mean the person in whose name a Bond is registered or in the case of a joint holding, the first name thereof.

1. Form, Denomination and Title

(A) Form and Denomination

The Bonds are issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$100,000 in excess thereof (each, an "Authorised Denomination") and shall not be divided into a smaller denomination. A bond certificate (each a "Certificate") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "Register") which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a global certificate (the "Global Certificate") representing Bonds registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). The Conditions are modified by certain provisions contained in the Global Certificate.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

2. Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, unconditional, unsubordinated and unsecured obligations.

3. Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement the Register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and exchanges of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of the Bonds.

(B) Transfer

The Bonds may, subject to Condition 3(E), 3(F) and 3(G) and the terms of the Agency Agreement, be transferred or exchanged in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time at the location of the relevant specified office), Monday to Friday except for public holidays), to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer or exchange of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any relevant Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time at the location of the relevant specified office), Monday to Friday except for public holidays) at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (free of charge to the holder and at the Issuer's expense but if mailed otherwise than by ordinary mail at the request of the holder, then at the expense of such holder) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Registrar or the Principal Agent at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time at the location of the relevant specified office), Monday to Friday except for public holidays).

Except in the limited circumstances described in the Global Certificate (see "The Global Certificate"), owners of interests in Bonds represented by the Global Certificate will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, exchanged, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, exchanged, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or, as the case may be, any Transfer Agent, be made available for collection at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time at the location of the relevant specified office), Monday to Friday except for public holidays) at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, exchanged, redeemed or repurchased (free of charge to the holder and at the Issuer's expense but if mailed otherwise than by ordinary mail at the request of the holder, then at the expense of such holder) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 6, "business day" means a day (other than a Saturday or Sunday or a public holiday) on which commercial banks are generally open for business in London, Hong Kong and the city in which the specified office of the Registrar or the relevant Transfer Agent, with whom a Certificate is deposited in connection with a transfer or exchange, is located.

(D) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (a) the person making such application for transfer paying or procuring the payment (or giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require) of any taxes, duties and other governmental charges in connection therewith, (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (c) the regulations concerning transfers and registration of Bonds scheduled to the Agency Agreement (as the same may be amended from time to time).

(E) Restricted Transfer Periods

No Bondholder may require the transfer of a Bond to be registered (a) during the period of ten days ending on (and including) the date for payment of any principal pursuant to these Conditions; (b) during the period of ten days ending on (and including) the date for any redemption by the Issuer pursuant to Condition 8(B) or Condition 8(C); (c) after an Exchange Notice (as defined in Condition 6(B)(i)) has been delivered with respect to such Bond; or (d) after a Change of Control Event Put Exercise Notice (as defined in Condition 8(D)), a Delisting Event Put Exercise Notice (as defined in Condition 8(E)) or an Optional Put Exercise Notice (as defined in Condition 8(F)) has been deposited in respect of such Bond pursuant to Condition 8(D), Condition 8(E) or Condition 8(F), as the case may be. Each such period is a "Restricted Transfer Period".

(F) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holder and at the Issuer's expense but if mailed otherwise than by ordinary mail at the request of the holder, then at the expense of such holder) by the Registrar to any Bondholder following written request and satisfactory proof of holding.

(G) Transfer Restriction Under Korean Law

The Bonds may not be offered, sold or otherwise transferred to a Korean resident (as such term is defined in the Foreign Exchange Transactions Law of Korea) on or prior to 4 May 2027, the first anniversary of the Issue Date.

4. Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries will, create any mortgage, charge, lien, pledge or

other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below) or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders. For the avoidance of doubt, electronically registering or depositing securities with the Korea Securities Depository ("KSD") will not be deemed as creating any mortgage, charge, lien, pledge or other security interest upon such securities.

In these Conditions:

"**Principal Subsidiary**" means:

(a) any Subsidiary (as defined below) of the Issuer, under Korean international financial reporting standards:

(i) whose revenue, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitutes at least ten per cent. of the consolidated revenue of the Issuer as shown by the then latest audited consolidated accounts of the Issuer; or

(ii) whose total assets, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least ten per cent. of the total consolidated assets of the Issuer as shown by the then latest audited consolidated accounts of the Issuer,

provided that:

(A) in the case of a Subsidiary acquired, or a company becoming a Subsidiary, after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until audited consolidated accounts of the Issuer for the financial period in which the acquisition is made or, as the case may be, in which the relevant company becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Issuer adjusted to consolidate the last audited accounts (consolidated where applicable) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Issuer or any Subsidiary in respect of which financial consolidation is relevant, no consolidated accounts are prepared and audited, revenue and total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro-forma consolidated accounts prepared for this purpose as of the date of the latest audited accounts of the Issuer by the auditors for the time being of the Issuer;

(C) if at any relevant time in relation to any Subsidiary no accounts are audited, its revenue and total assets (consolidated where applicable) shall be determined on the basis of pro-forma accounts (consolidated where applicable) of the relevant Subsidiary prepared for this purpose as of the date of the latest audited accounts of the Issuer by the auditors for the time being of the Issuer; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro-forma consolidation of its accounts (consolidated where applicable) with the then latest consolidated audited accounts (determined on the basis of the foregoing) of the Issuer; or

(b) any Subsidiary of the Issuer to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary;

The Trustee may rely conclusively without investigation or verification upon certificates of the Issuer provided as contemplated under the Trust Deed with respect to the list of its Principal

Subsidiaries and without liability to the Bondholders, the Issuer or any other person for relying upon such certificates.

"**Relevant Indebtedness**" means any future or present indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures or other similar securities or instruments which (i) for the time being are, or are intended to be quoted, listed, dealt in or traded on any stock exchange or over-the-counter market outside Korea (whether or not initially distributed by way of private placement) and (ii) either are by their terms payable, or confer a right to receive payment, in any currency other than Won or are denominated in Won and more than 50% of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorisation of the issuer thereof; and

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

A certificate signed by any authorised signatory of the Issuer that in its opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary of the Issuer may be relied upon by the Trustee without further enquiry or evidence and shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Agents and the Bondholders.

5. Interest

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused. In such event, such unpaid amount shall bear interest at the rate of three per cent. per annum (both before and after judgment) from the date of default up to but excluding whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (B) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated in respect of any Bond (i) it shall be calculated per U.S.$100,000 in principal amount of the Bonds (the "Calculation Amount"), and (ii) the amount of interest payable per Calculation Amount for any period shall be equal to the product of (A) the rate of interest specified above, (B) the Calculation Amount, and (C) the relevant day-count fraction being a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. Exchange

(A) Exchange Right

(i) *Exchange Period*: Subject as provided in these Conditions, each Bond shall entitle the holder to exchange such Bond into Shares (as defined in Condition 6(A)(iv)) credited as fully paid or Exchange Property (as defined in Condition 6(A)(v)) at any time during the Exchange Period referred to below (the "Exchange Right").

Subject to and upon compliance with the Conditions, the Exchange Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after 14 June 2026 up to the close of business (being 3:00 p.m.) (at the place where the Certificate evidencing such Bond is deposited for exchange) on the date which falls seven days prior to the Maturity Date (or if such day is not a business day, then up to the close of business (being 3:00 p.m.) on the immediately preceding business day) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter) or, if

such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (being 3:00 p.m.) (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof (the "Exchange Period").

An Exchange Right may not be exercised (a) in respect of a Bond where the holder shall have exercised its right to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D), Condition 8(E) or Condition 8(F) or (b) except as provided in Condition 6(A)(iii), following the giving of notice by the Trustee to declare the Bonds immediately due and payable pursuant to Condition 10.

The price at which Shares will be delivered upon exercise of an Exchange Right (the "Exchange Price") will initially be Won 523,125 per Share, but will be subject to adjustment in the circumstances described in Condition 6(C).

The number of Shares to be delivered on exchange of a Bond shall be determined by dividing the principal amount of the Bonds to be exchanged (translated into Won at the fixed exchange rate of Won 1,530.5 = U.S.$1.00 (the "Fixed Exchange Rate")) by the Exchange Price in effect on the relevant Exchange Date (as defined below). An Exchange Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is exchanged at any one time by the same holder, the number of Shares to be delivered upon such exchange will be calculated on the basis of the aggregate principal amount of the Bonds to be exchanged.

Upon exercise of Exchange Rights in relation to the entire principal amount of any Bond and the fulfilment by the Issuer of all its obligations in respect thereof, the relevant Bondholder shall have no further rights in respect of such Bond and the obligations of the Issuer in respect thereof shall be extinguished.

(ii) *Fractions of Shares*: Fractions of Shares (or Exchange Property Securities (as defined in Condition 6(A)(v))) will not be delivered on exchange and no cash payment or other adjustment will be made in lieu thereof. However, if the Exchange Right in respect of more than one Bond is exercised at any one time such that Shares (or Exchange Property Securities) to be delivered on exchange are to be registered in the same name, the number of such Shares (or Exchange Property Securities) to be delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so exchanged and rounded down to the nearest whole number of Shares (or Exchange Property Securities). Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares (or Exchange Property Securities) by operation of law or otherwise occurring after the Issue Date which reduces the number of Shares (or Exchange Property Securities) outstanding, the Issuer will upon exchange of Bonds pay in cash in U.S. dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Exchange Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share (or Exchange Property Securities) not delivered as a result of such consolidation or re-classification aforesaid, provided that such sum exceeds U.S.$10.00 (which sum shall be translated to U.S. dollars at the Fixed Exchange Rate). Any such sum shall be paid not later than five Stock Exchange Business Days after the relevant Exchange Date by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the Exchange Notice.

(iii) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Exchange Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (being 3:00 p.m.) (at the place where the Certificate evidencing such Bond is deposited for exchange) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with

Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Exchange Notice (as defined in Condition 6(B)(i) below) are deposited for exchange prior to the close of business (being 3:00 p.m.) (at the place aforesaid) on such date shall be exchanged on the relevant Exchange Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Exchange Date or that the Exchange Period may have expired before such Exchange Date. For the avoidance of doubt nothing in this Condition 6(A)(iii) shall permit any Bondholder to both have Shares delivered to it pursuant to Condition 6(B)(iv) (or Exchange Property delivered to it pursuant to Condition 6(A)(v), if applicable) and receive payment of the principal amount of such Bond.

(iv) *Meaning of "Shares"*: As used in these Conditions, the expression "Shares" means common shares of par value Won 5,000 each of HHI or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of HHI.

(v) *Substitution of Exchange Property for Shares following a consolidation, amalgamation or merger of HHI:*

(x) If (i) HHI consolidates with, merges or amalgamates into, or sells or transfers its assets substantially as an entirety to, any person and (ii) the holders of the Shares receive stock, other securities or other property or assets (including cash or any combination thereof) in exchange for their Shares (a "Company Corporate Event"), each outstanding Bond shall become exchangeable into such stock, other securities or other property or assets (including cash or any combination thereof) receivable upon consummation of such Company Corporate Event by a holder of the number of Shares which would have been delivered upon exchange of such Bond immediately prior to such Company Corporate Event (the "Exchange Property") and a Bondholder shall be entitled to receive Exchange Property in lieu of Shares upon exercise of its Exchange Right.

(y) To the extent that the issuer of any securities comprising the Exchange Property ("Exchange Property Securities") takes any action with respect to such securities that is described under Condition 6(C) that would have required an adjustment to the Exchange Price if such securities had been the Shares and HHI had taken such action, then the number of Exchange Property Securities deliverable upon exchange of a Bond shall be adjusted as determined by an Independent Advisor to appropriately reflect such event in a manner analogous to the adjustments that would have been made to the Exchange Price of the Shares in such circumstances.

(z) The Issuer shall monitor all corporate actions by the issuer of any Exchange Property Securities, including, but not limited to, the declaration and distribution of dividends, interest, rights issues, bonus issues, capital distributions, reorganisations, subdivisions, consolidations, reclassifications, and offers for such Exchange Property Securities. The Issuer shall give notice to the Trustee and the Agents of any conversion of the Shares into Exchange Property or any further change in composition of the Exchange Property as soon as reasonably practicable following such conversion or change, and shall give such details in writing as the Trustee or the Agents may reasonably request of the Exchange Property to which the Bondholders would be entitled upon exercise of the Exchange Rights following such conversion or change. The Issuer shall give notice of any such conversion or change to the Bondholders as soon as practicable in accordance with Condition 11 and, for so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the rules of the SGX-ST so require, the Issuer shall also give notice of any such conversion or change to the SGX-ST.

(B) Exchange Procedure

(i) *Exchange Notice*

Exchange Rights may be exercised by a Bondholder at his own expense during the Exchange Period by delivering the relevant Bond (and any certificates and other documents as may be required by applicable law) to the specified office of any Exchange Agent, during its usual business hours, accompanied by two duly completed and signed

notices of exchange (in duplicate) (an "Exchange Notice") in the form (for the time being current) obtainable from any Exchange Agent.

Exchange Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Exchange Agent to whom the relevant Exchange Notice is delivered is located.

If such delivery is made later than 3:00 p.m. on any day or on a day which is not a business day in the place at the specified office of the relevant Exchange Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

An Exchange Notice, once delivered, shall be irrevocable.

Any determination as to whether any Exchange Notice has been duly completed and properly delivered shall be made by the Issuer, or the relevant Exchange Agent on its behalf (following consultation with the Issuer) and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Agents and the relevant Bondholder. The Issuer, or the relevant Exchange Agent (following consultation with the Issuer), may reject any incomplete or incorrect Exchange Notice. All costs and expenses incurred or caused by an incomplete or incorrect Exchange Notice shall be for the account of the relevant Bondholder.

A Bondholder exercising Exchange Rights will be required to certify in the relevant Exchange Notice (a "U.S. Certification") that (i) such exchange is being made outside of the United States (as such term is defined in Regulation S ("Regulation S") under the United States Securities Act of 1933 (the "Securities Act")), (ii) it and any person for whom it is acquiring Shares (or Exchange Property) is not a U.S. person (as such term is defined in Regulation S) and it is not acting as agent for, or on behalf of, a U.S. person and (iii) it understands that the Shares (or Exchange Property) to be delivered upon exchange of such Bonds has not been and will not be registered under the Securities Act and agrees that (x) if it, or any person for whom it is acquiring Shares (or Exchange Property), should offer, sell, pledge or otherwise transfer such Shares (or Exchange Property), it, or such person, will only do so in compliance with the Securities Act and other applicable laws and only in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities law of any State of the United States, and (y) it and any person for whom it is acquiring Shares (or Exchange Property) may not, subject to restrictions under U.S. securities laws, deposit or cause to be deposited any of such Shares (or Exchange Property Securities) in any unrestricted depositary receipt facility for the Shares (or Exchange Property Securities) which is existing or may be created in the United States. If such U.S. Certification is not provided, the relevant Exchange Notice shall be void.

Neither the Trustee nor any of the Agents shall have any obligation to verify the accuracy, validity and/or genuineness of the contents of any such certification or that the form of such U.S. Certification complies with the requirements of any applicable law or is satisfactory to the Issuer or any other person, and none of them shall be liable to the Bondholders or any other person for not doing so.

Exchange Rights may only be exercised in respect of an Authorised Denomination. Where Exchange Rights are exercised in respect of part only of a Bond, the old Bond shall be cancelled and a new Bond for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties and other governmental charges payable in connection therewith and the Registrar will within seven business days, in the place of the specified office of the Registrar, following the relevant Exchange Date deliver such new Bond to the relevant Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary mail, at the expense of the Bondholder) mail the new Bond by uninsured mail to such address as the Bondholder may request.

The exchange date in respect of a Bond (the "Exchange Date") in respect of which the Exchange Right shall have been exercised by a Bondholder will be the business day in Seoul on which the delivery of the Exchange Notice and, if applicable, the relevant Bond (and any other documents as may be required by applicable law) has been made as

provided in this Condition 6(B)(i) (determined by reference to the date and time in Seoul at the time of delivery no matter where delivery is made) and, if applicable, the making of any payment to be made and the giving of any indemnity and/or security to be given under these Conditions in connection with the exercise of the Exchange Right. For purposes of the Korean Commercial Code, the request for exchange shall be deemed to have been made at 23:59, Seoul time on the Exchange Date. In this Condition 6(B)(i), "business day in Seoul" shall mean a day other than a Saturday or Sunday on which banks are open for business in Seoul.

Upon exercise of Exchange Rights, a Bondholder shall, in the relevant Exchange Notice, specify a dollar account with a bank to which any cash amount payable on or in respect of the exercise of Exchange Rights by that Bondholder shall be credited and the Issuer shall pay such sum to the relevant Bondholder in accordance with any such directions.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any Exchange Right or have any duty to verify the accuracy, validity and/or genuineness of the contents of any Exchange Notice (or any other form or document in relation to the exercise of any Exchange Right), and none of them shall be under any obligation to assist with or handle payments or delivery of Shares in connection with the exercise of any Exchange Right, and none of them shall be liable to the Issuer, any Bondholder or any other person for not doing so.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, communications between the Exchange Agent and the Bondholders will be effected through Euroclear and Clearstream.

(ii) *Stamp Duty etc.*

A Bondholder exercising Exchange Rights will pay any stamp, registration, documentary, transfer or other similar taxes or duties (including penalties) arising on the transfer or delivery of Shares (or Exchange Property) pursuant to the exercise of Exchange Rights which are payable or imposed in Korea.

In addition, each Bondholder must pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Exchange Rights by it.

Subject to the above, the Issuer shall pay to the relevant authorities any other taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising in any jurisdiction not mentioned above on exchange, and all other costs, fees and expenses in connection with the transfer or delivery of the Shares (or Exchange Property) on exercise of Exchange Rights, including the costs, fees and expenses of any custodian, depositary, agent or other entity facilitating the relevant transfer or delivery.

Neither the Trustee nor any Agent shall be responsible for determining whether any such taxes, duties, costs, fees or expenses are payable or the amount thereof and they shall not be responsible or liable for any failure by the Issuer and/or the Bondholders to pay any such taxes, duties, costs, fees or expenses or to determine the sufficiency of any amount so paid.

If the Issuer shall fail to pay any expenses for which it is responsible as provided above, the relevant Bondholder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse each such Bondholder in respect of the payment of such expenses and any penalties payable in respect thereof.

(iii) *Transaction Report and Custodian*

The Bondholder must file an over-the-counter transaction report of the acquisition with the Governor of the Korean Financial Supervisory Service without undue delay after acquisition of the Shares (or Exchange Property Securities) pursuant to the exercise of its Exchange Right if then required.

The Bondholder must check whether the over-the-counter transaction report of the acquisition with the Governor of the Korean Financial Supervisory Service is required at the time of its exercise of the Exchange Right.

On or prior to delivering an Exchange Notice, a Bondholder exercising its Exchange Right or the person named in the relevant Exchange Notice to receive the delivery of any Shares (or Exchange Property Securities) on exchange must appoint an eligible custodian in Korea with which Shares (or Exchange Property Securities) will be kept in custody. For the avoidance of doubt, under Korean law, only Korean foreign exchange banks, including domestic branches of foreign banks, financial investment companies with a dealing, brokerage or collective investment business licence, including domestic branches of foreign financial investment companies with a dealing, brokerage or collective investment business licence, the KSD and internationally recognised custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. In addition, a foreign investor must ensure that such foreign investor's custodian deposits or electronically registers its shares with the KSD; provided that a foreign investor may be exempt from complying with this deposit requirement with the approval of the Governor of the Financial Supervisory Service in circumstances where compliance with such deposit requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

No Shares (or Exchange Property Securities) will be delivered to a Bondholder or a beneficial interest therein unless such Bondholder satisfies the foregoing conditions.

(iv) *Delivery of Shares and/or Exchange Property*

Other than where the Issuer has elected the Cash Settlement Option and in respect of the Shares (or Exchange Property) to which such election relates, the Issuer shall, as soon as practicable, and in any event not later than the Settlement Date (a) effect delivery of the relevant Shares (or Exchange Property Securities) through the KSD (or if the relevant securities are issued by a company incorporated outside Korea, in accordance with directions given by the relevant Bondholder in the Exchange Notice) to the person designated for the purpose in the relevant Exchange Notice and (b) procure that such documents of title and evidence of ownership of any other Exchange Property (to the extent not constituting Exchange Property Securities) to be delivered on exercise of Exchange Rights shall be despatched and that payment of any part of the Exchange Property comprising cash to be delivered on exercise of Exchange Rights (converted into U.S. dollars at the Prevailing Rate on the relevant Settlement Date less any customary fees and expenses and other deductions required by law or regulation) shall be made, in each case in accordance with directions given by the relevant Bondholder in the Exchange Notice;

Notwithstanding the above (and only where delivery is contemplated through the KSD), in the event that the Issuer delivers a certificate to the Principal Agent signed by an Authorised Officer to the effect that the KSD has been closed for a continuous period of two or more days (excluding Saturdays and Sundays and save by reason of holidays, statutory or otherwise) in the period from (and including) the Exchange Date to (but excluding) the Settlement Date, then the Issuer will notify the relevant Bondholder in accordance with Condition 11 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the date for such delivery shall be the later of the Settlement Date and the earliest practicable date on which the relevant Shares (or Exchange Property Securities) may be delivered by or through the KSD.

Neither the Trustee nor the Agents shall be responsible or liable to any person for any delay in the delivery of any Shares (or Exchange Property) following exercise of Exchange Rights. The Issuer shall not be responsible or liable to any person for any delay in the delivery of any Shares (or Exchange Property) following exercise of Exchange Rights arising as a result of a failure by the relevant Bondholder to supply all information and details as required by the relevant Exchange Notice.

If (A) the Exchange Date in relation to the exchange of any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to an adjustment of the Exchange Price pursuant to Condition 6(C), and (B) the Exchange Date in relation to such exercise shall be before the date on which such adjustment to the Exchange Price becomes effective under the relevant Condition (any such adjustment, a "Retroactive Adjustment"), upon the relevant adjustment to the Exchange Price becoming

effective under the relevant Condition, the Issuer shall procure the delivery or issue to the exchanging Bondholder (or in accordance with the instructions contained in the Exchange Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares (or Exchange Property Securities) as is, together with Shares (or Exchange Property Securities) delivered or to be delivered on exchange of the Bond(s), equal to the number of Shares (or Exchange Property Securities) which would have been required to be delivered on exchange of such Bond if the relevant adjustment to the Exchange Price had been made and become effective on or immediately prior to the relevant Exchange Date and in such event and in respect of such additional number of Shares (or Exchange Property Securities), references in this Condition 6(B)(iv) to the Exchange Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Exchange Period).

(v) *Dividend on the Shares (or Exchange Property Securities)*: If the Shares (or Exchange Property Securities) are delivered upon exchange after the record date with respect to Dividends, rights, allotments or other distributions, the holder of such Shares (or Exchange Property Securities) will not be entitled to receive any such Dividends, rights, allotments or other distributions payable to the shareholders of HHI (or the issuer of the Exchange Property Securities, if applicable) with respect to that record date. Subject to the previous sentence, the Shares (or Exchange Property Securities) delivered upon exchange of the Bonds will in all respects rank *pari passu* with the Shares (or Exchange Property Securities) in issue on the relevant Exchange Date (except for any right the record date for which precedes such Exchange Date and any other right excluded by mandatory provisions of applicable law).

(vi) *Cash Settlement:*

Notwithstanding the Exchange Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares (or Exchange Property Securities) deliverable upon exchange of the Bonds is required to satisfy the Exchange Right in respect of an Exchange Notice, the Issuer shall have the option to pay to the relevant Bondholder the Cash Settlement Amount (as defined below) in order to satisfy such Exchange Right in full or in part (in which case the other part shall be satisfied by the delivery of Shares (or Exchange Property Securities)) (the "Cash Settlement Option"). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the "Cash Settlement Notice") to the relevant Bondholder as soon as practicable but no later than the third Stock Exchange Business Day following the date of receipt by the Issuer of the Exchange Notice (the "Cash Settlement Notice Date"). The Cash Settlement Notice must specify the number of Shares (or Exchange Property Securities) in respect of which the Issuer will make a cash payment in the manner described in this Condition 6. The Issuer shall pay the Cash Settlement Amount no later than the twenty-third Stock Exchange Business Day following the Cash Settlement Notice Date. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be exchanged on the same Exchange Date, the Issuer shall make the same proportion of cash and Shares (or Exchange Property Securities) available to such exchanging Bondholders.

If the Issuer is at any time unable for any reason whatsoever to deliver Shares (or Exchange Property Securities) in satisfaction of the Exchange Right of any exchanging Bondholder, the Issuer undertakes to exercise the Cash Settlement Option in full, or to the extent required, to satisfy the Exchange Right of the Bondholder.

For the purposes of these Conditions:

"Cash Settlement Amount" means the product of (a) the number of Shares (or Exchange Property Securities) otherwise deliverable upon exercise of the Exchange Right in respect of the Bond(s) to which the Exchange Notice applies, and in respect of which the Issuer has exercised the Cash Settlement Option and (b) the Market Price of the Shares (or Exchange Property Securities); and

"Market Price" means the arithmetic average of the Volume Weighted Average Price of the Shares (or Exchange Property Securities) (translated into US dollars at the Prevailing

Rate on such day) for each day during the 20 consecutive Trading Days immediately after the Cash Settlement Notice Date.

"Won" or "₩" means the lawful currency for the time being of the Republic of Korea.

(C) Adjustments to Exchange Price

The Exchange Price will be subject to adjustment as follows:

(1) **Consolidation, Subdivision, Reclassification or Capital Reduction**: If and whenever there shall be an alteration to the par value of the Shares as a result of consolidation, subdivision, reclassification or capital reduction (or any like or similar event) the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of Shares in issue immediately before such alteration; and

B is the aggregate number of Shares in issue immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) **Share Dividends, Capitalisation of Profits or Reserves**:

(i) If and whenever HHI shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of share Dividends or capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium account) other than any Scrip Dividend (as defined in Condition 6(F) below) which would not have constituted a Dividend (as defined in Condition 6(F) below), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of Shares in issue immediately before such issue; and

B is the aggregate number of Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date; provided that in the case of a share Dividend, free distribution or bonus issue which must, under applicable Korean law, be submitted for approval to a general meeting of shareholders or be approved by a meeting of the board of directors of HHI before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately after such approval being given by such meeting, become effective retroactively to immediately after such record date.

(ii) and to the extent permissible under applicable laws, in the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares on the date of the announcement of such a Scrip Dividend exceeds the amount of the Relevant Cash Dividend (as defined in Condition 6(F) below) or the relevant part thereof for which such Shares are being issue in lieu and which would not have constituted a Dividend, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate par amount of the issued Shares immediately before such issue;

B is the aggregate par amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part for which such Shares are being issue in lieu, of the Relevant Cash Dividend and (ii) the denominator is the aggregate amount of the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate par amount of Shares issued by way of such Scrip Dividend,

or by making such other adjustment as an Independent Advisor (acting as an expert) shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or, if a record date is fixed therefor, immediately after such record date.

(3) **Distributions**: If and whenever HHI shall pay or make any Dividend to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such Dividend by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the Current Market Price of one Share on the date on which the Dividend is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Dividend attributable to one Share.

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein; provided that in the case of payment of a Dividend to the Shareholders which must, under applicable Korean law, be submitted for approval to a general meeting of shareholders or be approved by a meeting of the board of directors of HHI before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such Dividend, such adjustment shall, immediately after such approval being given by such meeting, become effective retroactively to immediately after such record date.

For the purposes of the above, Fair Market Value shall be determined as at the Effective Date.

(4) **Rights Issues of Shares or Options over Shares**: If and whenever HHI shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(5) **Rights Issues of Other Securities**: If and whenever HHI shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(6) **Issues at less than Current Market Price**: If and whenever HHI or any of its Subsidiaries shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Exchange Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of announcement of the terms of such issue, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

Where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by HHI of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(7) **Other Issues at less than Current Market Price**: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever HHI or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with HHI or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds, which excludes any further bonds issued pursuant to Condition 17) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by HHI upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of announcement of the terms of issue of such securities, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by HHI for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

(8) **Modification of Rights of Conversion etc.**: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) has been reduced and is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by HHI for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Advisor considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(9) **Other Offers to Shareholders:** If and whenever HHI or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with HHI or any of its Subsidiaries) any other company, person or entity shall offer any securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exchange Price falls to be adjusted under Conditions 6(C)(2) to 6(C)(7), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(10) **Other Events**: If the Issuer determines that an adjustment should be made to the Exchange Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Advisor to determine as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof, if the adjustment would result in an increase or a reduction in the Exchange Price, and the date on which such adjustment should take effect and upon such determination by the Independent Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Exchange Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Exchange Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Advisor to be in its opinion appropriate to give the intended result.

(D) Undertakings

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

(i) it will use its commercially reasonable efforts to procure HHI (a) to maintain a listing for all the issued Shares on the KRX KOSPI Market, and (b) if HHI is unable to obtain or maintain such listing, to use its commercially reasonable efforts to procure HHI to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as HHI may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Shares (as a class) by any of such stock exchange;

(ii) it will use its commercially reasonable efforts to maintain the listing of the Bonds on the SGX-ST and if the Issuer is unable to maintain such listing or such listing is unduly onerous, to use its commercially reasonable efforts to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Bonds by any such stock exchange; and

(iii) it will procure HHI not to make any reduction of its common share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law.

In the Trust Deed, the Issuer has also undertaken in the Trust Deed, *inter alia,* that so long as any Bond remains outstanding:

(i) it will, to the extent required under applicable law, (i) maintain ownership of the full number of the Shares (or Exchange Property Securities) required to be delivered upon exchange of all outstanding Bonds at the initial Exchange Price and deposit and entrust such Shares (or Exchange Property Securities) with and to the KSD for the benefit of the Bondholders and (ii) in the event that additional Shares (or Exchange Property Securities) may be required to be delivered due to a change in the initial Exchange Price, procure that such additional Shares (or Exchange Property Securities) be entrusted with and to the KSD for the benefit of the Bondholders; and

The Issuer and the Korea Securities Depository will enter into an exchange share deposit and entrust agreement, pursuant to which the legal title and ownership of the Shares (or Exchange Property Securities) will be transferred to the Korea Securities Depository on trust, and the Korea Securities Depository would become the registered legal holders of the Shares as trustee for the benefit of the Bondholders. Accordingly, such Shares (or Exchange Property Securities) will be ring fenced for the benefit of the Bondholders and will not form part of the assets of the Issuer available to all unsecured creditors of the Issuer in the event the Issuer becomes insolvent, bankrupt or is in liquidation. The arrangements described herein in relation to the Shares (or Exchange Property Securities) do not amount to any security interest in favour of Bondholders to secure the debt obligations of the Bonds.

(ii) it will procure HHI not to make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Exchange Price below the par value of the Shares of HHI.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Exchange Rights.

(E) Provisions Relating to Changes in Exchange Price

(i) *Minor adjustments*: On any adjustment, the resultant Exchange Price shall be made to the nearest Won 1 with Won 0.5 being rounded down to the nearest Won 1. No adjustment shall be made to the Exchange Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and/or any amount by which the Exchange Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee and the Principal Agent in writing promptly after the determination thereof. The Issuer shall also deliver to the Trustee an officer's certificate in accordance with clause 5.5 of the Trust Deed in connection with any event which may give rise to an adjustment to the Exchange Price.

(ii) *Decision of an Independent Advisor*: If any doubt shall arise as to whether an adjustment is required to be made to the Exchange Price or as to the appropriate adjustment to the Exchange Price, and following consultation between the Issuer and an Independent Advisor, a written opinion of such Independent Advisor in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

(iii) *Minimum Exchange Price*: Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Exchange Price shall not in any event be reduced to below the par value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be exchanged at such reduced Exchange Price into legally issued, fully paid and non-assessable Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Exchange Price to below such par value or any minimum level permitted by applicable laws or regulations.

(iv) *Reference to "fixed"*: Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(v) *Multiple events*: Where more than one event which gives or may give rise to an adjustment to the Exchange Price occurs within such a short period of time that in the opinion of an Independent Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Advisor to be in its opinion appropriate in order to give such intended result.

(vi) *Upward/downward adjustment*: No adjustment involving an increase in the Exchange Price will be made, except in the case of a consolidation, re-classification or a capital reduction (or any like or similar event) of the Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Bondholders in accordance with Condition 11, reduce the Exchange Price, subject to Condition 6(E)(iii) and the relevant applicable law.

(vii) *Not obliged to Monitor, etc.*: Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Exchange Price or to make any calculation (or verification thereof) in connection with the Exchange Price and neither the Trustee nor the Agents shall be responsible or liable to the Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Advisor in making a determination or calculation or any erroneous determination or calculation in connection with the Exchange Price.

(viii) *Notice of Change in Exchange Price*: The Issuer shall give notice to the Bondholders in accordance with Condition 11 of any change in the Exchange Price and, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall also give notice to the SGX-ST of any change in the Exchange Price. Any such notice relating to a change in the Exchange Price shall set forth the event giving rise to the adjustment, the Exchange Price prior to such adjustment, the adjusted Exchange Price and the effective date of such adjustment.

(ix) *Share Scheme Shares/Options*: Notwithstanding any provision in this Condition 6, no adjustment will be made to the Exchange Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of HHI or any Subsidiary pursuant to any share option scheme, share incentive scheme, share award scheme, restricted share scheme or employee incentive plan, stock option programme or any other similar scheme under Korean law ("Share Scheme Shares/Options") unless any grant or issue of Share Scheme Shares/Options (which, but for this provision, would have required adjustment pursuant to Condition 6) would result in the total number of Shares which may be issued upon exercise of such Share Scheme Shares/Options representing, in aggregate, over five per cent. of the issued and outstanding Shares on the Issue Date, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds such five per cent. shall be taken into account in determining adjustment of the Exchange Price pursuant to Condition 6.

(F) Definitions

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares (or Exchange Property Securities), if they are not at that time listed and traded on the KRX KOSPI Market, the principal stock exchange or securities market on which the Shares (or Exchange Property Securities) are then listed or quoted or dealt in;

"**Closing Price**" means, in respect of a Share for any Trading Day, the closing market price quoted by the KRX KOSPI Market or, as the case may be, the Alternative Stock Exchange for such Trading Day;

"**Company Tender Offer**" means purchases or redemptions made by or on behalf of HHI of 5% or more of the Shares in any twelve-month period;

"**Current Market Price**" means, in respect of a Share on a particular date, the arithmetic average of the daily Closing Price of one Share on each of the 20 consecutive Trading Days ending on and including the Trading Day immediately preceding such date; provided that if at any time during such 20 Trading Day period the Closing Price shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the Closing Price shall have been based on a price cum-Dividend (or cum-any other entitlement) then:

(i) if the Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or

(ii) if the Shares to be issued or transferred and delivered rank for the Dividend or entitlement in question, the Closing Price on the dates on which the Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such Dividend or entitlement per Share in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided that if on each of the said 20 Trading Days the Closing Price shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that Dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

"**Dividend**" means (i) any cash dividend or distribution of any kind by HHI for any financial period (whenever paid and however described) and (ii) any distribution of assets in specie by HHI for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Exchange Price is made in respect thereof under Condition 6(C)(2) by way of capitalisation of reserves), in each case unless it comprises a purchase or redemption of Shares by or on behalf of HHI (or a purchase of Shares by or on behalf of a Subsidiary of HHI), where the weighted average price (before expenses) on any one day on which such purchases are made does not exceed the Current Market Price of the Shares, either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day; provided that (x) any purchase or redemption of Shares made to dissenting shareholders upon exercise by dissenting shareholders of their appraisal rights under the Korean Commercial Code and the Financial Investment Services and Capital Markets Act of Korea will not constitute a Dividend and (y) any purchase or redemption of Shares effectuated through the KRX KOSPI Market will not constitute a Dividend so long as any such purchase or redemption is made in accordance with Korean law and the rules and regulations of the Korea Exchange (without giving effect to any waivers that may be obtained therefrom), is not and will not trigger a requirement for a general offer under the rules of the Korea Exchange and does not constitute a Company Tender Offer (as defined above).

In making any such calculation, such adjustments (if any) shall be made as an Independent Advisor (acting as expert) may consider appropriate to reflect (1) any consolidation or

subdivision of the Shares, (2) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (3) the modification of any rights to dividends of Shares;

"**Effective Date**" means, in respect of Condition 6(C)(3), the first date on which the Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Shares, the date on which such purchase, redemption or buy back is made;

"**Fair Market Value**" means, with respect to any property on any date, the fair market value of that property as determined by an Independent Advisor provided that: (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Advisor), the Fair Market Value of such securities, options, warrants or other rights shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such securities, options, warrants or other rights during the period of five Trading Days on the relevant stock exchange or securities market commencing on such date (or, if later, the first such Trading Day such securities, options, warrants or other rights are publicly traded) or such shorter period as such securities, options, warrants or other rights are publicly traded; and (iv) where securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such securities, options, warrants or other rights shall be determined by an Independent Advisor, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Share, the dividend yield of a Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency, and if the relevant Dividend is payable at the option of HHI or a Shareholder in any currency additional to the Relevant Currency, the relevant Dividend shall be treated as payable in the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

"**Independent Advisor**" means an independent institution or adviser of international repute selected and appointed by the Issuer at its own expense and notified in writing to the Trustee;

"**Prevailing Rate**" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined or if such rate cannot be determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Advisor shall consider appropriate;

"**Relevant Currency**" means Korean Won or, if at the relevant time or for the purposes of the relevant calculation or determination the KRX KOSPI Market is not the Relevant Stock Exchange, the currency in which the Shares are quoted or dealt in on the Relevant Stock Exchange at such time;

"**Relevant Page**" means the USDKRW/SPOT/Mid rate as shown on the "BFIX" page of Bloomberg (or any successor page);

"**Relevant Stock Exchange**" means at any time, in respect of the Shares, the KRX Korea Composite Stock Price Index Market of the Korea Exchange (the "KRX KOSPI Market") or the Alternative Stock Exchange;

"**Settlement Date**" means, with respect to the date of the exercise of Exchange Rights, the date falling 10 Trading Days after the relevant Exchange Date;

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of a specifically declared cash Dividend (the "Relevant Cash Dividend") being a Dividend which the Shareholders concerned would or could otherwise have received;

"**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which the Relevant Stock Exchange is open for the business of dealing in securities;

"**Trading Day**" means a day when the KRX KOSPI Market or, as the case may be an Alternative Stock Exchange (or in respect of any other security, the relevant stock exchange or securities market), is open for dealing business, provided that for the purposes of any calculation where a Closing Price is required, if no Closing Price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; and

"**Volume Weighted Average Price**" means, in respect of a Share or security on any Trading Day, the order book volume-weighted average price of a Share or security published by or derived (in the case of a Share) from Bloomberg page KS EQUITY VAP (Ticker: 329180) (setting weighted average) or in the case of a security (other than Shares), options, warrants or other rights, from the principal stock exchange or securities market on which such securities, options, warrants or other rights are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Advisor on such Trading Day, provided that if on any such Trading Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share or security, options, warrants or other rights, as the case may be, in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

References to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Advisor considers appropriate to reflect any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 6(C)(1), 6(C)(2), 6(C)(7), 6(C)(8) and Condition 6(D) only, (a) references to the "issue" of Shares or Shares being "issued" shall include the transfer and/or delivery of Shares, whether newly issued and allotted or previously existing or held by or on behalf of HHI or any of its Subsidiaries, and (b) Shares held by or on behalf of HHI or any of its Subsidiaries (and which, in the case of Conditions 6(C)(4) and 6(C)(6), do not rank for the relevant right or other entitlement) shall not be considered as or treated as "in issue" or "issued", or entitled to receive the relevant Dividend, right or other entitlement.

7. Payments

(A) Method of Payment

Payment of principal, Early Redemption Amount (if any) and default interest (if any) will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium or default interest payable thereon.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person

shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business (being 3:00 p.m.) on the second Payment Business Day (as defined below) before the due date for payment.

(C) Fiscal Laws

All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 to 1474 (inclusive) of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day (as defined below in Condition 7(F)), for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).

(F) Payment Business Day

In this Condition 7, "Payment Business Day" means a day other than a Saturday or Sunday on which a day on which commercial banks are open for business in London, New York, Seoul and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that it will maintain (i) a Principal Agent and (ii) a Registrar which will maintain a Register outside the United Kingdom. Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Bondholders.

8. Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, exchanged or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on 4 May 2031 (the "Maturity Date"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the

Bondholders in accordance with Condition 11 (which notice shall be irrevocable) and to the Trustee and the Principal Agent in writing, on the date specified in the Tax Redemption Notice for redemption (the "Tax Redemption Date") at their principal amount if (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Korea or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 31 March 2026, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee a certificate signed by two duly Authorised Officers (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (i) above of this Condition 8(B) cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of an independent legal or tax adviser of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such change or amendment is then effective). The Trustee shall be entitled, without investigation or verification, to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (b) above of this Condition 8(B), in which event the same shall be conclusive and binding on the Bondholders, and the Trustee shall have no liability to the Issuer, any Bondholder or any other person for so accepting and relying on such certificate and/or opinion.

On the Tax Redemption Date, the Issuer (subject to the following paragraph of this Condition 8(B)) shall redeem the Bonds at their principal amount.

If the Issuer issues a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "Tax Option Exercise Notice") together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "Optional Redemption Notice") to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11, the Bonds may be redeemed by the Issuer in whole, but not in part, on the date (the "Optional Redemption Date") specified in the Optional Redemption Notice at their principal amount as at such date:

(i) at any time on or after 4 May 2028 provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate applicable to the relevant Trading Day) for each of any 15 Trading Days within the period of 30 consecutive Trading Days immediately prior to the date upon which the Optional Redemption Notice is given was at least 130 per cent. of the then applicable Exchange Price on such Trading Day (translated into U.S. dollars at the Fixed Exchange Rate); or

(ii) at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued.

(D) Redemption for Change of Control Event

Following the occurrence of a Change of Control Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some

only of such holder's Bonds on the Change of Control Event Put Date at the Early Redemption Amount. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "Change of Control Event Put Exercise Notice"), together with the Certificate evidencing the Bonds to be redeemed by not later than 21 days following a Change of Control Event, or, if later, 21 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "Change of Control Event Put Date" shall be the fourteenth day after the expiry of such period of 21 days as referred to above.

A Change of Control Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds which form the subject of the Change of Control Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Change of Control Event Put Date.

Within seven days of becoming aware of the occurrence of a Change of Control Event, the Issuer shall give notice thereof to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 11. The notice regarding the Change of Control Event shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to this Condition. Such Notice shall also specify: (a) the date of such Change of Control Event and, all information material to Bondholders concerning the Change of Control Event; (b) the Change of Control Event Put Date; (c) the last date by which a Change of Control Event Put Exercise Notice must be given; (d) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Change of Control Event Put right or Exchange Right; and (e) the information required by Condition 8(I).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control Event or any event which could lead to a Change of Control Event has occurred or may occur and neither the Agents nor the Trustee shall be responsible to the Bondholders or any other person for any loss arising from any failure by it to do so.

For the purposes of this Condition 8(D):

"**Control**" means (a) the acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of the Relevant Entity or (b) the right to appoint and/or remove all or the majority of the members of the Relevant Entity's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

a "**Change of Control Event**" occurs when:

(i) any person or persons, acting together (other than a HD Group company), acquires Control of the Relevant Entity provided that such person or persons does not or do not have, and would not be deemed to have, Control of the Relevant Entity on the Issue Date; or

(ii) the Relevant Entity consolidates with or merges into or sells or transfers all or substantially all of such Relevant Entity's assets to any other person or persons acting together (other than a HD Group company), unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over such Relevant Entity or the successor entity;

"**Determination Date**" means, in respect of a Change of Control Event, a day falling 10 days following the occurrence of such Change of Control Event, provided that if such day is not a business day in Seoul (as defined in Condition 6(B)(i)), the Determination Date shall be deemed to be the first succeeding business day in Seoul;

an "**Early Redemption Amount**" means the higher of (a) 101.0 per cent. and (b) the Early Redemption Price, of the principal amount of the Bonds required to be redeemed by the Issuer as a result of a Change of Control Event;

an "**Early Redemption Price**" means:

(a) the arithmetic mean of the average asking price of the principal amount of the Bonds required to be redeemed by the Issuer as a result of a Change of Control Event on the relevant market(s) for the five consecutive business days in Seoul ending on the Determination Date (the "Average Bond Price"), as determined in good faith and in a commercially reasonable manner by the Independent Advisor; or

(b) if the Independent Advisor determines in good faith and in a commercially reasonable manner that it is unable to determine the Average Bond Price, the Fair Market Value (as defined in Condition 6(F)) of the principal amount of the Bonds required to be redeemed by the Issuer as a result of a Change of Control Event on the Determination Date,

divided by the principal amount of the Bonds required to be redeemed by the Issuer as a result of a Change of Control Event, expressed as a percentage.

The Issuer shall notify the Early Redemption Price to the Trustee and the Principal Agent in writing on the Determination Date;

a "**HD Group company**" means HD Hyundai Co., Ltd. or any member company of the "**HD Group**" as designated by the Fair Trade Commission of Korea as the enterprise group (referred to as "ki-up-jip-dan" in Korean) subject to the limitations on mutual investment in or by HD Hyundai Co., Ltd.;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Relevant Entity's board of directors or any other governing board and does not include the Relevant Entity's wholly-owned direct or indirect Subsidiaries;

"**Relevant Entity**" means the Issuer or HHI, as the case may be;

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Relevant Entity.

(E) Redemption for Delisting Event

Following the occurrence of a Delisting Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Delisting Event Put Date at their principal amount. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "Delisting Event Put Exercise Notice"), together with the Certificate evidencing the Bonds to be redeemed by not later than 21 days following a Delisting Event, or, if later, 21 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "Delisting Event Put Date" shall be the fourteenth day after the expiry of such period of 21 days as referred to above.

A Delisting Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Delisting Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Delisting Event Put Date.

Within seven days of becoming aware of the occurrence of a Delisting Event, the Issuer shall give notice thereof to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 11. The notice regarding the Delisting Event shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to this Condition. Such Notice shall also specify: (a) the date of such Delisting Event and, all information material to Bondholders concerning the Delisting Event; (b) the Delisting Event Put Date; (c) the last date by which a Delisting Event Put Exercise Notice must be given; (d) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Delisting Event Put right or Exchange Right; and (e) the information required by Condition 8(I).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Delisting Event or any event which could lead to a Delisting Event has occurred or may occur and neither the Agents nor the Trustee shall be responsible to the Bondholders or any other person for any loss arising from any failure by it to do so.

For the purposes of this Condition 8(E):

a "Delisting Event" occurs when the Shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange.

(F) Redemption at the Option of the Bondholders

On 4 May 2028 (the "Optional Put Date"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all, but not some, of such holder's Bonds on the Optional Put Date at their principal amount. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "Optional Put Exercise Notice"), together with the Certificate evidencing the Bonds to be redeemed, not earlier than 60 days and not later than 30 days prior to the Optional Put Date.

An Optional Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Optional Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Optional Put Date.

(G) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(H) Cancellation

All Bonds which are redeemed, exchanged or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(I) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (a) the Exchange Price as at the date of the relevant notice; (b) the last day on which Exchange Rights may be exercised; (c) the Closing Price and Current Market Price of the Shares on the latest practicable date prior to the publication of the notice; (d) the applicable redemption amount; (e) the date for redemption; (f) the manner in which redemption will be effected; (g) the aggregate principal amount of the Bonds outstanding (and Early Redemption Amount (if any)) as at the latest practicable date prior to the publication of the notice; and (h) such other information as the Trustee may require.

No notice of redemption given under Condition 8(B) or Condition 8(C) shall be effective if it specifies a date for redemption which falls during a Restricted Transfer Period.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions, and none of them shall be liable to the Issuer, any Bondholder or any other person for not doing so.

9. Taxation

All payments made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such

event, the Issuer shall pay such additional amounts ("Additional Tax Amounts") as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(i) *Other connection*: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or by the receipt of amounts in respect of the Bond; or

(ii) *Presentation more than 30 days after the Relevant Date*: (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or

(iii) to or on behalf of a holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Issuer to make such a declaration or claim, such holder fails to do so within 30 days; or

(iv) any combination of (i), (ii) or (iii) above.

"Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

"Relevant Jurisdiction" means the Republic of Korea or any political subdivision or any authority thereof or therein having power to tax.

References in these Conditions to principal or Early Redemption Amount (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, assessment, governmental charge, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable by any Bondholder, the Issuer or any other person or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder or any other person to pay such tax, duty, assessment, governmental charge, withholding or other payment and none of them shall be responsible to provide any notice or information in relation to the Bonds to any person or authority in connection with payment of such tax, duty, assessment, governmental charge, withholding or other payment.

10. Events of Default

If any of the following events (each, an "Event of Default") occurs, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in any such case to it being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become due and repayable at their principal amount to (subject as provided below and without prejudice to the right of Bondholders to exercise the Exchange Right in respect of their Bonds in accordance with Condition 6), if:

(i) *Non-Payment*: the Issuer fails to pay the principal or Early Redemption Amount (if any) of any of the Bonds and such failure to pay shall not have been remedied within 7 days of the due date of such payment; or

(ii) *Failure to deliver Shares and/or Exchange Property*: any failure by the Issuer to deliver any Shares and/or Exchange Property as and when the Shares are required to be delivered following Exchange of Bonds and if such failure to deliver shall not have been remedied within two Business Days of the due date of such delivery; or

(iii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if

capable of remedy, is not remedied within 60 days after written notice of such default shall have been given to the Issuer by the Trustee; or

(iv) *Insolvency*: (i) the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer or any of its Principal Subsidiaries and in any such cases, it is not resolved or discharged within 60 days; or (ii) an administrator or liquidator of the Issuer or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Issuer or any of its Principal Subsidiaries is appointed (or application for any such appointment is made); or

(v) *Cross-Default*: (a) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period or (c) the Issuer or any of its Principal Subsidiaries fails to pay when due (or within any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds U.S.$30 million or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity; or

(vi) *Enforcement Proceedings*: a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or

(vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary), or the Issuer or any of its Principal Subsidiaries ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(viii) *Security Enforced*: an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries, taken as a whole, and is not discharged within 30 days; or

(ix) *Authorisations and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of England is not taken, fulfilled or done; or

(x) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(xi) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(i) to 10(x) (both inclusive).

11. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register. Any such notice shall be deemed to have been given on the seventh day after being so mailed.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and such notice shall be deemed to be received by the Bondholders on the date of the delivery of such notice to Euroclear or Clearstream, Luxembourg or the Alternative Clearing System.

12. Prescription

Claims in respect of amounts due in respect of the Bonds shall be prescribed and become void unless made as required by Condition 7 within 10 years from the appropriate Relevant Date.

13. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer and the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. Meetings of Bondholders, Modification and Waiver

(A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if requested by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (a) to modify the maturity of the Bonds or the Optional Redemption Date, (b) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B), 8(C), 8(D) or 8(E), (c) to reduce or cancel the principal, Early Redemption Amount (if any) or default interest (if any) of the Bonds, (d) to change the currency of denomination or payment of the Bonds, (e) to modify (except by a unilateral and unconditional reduction in the Exchange Price) or cancel the Exchange Rights, or (f) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (i) a resolution passed at a meeting of Bondholders duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast at such meeting; (ii) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents communicated through the electronic communications systems of the relevant clearing

system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Bonds outstanding, shall, in each case, be as valid and effective as a duly passed Extraordinary Resolution. An Extraordinary Resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(B) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (a) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (together the "Documentation") which in the Trustee's opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or an error which, in the opinion of the Trustee, is proven and (b) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11.

(C) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

In the event of the passing of an Extraordinary Resolution as contemplated by Condition 14(A), or a modification, waiver or authorisation as contemplated by Condition 14(B), the Issuer will procure that the Bondholders are notified in accordance with Condition 11.

15. Enforcement

The Trustee may, at any time, at its sole discretion and without further notice, take any such actions and/or steps and/or institute any such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such actions, steps or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

16. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate from or any opinion or advice of any accountants, financial advisers, legal advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds or the Shares of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held or a resolution otherwise passed in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions of the Bondholders or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

17. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the issue price) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds). References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Bonds. Any further securities forming a single series with the Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

19. Governing Law and Submission to Jurisdiction

(A) Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(B) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds or the Trust Deed ("Proceedings") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(C) Agent for Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably appointed COGENCY GLOBAL (UK) LIMITED for the time being at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, United Kingdom to receive service of process in any Proceedings in England based on the Trust Deed and/or any of the Bonds.

FORM OF THE BONDS

Capitalised terms used in this Section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds."

The Global Certificate

The Bonds will be evidenced by the Global Certificate. The Global Certificate will be registered in the name of a nominee of, and deposited with, the common depositary (the "Common Depositary") for Euroclear and Clearstream who will credit their respective accountholders with the respective principal amounts of the individual interests represented by such Global Certificate. Such accounts will be designated initially by or on behalf of the Managers. Ownership of beneficial interests in the Global Certificate will be limited to persons who have accounts with Euroclear or Clearstream or persons who hold interests through such accountholders. Ownership of beneficial interests in the Global Certificate will be shown on, and the transfer of that ownership will be effected only through, the records maintained by Euroclear and Clearstream (with respect to interests of their respective accountholders) and the records of such accountholders (with respect to interests of persons other than such accountholders).

Payments of principal on the Global Certificate will be made to the Common Depositary or its respective nominee as the registered owner thereof. None of the Company, the Trustee, the Principal Agent, the Registrar or any custodian, transfer agent or registrar or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them will have any responsibility or liability for the accuracy of any of the records relating to, or payments made on account of, ownership interests in the Global Certificate or for any notice permitted or required to be given to holders of Bonds or any consent given or actions taken by such registered holders of Bonds. The Company expects that upon receipt of any payment of principal in respect of the Global Certificate representing any Bonds held by the Common Depositary or its nominee, as the case may be, the Common Depositary will immediately credit Euroclear and Clearstream with payments in amounts proportionate to their respective interests in the principal amount of such Global Certificate as shown on their respective records.

Transfers between accountholders in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

The laws of certain jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability of beneficial owners to own, transfer or pledge beneficial interests in the Global Certificate may be limited by such laws.

The exercise of the Exchange Right will be effected through participants in Euroclear and Clearstream in the ordinary way in accordance with their respective rules and operating procedures.

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between its respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Individual Definitive Certificates

In the event that (i) the Common Depositary or any successor to the Common Depositary notifies the Company in writing that it is at any time unwilling or unable to continue to act as a depositary and a successor depositary is not appointed by the Company within 90 days or (ii) Euroclear or Clearstream (or any other clearing system as shall have been designated by the Company and approved by the Trustee on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for

business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, the Company shall at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar as soon as practicable in sufficient quantities for completion, authentication and dispatch to the relevant Bondholders. A person with an interest in the Bonds in respect of which a Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as we and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

THE GLOBAL CERTIFICATE

The Global Certificate will contain provisions that apply to the Bonds in respect of which such Global Certificate will be issued, some of which modify the effect of the Conditions. Capitalised terms used in this Section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds." The following is a summary of provisions of the Bonds while in global form.

Payments

The Company will pay to the registered holder of the Bonds evidenced by a Global Certificate on such date as the same may become payable in accordance with the Conditions in respect of such Bonds as evidenced by such Global Certificate and otherwise to comply with the Trust Deed and the Conditions, save that the calculation will be made in respect of the total aggregate amount of the Bonds evidenced by the Global Certificate, together with such other sums and additional amounts (as described in "*Terms and Conditions of the Bonds—Taxation*") (if any) as may be payable under the Conditions, in accordance with the Conditions.

Payments of principal and default interest (if any) in respect of Bonds evidenced by a Global Certificate shall be made against presentation or, if no further payment is to be made in respect of the Bonds, against presentation and surrender of such Global Certificate to or to the order of the Paying Agent or such other paying agent as shall have been notified to the Bondholders for such purpose.

Meetings

The registered holder of the Bonds in respect of which a Global Certificate is issued will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.$100,000 in principal amount of the Bonds in respect of which the Global Certificate is issued.

Cancellation

Cancellation of the Bonds evidenced by a Global Certificate following its redemption, exchange or purchase by the Company or any of its subsidiaries which is required by the Conditions will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear, Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and such notices shall be deemed to have been given on the date such notices are delivered to Euroclear, Clearstream or the Alternative Clearing System, as appropriate.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances but without being obliged to do so, call for any certificate or other document to be issued by Clearstream or Euroclear (or any Alternative Clearing System on behalf of whom the Global Certificate may be held) as to the principal amount of Bonds evidenced by the Global Certificate standing to the account of any Bondholder. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding insofar as Bondholders are concerned for all purposes. The Trustee shall not be liable to any Bondholder or any other person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Clearstream or Euroclear (or any such Alternative Clearing System) and subsequently found to be forged or not authentic or not to be correct.

Exchange

Subject to the requirements of Euroclear and Clearstream or any Alternative Clearing System, the Exchange Right attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation to, or to the order of, the Principal Agent or any other Exchange Agent of one or more Exchange Notices duly completed by, or on behalf of, a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with any Exchange Agent together with the Exchange Notice(s) shall not be required. The exercise of the Exchange Right shall be notified by the Exchange Agent to the Registrar and the holder of the Global Certificate.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which a Global Certificate is issued shall be recognised as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

Bondholder's Redemption

The Bondholders' put options in Conditions 8(D), 8(E) and 8(F) of the Conditions may be exercised by the holder of the Global Certificate (acting upon instructions from the Bondholders) giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in the Conditions.

Redemption by the Company

The redemption at the option of the Company provided for in Condition 8(B) and 8(C) of the Conditions shall be notified by the Company to the Bondholders within the time limits set out in and containing the information required by Condition 8.

Registration of Title

Except in the limited circumstances described in the Global Certificate, certificates for individual Certificates will not be issued in exchange for the Bonds in respect of which the Global Certificate is issued.

Transfers

Transfers of interests in the Bonds with respect to which the Global Certificate is issued will be effected through the records of Euroclear and Clearstream or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream or any Alternative Clearing System and their respective accountholders.

BUSINESS

Overview

We, KSOE, are the intermediate holding company overseeing HD Hyundai Group's shipbuilding and offshore businesses, with our principal subsidiaries collectively forming a globally leading shipbuilding and heavy industries powerhouse. Originally established in 1973 as the shipbuilding arm of the Hyundai Group, we assumed our current structure following the split-off of HHI in June 2019, pursuant to which KSOE became the holding company. In this capacity, KSOE continues to lead the strategic direction, capital allocation, and investment activities of HD Hyundai Group's shipbuilding and related businesses. As of the date of this offering circular, we operate 26 subsidiaries, including three publicly listed companies.

Our business can be divided into the following five business units: (i) shipbuilding, (ii) offshore, industrial plant and engineering, (iii) engine and machinery, (iv) green energy, and (v) others.

- **Shipbuilding**: Our shipbuilding business designs, constructs and sells a broad range of commercial and specialised vessels, including crude oil tankers, product tankers, container ships, LNG carriers and naval vessels, as well as other high-value-added ships, and provides related ship design and construction services. Our shipbuilding activities cover the entire process from basic and detailed design to construction, outfitting, testing and delivery, and are focused on technologically advanced, fuel-efficient and environmentally compliant vessels that meet increasingly stringent international regulatory standards. We leverage our accumulated engineering expertise, production scale and project management capabilities to deliver customised vessels tailored to customer specifications and end-market requirements. We conduct our shipbuilding business primarily through HHI (into which HMD merged effective 1 December 2025), HD Hyundai Samho and HD Hyundai-Vietnam Shipbuilding Co., Ltd.
- **Offshore, Industrial Plant and Engineering**: Our offshore, industrial plant and engineering business provides integrated EPCIC solutions for offshore and onshore energy projects. Our activities include the design, fabrication, installation and commissioning of offshore structures and facilities, such as fixed platforms and other offshore structures, as well as the design and manufacture of FPUs, including FPSO units, and land-based modular plants. We execute projects on a turnkey or phased basis, drawing on our engineering capabilities, project management expertise and offshore installation experience to deliver customised solutions in accordance with client specifications and applicable regulatory and safety standards. We conduct our offshore, industrial plant and engineering business primarily through HHI.
- **Engine and Machinery**: Our engine and machinery business designs, manufactures and supplies a broad range of marine engines, including proprietary medium- and high-speed engines under the HiMSEN brand, as well as diesel power generation equipment and related machinery and systems. Our products are used primarily for vessel propulsion and onboard power generation, and also for selected industrial and offshore applications. We leverage our shipbuilding and engineering expertise, integrated manufacturing capabilities and after-sales support to deliver reliable, high-performance and fuel-efficient engine and machinery solutions that meet applicable technical and environmental standards. We conduct our engine and machinery business primarily through HHI and HD Hyundai Marine Engine.
- **Green Energy**: Our green energy business focuses on renewable and low-carbon energy solutions, including the development, manufacture and sale of solar modules, energy management and control systems and related components, as well as other renewable energy solutions and hydrogen fuel cell systems, including small-scale fuel cell applications. Through these activities, we provide integrated solutions supporting power generation, energy efficiency and system control across a range of applications, while selectively expanding our product portfolio in response to evolving market demand and regulatory frameworks. Our green energy business also complements our traditional shipbuilding and heavy industries operations by broadening our technological capabilities and supporting the global transition toward lower-carbon energy systems. We conduct our green energy business primarily through HD Hyundai Energy Solutions Co., Ltd.
- **Others**: Our others business comprises activities related primarily to research and development of future technologies and gas- and eco-friendly systems, as well as other

ancillary and emerging businesses. Through these activities, we conduct research, development and feasibility studies on next-generation technologies applicable to shipbuilding, offshore, industrial plant and engineering, engine and machinery and green energy solutions. These efforts include the development and integration of advanced gas-related systems, low- and zero-emission technologies, and environmentally sustainable solutions designed to enhance energy efficiency, reduce GHG emissions and support compliance with evolving international environmental regulations. This segment also supports our other core operating segments by providing technological innovation, system engineering capabilities and long-term growth options, and may expand or evolve as new technologies and market opportunities emerge.

Our core facilities are centred at HHI's Ulsan shipyard, one of the world's largest integrated shipbuilding complexes, which provides us with significant operational advantages through its advanced infrastructure and proximity to major regional industry clusters. In addition, we operate the Samho shipyard in Yeongam, Jeollanam-do through HD Hyundai Samho, which is located at a separate site and further enhances our production capacity and operational flexibility across vessel types. We also operate two overseas shipbuilding facilities in Vietnam (through HD Hyundai Vietnam Shipbuilding Co., Ltd., a joint venture with Vietnam Shipbuilding Industry Corporation (SBIC)) and the Philippines (through HD Hyundai Heavy Industries Philippines, Inc.), which serve as strategic hubs in Southeast Asia and provide a platform for the continued expansion and success of our overseas operations.

To maintain our global leadership, we leverage a HD Hyundai Group-wide integrated research and development platform that coordinates the activities of specialised institutes focused on maritime, engine and frontier technologies, supported by dedicated research personnel, proprietary testing and simulation capabilities, and collaborative programmes with affiliates, academic institutions and industry partners to accelerate innovation, technology commercialisation and long-term competitiveness. Leveraging advanced engineering capabilities and a strong focus on sustainability, HD Hyundai Group has developed competitive strengths in next-generation, eco-friendly propulsion technologies, including DF engines capable of operating on LNG and other lower-emission fuels, positioning us to respond to increasingly stringent environmental regulations and evolving customer demand for greener vessels.

For the years ended 31 December 2024 and 2025, our sales were Won 25,538.6 billion and Won 29,933.2 billion, respectively. We recorded operating profit of Won 1,434.1 billion and Won 3,904.5 billion for the years ended 31 December 2024 and 2025, respectively. As of 31 December 2025, we had total assets of Won 39,542.2 billion and total equity of Won 16,908.4 billion.

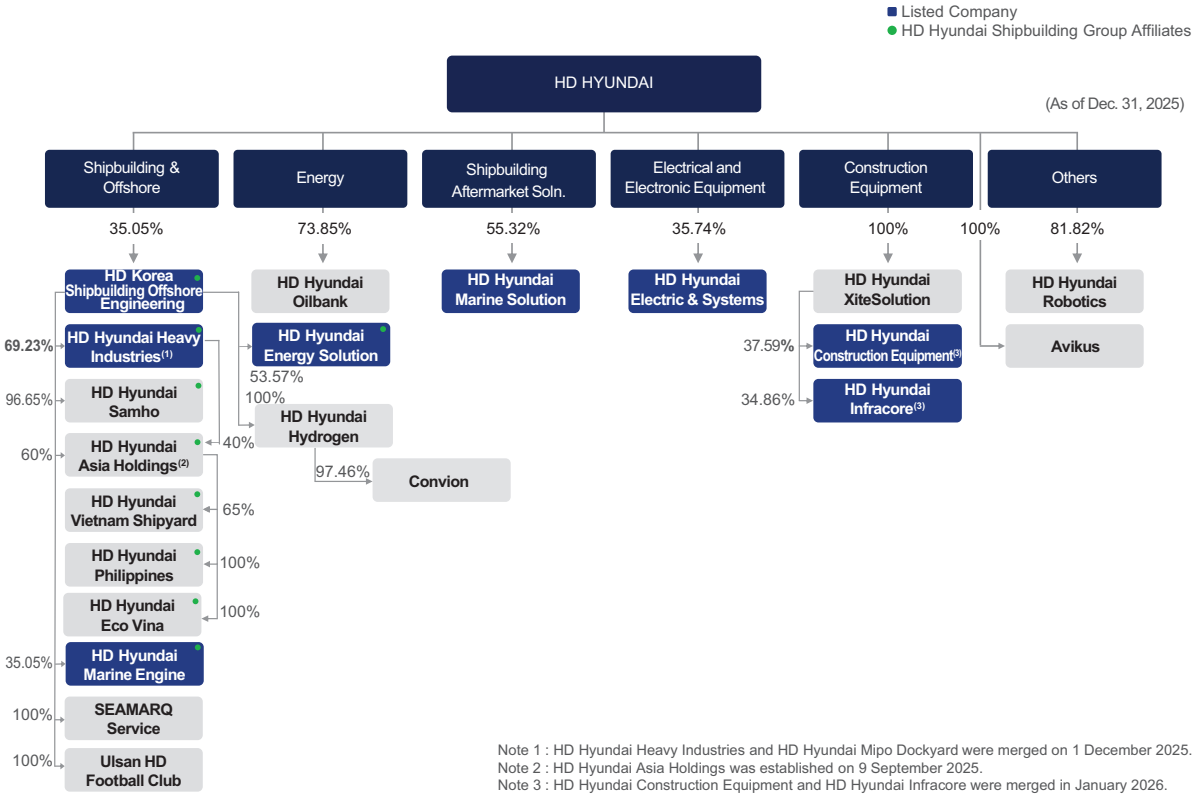
Our registered office and headquarters are located at 477 Bundangsuseo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea.

History

In 1973, our predecessor, Hyundai Heavy Industries Co., Ltd. ("Original Hyundai Heavy Industries"), was organised as the shipbuilding unit of the Hyundai Group. In 2002, the Hyundai Heavy Industries Group (now the HD Hyundai Group) was formed after its separation from the Hyundai Group. On 1 June 2019, the Original Hyundai Heavy Industries, then the flagship company of the Hyundai Heavy Industries Group, changed its legal name to Korea Shipbuilding & Offshore Engineering Co., Ltd. and split off its shipbuilding, offshore, industrial plant and engineering, and engine and machinery business divisions to create a reorganised, newly established standalone entity, HHI.

Following the split-off, KSOE evolved as the intermediate holding company overseeing HD Hyundai Group's shipbuilding and offshore businesses, operating a number of subsidiaries including HHI (into which HMD merged in December 2025) and HD Hyundai Samho. KSOE and its subsidiaries collectively build a wide range of commercial and special-purpose vessels, including LNG carriers, LPG carriers, container ships, oil and petrochemical carriers, offshore service vessels and naval platforms, supported by world-class facilities and extensive design and engineering expertise.

The following chart sets forth the organisational structure of the HD Hyundai Group as of 31 December 2025.



Note 1 : HD Hyundai Heavy Industries and HD Hyundai Mipo Dockyard were merged on 1 December 2025.
Note 2 : HD Hyundai Asia Holdings was established on 9 September 2025.
Note 3 : HD Hyundai Construction Equipment and HD Hyundai Infracore were merged in January 2026.

Our Strengths and Strategy

Our Strengths

We are a leading, fully integrated global shipbuilder with complementary in-house engine design and manufacturing capabilities spanning offshore plants, engines and machinery, and energy solutions. Serving more than 700 customers across 68 countries, we, along with our maritime subsidiaries in the HD Hyundai Group, provide comprehensive end-to-end solutions under a unified "One Team" operating model. The integrated platform encompasses the full lifecycle of vessel solutions, including engine development, design and shipbuilding, delivery, integration of smart-ship/ autonomous navigation technologies, and after-services.

Our shipbuilding operations include 12 large dry docks, among them the world's largest one-million-tonne dock, as well as 16 Goliath cranes that underpin our scale and production efficiency. In November 2025, we delivered our 5,000th vessel, a milestone that underscores our production track record and brand strength.

We leverage vast synergies across the HD Hyundai Group's shipbuilding group to drive cost competitiveness and operational responsiveness. Joint procurement and integrated operations across affiliates enhance purchasing power and supplier negotiations, while our in-house engine manufacturing capabilities reduce reliance on third-party suppliers, lower cost structures and accelerate the adoption of low- and zero-carbon propulsion technologies. These structural advantages position us to respond proactively to evolving regulatory standards, technological innovation and shifting customer requirements.

Our R&D focus is centred on designing low- and zero-carbon ships such as ammonia DF ships and LNG ships, alongside eco-friendly engine designs and advanced manufacturing processes. Through dedicated research centres, we continue to develop high-value vessels, energy-efficient vessels and next-generation engines. These capabilities position us to lead the structural transition toward eco-friendly, high-specification vessels and to capture long-term secular growth tailwinds in global shipbuilding.

Leading global shipbuilder

Established shipbuilding leader with strong market position and clear orderbook visibility

Since commencing shipbuilding operations in 1972, we have established a leading global presence anchored by one of the world's largest shipyards in Ulsan, Korea, capable of constructing a broad range of vessel types. Leveraging our scale and shipbuilding expertise, we hold a 10.7% global market share and a 46.4% domestic market share (excluding specialised vessels), both based on backlog as of December 2025 according to Clarksons and the Korea Offshore & Shipbuilding Association, respectively.

Our strong brand equity, built over more than five decades, has enabled us to maintain long-standing relationships with major global shipowners, underpinning a consistent track record of delivering premium vessels and meeting—often exceeding—annual order targets. In 2025, we achieved 111% of our US$16.6 billion shipbuilding order target, and, as of December 2025, our orderbook provides approximately 35 months of production coverage, extending into early 2029.

Robust new order momentum focused on eco-friendly, high-value-added vessels

We increased our 2026 shipbuilding order target to US$20.0 billion, a 20.9% increase from 2025, supported by favourable industry tailwinds and our competitive edge over other shipbuilders, particularly in eco-friendly and high-margin vessels. As of March 2026, we signed contracts for four LNG carriers totalling approximately US$1,016 million and four crude oil tankers valued at approximately US$358 million. Including these latest orders, we have secured orders for 37 new vessels totalling US$4.1 billion year-to-date, representing approximately 24% of our 2026 shipbuilding order target.

Strong momentum of new orders is driven by our strategic focus on high-value-added vessels, particularly ultra-large LNG carriers, ammonia-ready carriers and other eco-friendly vessels. This strategic reorientation towards technologically advanced, high-margin vessels has been a key driver of earnings growth and positions us at the forefront of the industry's transition toward low-carbon vessels. As of March 2026, our new orders primarily comprise eco-friendly and high-value-added vessels, including six LNG carriers, one LPG carrier and ten containerships.

Ideally positioned to capitalise on structural growth in the shipbuilding industry and the paradigm shift towards eco-friendly and high-value-added vessels

Unrivalled shipbuilding capabilities positioning us to benefit from the structural transition to eco-friendly, high-value-added vessels

We are well positioned to benefit from the industry's growth amid accelerating decarbonisation and stricter environmental regulations. The IMO has set a net-zero GHG target for shipping by 2050 and, in April 2025, approved a fuel standard as a technical measure and carbon levy as an economic measure. In parallel, from 2025, the European Union has applied the EU Emissions Trading System to the shipping industry and has implemented the FuelEU Maritime regulation, with stringent and escalating penalties for non-compliance. These regulatory developments are expected to accelerate demand for vessels powered by low- and zero-carbon fuels and emissions-reduction solutions. Leveraging our capabilities in green energy systems, eco-efficient propulsion and hydrogen transportation technologies, we are competitively positioned to meet this demand.

Well positioned to capture a significant share of new orders amid accelerating ageing-fleet replacement cycle and LNG production expansion

The global shipbuilding industry is entering a replacement cycle for ageing ships. Assuming an economic life of roughly 25 years, 50% to 70% of today's shipbuilding volume consists of the replacement of vessels ordered during the 2000s shipbuilding super-cycle. The confluence of ageing fleets and tighter environmental regulations is expected to materially increase demand for eco-friendly, energy-efficient and DF vessels as shipowners prioritise newer and greener ships to ensure long-term compliance and to avoid potential penalties. With our prominent leadership in eco-friendly vessel technologies, we are well positioned to capture a large share of the expanding orderbook.

Demand for LNG carriers is also expected to remain robust as global LNG supply capacity expands. The U.S. currently operates eight LNG export terminals, with export capacity projected to nearly double by 2031 compared with December 2025 levels, according to the U.S. Energy Information Administration. In addition, Mozambique resumed development of its US$20 billion LNG project in January 2026, targeting first LNG production by 2029. These developments are expected to support strong, multi-year demand for LNG carriers, a segment in which we maintain a leading global position.

Multilateral upside underpinned by HD Hyundai Group's group-wide synergies

Integrated "One Team" solution, enabling swift response to diverse customer needs

Under HD Hyundai Group's "One Team" framework, the group provides comprehensive one-stop solutions that span the full vessel lifecycle, including engine development, design and manufacturing, ship launching, maintenance, repair, servicing and retrofitting.

Our in-house shipbuilding R&D centre leads the development and design of new vessels and engines, providing vertically integrated capabilities across the product lifecycle. This model has built deep expertise in rapid design adaptation and accelerated integration of new technologies, enabling prompt and tailored responses to evolving customer requirements.

Our shipping business operates with strategic specialisation by vessel class to maximise efficiency and quality: the newly merged HHI focuses on large commercial vessels and medium-sized, specialised vessels, and HD Hyundai Samho concentrates on large container ships and LNG carriers. As vessels progress through later stages of their operational lifecycle, HD Hyundai Marine Solution provides emissions-reducing retrofit solutions and advanced digital control technologies that support compliance with tightening environmental regulations and enables more sustainable marine operations.

By delivering one-stop solutions across the full vessel lifecycle, HD Hyundai Group captures both shipbuilding and fleet-operations data. The group leverages these data to provide optimised, competitively priced technical services, strengthening customer lock-in and deepening long-term relationships across the entire vessel lifecycle—creating a virtuous cycle of service quality, retention and growth.

Cost efficiency driven by group-wide synergies and in-house engine business

Our integrated operating model delivers meaningful and durable cost advantages. Group-wide collaboration, including joint procurement of key raw materials and coordinated supply chain management, creates economies of scale and strengthens our negotiating position with suppliers, such as steel makers. This approach reinforces our competitive edge as an integrated one-stop shipbuilder. We have also established clear R&D governance across the group and formed domain specific professional groups to maximise the efficiency of R&D efforts and avoid duplicating efforts and costs.

We further achieve cost efficiencies through our in-house engine business. As an engine supplier, we reduce engine costs relative to our peers that outsource while swiftly adapting to emerging eco-friendly and carbon-free engine technologies.

Enhanced scale and growth capabilities through consolidation of HHI and HMD, maximising future growth opportunities

Maximise opportunities in global markets through unified scale and competitiveness

The unified entity is expected to broaden its market reach, accelerate participation in the commercial as well as naval defence segment, and enhance overall competitiveness. HHI already holds a substantial track record in ship construction and exports, while HMD's infrastructure provides the scale and flexibility needed to capture new contracts. The strategic business restructuring coincides with an expected upturn in Korean exports across maritime and industrial markets, which the newly merged entity is ideally positioned to capture.

Through this integration, the combined platform enhances scalability to accommodate larger order volumes during industry upcycles while maintaining flexibility to pivot toward naval and specialised vessel orders during market downturns, thereby mitigating exposure to shipbuilding cyclicality.

Integrate eco-friendly technology capabilities to scale innovation and capture special-purpose vessel market share

The combined shipbuilder plans to expand into special-purpose vessels such as icebreakers, where demand is rising with Arctic development, and capture new opportunities in the eco-friendly ship segment by integrating both companies' track records. The merged entity further aims to accelerate its technological edge by pre-emptively securing eco-friendly innovations.

Capture market share in the commercial ship sector by developing overseas yards, consolidating global capacities and optimising operational efficiency

The merged entity will strengthen its global reach by establishing an overseas investment corporation in Singapore in partnership with KSOE. The new entity will serve as a regional hub overseeing overseas production sites while also scouting new yards and partnerships. This move is aimed at increasing market share in the commercial ship sector such as bulk carriers and tankers. It also seeks to streamline decision-making processes to accelerate overseas business expansion and spearhead HD Hyundai Group's international growth strategy.

High-tech leader pioneering next-generation, eco-friendly ship technologies, driving sustained orderbook growth

Global leader in the development and construction of eco-friendly, high-value-added vessels and at the forefront of the zero-carbon transition

We are pioneering technologies across ammonia-fuelled, methanol-powered and hydrogen-carrier vessels. We focus our capabilities on developing not only low-carbon ships such as LNG DF and methanol DF vessels, but also zero-carbon fuel-powered ships using ammonia and hydrogen, which are being touted as fuels of the future.

We continue to focus on core R&D areas such as unmanned remote control technology and smart manufacturing systems. These investments have built a deep bench of design know-how and production capability, enabling us to incorporate new technologies quickly and respond to evolving customer requirements. As vessel technologies advance, our R&D and engineering capabilities will be increasingly critical to sustaining competitive differentiation.

Proven track record of leading the ESG transition across the maritime industry

Our innovation track record is evidenced by multiple industry firsts. In 2024, we delivered the world's first large, green methanol-powered container ship, which has a capacity of 16,200 TEU. We have also contracted to build the world's first mid-size ammonia-powered carrier, scheduled for delivery in 2026. Building on this momentum, in 2023 we entered agreements to construct the world's first four very large ammonia carriers ("VLACs") in collaboration with Capital Gas and EPS of Singapore, followed by four ammonia DF vessels in 2024.

World's largest engine manufacturer underpinned by decades of accumulated technology and production experience

Undisputed leader in marine engine manufacturing with major achievements in developing high-quality engines

Since launching its engine business in 1978, HHI has emerged as the world's largest marine engine maker on the back of a broad portfolio of 2-stroke and 4-stroke engines (HiMSEN engines). In 2024, we surpassed 15,000 cumulative HiMSEN units and further strengthened our engine manufacturing capabilities through the acquisition and rebranding of STX Heavy Industries as HD Hyundai Marine Engine. This acquisition expanded our production capacity for mid- and small-size marine engines and reinforced our capabilities in key engine components, including crankshaft and turbocharger. Our three core engine subsidiaries – HHI, HD Hyundai Engine Company and HD Hyundai Marine Engine – collectively form an integrated marine engine manufacturing platform that enhances production scalability and operational flexibility, positioning us to meet growing global demand. As of 2025, we believe we maintain leading global market positions in both 2-stroke and 4-stroke engines.

Pioneer in next-generation engine technologies, backed by a proven track record across development, certification and commercialisation

Our accumulated expertise underpins a strong innovation record. Our proprietary HiMSEN methanol engine was recognised as one of Korea's top 10 mechanical technologies, jointly selected by six leading mechanical industry associations including The Korean Federation of Mechanical Engineering Societies. In 2024, we developed the world's first ammonia DF engine, the HiMSEN H22CDF-LA, which utilises a high-pressure direct-injection system. In 2026, in collaboration with Swiss engine designer WinGD, we completed the first type-approval and factory-acceptance testing programme for an ammonia-fuelled 2-stroke marine engine—an important milestone toward the commercial deployment of ammonia propulsion technology.

Looking ahead, we will enhance leading-edge technologies for ammonia and hydrogen engines to reinforce our global leadership. We plan to scale production of eco-friendly engines to support industry decarbonisation and compliance with tightening maritime regulations. By increasing the output of LNG and LPG DF engines and commercialising ammonia engine technology, we plan to achieve a production share of 85% for eco-friendly 2-stroke engines and 65% for 4-stroke engines by 2027.

Robust top-line growth and enhanced profitability

Well positioned to deliver stable revenue growth and enhanced profitability, supported by strong credit metrics

We have delivered consistent revenue growth driven by robust new orders, leadership in eco-friendly and high-value-added vessel technologies that expand sales in their respective categories, and sustained productivity gains. On the back of these drivers, our revenue on a consolidated basis reached Won 29.9 trillion in 2025, up 17.2% year on year.

Operating margins have continued to expand, underpinned by production-efficiency initiatives and a deliberate shift in our backlog toward high-value-added, eco-friendly vessels—including LNG, LPG, and ammonia carriers, as well as ultra-large container ships. In 2025, our operating profit reached Won 3.9 trillion, a 172.3% increase from the prior year, and our operating margin rose to 13.0%, up 7.4 percentage points year on year, entering double-digit territory.

As of 2025, our net cash on a consolidated basis was Won 7,132 billion with a net borrowing ratio (defined as a ratio of net debt to shareholders' equity) of negative 42.2%, the lowest among Korea's top three shipbuilders. In November 2025, NICE Ratings, one of Korea's main credit rating agencies, assigned HHI an A+/Positive rating, higher than other Korean shipbuilders. These strong financial performance and credit metrics give us the flexibility to invest strategically and expand our business.

Our Strategy

Our mission is to bring the future closer to humanity by steering innovation and defying our limits in the global maritime industry. Based on our undisputed leadership as the world's premier shipbuilder and our first-mover advantage in high-value-added vessel technologies, we are executing a strategy designed to deliver sustainable topline growth and superior margin expansion. We believe our integrated ecosystem—spanning specialised R&D to large-scale production—positions us to fully capture the industry's future growth.

The global shipbuilding industry is undergoing a structural green-digital dual transition, driven by decarbonisation mandates and the need for greater operational efficiency. This transformation allows us to expand our strategic horizon both horizontally and vertically. Horizontally, the market is pivoting toward zero-emission propulsion, next-generation energy carriers and a broader global maritime footprint. Vertically, the industry is integrating advanced technologies across the value chain, from high-value marine engines and AI-enabled autonomous navigation to smart shipyards.

We are uniquely positioned to lead this transition as the world's premier shipbuilder and offshore engineering provider. Leveraging unmatched R&D depth and large-scale production, we set the industry standard for the "Green Wave" and the future of maritime mobility. Our strategic leadership is reinforced by the expansion of our global production hubs for both commercial and naval vessel construction. Furthermore, our integrated ecosystem—combining proprietary engine technologies with

group-wide digital maritime solutions—keeps us at the forefront of a sustainable ocean economy while transitioning our production facilities into next-generation smart shipyards.

Spearhead global maritime modernisation and production optimisation through strategic partnerships

We are the trusted partner for commercial vessel modernisation across global markets

By leveraging our technological leadership in commercial shipbuilding, we aim to position ourselves as the primary partner for the accelerating global vessel modernisation cycle. This expansion is aligned with surging demand for digitised, eco-friendly and modernised vessels. Our global expansion framework begins with strategic partnerships with local industrial leaders and progresses to deeper localisation through integrated regional shipyards.

As a preferred technical partner for global shipyards, we fuse our excellence with local infrastructure to capture regional modernisation demand. Central to this strategy is the replication of HMD's high-efficiency, cost-effective Vietnam shipyard model. Building on this blueprint, we will establish localised manufacturing hubs to optimise operating costs and meet surging demands in high-growth regions.

In June 2025, HD Hyundai Group signed an MOU with Edison Chouest Offshore (ECO), a vertically integrated U.S. based vessel operator with in-house shipyard capacity. Under this partnership, we will play a key role in combining our technological leadership with ECO's established U.S. shipyard infrastructure, providing vessel designs, equipment procurement and technology transfer. The parties have also discussed detailed cooperation plans and an operational framework for the joint construction of medium-sized LNG DF containerships under this partnership.

We are further reinforcing our role as the preferred partner for vessel modernisation in India, Morocco and Saudi Arabia, by acting as a joint equity investor or lead operator of strategic manufacturing facilities. These initiatives integrate our engineering and production expertise with local partners to deliver turnkey solutions and capture emerging market demands. Each localised yard is designed to optimise operating costs and serve as a regional production hub for high-growth markets across India, Africa and the Middle East.

We are powering our global naval presence with premier technology and scalable infrastructure

We are scaling our global naval footprint by capitalising on our presence in naval vessel construction. To capture expanding demand, we established a unified defence platform through the merger of HHI and HMD in December 2025. This consolidation integrates HHI's premier Aegis-class design expertise with HMD's advanced medium-sized vessel manufacturing capabilities, creating a highly specialised and versatile defence powerhouse. As part of this strategic alignment, we are converting two HMD docks exclusively for naval production, bringing the total to five dedicated naval docks. This expanded industrial base underpins our roadmap to scale annual defence (including special purpose vessels) revenue from current levels of Won 1.1 trillion to a target of Won 10 trillion by 2035.

Based on our technological superiority and scale, HHI formalised a milestone strategic partnership with Huntington Ingalls Industries, the largest U.S. defence shipbuilder, in October 2025. Through this alliance, we aim to jointly design next-generation auxiliary ships and integrate high-efficiency manufacturing methodologies into the U.S. defence supply chain.

Following our successful certification for the Master Ship Repair Agreement (MSRA), HHI has demonstrated strong execution in the U.S. Navy MRO projects. Key project milestones include the successful completion of the USNS Alan Shepard overhaul and a subsequent award for the USNS Cesar Chavez in 2026. Building on this momentum, we are exploring strategic joint investments to acquire or establish U.S. based shipyards, a localisation strategy designed to cement HHI as the primary allied partner for the re-industrialisation of the U.S. naval sector.

Our influence in the international naval market continues to expand beyond the U.S. market, recently highlighted by our selection as the strategic partner for the Peruvian Navy's modernisation programme. Building on this, HHI signed a Joint Development Agreement (JDA) with state-owned

shipyard SIMA to co-develop a next-generation submarine. Furthermore, we have further enhanced our global competitiveness in December 2025 by securing a US$578 million agreement to deliver two advanced frigates to the Philippines, reinforcing our status as a dominant exporter of naval technology.

We are actively preparing for shipyard acquisitions and modernisation of global facilities

Established in September 2025, HD Hyundai Asia Holdings serves as the global control tower and strategic nexus for our global expansion strategy, providing a centralised platform for capital deployment and cross-border investment management.

Backed by KSOE and HHI's cash injection of US$371 million, HD Hyundai Asia Holdings is tasked with the execution of international M&A and the operational oversight of overseas shipyard subsidiaries. By acquiring and modernising shipyards worldwide, we are allocating capital with maximum efficiency across our expanding footprint to position us to capture the rising demand for both commercial and naval vessels. This centralised platform will strengthen our ability to scale globally and support our leadership within the broader shipbuilding industry.

Sustain unparalleled leadership in eco-friendly vessel technologies

Our proprietary DF engine solution HiMSEN will capture a leading share of the global shift towards decarbonisation

We are widening our technological moat within the high-value-added shipbuilding sector by scaling HHI's proprietary DF engine solutions to meet the global shift toward decarbonisation. This strategy focuses on the continuous advancement of DF engine systems capable of utilising LNG, LPG and methanol, alongside expanding engine output to capture a larger share of the mega-containership and VLCC markets.

HHI's proprietary engine brand, HiMSEN, currently commands a 35% global market share in the marine medium-speed engine segment. Leveraging HHI's state-of-the-art HiMSEN methanol DF engine, which is recognised among Korea's top 10 mechanical technologies, we are well-positioned to sustain this dominance in eco-friendly vessel technologies as shipowners increasingly prioritise green-propulsion vessels to meet regulatory requirements.

Cross-entity synergies between our core engine subsidiaries will strengthen our undisputed leadership in eco-friendly vessel technologies

To solidify this lead, we are orchestrating a centralised, vertically integrated strategic production system to harmonise operations across our three core engine subsidiaries: HHI, HD Hyundai Marine Engine and HD Hyundai Engine Company. By consolidating mission-critical functions—including global sales, raw material procurement and engineering design—we will realise significant economies of scale and structural cost reductions.

Driven by these cross-entity synergies, we will fully utilise the engine manufacturing capacities of our subsidiaries to strengthen our leadership within the eco-friendly vessel technologies. We aim to increase the share of green engines to 85% of total 2-stroke production volume and 65% of total 4-stroke production volume by 2027. Leveraging our cross-entity expertise and synergy within the green propulsion engine market, we are well-positioned to lead the multi-decade maritime energy transition.

Transcend traditional manufacturing boundaries to become the 'First Mover' in next-gen carbon-free vessel technologies

We will redefine our identity as a high-value-added engineering house, shifting from a traditional manufacturing company into a technology-centric IP powerhouse

Leveraging eco-friendly propulsion solutions spanning direct-drive (mechanical), hybrid and full-electric propulsion systems, together with robust system integration capabilities, our EP business unit will support our leading position in the electrification market. By offering a full line-up of eco-friendly propulsion solutions, we enable shipowners to match their propulsion systems with specific operational requirements and regulatory timelines.

We are fortifying our industrial margins and supply chain resilience by internalising critical green technologies through our SD division. Since its establishment in 2022, the SD division has successfully

internalised the design and production of fuel gas supply systems ("FGSS") and advanced emission-reduction units. By owning the IP for these high-value components, we are effectively reducing dependency on third-party suppliers and securing a definitive cost advantage in the high-margin eco-friendly vessel segment.

We have a detailed technology roadmap for next-gen green engine technologies

We are strategically diversifying our green technology portfolio by pivoting beyond current DF standards toward the next frontier of zero-carbon propulsion including ammonia and hydrogen propulsion systems. We are establishing a first-mover advantage in the carbon-free propulsion market by successfully commercialising the world's first large-scale ammonia engines and securing a full-spectrum hydrogen roadmap.

Anchoring this roadmap is the HiMSEN H32CDF-LA, a 5.4 MW, high-pressure, direct-injection ammonia DF engine that enables zero-carbon auxiliary power for large vessels. With commercialisation planned, deployments into the VLAC market will position us to meet the maritime industry's stringent decarbonisation mandates ahead of peers.

In parallel, we are also advancing our hydrogen-combustion technology towards 100% pure hydrogen engines. We aim to commercialise the 100% hydrogen engine HiMSEN H35CG-H by 2030, which will reinforce long-term technical leadership in a zero-carbon economy.

Reinforce manufacturing competitiveness through the establishment of smart shipyards

Our autonomous evolution in the shipyard will enable us to meet the multi-decade maritime modernisation cycles

We are executing a comprehensive roadmap to complete our Future of Shipyard ("FOS") initiative by 2030, transitioning our facilities into fully intelligent, autonomous manufacturing hubs. This data-driven operating model utilises AI-driven deep learning and real-time sensor control to optimise shipyard logistics and equipment utilisation without human intervention. We have set clear performance targets for this transition, aiming to achieve a structural 30% increase in productivity and a 30% reduction in total construction duration.

To achieve our FOS initiative, we are establishing an integrated design-to-manufacturing platform in partnership with Siemens. Utilising the Siemens Xcelerator platform, we will unify historically siloed CAD (computer-aided design), PLM (product lifecycle management) and manufacturing data into a single digital backbone. This allows for real-time synchronisation between design changes and the production floor, ensuring that technical modifications are instantly reflected in manufacturing instructions to eliminate costly rework and maximise execution speed. Set for a phased rollout starting in 2026, this platform serves as the foundational infrastructure for our FOS initiative.

To de-risk labour-intensive production sequences, we are deploying AI-powered collaborative robots ("cobots") and high-precision automation across core welding and assembly stages. As of February 2026, our shipyards operated 211 industrial cobots, representing a 63.6% growth from the previous year. This expansion is a critical tactical pillar designed to enhance manufacturing stability, shorten vessel lead times and insulate the cost base from a declining domestic skilled-labour pool and rising regional wages.

Lead vessel intelligence paradigm by leveraging group-wide digital capabilities

We will function as the control tower for group-wide R&D capabilities

In November 2025, our AI Center and Digital Transformation Innovation Office have been consolidated into the AIX Initiative Office, which will be a dedicated control tower directly reporting to the CEO. Comprising of approximately 200 elite AI engineers and software developers as of March 2026, the AIX Initiative Office will serve as the primary governing body for AI technical standards.

By elevating our AI capabilities to a HQ-level function, we are unifying AI implementation across all core business segments including shipbuilding and robotics. This will ensure that we secure consistent technological edge throughout the global maritime and industrial landscape.

Supported by group-wide technological synergies, we are progressing from a traditional manufacturer to a total digital solutions provider

We are spearheading the maritime industry's transition toward software-defined intelligent vessels by integrating an end-to-end digital ecosystem led by the wider HD Hyundai Group's subsidiaries, HD Hyundai Marine Solution and Avikus. This total digital solution framework leverages proprietary AI and big data analytics to unify historically siloed vessel operations into a centralised, intelligent control system.

Avikus is consolidating its global leadership in autonomous navigation through the commercialisation of its HiNAS 2.0 system. In January 2026, Avikus secured an industry-record contract to supply autonomous navigation technology to 40 Hyundai Merchant Marine (HMM) vessels, marking the definitive shift from technical validation to large-scale commercial adoption in the global merchant fleet.

HD Hyundai Marine Solution's OceanWise platform is the wider HD Hyundai Group's primary technological lever for vessel decarbonisation and optimum route planning. Utilising AI and deep-learning algorithms, OceanWise calculates the most fuel-efficient routes by analysing real-time weather data and sea conditions. Performance tests have verified an average fuel savings of 5.3%, translating to an estimated Won 350 million in annual cost reductions per large vessel using 10,000 tonnes of fuel annually.

HD Hyundai Marine Solution's digital solutions, comprising HiEMS, HiCBM and HiCAMS, provide real-time monitoring and active control of the vessel. Unlike route-planning software, these solutions ensure operational stability and proactive safety management of the vessel's internal systems through high-frequency data analytics and AI-driven diagnostics.

By institutionalising an integrated maritime ecosystem, we are progressing from a traditional manufacturer to a total digital solutions provider, delivering proactive safety and operational excellence. Supported by groupwide technology synergies, we believe we can become an industry leader in the vessel intelligence paradigm shift.

Our Business Segments

We operate the following five business units: (i) shipbuilding, (ii) offshore, industrial plant and engineering, (iii) engine and machinery, (iv) green energy, and (v) others:

Business	Operating Entities	Main Products and/or Services
Shipbuilding	HD Korea Shipbuilding & Offshore Engineering Co., Ltd., HD Hyundai Heavy Industries Co., Ltd., HD Hyundai Samho Co., Ltd., HD Hyundai E&T Co., Ltd., HD Hyundai M&S Co., Ltd., HD Hyundai-Vietnam Shipbuilding Co., Ltd., HD Hyundai Heavy Industries Philippines, Inc.	Crude oil tankers, container vessels, refined petroleum product tankers, LNG carriers, naval vessels, etc.
Offshore, Industrial Plant and Engineering	HD Hyundai Heavy Industries Co., Ltd., HHI MAURITIUS LIMITED, Hyundai Arabia L.L.C., Hyundai Heavy Industries Argentina S.R.L.	Offshore structure fabrication and installation, floating oil production facilities, etc.
Engine & Machinery . . .	HD Hyundai Heavy Industries Co., Ltd., HD Hyundai Marine Engine Co., Ltd., HD Hyundai Crankshaft Co., Ltd., HD Hyundai Engine Company Ltd., Hyundai Heavy Industries Miraflores Power Plant Inc., STX HI Malaysia Sdn. Bhd.	Marine engines, diesel power generation equipment, etc.

Business	Operating Entities	Main Products and/or Services
Green Energy	HD Hyundai Energy Solutions Co., Ltd., HD Hydrogen Co., Ltd., HD Hyundai Energy Solutions America Inc., Convion OY	Solar modules, control systems, renewable energy, small fuel cells, etc.
Others	HD Korea Shipbuilding & Offshore Engineering Co., Ltd., HD Hyundai Heavy Industries Co., Ltd., HD Ulsan Hyundai Football Club Co., Ltd., Seamarq Service Co., Ltd., AMC Sciences Co., Ltd., Pontos Investment LLC, HD Hyundai Asia Holdings PTE. Ltd., HD Hyundai Technology Center India Private Limited, HD Hyundai Europe Research and Development Center GmbH, HD Hyundai Eco Vina Co., Ltd.	Research and development of future technologies, gas and eco-friendly systems, etc.

The following table sets forth a breakdown of our sales by business unit for the periods indicated:

	Year Ended 31 December			
	2024		2025	
	Won	%	Won	%
	(In billions of Won, except percentages)			
Shipbuilding	₩23,192.1	90.8	₩26,402.9	88.2
Offshore, Industrial Plant and Engineering	659.7	2.6	1,245.1	4.2
Engine and Machinery	3,303.6	12.9	4,285.8	14.3
Green Energy	452.4	1.8	650.2	2.2
Others	661.6	2.6	1,598.9	5.3
Consolidated adjustment(1)	(2,730.8)	(10.7)	(4,249.7)	(14.2)
Total	₩25,538.6	100.0	₩29,933.2	100.0

Note:

(1) Consolidation adjustments consist of the elimination of inter-segment transactions and unrealised gains and losses, as well as the recognition of equity method accounting for investments in associates and joint ventures.

The following table sets forth a breakdown of our operating profit (loss) by operating segment for the periods indicated:

	Year Ended 31 December			
	2024		2025	
	Won	%	Won	%
	(In billions of Won, except percentages)			
Shipbuilding	₩1,507.5	105.1	₩3,314.9	84.9
Offshore, Industrial Plant and Engineering	(99.2)	(6.9)	138.0	3.5
Engine and Machinery	372.1	25.9	774.6	19.8
Green Energy	(12.5)	(0.9)	39.7	1.0
Others	(241.0)	(16.8)	381.4	9.8
Consolidated adjustment(1)	(92.8)	(6.5)	(744.1)	(19.1)
Total	₩1,434.1	100.0	₩3,904.5	100.0

Note:

(1) Consolidation adjustments consist of the elimination of inter-segment transactions and unrealised gains and losses, as well as the recognition of equity method accounting for investments in associates and joint ventures.

Shipbuilding Business

Our shipbuilding business designs, constructs and sells a broad range of commercial and specialised vessels, including crude oil tankers, product tankers, container ships, LNG carriers and naval vessels, as well as other high-value-added ships, and provides related ship design and construction services. Our shipbuilding activities cover the entire process from basic and detailed design to construction, outfitting, testing and delivery, and are focused on technologically advanced, fuel-efficient and environmentally compliant vessels that meet increasingly stringent international regulatory standards. We leverage our accumulated engineering expertise, production scale and project management capabilities to deliver customised vessels tailored to customer specifications and end-market requirements.

On a standalone basis, KSOE does not directly engage in shipbuilding activities. Instead, it conducts functions relating to the marketing and sales of new shipbuilding orders and engages in ship equipment and related businesses. Accordingly, while KSOE performs marketing and sales activities in connection with new shipbuilding orders, the actual construction of vessels is carried out through its subsidiaries.

The primary subsidiaries engaged in our shipbuilding business include HHI, HD Hyundai Samho, HD Hyundai E&T Co., Ltd., HD Hyundai-Vietnam Shipbuilding Co., Ltd. and HD Hyundai Heavy Industries Philippines, Inc.

The main products of our shipbuilding business include commercial vessels including LNG carriers, LPG carriers, tankers, containerships, naval and special vessels and eco-friendly vessels, among others. For further details on our shipbuilding products, see "*HHI's Business—HHI's Business Units and Products—Shipbuilding Business*."

Offshore, Industrial Plant and Engineering Business

Our offshore, industrial plant and engineering business provides integrated EPCIC solutions for offshore and onshore energy projects. Our activities include the design, fabrication, installation and commissioning of offshore structures and facilities, such as fixed platforms and other offshore structures, as well as the design and manufacture of FPU, including FPSO units, and land-based modular plants. We execute projects on a turnkey or phased basis, drawing on our engineering capabilities, project management expertise and offshore installation experience to deliver customised solutions in accordance with client specifications and applicable regulatory and safety standards.

The primary subsidiaries engaged in our offshore, industrial plant and engineering business include HHI, HHI MAURITIUS LIMITED and Hyundai Arabia L.L.C.

The main products and services of our offshore, industrial plant and engineering business include fabrication and installation of offshore structures, including floating oil production facilities, and industrial plan and engineering, among others. For further details on our products and services, see "*HHI's Business—HHI's Business Units and Products—Offshore, Industrial Plant and Engineering Business*."

Engine and Machinery Business

Our engine and machinery business designs, manufactures and supplies a broad range of marine engines, including proprietary medium- and high-speed engines under the HiMSEN brand, as well as diesel power generation equipment and related machinery and systems. Our products are used primarily for vessel propulsion and onboard power generation, and also for selected industrial and offshore applications. We leverage our shipbuilding and engineering expertise, integrated manufacturing capabilities and after-sales support to deliver reliable, high-performance and fuel-efficient engine and machinery solutions that meet applicable technical and environmental standards.

The primary subsidiaries engaged in our engine and machinery business include HHI, HD Hyundai Marine Engine, HD Hyundai Crankshaft Co., Ltd., HD Hyundai Engine Company Ltd., Hyundai Heavy Industries Argentina S.R.L, Hyundai Heavy Industries Miraflores Power Plant Inc. and STX HI Malaysia Sdn. Bhd.

The main products of our engine and machinery business include (i) 2-stroke engines, (ii) 4-stroke engines (HiMSEN engines), (iii) HiMSEN propulsion systems, (iv) propeller and shaft systems, (v) engine power plants, (vi) NoNOx selective catalytic reduction ("SCR") systems, (vii) ballast water treatment systems ("BWTS") and (viii) LNG FGSS (Hi-GAS). For further details on our products, see "*HHI's Business—HHI's Business Units and Products—Engine & Machinery Business*."

Green Energy Business

Our green energy business focuses on renewable and low-carbon energy solutions, including the development, manufacture and sale of solar modules, energy management and control systems and related components, as well as other renewable energy solutions and hydrogen fuel cell systems, including small-scale fuel cell applications. Through these activities, we provide integrated solutions supporting power generation, energy efficiency and system control across a range of applications, while selectively expanding our product portfolio in response to evolving market demand and regulatory frameworks. Our green energy business also complements our traditional shipbuilding and heavy industries operations by broadening our technological capabilities and supporting the global transition toward lower-carbon energy systems.

The primary subsidiaries engaged in our green energy business include HD Hyundai Energy Solutions Co., Ltd., HD Hydrogen Co., Ltd., HD Hyundai Energy Solutions America Inc. and Convion OY.

Others

Our "others" business comprises activities related primarily to research and development of future technologies and gas- and eco-friendly systems, as well as other ancillary and emerging businesses. Through these activities, we conduct research, development and feasibility studies on next-generation technologies applicable to shipbuilding, offshore, industrial plant and engineering, engine and machinery and green energy solutions. These efforts include the development and integration of advanced gas-related systems, low- and zero-emission technologies, and environmentally sustainable solutions designed to enhance energy efficiency, reduce GHG emissions and support compliance with evolving international environmental regulations. This segment also supports our other core operating segments by providing technological innovation, system engineering capabilities and long-term growth options, and may expand or evolve as new technologies and market opportunities emerge.

At the standalone level and as part of its "others" business, KSOE conducts EP (Eco Propulsion) business, which focuses on the development of electrification technologies, including hybrid and electric propulsion systems, and provides integrated environmentally friendly solutions for vessel propulsion systems. In addition, through its SD (System Engineering & Digitalisation/Decarbonisation) business, KSOE develops gas processing solutions that enable the use of next-generation environmentally friendly energy sources as marine fuel, and designs and manufactures systems to reduce carbon emissions during vessel operations, as well as storage tanks for environmentally friendly fuels. KSOE also engages in research and development relating to future technologies for next-generation environmentally friendly vessels.

The primary subsidiaries engaged in our "others" business include HHI, Ulsan HD Football Club Co., Ltd, Seamarq Service Co., Ltd., AMC Sciences Co., Ltd., Hyundai Samho Heavy Industries Panama, Inc., Pontos Investment LLC, HD Hyundai Technology Center India Private Limited and HD Hyundai Europe Research and Development Center GmbH.

New Orders and Order Backlogs

Our new orders and order backlog are closely related to our future sales. The order backlog represents the amount of work remaining to be performed under contracts that have been awarded but not yet completed. Contract value reflects the consideration we expect to receive under a contract, assuming performance in accordance with its terms.

We include a project in our order backlog when a contract is awarded or a firm order commitment is obtained. The backlog amount for each contract is reduced over time in proportion to the work performed. Accordingly, our order backlog at any given date represents the aggregate contract value of

orders not yet completed, less net sales already recognised in respect thereof. We predominantly apply the percentage-of-completion method for revenue recognition in our shipbuilding and construction-related businesses, including offshore, industrial plant and engineering business. Sales in our shipbuilding and offshore, industrial plant and engineering businesses are, in most cases, subject to a "heavy-tail" payment structure. New orders for a given period represent the order backlog at the end of the period, less the order backlog at the beginning of the period, plus sales recognised during the period. We maintain records of new orders and order backlog primarily in Korean Won.

Due to the nature of our business, contracts often require several months or, in some cases, several years to complete, resulting in a timing difference between contract award and the full recognition of related sales. In addition, under the percentage-of-completion method, recognised sales are affected by costs incurred, and period-to-period sales may fluctuate depending on project mix and the timing of cost recognition in a given reporting period. As a result, sales recognition may not occur evenly over the life of a project, and if costs incurred during a particular period are relatively low compared to estimated total contract costs, the corresponding sales recognised during that period would also be lower.

As of 31 December 2025, our order backlog amounted to Won 82,236.9 billion, consisting of Won 70,801.6 billion attributable to our shipbuilding business and Won 2,445.1 billion to our offshore, industrial plant and engineering business. The level of our order backlog provides management with a useful basis for projecting future sales and planning ongoing operations.

The following table sets forth a breakdown of our new orders obtained and our backlogs from sales contracts by business unit for the dates indicated:

	As of or for the year ended 31 December 2024							
	Beginning of the year backlog		New orders		Sales[1]		End of the year backlog	
	Won	%	Won	%	Won	%	Won	%
	(In billions of Won, except percentages)							
Shipbuilding	₩60,389.8	89.8	₩33,849.7	81.0	₩22,070.9	86.4	₩72,168.7	86.4
Offshore, Industrial Plant and Engineering	2,011.1	3.0	2,277.1	5.4	658.4	2.6	3,629.7	4.3
Others	4,880.3	7.2	5,699.7	13.6	2,870.0	11.0	7,710.0	9.3
Total	₩67,281.3	100.0	₩41,826.5	100.0	₩25,599.3	100.0	₩83,508.5	100.0

Note:

(1) Does not include share of profit (loss) of associates and joint ventures.

	As of or for the year ended 31 December 2025							
	Beginning of the year backlog		New orders		Sales[1]		End of the year backlog	
	Won	%	Won	%	Won	%	Won	%
	(In billions of Won, except percentages)							
Shipbuilding	₩72,168.7	86.4	₩23,669.4	82.6	₩25,036.5	83.6	₩70,801.6	86.1
Offshore, Industrial Plant and Engineering	3,629.7	4.3	58.9	0.2	1,243.6	4.2	2,445.1	3.0
Others	7,710.0	9.3	4,941.1	17.2	3,661.0	12.2	8,990.2	10.9
Total	₩83,508.5	100.0	₩28,669.4	100.0	₩29,941.0	100.0	₩82,236.9	100.0

Note:

(1) Does not include share of profit (loss) of associates and joint ventures.

We believe our backlogs are a key indicator of our future sales. Historically, we have experienced little variation between projected sales amounts reported in our backlogs and the actual sales amounts. However, customer orders may be subject to cancellations, terminations or modifications and contain other terms and conditions customary in the industry, and implementation of a project may be delayed due to

various factors including those beyond our control, which could prevent or delay our order backlogs from being converted into sales. Also, as delivery dates could be extended on certain orders, there can be no assurance that our reported backlogs will convert into sales in any particular period, if at all.

Sales and Marketing

Our sales and marketing efforts are driven by our reputation, experience and long-standing relationships with our customers.

Shipbuilding Business

In our shipbuilding business, we enter into sales contracts directly with shipowners and construct vessels primarily on a made-to-order basis. Sales are carried out pursuant to product supply agreements, with consideration typically settled in cash or on agreed credit terms, and, in certain cases, through consignment arrangements. Payment structures generally consist of instalment payments linked to construction milestones, progress payments and payments upon delivery.

Our shipbuilding sales strategy is centred on the development of environmentally friendly and high-efficiency vessel designs intended to address evolving regulatory requirements and customer demand, stimulate replacement of ageing fleets and support newbuilding demand. In addition, we seek to strengthen long-term relationships with major shipowners, enhance marketing and promotional activities, differentiate our offerings through technological capabilities and maintain the market-leading position of our shipbuilding products while expanding market share.

Offshore, Industrial Plant and Engineering Business

In our offshore, industrial plant and engineering business, we enter into contracts directly with major domestic and international private and state-owned oil and gas companies and also undertake subcontracting work for leading international EPC contractors. Projects are generally executed on a made-to-order basis under lump-sum EPC contracts or supply agreements, with consideration settled in cash or on agreed credit terms. Payment structures typically consist of progress payments and instalment payments linked to project milestones.

Our business strategy focuses on securing price and technical competitiveness through cost efficiency initiatives, including diversification of fabrication yards, localisation and standardisation of production processes and the development of new suppliers, as well as leveraging experience gained from executing multiple projects. We also establish strategic partnerships with local companies to support participation in projects led by major national oil companies, implement project risk management and schedule control measures to enhance customer satisfaction and concentrate sales efforts on strategic regions, including the Middle East, the Americas, Southeast Asia and Europe.

Engine and Machinery Business

In our engine and machinery business, we sell products directly to end users and through agents. In the engine power generation segment, we work with power utilities and domestic and international public and private power developers, as well as EPC contractors, in connection with self-generation facilities, and participate in sole or joint bids with mine developers and industrial plant owners. Products are generally manufactured on a made-to-order basis, with payment terms typically consisting of progress payments and payments upon delivery.

Our business strategy focuses on strengthening cooperation with major domestic shipyards in connection with orders for vessels utilising environmentally friendly fuels and expanding sales of LNG-, methanol- and ammonia-fuelled engines. We concentrate overseas sales efforts in response to increasing adoption of LNG carriers and eco-friendly engines, expand the market for main and auxiliary engines for carbon-neutral and low-carbon fuel propulsion and increase market share through package sales combining engines with environmental equipment, such as SCR systems. In addition, we seek to expand participation in gas and DF engine projects and hybrid solutions, enhance customer coverage in emerging markets including Vietnam and Singapore, pursue follow-on orders for emergency diesel generators (“EDG”) for nuclear power plants, expand EPC contracts in core markets, strengthen sales of high-output engines, including the H54DF model, in line with the increasing scale of power plants, and enhance order-winning capabilities in the small-scale distributed power generation market.

Green Energy Business

In our green energy business, we sell products directly to end users and through distributors and agents and enter into sole or joint bidding arrangements with major power utilities and domestic and international power plant developers. Products are manufactured both on a made-to-order basis and through demand-forecast-based production. Sales are conducted pursuant to product supply agreements, with consideration typically settled in cash or on agreed credit terms. Payment structures generally consist of progress payments and payments upon delivery.

Our sales strategy in Korea focuses on maximising revenue through large-scale project orders and long-term supply contracts, expanding sales by leveraging policies that support demand for carbon-rated modules and addressing market demand for large-area, high-output solar modules through the introduction of new high-capacity products. Internationally, we pursue customer-focused sales through cooperation with local distributors in key global markets, including the Americas, Europe and Australia, and seek to enhance brand recognition and corporate credibility through exhibitions and promotional activities.

Raw Materials and Suppliers

Our shipbuilding unit's principal raw materials consist of steel plates, rolled steel and paint, and principal equipment and components include engines, cargo compressors and boilers. Our offshore, industrial plant and engineering unit's raw materials and equipment include steel plates, gas compressors and boilers. Our engine and machinery unit's raw materials and components include steel plates, gas compressors and pressure vessels. We have maintained a close working relationship with most of our major steel suppliers, both domestically and internationally.

We purchase raw materials from third parties including our affiliates, and most of our shipbuilding unit's engine equipment are purchased from HHI's engine and machinery unit.

We have numerous partners around the world from whom we procure materials and equipment necessary in a timely fashion. We enter into reasonable supply contract terms following competitive bidding processes. We make payments twice a month in the form of cash and credit sales collateral bonds to domestic suppliers, and in the form of letters of credit for overseas suppliers.

We benefit from synergies with affiliates, as we effectively negotiate integrated purchase orders, expand annual contract products and sign framework agreements to competitively source our supplies. Our key steel and paint raw materials are collectively purchased with our affiliates in bulk at competitive prices. For the compressor and pump components key to our shipbuilding and offshore, industrial plant and engineering businesses, we place bulk purchase orders together with our other shipbuilding affiliates. We also regularly meet with our affiliate suppliers to discuss quality optimisation and operate mutual growth funds for the benefit of both parties.

We believe that all our materials and parts are adequately procured from domestic and foreign sources. Our yards obtain materials and supplies by trucks, barges, containerships or airplanes. We have not experienced, and do not anticipate, any difficulty in obtaining raw materials and parts.

We have a raw material risk management committee which monitors the stability in supply and demand for major raw materials, minimises risks resulting from fluctuations in raw material prices and hosts quarterly meetings to consider risk management methods. Based upon an evaluation of the current status and future prospects for raw material prices and supplies, we forecast the effect on our business and operations. In addition, we generally enter into long-term contracts to minimise risks relating to volatilities in raw material prices. We may also enter into hedging transactions if the committee foresees significant disruptions in raw material prices.

Shipbuilding

In our shipbuilding business, we primarily use raw materials for ship construction and related activities. Our purchases are concentrated in machinery and equipment, steel materials and outfitting materials, reflecting the scale and complexity of our shipbuilding operations. Machinery and equipment usually account for the largest portion of total raw material purchases in this business, followed by steel materials, outfitting materials and other materials. Our major suppliers include POSCO Co., Ltd., Hyundai Steel Co., Ltd. and other domestic and overseas suppliers.

Offshore, Industrial Plant and Engineering

In our offshore, industrial plant and engineering business, we use raw materials mainly for the fabrication of pipelines, offshore steel structures and related facilities. Outfitting materials usually represent the largest portion of our purchases, followed by piping materials, machinery, welding materials and other materials. Our major suppliers include Honeywell Korea Co., Ltd., SFF Korea Co., Ltd., Genec Co., Ltd. and PATTERSON PUMP COMPANY, among others. Given the customised nature of offshore plant projects, the types and specifications of raw materials we use vary significantly depending on project requirements.

Engine and Machinery

In our engine and machinery business, we primarily consume engine components for large and medium-sized engines used in engine manufacturing and related applications. Engine components usually account for the largest portion of total raw material purchases in this business, with the remainder comprising other materials. Our major suppliers include POSCO and Hyundai IFC Co., Ltd. and other specialised component manufacturers.

Green Energy

In our green energy business, we use raw materials and semi-finished goods mainly for solar cell and module manufacturing, energy storage system ("ESS") and power conversion system ("PCS") sales and related activities. Major inputs include wafers, external cells, ESS/PCS, original design manufacturer ("ODM") modules, and other production sub-materials. Our purchases are diversified across these categories, reflecting the integrated nature of our renewable energy operations. Our key suppliers include NEW EAST SOLAR ENERGY and ASTRONERGY NEW ENERGY TECHNOLOGY, among others.

Production Facilities

As an intermediate holding company, we conduct all of our manufacturing and production activities through our major operating subsidiaries, including HHI, HD Hyundai Samho and HD Hyundai-Vietnam Shipbuilding Co., Ltd. Our production facilities are primarily located in Korea, with additional facilities overseas.

We continuously assess and adjust our production capacity to align with market demand. Capacity utilisation is generally measured based on man-hours of work for shipbuilding, offshore, industrial plant and engineering and engine and machinery businesses.

We have continued to make capital investments to upgrade and modernise our production capabilities. A significant portion of capital expenditures in recent years has been directed toward vessel cabin factories, coating facilities capable of producing solvent-free paints in compliance with increasingly stringent environmental regulations, and facility enhancements for the construction of LNG carriers and other major vessel types. Capital expenditures in the engine and machinery business have primarily been used for the acquisition of machinery, furnaces and engine commissioning facilities.

The following table provides a summary of our production capacity as of 31 December 2024 and 2025:

Business Unit	Products		Entity	31 December 2025	31 December 2024
Shipbuilding	Ships, etc.		HD Hyundai Heavy Industries Co., Ltd., etc.	17,423 thousand GT[1]	16,769 thousand GT
	Blocks		HD Hyundai M&S Co., Ltd.	46,031 tonnes	—
Offshore, Industrial Plant and Engineering	Offshore structures, etc.		HD Hyundai Heavy Industries Co., Ltd.	N/A[2]	N/A[2]
Engine and Machinery	Engines, machinery and equipment, etc.		HD Hyundai Heavy Industries Co., Ltd., etc.	16,982 thousand BHP	16,982 thousand BHP
	Marine engines		HD Hyundai Marine Engine Co., Ltd.[3]	1,400 thousand BHP	1,400 thousand BHP
	Engine components (Turbocharger)	2ST		100	100
		4ST		600	600
Green Energy	Solar cells		HD Hyundai Energy Solutions Co., Ltd.	29,988 thousand sheets	10,326 thousand sheets
	Modules			2,123 thousand sheets	1,795 thousand sheets

Note:

(1) Includes the annual production capacity of HD Hyundai Mipo Co., Ltd., which was merged into HD Hyundai Heavy Industries Co., Ltd. on 1 December 2025.

(2) Our offshore, industrial plant and engineering business is currently primarily engaged in the production of offshore plant facilities and also partially participates in the production of ship blocks. (Maximum capacity for ship production at the offshore H-Dock: 1,200 thousand GT per year)

(3) The production capacity of marine engines at HD Hyundai Marine Engine Co., Ltd. has not changed in terms of facilities. However, due to the recent transition to electronically controlled engines and the increase in environmentally friendly engines in response to stricter environmental regulations by the IMO, the average production lead time has increased, and accordingly, the annual production capacity has been adjusted from 2,000 thousand BHP to 1,400 thousand BHP.

The following table also provides a summary of our capacity utilisation rate, defined as the ratio of actual operating hours during the period to the available operating hours for the same period, for each of our business units for the year ended 31 December 2025:

Business Unit	Products	Entity	Available operating hours for the period (production capacity)	Actual operating hours for the period (actual production volume)	Average capacity utilisation rate
Shipbuilding	Ships, etc.	HD Hyundai Heavy Industries Co., Ltd., etc.	59,091 thousand M/H	62,671 thousand M/H	106.1%
	Blocks	HD Hyundai M&S Co., Ltd.	833 thousand M/H	856 thousand M/H	102.8%
Offshore, Industrial Plant and Engineering	Offshore structures, etc.	HD Hyundai Heavy Industries Co., Ltd.	3,751 thousand M/H	1,850 thousand M/H	49.3%
Engine and Machinery	Engines, machines and equipment, etc.	HD Hyundai Heavy Industries Co., Ltd., etc.	3,212 thousand M/H	3,580 thousand M/H	111.5%
		HD Hyundai Marine Engine Co., Ltd.	1,400 thousand BHP	1,247 thousand BHP	89.1%
	Engine components (Turbocharger) 2ST	HD Hyundai Marine Engine Co., Ltd.	100	50	50.0%
	Engine components (Turbocharger) 4ST		600	180	30.0%
Green Energy	Solar cells	HD Hyundai Energy Solutions Co., Ltd.	29,988 thousand sheets	20,916 thousand sheets	69.7%
	Modules		2,123 thousand sheets	1,277 thousand sheets	60.1%

Our core shipbuilding facilities are operated by HHI at its Ulsan shipyard in Korea. The Ulsan shipyard, which has been in operation since 1972, is one of the largest integrated shipbuilding complexes in the world. The Ulsan location provides significant operational advantages due to its proximity to Mipo Bay, which is close to major clusters of shipbuilding-related companies in East and Southeast Asia. This geographic concentration enables efficient procurement from suppliers and timely delivery of services to customers.

HHI's Ulsan shipyard is equipped with nine dry docks, enabling it to construct multiple vessels simultaneously and to meet delivery schedules required by its customers. The yard is also equipped with advanced production facilities, including a goliath crane with a 600-tonne hoisting capacity, a floating crane with a 10,000-tonne hoisting capacity and a large-capacity dry dock used for offshore, industrial plant and engineering projects. Through these facilities, we can provide integrated services across the full project lifecycle, including design, procurement, fabrication, transportation, installation, testing and delivery.

Ulsan yard

Following the merger with HMD, HHI also operates the Mipo shipyard located in Mipo Bay, Ulsan, where it primarily constructs mid-sized commercial vessels, including P/C tankers, LPG carriers and medium-sized container ships, leveraging its specialised dock layout and streamlined production lines to support high-efficiency, series-based shipbuilding. The Mipo shipyard is equipped with four dry docks, two of which have been converted for the construction of special-purpose vessels following the merger, while the remaining docks continue to support the construction of mid-sized commercial vessels.

HHI also owns a shipyard in Gunsan, Korea. Operations at the Gunsan yard had been temporarily suspended since 1 July 2017 but were resumed in October 2022. In March 2026, as part of its ongoing efforts to optimise its asset portfolio and improve operational efficiency, HHI entered into a memorandum of agreement (MOA) with Eco Prime Marine Pacific Co., Ltd. for the proposed sale of the Gunsan shipyard. Eco Prime Marine Pacific Co., Ltd. is the largest shareholder of HJ Shipbuilding & Construction Co., Ltd. As of the date of this offering circular, a definitive agreement for the proposed sale has not yet been executed, and even if entered into, consummation of the transaction would be subject to the purchaser's ability to secure financing, as well as customary closing conditions including regulatory approvals.

In addition to HHI's shipyards, we also operate shipbuilding facilities through HD Hyundai Samho, HD Hyundai-Vietnam Shipbuilding Co., Ltd. and HD Hyundai Heavy Industries Philippines, Inc.

The Samho shipyard is located in Yeongam, Jeollanam-do, and is one of the world's largest integrated shipbuilding yards, equipped with multiple large dry docks capable of VLCCs, LNG carriers and ultra-large container vessels, supported by extensive quay length and heavy-lift crane capacity for mega-block assembly and high-volume production.

HD Hyundai-Vietnam Shipbuilding Co., Ltd., located in Ninh Hoa, Khanh Hoa Province, Vietnam, focuses primarily on the construction of medium-sized P/C tankers and other specialised vessels, serving as an important overseas production base with cost-competitive fabrication capabilities. HD Hyundai Vietnam Shipbuilding Co., Ltd. is a joint venture with Vietnam Shipbuilding Industry Corporation (SBIC), a state-owned enterprise of Vietnam. As of the date of this offering circular, 65% of the equity interests in HD Hyundai Vietnam Shipbuilding Co., Ltd. are held by a Singapore-incorporated subsidiary that is wholly owned by KSOE and HHI, with KSOE and HHI holding 60% and 40% equity interests in such subsidiary, respectively.

HD Hyundai Heavy Industries Philippines, Inc., located in Subic Bay, Philippines, operates a large-scale yard with an expansive dry dock and fabrication facilities designed to support the construction of large commercial vessels, strengthening our global production network and enhancing geographic diversification of shipbuilding capacity.

We seek to expand our market share in the commercial shipbuilding sector by developing overseas shipyards, consolidating global production capacity and enhancing operational efficiency. In this regard, we intend to strengthen our global presence through the establishment of an overseas investment corporation in Singapore, which will serve as a regional hub for overseeing our overseas production sites, as well as identifying new shipyard development opportunities and strategic partnerships.

Research and Development

We coordinate and support the research and development activities conducted by our operating subsidiaries, including HHI and other affiliates within the HD Hyundai Group, through a shared and integrated research and development platform.

The HD Hyundai Group's research and development infrastructure encompasses multiple specialised research institutes operated primarily by its shipbuilding subsidiaries, including the Hyundai Maritime Research Institute ("HMRI"), the Engine & Machinery Research Institute and the Corporate Technology Institute. The Corporate Technology Institute comprises dedicated units focusing on advanced technologies, industrial technologies and frontier technologies. Through this structure, we promote group-wide technology sharing, avoid duplication of research efforts and align technological development with our long-term strategic objectives.

Reflecting increasing global demand for eco-friendly vessels, systems and platforms, our main research and development activities are primarily focused on market-oriented and commercially viable technologies, including the development of high-value-added vessels and offshore facilities, core engine components, production automation equipment and energy and environmental facilities. In addition, research efforts are directed toward improving vessel performance, enhancing submarine technologies, advancing engine and machinery technologies and strengthening capabilities in industrial and product design.

We also engage in collaborative research and development activities with other shipbuilding companies and industry participants, with a view to accelerating innovation, responding to evolving regulatory and environmental requirements, and maintaining technological competitiveness in global markets.

Intellectual Property

We own and manage a diverse portfolio of intellectual property. We also rely on a combination of patent, trademark, design and trade secret laws in Korea and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

The table below, inclusive of all patents and trademarks registered domestically and overseas, shows the status of our intellectual property as of 31 December 2025.

Region	Patents	Trademarks
Domestic	1,366	299
Overseas	153	696
Total	1,519	995

Competition

Because our operations include several business segments in different industries with many product categories, we face a broad range of competition from existing and new competitors ranging from large multinational companies to highly specialised entities that focus on a limited number of business lines.

- Our shipbuilding business faces strong competition from competitors primarily located in Korea, Europe, China and Japan. We compete mainly on our ability to fulfil contractual obligations, including shipyard capacity and capabilities, as well as the price, quality and performance of our vessels and related services. Some competitors may have greater financial resources, lower operating costs or competitive advantages in building certain vessel

types, and from time to time may engage in aggressive pricing to expand market share. Notwithstanding these competitive pressures, we maintain a leading position in the shipbuilding sector based on our extensive shipbuilding experience and know-how, diversified product portfolio, long-standing relationships and transaction track record with leading global shipowners, and our ability to manufacture or procure key marine equipment in-house. In addition, as a member of the HD Hyundai group, we leverage our advanced research and development infrastructure, which supports our shipbuilding operations with advanced vessel technologies and enables us to respond on an ongoing basis to changes in market demand and regulatory requirements.

- Our offshore, industrial plant and engineering business competes with domestic and international offshore, industrial plant and engineering companies. Competitiveness in the offshore plant industry is largely determined by factors such as pricing, safety management, availability and quality of human resources and fabrication facilities, engineering and design capabilities, project delivery schedules and accumulated project execution experience. We operate modern, large-scale fabrication facilities, including a 10,000-tonne floating crane, two 1,600-tonne gantry cranes and a one-million-tonne-class dry dock (HDock), and have accumulated substantial experience through the successful execution of numerous offshore and industrial plant projects. We are recognised for our ability to execute large and complex projects, while continuing to enhance workplace safety management and cost competitiveness in order to strengthen our overall competitive position.
- Our engine and machinery business competes with domestic and international engine and machinery manufacturers. In the environmentally friendly fuel engine segment, our engine business has established a leading market position, particularly in engines fuelled by LNG, LPG, methanol and ethane, where we hold relatively high market shares compared to competitors. However, as demand for eco-friendly fuel engines continues to increase, competition is intensifying, including from Chinese manufacturers that are pursuing capacity expansion through facility investments, as well as from domestic competitors that have strengthened their investment capacity and supply stability. In response, we continue to lead the development of next-generation eco-friendly engines, including ammonia-fuelled engines, with the aim of further expanding our market position. In addition, developments in alternative technologies that may substitute for conventional internal combustion engines, such as batteries, hydrogen fuel cells and SMRs, may introduce new competitive dynamics. Accordingly, we are strengthening our research and development capabilities not only to improve the efficiency of existing internal combustion engines but also to develop hybrid systems combining engines with batteries and other technologies.
- Our green energy business faces competition from domestic and international solar industry participants that are expanding production capacity through large-scale facility investments, thereby intensifying competition and accelerating technological development. Competition in the solar module market increasingly focuses on the commercialisation of high-output and high-efficiency products, as well as differentiation through product certification, sales network development and performance warranty offerings. In addition, growing commercial and residential demand in Europe and the United States is increasing the importance of advanced high-output module technologies. In response to these trends, we plan to introduce competitive products, including modules based on TOPCon and heterojunction technologies ("HJTs"), while continuing to enhance our technological capabilities and product portfolio.

Our market position depends on our ability to anticipate and quickly respond to the various competitive factors mentioned above, including the introduction of new or improved products or services by our competitors, pricing strategies adopted by our competitors and changes in our customers' preferences. There can be no assurance that our competitors will not offer products or services that are comparable or superior to our products or services at same or lower prices or adapt more quickly to evolving industry trends or market requirements.

Environmental Matters

As a large industrial enterprise, we are subject to a wide range of environmental laws and regulations in Korea and other jurisdictions in which we operate. These laws and regulations relate, among other things, to GHG management, air and water quality, waste treatment and disposal and the

handling, storage and management of hazardous and chemical substances. Certain activities may require permits or other governmental approvals, and applicable regulations impose standards and limitations on pollutant emissions and waste management practices.

Greenhouse Gas Management

Although we are not currently subject to the GHG emissions trading scheme or target management system in Korea, we monitor GHG emissions as part of our commitment to environmental responsibility. GHG emissions from our principal offices and facilities, including the Ulsan office, GRC, Gye-dong office building and Seamarq Hotel, are calculated based on fuel and electricity usage and are monitored on a monthly basis through internal management systems.

Air and Water Quality Management

At our Ulsan facilities, we operate air emission, odour and volatile organic compound ("VOC") emission facilities, including those within painting test buildings. To protect air quality, air pollution prevention facilities are installed and operated, and periodic inspections are conducted to identify ageing, malfunctions or damage requiring repair. Air pollutant emissions are regularly measured and managed to ensure compliance with applicable legal standards. Wastewater generated from testing and laboratory activities is collected, temporarily stored and entirely outsourced to licensed third-party service providers for treatment.

Waste Management

We generate both general and designated waste in the course of our operations. All waste is consigned to licensed waste treatment companies for incineration or recycling, as appropriate. We conduct periodic audits and oversight of such contractors to prevent improper disposal practices and report newly generated waste types to the relevant authorities to ensure lawful handling and treatment.

Chemical Substance Management

To ensure compliance with chemical-related regulations and the safe handling of hazardous substances, we conduct prior reviews of chemical substances brought into our facilities to assess potential hazards and risks. Periodic self-inspections are carried out at sites where chemicals are handled to promote proper usage and prevent leakage or accidents. In addition, employees handling chemical substances receive training on material safety data sheets and labelling requirements to ensure safe and compliant handling practices.

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business. We also maintain insurance over our facilities against fire, theft and other damages and accidents. We do not maintain a business interruption insurance. All of our policies are underwritten with reputable insurance providers in Korea. We believe that our insurance coverage is similar in scope to those customary for other companies in the same industry in Korea.

Employees

As of 31 December 2025, we had 1,495 full-time employees and 48 contract employees.

Like many other companies in the Korean shipbuilding and heavy industries sectors, we utilise external labour subcontractors to supplement our workforce on a contractual basis, typically on an annual or project-specific basis. Through such subcontracting arrangements, we primarily engage personnel for unskilled or semi-skilled activities, including painting, outfitting and transportation.

KSOE guarantees its employees' freedom of association and collective bargaining on terms equivalent to those applicable to its subsidiaries. However, KSOE's labour representation channel at the holding company level ceased to take the form of a labour union, as the last remaining union member withdrew in October 2022. Instead, KSOE implements matters through labour-management council meetings, which were held four times in 2025.

Compensation for our full-time employees consists of a combination of annual base salary and incentives pay. Incentive payments are based on our overall performance as a company and determined annually by our financial analysis team. We also provide a wide range of benefits to our employees, including special holidays and subsidies for significant personal events (such as marriage, death of family members or birth of children), flexible work hours and employee counselling services. We believe our compensation and benefit plans are competitive within the industry.

In accordance with the National Pension Act of Korea, we contribute an amount equal to 9.5% of an employee's standard monthly wages, and each employee contributes 9.5% of his or her standard monthly wages, into his or her personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, we have adopted retirement pension plans for our employees. Contributions under the retirement pension plans are deposited annually into a financial institution, and an employee, who is over the age of 55, may elect to receive a monthly pension or a lump-sum amount upon retirement pursuant to either a defined benefit plan or a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. The defined contribution plan, in which the employer's contribution is determined in advance based on one twelfth of an employee's total annual pay, is managed directly by the employees.

Legal and Regulatory Proceedings

In the ordinary course of our business, we may be subject to legal claims, disputes and regulatory actions from time to time. Except for the ongoing proceedings described below, we are not currently involved in any material litigation or other proceedings that we believe would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations. We assess potential liabilities arising from such matters by evaluating the likely outcomes of litigation, regulatory proceedings and settlement strategies. Where a loss is determined to be probable and the amount can be reasonably estimated, we record a provision in an amount equal to the estimated loss in accordance with applicable accounting standards.

As of 31 December 2025, there were 47 legal proceedings (with an aggregate claim amount of Won 65.1 billion) pending against us. As of the date hereof, the outcome of these proceedings cannot be reasonably estimated and we believe that the outcome of such matters will not have a material adverse effect on our business, financial condition or results of operations.

In August 2023, four minority shareholders of HD Hyundai Samho exercised their appraisal rights against us, the controlling shareholder of HD Hyundai Samho, under the Korean Commercial Code, and filed a petition with the court for determination of the share purchase price. Following the court's determination of the share purchase price in line with the valuation proposed by us, the minority shareholders filed an appeal, and the case is currently pending at the appellate level.

On 3 April 2023, the Korea Fair Trade Commission imposed a fine of Won 100 million on us in connection with the obstruction of a regulatory investigation in violation of Article 50(2) of the Monopoly Regulation and Fair Trade Act. We have paid the applicable fine and implemented remedial measures, including fair trade compliance training and ongoing monitoring, to prevent recurrence in the future.

The Korea Fair Trade Commission imposed a fine of Won 1.5 billion on us for violation of the Korean Fair Transactions in Subcontracting Act (including delayed issuance of written documents). The judgment was affirmed at the appellate level in April 2025, and the fine has been paid in full.

MANAGEMENT

Board of Directors

Our board of directors has the ultimate responsibility for the administration of our affairs. Our articles of incorporation currently provide for a board of directors consisting of no less than five directors and no more than seven directors, at least three and a majority of whom must be outside directors (which term shall mean an "Independent Directors" under the Korean Commercial Code, as amended on 22 July 2025 (effective 23 July 2026), and as thereafter in effect). Standing directors are directors who are full-time executive officers of our company, while outside directors are non-standing directors elected from among those persons who do not have a special relationship with us that would interfere with the exercise of their independent judgment. Directors are elected at a general meeting of shareholders by a majority vote of those present or represented so long as the affirmative votes also represent no less than 25% of the issued and outstanding shares with voting rights. Our outside directors are elected from among candidates who meet the qualifications set forth in the Korean Commercial Code. Each director may be elected for a term of office of one to three years, which will end at the close of an annual general meeting of shareholders relating to the latest financial year within the term. Directors may serve any number of consecutive terms and may be removed from office at any time by a special resolution adopted at a general meeting of shareholders.

The representative director is a director elected by a resolution of our board of directors (which resolution requires the affirmative vote of a majority of our directors present at the relevant board meeting in which a majority of our directors in office are present) and is empowered to make day-to-day business decisions. Ki Sun Chung and Sung Joon Kim currently serve as our representative directors.

Directors

The table below sets forth our directors and their positions. The business address of each of our directors, as well as our executive officers, is our registered office at 477, Bundangsuseo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea.

Name	Year of Birth	Position	End of Current Term	Other Current Positions
Ki Sun Chung	1982	Chairman	March 2028	Chief executive officer of KSOE (Strategy Division)
Sung Joon Kim	1970	President	March 2026	Chief executive officer of KSOE (Business Division); Chairman of the board of directors
Hong Kee Kim	1956	Outside director	March 2026	Chairman of the audit committee
Sung Han Kim	1960	Outside director	March 2027	Professor at Korea University
Young Hee Jo	1969	Outside director	March 2028	Attorney at LAB Partners

Ki Sun Chung has served as a representative director since March 2022. Mr. Chung also serves as the chairman and chief executive officer of HD Hyundai Co., Ltd. Previously, Mr. Chung served as the head of management support of HD Hyundai Co., Ltd. Mr. Chung holds a Master of Business Administration from Stanford University.

Sung Joon Kim has served as a representative director since March 2024. Mr. Kim also serves as the chairman of the board of directors and the chief executive officer of HD Hydrogen Co., Ltd. Previously, Mr. Kim served as the head of the Advanced Research Center of KSOE. Mr. Kim holds a PhD in ocean engineering from the Massachusetts Institute of Technology.

Hong Kee Kim has served as our outside director since March 2023. Mr. Kim also serves as the chair of our audit committee and outside director nomination committee. Previously, Mr. Kim served as the representative director of Samil PricewaterhouseCoopers and adjunct professor in the School of Business, Yonsei University. Mr. Kim holds a PhD in business administration from Dongguk University.

Sung Han Kim has served as our outside director since March 2024. Mr. Kim also serves as a professor at the Graduate School of International Studies, Korea University. Previously, Mr. Kim served

as the director of the National Security Office at the Office of the President of the Republic of Korea and the Dean of the Graduate School and College of International Studies, Korea University. Mr. Kim holds a PhD in political science from the University of Texas at Austin.

Young Hee Jo has served as our outside director since March 2022. Ms. Jo also serves as an attorney at LAB Partners. Previously, Ms. Jo served as an attorney at Shin & Kim LLC. Ms. Jo holds an LL.M. from Harvard Law School.

Executive Officers

The names and positions of our executive officers are set below. Our executive officers are appointed by the board of directors.

Name	Year of Birth	Title and Responsibilities	Executive Officer Since
Seok Cho	1957	Vice Chairman	2025
Hyung-Kwan Kim	1968	President and CEO (Business Division/ Designate)	2025
Young-Jun Nam	1968	Head of the SD Business Division	2022
Kwangpil Chang	1969	Director of the Advanced Research Center and Head of the Group's IP Center	—
Heung Ko	1970	Head of Compliance Management	2024
Geun-Chan Ryu	1970	Head of Communications	—
Yong-Hwa Yeo	1968	Head of Strategic Marketing Division	2025
Myung-Soo Kim	1969	Head of the Planning Division	2025

Board Practices

In accordance with our articles of incorporation, we have established the following committees under our board of directors:

- Internal Transactions Committee;
- ESG Committee;
- Compensation Committee;
- Audit Committee; and
- Outside Director Nomination Committee.

Internal Transactions Committee

Our Internal Transactions Committee is responsible for establishing our fundamental policies governing internal transactions, reviewing internal transactions and the operational status of counterparty selection criteria, and, prior to the approval of such transactions, recommending a course of action to the board of directors to ensure compliance with applicable antitrust and fair trade laws and regulations, as well as our articles of incorporation and internal policies.

Our Internal Transactions Committee currently consists of four directors: Sung Joon Kim, Hong Kee Kim, Sung Han Kim and Young Hee Jo. Young Hee Jo serves as the chairman of the committee.

ESG Committee

Our ESG Committee is responsible for establishing and enforcing policies and strategies relating to certain non-financial aspects of our business, generally consisting of environment, social responsibility and corporate governance matters, in order to promote sustainable development and enhance our corporate value.

Our ESG Committee currently consists of four directors: Sung Joon Kim, Hong Kee Kim, Sung Han Kim and Young Hee Jo. Young Hee Jo serves as the chairman of the committee.

Compensation Committee

Our Compensation Committee is responsible for reviewing and determining the operation of our compensation programme. Our Compensation Committee's primary responsibilities include determining and approving the level and structure of compensation of directors, executive officers and employees as well as other matters relating to compensation including performance evaluation.

Our Compensation Committee currently consists of three directors: Hong Kee Kim, Sung Han Kim and Young Hee Jo. Sung Han Kim serves as the chairman of the committee.

Audit Committee

Under the Korean Commercial Code and our articles of incorporation, we are required to have an Audit Committee consisting of three or more directors, at least two-thirds of whom must be outside directors. Members of the Audit Committee are elected by our shareholders at the general meeting of shareholders. The committee reviews all audit and compliance-related matters and makes recommendations to our board of directors. Our Audit Committee's primary responsibilities include:

- engaging external auditors and evaluating their performance;
- reviewing annual financial statements;
- establishing, implementing and reviewing performance of internal audit plans;
- reviewing audit results and reports, including management comments and recommendations;
- reviewing, and making recommendations to enhance, our system of controls and policies;
- reviewing remedial measures taken in respect of improprieties identified by audit activities; and
- examining improprieties or suspected improprieties.

In connection with the annual general meeting of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by the board of directors at, each such meeting.

Our Audit Committee currently consists of three directors: Hong Kee Kim, Sung Han Kim and Young Hee Jo. Hong Kee Kim serves as the chairman of the committee.

Outside Director Nomination Committee

Our Outside Director Nomination Committee is responsible for reviewing and recommending candidates for outside directors to our board of directors for election at the general meeting of shareholders.

Our Outside Director Nomination Committee currently consists of four directors: Sung Joon Kim, Hong Kee Kim, Sung Han Kim and Young Hee Jo. Hong Kee Kim serves as the chairman of the committee.

Compensation of Key Management

Remuneration

The aggregate compensation (including short-term employee benefits, post-employment benefits and other long-term benefits) granted to our key management, consisting of our directors, was Won 15.3 billion and Won 15.3 billion in 2024 and 2025, respectively. As of 31 December 2025, there were no loans or stock options granted by us to any of our directors or executive officers.

Interests of Directors and Executive Officers

As of 31 December 2025, there were no outstanding transactions other than in the ordinary course of business undertaken by us in which our directors or executive officers were interested parties.

Certain of our directors and executive officers have direct or indirect beneficial interests in our common shares, but none of them holds more than 5% of our outstanding common shares. Certain of our directors and executive officers have direct or beneficial interests in companies with which we have engaged in transactions, including those in the ordinary course of business. As a result, potential conflicts of interest between their duties to us and their private interests could arise.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information relating to our shareholders of our common shares as of 31 December 2025.

Shareholder	Number of Common Shares	Common Share Ownership Percentage
HD Hyundai Co., Ltd.	24,807,124	35.1%
National Pension Service	5,260,080	7.4%
Others[1]	40,647,426	57.5%
Total[2]	70,714,630	100.0%

(1) Includes shares owned by minority shareholders and other institutional investors.
(2) Excludes 58,486 treasury shares and 25,595 shares held under the employee stock ownership plan.

Except as described above, no other person or entity or group of persons or entities known by us to be acting in concert, directly or indirectly, owned 5% or more of our issued common shares or exercised control or could exercise control over us as of the date of this offering circular.

HD HYUNDAI GROUP

According to the latest report on Korean business groups released by the Korea Fair Trade Commission on 1 May 2025, HD Hyundai Group was Korea's eighth-largest business group in terms of combined assets and comprised 32 companies, including 10 that were listed on the KOSPI Market of the Korea Exchange. As of 31 December 2025, the total assets of the member companies of the HD Hyundai Group amounted to approximately Won 88.7 trillion.

The HD Hyundai Group traces its origins to Hyundai Heavy Industries Co., Ltd., which was established in 1973 with a primary focus on shipbuilding. Since then, the HD Hyundai Group has evolved into a major business group with operations spanning shipbuilding, offshore engineering, energy, industrial machinery and marine solutions. The companies within the HD Hyundai Group are organised into three principal divisions: shipbuilding and offshore engineering, energy, and machinery and robotics.

The following chart shows select member companies of the HD Hyundai Group as of the date of this offering circular.

Shipbuilding & Offshore Engineering	Energy	Machinery and Robotics
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	HD Hyundai Oilbank Co., Ltd.	HD Hyundai XiteSolution Co., Ltd.
HD Hyundai Heavy Industries Co., Ltd.	HD Hyundai Chemical Co., Ltd.	HD Construction Equipment Co., Ltd.
HD Hyundai Samho Co., Ltd.	HD Hyundai Shell Base Oil Co., Ltd.	HD Hyundai Robotics Co., Ltd.
HD Hyundai Marine Solution Co., Ltd.	HD Hyundai OCI Co., Ltd.	
HD Hyundai Marine Engine Co., Ltd.	HD Hyundai E&F Co., Ltd.	
HD Hyundai E&T Co., Ltd.	HD Hyundai Electric Co., Ltd.	
Avikus Co., Ltd.	HD Hyundai Energy Solutions Co., Ltd.	
	HD Hydrogen Co., Ltd.	

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We engage from time to time in various transactions with related parties, which include member companies of HD Hyundai Group. See "*HD Hyundai Group*." We believe that we have conducted our transaction with related parties as we would in comparable arm's-length transactions with a non-related party, on a basis substantially as favourable to us as would be obtainable in such transactions.

Under the Monopoly Regulation and Fair Trade Act of Korea and the regulations thereunder, in the event that (i) we provide funds, securities or assets to, or enter into certain transactions with, a "specially-related" party, which includes affiliates, and (ii) the value of such transaction or provision is greater than either (x) 5% of the greater of our paid-in capital and total capital or (y) Won 10 billion, we are required to obtain approval for such transaction or provision by resolution of our board of directors, and to disclose the main terms and conditions of such transaction or provision to the public. We are currently required to disclose any such transaction or provision within three business days following adoption of the relevant resolution.

Under the Korean Commercial Code, in the event that we plan to enter into a transaction with (i) a major shareholder who owns or beneficially owns 10% or more of the total number of our issued and outstanding shares (other than non-voting shares) or exerts influence on our important management issues, (ii) a director, (iii) a spouse or lineal ascendant or descendent of the persons described in (i) and (ii), (iv) a lineal ascendant or descendent of a spouse of the persons described in (i) or (ii), (v) a company in which half or more of the total number of issued and outstanding voting shares is held by a person falling under (i) through (iv), solely or jointly with others, or its subsidiary company, or (vi) a company in which half or more of the total number of issued and outstanding voting shares is held by a person falling under (i) through (iv) together with a company falling under (v), we are required to obtain prior approval by at least two-thirds of our board of directors. In connection with the approval by the board of directors, the major terms of the transaction must be disclosed, and the terms and conditions as well as the procedure of the transaction are required to be structured and conducted in a fair manner.

Furthermore, as a publicly listed company in Korea, we are restricted under the Korean Commercial Code from providing any loan, guarantee or collateral to or for the benefit of any of our major shareholders or their specially-related parties, directors (including de facto directors for the purpose of this restriction as provided in the Korean Commercial Code), executive officers or auditors, unless certain exceptions apply. In addition, as a company listed on the Korea Exchange with total assets of not less than Won 2 trillion as of the end of the most recent fiscal year, if we intend to engage in any of the following transactions with or for the benefit of our largest shareholder (or such shareholder's specially-related parties) or with or for the benefit of any of our other specially-related parties, the Korean Commercial Code generally requires us to obtain approval of our board of directors for such transaction and report relevant information (such as the purpose of the transaction, the identities of the counterparties, the terms and conditions of the transaction and the estimated value of the transaction) at the first regular general meeting of shareholders held after the board meeting approving such transaction, unless certain exceptions apply: (i) any single transaction the value of which amounts to 1% or more of our total assets or total revenue as of the end of the most recent fiscal year; or (ii) any transaction the value of which, when aggregated with all other transactions executed with the relevant counterparty during the same fiscal year, amounts to 5% or more of our total assets or total revenue as of the end of the most recent fiscal year.

A summary of our material transactions with related parties is set forth below.

Transactions with HD Hyundai Electric Co., Ltd. ("HD Hyundai Electric")

Our transactions with HD Hyundai Electric consist primarily of sales of electrical and power equipment used in shipbuilding and offshore engineering projects. HD Hyundai Electric is a manufacturer of industrial electric and energy infrastructure equipment and an affiliate of the HD Hyundai Group.

Our sales to HD Hyundai Electric amounted to Won 55.0 billion and Won 79.6 billion in 2024 and 2025, respectively, and total receivables from HD Hyundai Electric, which mainly consist of trade receivables, amounted to Won 7.2 billion and Won 11.8 billion as of 31 December 2024 and 2025, respectively.

Our purchases from HD Hyundai Electric amounted to Won 259.4 billion and Won 245.5 billion in 2024 and 2025, respectively, and total payables to HD Hyundai Electric, which mainly consist of trade and other payables, amounted to Won 74.1 billion and Won 56.0 billion as of 31 December 2024 and 2025, respectively.

Transactions with Hyundai Hyms Co., Ltd. ("Hyundai Hyms")

Our transactions with Hyundai Hyms consist primarily of sales of ship blocks and steel plates used in shipbuilding. Hyundai Hyms manufactures shipbuilding components and steel structures, particularly curved steel plates and hull blocks used in ship construction.

Our sales to Hyundai Hyms amounted to Won 7.2 billion and Won 7.5 billion in 2024 and 2025, respectively, and total receivables from Hyundai Hyms, which mainly consist of trade receivables, amounted to Won 2.1 billion and Won 3.8 billion as of 31 December 2024 and 2025, respectively.

Our purchases from Hyundai Hyms amounted to Won 208.4 billion and Won 239.0 billion in 2024 and 2025, respectively, and total payables to Hyundai Hyms, which mainly consist of trade and other payables, amounted to Won 10.3 billion and Won 13.4 billion as of 31 December 2024 and 2025, respectively.

Transactions with HD Hyundai Marine Solution Co., Ltd. ("HD Hyundai Marine Solution")

Our transactions with HD Hyundai Marine Solution consist primarily of sales of marine equipment, as well as the provision of maintenance, repair and other related services. HD Hyundai Marine Solution is a provider of comprehensive maritime and engineering services, focusing on the aftermarket and lifecycle services for ships, and is an affiliate of the HD Hyundai Group.

Our sales to HD Hyundai Marine Solution amounted to Won 45.8 billion and Won 40.6 billion in 2024 and 2025, respectively, and total receivables from HD Hyundai Marine Solution, which mainly consist of trade receivables, amounted to Won 10.4 billion and Won 10.7 billion as of 31 December 2024 and 2025, respectively.

Our purchases from HD Hyundai Marine Solution amounted to Won 151.7 billion and Won 164.5 billion in 2024 and 2025, respectively, and total payables to HD Hyundai Marine Solution, which mainly consist of trade and other payables, amounted to Won 26.7 billion and Won 31.3 billion as of 31 December 2024 and 2025, respectively.

Transactions with HD Hyundai Oilbank Co., Ltd. ("HD Hyundai Oilbank")

Our transactions with HD Hyundai Oilbank consist primarily of sales of marine fuels and lubricants, petroleum products and petrochemical materials. HD Hyundai Oilbank is engaged in refining crude oil and producing petroleum products and is an affiliate of the HD Hyundai Group.

Our sales to HD Hyundai Oilbank amounted to Won 19.3 billion and Won 11.8 billion in 2024 and 2025, respectively, and total receivables from HD Hyundai Oilbank, which mainly consist of trade receivables, amounted to Won 1.7 billion and Won 3.2 billion as of 31 December 2024 and 2025, respectively.

Our purchases from HD Hyundai Oilbank amounted to Won 134.2 billion and Won 147.4 billion in 2024 and 2025, respectively, and total payables to HD Hyundai Oilbank, which mainly consist of trade and other payables, amounted to Won 44.2 billion and Won 51.1 billion as of 31 December 2024 and 2025, respectively.

Transactions with Other Related Parties

In addition to our related companies listed above, we have conducted transactions with other related parties, including HD Hyundai Co., Ltd., HD Hyundai Construction Equipment Co., Ltd. and HD Hyundai Robotics Co., Ltd. See Note 48 of the notes to our audited consolidated financial statements, included elsewhere in this offering circular.

HD HYUNDAI HEAVY INDUSTRIES

Overview

HHI is a leading fully integrated global shipbuilding company possessing complementary offshore industrial plant and engine design and manufacturing capabilities. As the flagship shipbuilding company of the broader HD Hyundai Group, HHI provides total shipbuilding solutions to its global customers, all in-house from design, engineering and fabrication to outfitting, testing and delivery. HHI's main shipyard, located in Ulsan, Korea, spans over three million square metres stretching over four kilometres along the coast of Mipo Bay. Since the launch of operation of its Ulsan shipyard in 1972, HHI continues to lead the segment globally both in terms of its production capacities and product quality.

HHI's business can be divided into the following three business units: (i) shipbuilding, (ii) offshore, industrial plant and engineering and (iii) engine and machinery.

- **Shipbuilding**: HHI boasts a diverse product portfolio principally consisting of large-sized commercial vessels including LNG carriers, LPG carriers, tankers and containerships. HHI is also a licensed national defence industrial shipbuilder and engineering consultant for the Republic of Korea Navy, and it designs and manufactures various surface and underwater combat and auxiliary support vessels for the Navy as well as the Korea Coast Guard. HHI has maintained its position as a leading global shipbuilder based on experience and know-how accumulated over more than 40 years, and HHI is capable of building all major types of vessels to meet various demands from its clients. Through its proprietary know-how and technology in shipbuilding, HHI has established a diverse vessel pipeline, engaging in transactions with global industry leaders and self-manufacturing and procuring key equipment and materials. HHI also operates its own in-house R&D centre, which it uses for developing, manufacturing and designing new technologies. HHI's parent and holding company, KSOE, retains an excellent R&D infrastructure which HHI utilises to respond quickly to market changes and manufacture its vessels with new technologies. Shipbuilding is HHI's primary business that accounts for a substantial majority of its revenue.
- **Offshore, Industrial Plant and Engineering**: HHI designs and manufactures a variety of offshore structures, including floating units, fixed platforms, offshore installations and land-based modular plant fabrication products, serving some of the world's major oil and gas and industrial companies. HHI manufactures such structures at its offshore yard, covering 750,538 square metres, which is also located in Ulsan, Korea. HHI is considered to be one of the leading fabricators and engineers globally for large-scale offshore oil and gas structures. Since 1991, HHI's offshore, industrial plant and engineering unit has become a world-leading EPCIC contractor providing integrated services for EPCIC, transportation, offshore hook-up, commission and project management services.
- **Engine and Machinery**: HHI designs and manufactures proprietary marine engine, machinery and systems necessary for propulsion and power generation, as well as specialised equipment for vessels. In addition to marine-based engines and machinery, HHI also designs and manufactures engine power plants. The development of HHI's own engines, such as its 4-stroke engine brand HiMSEN, has significantly contributed to its leading market share.

HHI believes that its complementary and diversified portfolio of business lines allows it to provide a full suite of products and services for the customers across shipping, marine transportation, oil and gas and other industrial sectors globally, with high levels of operational efficiencies including competitive pricing, fast delivery times and one-stop maintenance and support services.

In recent years, HHI has focused its research and development activities on designing vessels and offshore facilities for clean energy, in addition to environmentally friendly vessel and engine designs and manufacturing processes. Leveraging on its expertise in research and development and the industry-leading market position, HHI believes it is well positioned to lead the global trend of transitioning towards more eco-friendly vessels with advanced technologies.

In addition, HHI believes it is strategically well positioned to participate in and potentially benefit from ongoing efforts to expand and strengthen shipbuilding capacity and maritime industrial capabilities

in the United States. Such developments have been discussed in the context of enhanced industrial cooperation between the United States and the Republic of Korea, including potential investment by Korean shipbuilding groups in U.S. shipyard facilities, technology transfer, workforce training and supply chain development. Drawing on its extensive experience in large-scale commercial and naval vessel construction, advanced engineering capabilities, proprietary engine technologies and integrated production systems, HHI could contribute to the modernisation and expansion of U.S. shipbuilding facilities, the transfer and implementation of advanced ship design and digital shipyard technologies, improvements in productivity and build efficiency, and the development of competitive U.S. domestic capacity for complex and next-generation vessels.

HHI is a member company of the HD Hyundai Group, which consists of leading marine, industrial, energy and support and service businesses. HHI benefits from synergies with its affiliates in the HD Hyundai Group, who serve as HHI's major customer base for its engine and machinery business, and with whom HHI also enters into joint research and development efforts and dock operations. HHI also achieves savings in procurement costs of key raw materials and components by placing large-quantity integrated purchase orders together with its affiliates to domestic and international third-party suppliers. HHI believes its affiliation with the HD Hyundai Group enables it to gain a broader insight into, and more effectively respond to, rapidly evolving customer needs and technological developments in the industry.

For the years ended 31 December 2024 and 2025, HHI's sales were Won 14,486.5 billion and Won 17,580.6 billion, respectively. HHI recorded operating profit of Won 705.2 billion and Won 2,037.5 billion for the years ended 31 December 2024 and 2025, respectively. As of 31 December 2025, HHI had total assets of Won 26,163.0 billion and total equity of Won 9,341.6 billion.

HHI's registered office and headquarters are located at 1000, Bangeojinsunhwan-doro, Dong-gu, Ulsan, Korea.

History

KSOE's predecessor, Original Hyundai Heavy Industries, was organised in 1973 as the shipbuilding unit of the Hyundai Group. In 2002, the Hyundai Heavy Industries Group (now the HD Hyundai Group) was formed following its separation from the Hyundai Group. On 1 June 2019, Original Hyundai Heavy Industries changed its legal name to Korea Shipbuilding & Offshore Engineering Co., Ltd. and split off its shipbuilding, offshore, industrial plant and engineering, and engine and machinery businesses into a newly established entity, HHI.

In September 2021, HHI completed its initial public offering and its shares were listed on the Korea Exchange. KSOE is HHI's direct parent company, owning 69.2% of its share capital as of 31 December 2025. On 1 December 2025, HHI completed its merger with HMD, with HHI as the surviving entity, in an effort to enhance operational efficiency, strengthen competitiveness through integration of complementary product portfolios and shipyard capacities, optimise resource allocation and cost structures, and reinforce HHI's market position in the global shipbuilding industry.

HHI's Business Units and Products

HHI's business is divided into three main business units: (i) shipbuilding, (ii) offshore, industrial plant and engineering and (iii) engine and machinery. The following table sets forth a breakdown of HHI's sales by business unit for the periods indicated:

	Year Ended 31 December			
	2024		2025[1]	
	Won	%	Won	%
	(In billions of Won, except percentages)			
Shipbuilding	₩10,623.3	73.3	₩12,517.5	71.2
Offshore, Industrial Plant and Engineering	649.2	4.5	1,239.0	7.0
Engine and Machinery	3,165.4	21.9	3,864.2	22.0
Others[2]	79.7	0.5	87.7	0.5
Consolidated adjustment[3]	(31.0)	(0.2)	(127.9)	(0.7)
Total	₩14,486.5	100.0	₩17,580.6	100.0

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.
(2) Includes sales from providing shared service support to our affiliates, selling waste resources and scrap metals and operating incinerators as well as operating HD HHI Arts Center located in Ulsan, Korea.
(3) Consolidation adjustments consist of the elimination of inter-segment transactions and unrealised gains and losses, as well as the recognition of equity method accounting for investments in associates and joint ventures.

The following table sets forth a breakdown of HHI's operating profit (loss) by business unit for the periods indicated:

	Year Ended 31 December	
	2024	2025[1]
	(In billions of Won)	
Shipbuilding	₩ 702.6	₩1,526.3
Offshore, Industrial Plant and Engineering	(100.1)	142.6
Engine and Machinery	358.9	693.6
Others[2]	(256.3)	(324.8)
Consolidated adjustment[3]	0	(0.3)
Total	₩ 705.2	₩2,037.5

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.
(2) Includes sales from providing shared service support to our affiliates, selling waste resources and scrap metals and operating incinerators as well as operating HD HHI Arts Center located in Ulsan, Korea.
(3) Consolidation adjustments consist of the elimination of inter-segment transactions and unrealised gains and losses, as well as the recognition of equity method accounting for investments in associates and joint ventures.

Shipbuilding Business

As a leading global shipbuilder, HHI boasts a diverse product portfolio of industrial, commercial, military and special vessels.

Commercial

The principal product categories of HHI's commercial vessels are LNG carriers (including LNG floating storage regasification unit ("FSRU") carriers), LPG carriers, VLCCs and containerships. The following are descriptions of HHI's principal commercial vessel product categories:

Principal Categories	Descriptions
LNG Carriers LNG FSRU Carriers 	LNG carriers are vessels that are designed to transport LNG, a type of natural gas that has been treated to be in liquid form for ease of storage and transport. HHI is capable of constructing both membrane type and moss type LNG carriers. HHI's principal vessels in this product category are 180,000 m^3 LNG carriers, 174,000 m^3 LNG carriers and 170,000 m^3 LNG FSRU carriers. Membrane and moss types refer to types of cargo containment systems. Membrane type containment systems consist of membrane tanks, which are non-self-supporting tanks with a thin wall known as a membrane that contains cargo and the vessel's hull acting as the outer tank. Moss type containment systems consist of self-supporting spherical tanks that are supported by temperature-checking insulation systems. Based upon its expertise in LNG carriers, HHI built the first newly-built LNG FSRU carriers, which enable smooth transferring of LNG through oceanic channels, in 2011. HHI has since been a leader in the LNG FSRU newbuilding market.
LPG Carriers 	LPG carriers are vessels designed to transport LPG, a type of liquefied fuel gas based on flammable hydrocarbons such as propane and butane. HHI's principal vessels in this product category include 98,000 m^3, 93,000 m^3, 91,000 m^3, 88,000 m^3, 86,000 m^3 and 60,000 m^3 LPG carriers, which are all categorised as very large gas carriers ("VLGCs"). HHI is a dominant player in the VLGC market, recognised by its technical expertise and high product quality. HHI has also applied its expertise to build the world's first flame-retardant insulation for cargo tanks in 84,000 m^3 LPG carriers, in cooperation with insulation system manufacturers.
VLCC 	VLCC is an acronym for Very Large Crude Carrier, which is a type of oil tanker designed for the bulk transport of crude oil or refined petroleum products from oil wells to refineries or from refineries to industrial users, respectively. Commonly known as "supertankers," these oil tankers have capacities around 300,000 DWT and are capable of transporting up to 2 million barrels of oil. In response to evolving environmental regulatory standards worldwide, HHI has also developed a strong position within the nascent market for VLCCs with reduced environmental impact with its proprietary technologies to reduce/control the emission levels of NOx, SOx and CO2.

Principal Categories	Descriptions
Containerships 	Containerships are vessels that are designed to transport cargo in intermodal containers, which are standardised metal containers used to easily convey cargo between different modes of transport. HHI's principal vessels in this product category are 23,000 TEU, 16,200 TEU, 15,900 TEU, 13,200 TEU and 7,300 TEU vessels, which are all large-size containerships. TEU refers to the twenty-foot equivalent unit, which is an inexact unit used to describe containerships, based on the volume of a 20-foot-long intermodal container.

Naval and Special Vessels

Naval and special vessels, which refer to submarines, destroyers, convoys or other combat vessels, are distinct from other vessels in HHI's shipbuilding unit in their contract and production process, customer specifications and required technical expertise. HHI provides tailored solutions for its naval and special vessels, ranging from design and engineering, construction, system integration, testing and trial, integrated logistics and lifecycle support, as well as training and technical assistance catered to each customer. HHI is a licensed national defence industrial shipbuilder and an engineering consultant for the Republic of Korea Navy, and designs and manufactures various surface and underwater combat and auxiliary support vessels for the Navy, as well as the Korea Coast Guard.

Since its first special vessel production of the Ulsan frigate in 1975, the first domestically built battleship in Korea, HHI has accumulated more than 40 years of experience and know-how in building battleships, submarines and other vessels. The principal product categories of HHI's naval and special vessel categories are destroyers, frigates, corvettes and fast attack crafts, submarines, logistic support vessels, multipurpose support vessels, amphibious vessels, patrol vessels and training vessels.

HHI incorporates advanced technology in its naval and special vessels through its R&D capabilities. See "*—Research and Development*" for a list of HHI's research institutes supporting its research and development efforts. In particular, HHI's HMRI develops computer aided technology for use in the preproduction phases of HHI's special vessels, which require ample pre-planning to efficiently manufacture technologically advanced vessels. HMRI's activities include research on hull form development, resistance and propulsion, seakeeping, structure and vibration and acoustics control. Through HMRI and HHI's Information Technology division, HHI incorporates advanced simulation programmes for its naval and special vessels, including 3D hull module and machinery design, vessel performance analysis, hull structure analysis and weapon and sensor coverage analysis.

Eco-friendly Vessels

In response to changing market trends, environmental regulations and increased awareness for corporate responsibility, demand for new types of eco-friendly vessels have increased in recent years. HHI continues to utilise its experience as one of the world's leading shipbuilders to diversify its product offerings. In line with increased demand for eco-friendly vessels, HHI produces new vessels that meet certain environmental specifications, including reduced carbon emissions, among others. In particular, HHI has seen increased demand for eco-friendly vessels in recent years. Such vessels using fuels that are LNG, ammonia, hydrogen or bio-based are environmentally friendly alternatives to crude oil-based fuel.

Offshore, Industrial Plant and Engineering Business

HHI also designs and manufactures a variety of offshore structures, including floating units, fixed platforms, offshore installations and land-based modular plant fabrication products. HHI is a leading global EPCIC contractor providing integrated engineering, procurement, construction, installation and commission services. HHI has been recognised as one of the most experienced and advanced offshore yard operators in the world.

The following are descriptions of HHI's principal offshore, industrial plant and engineering product categories:

Principal Categories	Descriptions
Floater FPSO (Floating Production Storage and Off-Loading) 	HHI's principal floating units include FPSO, Floating Liquefied Natural Gas ("FLNG"), FPU, Tension Leg Platforms ("TLP"), Single Point Anchor Reservoirs ("SPAR") and Semi-submersibles. Demand for floating units has increased in recent years with an expansion of offshore deepwater projects. Each unit is designed for a specific project purpose, with the most common use being for hydrocarbon processing and oil or natural gas storage.
Fixed Platform 	HHI's fixed platforms include topsides, jackets, piles, modules and living quarters. Topsides refer to the above sea level portion of offshore floating units. Jackets are four-legged structures in deep waters typically consisting of plastic notes and a deck to support rigs. Piles are steel piles installed to provide stability to platforms. Modules and living quarters provide accommodation spaces for offshore platforms.

Marine & Energy

HHI provides engineering, procurement, construction, transportation, installation and commissioning services for offshore oil and gas production facilities, including fixed platforms and FPUs such as FPSOs. Leveraging its offshore engineering and fabrication capabilities, HHI delivers integrated solutions covering the entire project lifecycle from design and procurement to construction and commissioning. In addition to conventional offshore oil and gas projects, HHI is expanding this business into new energy sectors, including offshore wind power structures and substations, as well as next-generation energy solutions such as SMR components and carbon capture and storage (CCS) related facilities.

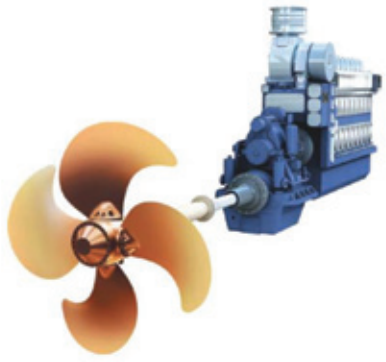
Industrial Plant and Engineering

HHI provides onshore plant construction and engineering services, at times as an EPCIC contractor, for building power plants, process plants, waste treatment plants, desalination facilities and industrial cranes in Korea and overseas. HHI's power plants include combined-cycle, co-generation and thermal power plants. HHI's process plants include oil and gas, gas processing, refinery, tank farm, gas-to-liquid and LNG facilities.

Engine & Machinery Business

Building upon its expertise in shipbuilding, HHI designs and manufactures proprietary marine engine, machinery and other systems necessary for propulsion and specialised industrial functions of the vessel. In addition to marine based engines and machinery, HHI also designs and manufactures stationary engine power plants.

The principal product categories of HHI's engine and machinery unit are (i) 2-stroke engine, (ii) 4-stroke engine (HiMSEN engine), (iii) HiMSEN propulsion system, (iv) propeller and shaft system, (v) engine power plant, (vi) NoNOx SCR system, (vii) BWTS and (viii) LNG FGSS (Hi-GAS). The following are descriptions of HHI's principal engine and machinery product categories:

Principal Categories	Descriptions
2-Stroke Marine Engine	HHI licenses patented technologies from MAN Diesel & Turbo of Denmark and Winterthur Gas & Diesel of Switzerland, two major international licensors for marine engines, for use in the manufacture and sale of 2-stroke diesel and DF marine engines under long-term licence agreements, which grant HHI a non-exclusive licence to manufacture and/or sell products using the licensed technologies.
4-Stroke Engine (HiMSEN Engine)	In 2000, HHI developed its own 4-stroke engine brand, HiMSEN, which has been recognised for its reliability, durability, cost efficiency and environmental friendliness, among others. HHI is continuously investing in improving HiMSEN engine models to adapt to the increasing market demand for eco-friendly engines and the evolving environmental regulations with more stringent standards. The H54DF model, which has the world's highest maximum power output of 36,000 BHP, is DF engine capable of burning both diesel and natural gas and can significantly reduce NOx, SOx and CO2 emission levels.
HiMSEN Propulsion System 	HHI provides HiMSEN propulsion system to a variety of engines. HHI's HiMSEN propulsion system is recognised for offering reliable, cost effective and environmentally friendly solutions incorporating HiMSEN diesel or DF engines.

Principal Categories	Descriptions
Propeller and Shaft System 	HHI produces a wide variety of marine propellers made of manganese bronze and nickel-aluminium bronze with a diametre of up to 11,000 mm and maximum unit weight of 114,000 kg. HHI has a comprehensive system in place that computerises the entire manufacturing process of marine propellers, from designing through actual manufacturing to inspection of the manufactured products.
Engine Power Plant 	HHI is a global provider of high-quality diesel power plants in countries such as Korea, Israel, Malaysia, India, Mauritius and Mexico. HHI's engine power plants are powered by its 2-stroke and 4-stroke engines. HHI's stationary engine power plants include HFO, diesel oil ("DO") and gas/DF engine power plants, as well as EDG for nuclear power plants.
NoNOx (SCR) System 	NoNOx is HHI's own brand of SCR system, which can reduce NOx emission level by up to 95% and meets the standards of IMO Tier III regulation. NoNOx SCR system provides reliable and optimal solution for marine application of 2-stroke and 4-stroke engines (HP SCR for 2-stroke engines and LP SCR for both 2-stroke and 4-stroke engines).
Ballast Water Treatment System (Hi-Ballast, EcoBallast) 	BWTS refers to a system that purifies and disinfects ballast water, and HHI produces two types of BWTS—Hi-Ballast and EcoBallast. HiBallast is a disinfection system that uses electrolysis of seawater. It is a side stream system combined with a filter and electrolysis unit. It provides excellent disinfecting efficiency and easy installation on any vessel type, without harming the vessel, ballast tank coating, the crew or the marine environment. EcoBallast is an ultra-violet disinfection system. It is an ecofriendly system which does not use or produce any chemicals.

Principal Categories	Descriptions
LNG Fuel Gas Supply System (Hi-GAS) 	Hi-GAS is a LNG FGSS for DF engines based on high- and low- pressure supply. Hi-GAS can effectively supply high-pressure compressed natural gas (“CNG”) to MAN Energy Solutions gas injection (“ME-GI”) engines and low-pressure CNG to 4-stroke DF GenSets, which operate with DF supply systems.

Eco-friendly Propulsion Systems

In line with increasing demand for eco-friendly vessels, HHI manufactures corresponding eco-friendly engines and machinery. HHI’s eco-friendly propulsion systems include LNG DF engines. HHI has incorporated its know-how in manufacturing DF engines to further expand its capacity for engines using natural gas, biodiesel and other forms of environmentally friendly fuel. In accordance with the increasing size of its customers’ power plants and the need for high-power engines, HHI has commenced research on environmentally friendly HiMSEN engines. In addition, HHI’s dedication to developing eco-friendly machinery is demonstrated by its SCR, FGSS and BWTS products discussed above. In particular, HHI was the first provider of ME-GI 2-stroke engine and FGSS package system for LNG carriers. HHI has increased the sales of its eco-friendly machinery in recent years through bundle-selling with conventional machinery.

New Orders and Order Backlogs

HHI’s new orders and order backlogs are closely related to its future sales. As of 31 December 2025, HHI’s backlogs amounted to Won 56,384.5 billion, consisting of Won 44,351.1 billion for its shipbuilding business, Won 2,445.1 billion for its offshore, industrial plant and engineering business and Won 9,588.3 billion for others, which include engine and machinery business. The level of backlogs provides HHI’s management with a useful tool to project sales and plan its business on an ongoing basis.

The following table sets forth a breakdown of HHI’s new orders obtained and its backlogs from sales contracts by business unit for the dates indicated:

	As of and For the year ended 31 December 2024							
	Beginning of the year backlog		New orders		Sales(1)		End of the year backlog	
	Won	%	Won	%	Won	%	Won	%
	(In billions of Won, except percentages)							
Shipbuilding	₩32,399.3	78.1	₩12,161.3	60.9	₩10,623.3	73.3	₩33,937.3	72.3
Offshore, Industrial Plant and Engineering	2,011.1	4.9	2,267.8	11.4	649.2	4.5	3,629.7	7.7
Others	7,050.0	17.0	5,528.7	27.7	3,214.0	22.2	9,364.7	20.0
Total	₩41,460.5	100.0	₩19,957.7	100.0	₩14,486.5	100.0	₩46,931.8	100.0

Note:

(1) Does not include inter-segment sales.

	As of and For the year ended 31 December 2025[1]								
	Beginning of the year backlog		Business Combination[2]	New orders[3]		Sales[4]		End of the year backlog	
	Won	%	Won	Won	%	Won	%	Won	%
	(In billions of Won, except percentages)								
Shipbuilding	₩33,937.3	72.3	₩11,376.4	₩11,500.5	84.6	₩12,463.1	70.9	₩44,351.1	78.7
Offshore, Industrial Plant and Engineering	3,629.7	7.7	—	54.4	0.2	1,239.0	7.0	2,445.1	4.3
Others	9,364.7	20.0	—	4,102.1	15.2	3,878.5	22.1	9,588.3	17.0
Total	₩46,931.8	100.0	₩11,376.4	₩15,657.0	100.0	₩17,580.6	100.0	₩56,384.5	100.0

Note:

(1) HMD was merged with and into HHI, with HHI continuing as the surviving entity, effective 1 December 2025.
(2) Attributable to the merger with HMD.
(3) Reflects adjustments relating to foreign currency-denominated contracts, and changes resulting from contract cancellations or amendments to contract amounts.
(4) Does not include inter-segment sales.

For more details on order backlog, revenue recognition and the timing and uncertainty of converting orders into sales, see "*Our Business—New Orders and Order Backlogs*."

Warranties

Under its general terms and conditions of sale and in accordance with industry practice, HHI typically provides a limited warranty on its products. While the terms of the warranties provided by HHI differ depending on the type of product or service, customer and geographic market, HHI typically provides a 12-month warranty for its commercial vessels and a 24-month warranty for LNG vessels from the date of delivery with respect to workmanship and materials. Before the expiration of the warranty period, HHI conducts a "deviation check" with the shipowner for any remaining items on the claim list and discuss whether provision of any repair, replacement or re-designing services or adjustment of costs would be necessary. The vessel contract warranty service is currently provided by HHI's affiliate, HD Hyundai Marine Solution, on its behalf. The offshore, industrial plant and engineering contracts provide individual warranty periods depending on the nature of each project and the applicable contractual terms and typically have a warranty period of 12 to 24 months from the date of completion. For engine and machinery contracts, the warranty period is typically the earlier of either 12 months from the date of delivery of vessels or 24 months from the date of delivery of engines. The warranty service on engines after the delivery of vessels is provided by HD Hyundai Marine Solution on HHI's behalf.

Raw Materials and Suppliers

HHI procures a wide range of raw materials, semi-finished goods and components necessary for its businesses. Procurement is carried out through domestic and overseas suppliers selected based on quality, delivery reliability and technological capability. For more details, see "*Our Business— Raw Materials and Suppliers."*

Production Facilities

The main production facilities of HHI are shipyards located in Ulsan in Korea. HHI's Ulsan yard possesses nine dry docks in total, which enable it to simultaneously manufacture multiple vessels and meet the delivery deadlines requested by its shipbuilding customers. Following the merger with HMD, HHI also operates the Mipo shipyard located in Mipo Bay, Ulsan. The Mipo shipyard is equipped with four dry docks, two of which have been converted for the construction of special-purpose vessels following the merger, while the remaining docks continue to support the construction of mid-sized commercial vessels. For more details on HHI's production facilities, see "*Our Business—Production Facilities*."

Research and Development

Research and development is critical to the long-term success of HHI's business. HHI is committed to investing significant time and resources in its research and development platform, which is shared with affiliates across the HD Hyundai Group and encompasses HHI's principal research institutes, including HMRI, the Engine & Machinery Research Institute and the Corporate Technology Institute. The Corporate Technology Institute further comprises the Advanced Technology Institute, the Industrial Technology Institute and the Frontier Technology Institute.

HHI's research and development activities focus on the development of core technologies for high-value-added vessels, performance enhancements for submarines, and technological advancements in engine and machinery systems, energy and environmental facilities, and industrial and product design. HHI also participates in collaborative research and development initiatives with other shipbuilding companies and industry participants.

For more details on HD Hyundai Group-wide R&D efforts, see "*Our Business—Research and Development.*"

Quality Control

As the markets for HHI's products continue to evolve and the customers' expectations of product features and performance become more demanding, HHI believes that offering products of the highest quality and performance is essential to maintaining its competitive position. Highly reliable and high-quality products foster consumer satisfaction, which in turn encourages brand loyalty and strengthens HHI's reputation. Accordingly, HHI is actively involved in setting quality assurance policies and managing quality control processes to ensure that its products perform at optimal levels. HHI has set up a quality management team, a team dedicated to ensuring its quality assurance procedures are applied effectively, and operate a centralised quality management system, through which HHI continuously monitors and evaluates quality-related issues. All of HHI's products undergo strict quality assurance tests and verifications, including non-destructive testing for evaluating welding quality, at numerous checkpoints of HHI's facilities, and any quality issues that are discovered are reported immediately to the relevant departments so that a solution can be devised promptly.

HHI formulates quality assurance plans for each of its different projects, which incorporate the customers' requirements and the environment in which HHI's products will be used. HHI's employees are provided with continuous job training, including a mandatory certification course on quality management for relevant personnel. HHI's quality assurance activities also include the implementation of quality control processes at its affiliate supplier companies.

Intellectual Property

HHI owns and manages a diverse portfolio of intellectual property consisting primarily of patents, trademarks and design rights related to HHI's LNG carriers, container carriers, FSRU, HiMSEN engines, eco-friendly facilities (e.g., BWTS, NoNOx and waste heat recovery systems) and energy saving equipment. HHI relies on a combination of patent, trademark, design and trade secret laws in Korea and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect HHI's proprietary technology.

The table below, inclusive of all patents and trademarks registered domestically and overseas, shows the status of intellectual property as of 31 December 2025.

Region	Patents	Trademarks
Domestic	2,247	64
Overseas	366	12
Total	2,613	76

Employees

As of 31 December 2025, HHI had 15,353 full-time employees and 3,527 contract employees.

Like many other similar companies in Korea, HHI uses outside subcontractors who provide workforce on a contractual basis, usually on an annual or project basis. Through such labour subcontractors, HHI procures workforce primarily for unskilled or less skilled work such as painting, outfitting and transportation. Such contract-based workforce provides HHI with relatively less expensive labour and HHI benefits from the resulting flexibility to adjust this portion of the workforce when its labour requirements change.

Every two years, HHI's management and the labour union negotiate and enter into a new collective bargaining agreement that has a two-year duration, although annual wage adjustments are negotiated every year. HHI also has a joint labour-management committee for its employees, which meets periodically to discuss employee welfare and benefits. HHI's labour union has occasionally engaged in collective action in the form of sporadic strikes and temporary or partial work stoppages upon an impasse in negotiations with HHI's management over wages and other labour-related issues. HHI considers its current relations with its employees to be good.

For description of employee compensation, incentive and retirement benefit arrangements, see "*Our Business—Employees*."

Legal and Regulatory Proceedings

At any given time, HHI may be subject to legal claims and regulatory actions against HHI in the ordinary course of its business. However, except for the ongoing proceedings described below, HHI is not currently involved in any material litigation or other proceedings, the outcome of which HHI believes might, individually or taken as a whole, have a material adverse effect on HHI's results of operations or financial condition. HHI assesses its potential liability in such situations by analysing the possible outcomes of various litigation, regulatory and settlement strategies. If HHI determines a loss is probable and its amount can be reasonably estimated, HHI accrues an amount equal to the estimated loss.

As of 31 December 2025, there were 35 legal proceedings (with an aggregate claim amount of approximately Won 55.9 billion) pending against HHI. As of the date hereof, the outcome of these proceedings cannot be reasonably estimated.

In November 2024, the Korea Fair Trade Commission issued a corrective order against HHI and imposed administrative fines of Won 246 million and Won 430 million for misappropriation of technical data and failure to issue required written documentation, respectively, in violation of the Korean Fair Transactions in Subcontracting Act. HHI has paid the applicable fines and implemented remedial measures, including compliance training and ongoing monitoring, to prevent recurrence in the future.

The Korea Fair Trade Commission imposed an administrative surcharge of Won 20.8 billion on HHI for violations of the Korean Fair Transactions in Subcontracting Act (including delayed issuance of written documents). Such surcharge was subsequently revoked through an administrative lawsuit, pursuant to a decision of the Supreme Court rendered in November 2024. In July 2025, an administrative surcharge of Won 12.7 billion was re-imposed on HHI, which has been paid in full, and an administrative lawsuit seeking the cancellation of such disposition is currently pending at the first instance.

KOREAN FOREIGN EXCHANGE AND SECURITIES REGULATIONS

General

The Foreign Exchange Transaction Act of Korea and the Presidential Decree and Regulations under that Act and Decree (collectively, the "FETL") regulate investments in Korean securities by non-residents and issuances of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the FETL. The Financial Services Commission has also adopted, pursuant to its authority under the FSCMA, regulations that regulate investments by foreigners in Korean securities and issuances of securities outside Korea by Korean companies.

Subject to certain limitations, the MOFE has the authority, absent special circumstances, to take the following actions under the FETL for a period of up to six months, or longer under extraordinary circumstances:

- if the Korean government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the MOFE may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange), impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea, a foreign exchange equalisation fund or certain other governmental agencies or financial institutions or impose an obligation to residents holding claims against non-residents to collect the claims back to Korea; and
- if the Korean government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect its currency policies, exchange rate policies or other macroeconomic policies, the MOFE may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea, a foreign exchange equalisation fund or certain other governmental agencies or financial institutions, in each case subject to certain limitations.

However, such authority of the MOFE is not applicable to foreign investments made pursuant to the Foreign Investment Promotion Act of Korea.

Government Review of Issuance of the Bonds

In order for us to issue the Bonds in excess of US$30 million, we are required to file a report with the MOFE with respect to the issuance of the Bonds prior to and after such issuance; provided that such US$30 million threshold amount would be reduced by the aggregate principal amount of any foreign currency loans borrowed, and any securities offered and issued, outside Korea during the one-year period immediately preceding the report's submission date. The MOFE may at its discretion direct us to take necessary measures to avoid exchange rate fluctuation in connection with its acceptance of report of the issuance of the Bonds. No further Korean governmental approval is necessary for the initial offering and issuance of the Bonds. No further governmental approval is necessary for the exchange of Bonds into Shares and the delivery of the Shares inside Korea. As of 14 December 2023, the investment registration requirement previously applicable to foreign investors acquiring shares of Korean listed companies has been abolished pursuant to amendments to the Enforcement Decree of the FSCMA and foreign investors are no longer required to obtain an investment registration certificate prior to acquiring such shares. However, a non-Korean who acquires shares representing 5% or more of the total issued and outstanding voting shares of the company must report such acquisition to the Financial Services Commission and the Korea Exchange pursuant to the FSCMA, and a non-Korean who acquires 10% or more of such shares (i.e., a major shareholder) must report such acquisition to the Securities and Futures Commission and the Korea Exchange pursuant to the FSCMA.

Reporting Requirements for Holders of Substantial Interests

Under the FSCMA, any person whose direct or beneficial ownership of a listed company's shares with voting rights, equity-related debt securities including convertible bonds, bonds with warrants,

exchangeable bonds, certificates representing the rights to subscribe for shares, derivatives-linked securities and depository receipts for the aforementioned securities, which we refer to collectively as equity securities, together with the equity securities directly or beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5% or more of the total outstanding equity securities (including treasury shares) of such listed company is required to report the status and purpose (in terms of whether the purpose of the shareholding is to participate in the management of the issuer) of the holdings and the material contents of the agreements relating to the equity securities and other matters prescribed by the Presidential Decree under the FSCMA to the Financial Services Commission and the Korea Exchange within five business days after reaching the 5% ownership interest.

In addition, (a) any change in the number of the owned equity securities that equals or exceeds 1% of the total outstanding equity securities or (b) any change in (i) the purpose of the shareholding or in the ownership of the equity securities, (ii) the major terms and conditions of the agreements relating to the equity securities owned (such as trust agreements and collateral agreements) to the extent the number of relevant equity securities is 1% or more of the total outstanding equity securities or (iii) the type of the ownership (direct ownership or holdings) to the extent the number of relevant equity securities is equal to or exceeds 1% of the total outstanding equity securities, subsequent to the report, must be reported to the Financial Services Commission and the Korea Exchange within five business days from the date of such change (or by the tenth day of the month following the month in which the change described in (a) above occurs, in the case of a person (other than certain professional investors designated by the Financial Services Commission) with no intent to participate in the management). Notwithstanding the foregoing, certain professional investors prescribed by the Presidential Decree of the FSCMA may report the 5% ownership status and the changes described in (a) above to the Financial Services Commission and the Korea Exchange by the tenth day of the month immediately following the end of the quarter in which such 5% ownership interest is reached or the change occurs.

When filing a report to the Financial Services Commission and the Korea Exchange in accordance with the reporting requirements described above, a copy of such report must also be sent to the relevant listed company.

Violation of these reporting requirements may subject a person to sanctions such as prohibition on the exercise of voting rights with respect to the equity securities for which the reporting requirement was violated, or fines and/or imprisonment. Furthermore, the Financial Services Commission may order the disposal of the equity securities for which the reporting requirement was violated or impose a monetary penalty.

A person reporting to the Financial Services Commission and the Korea Exchange that his purpose of holding the equity securities is to participate in the management of the listed company is prohibited from acquiring additional equity securities of the listed company and exercising voting rights during the period commencing from the date on which the event triggering the reporting requirement occurs and ending on the fifth day from the date on which the report is made.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our voting stock and/or depository receipts for our voting stock accounts for 10% or more of the total issued and outstanding voting stock, whom we refer to as a major shareholder, must file a report to the Securities and Futures Commission of Korea and to the Korea Exchange within five business days after the date on which the person reached such shareholding limit. In addition, such person must file a report to the Securities and Futures Commission of Korea and to the Korea Exchange regarding any subsequent change in his/her shareholding. Such report on subsequent change in shareholding must be filed within five business days of the occurrence of any such change. Violation of these reporting requirements may subject a person to criminal sanctions such as fines and/or imprisonment.

Restrictions Applicable to Common Shares

As a result of amendments to the Foreign Exchange Transaction Laws and Financial Services Commission regulations adopted in connection with the stock market opening from January 1992, which we refer to collectively as the Investment Rules, foreigners may invest, with limited exceptions

and subject to procedural requirements, in shares of all Korean companies listed on the KRX KOSPI Market or the KRX KOSDAQ Market unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including:

- odd lot trading of shares;
- acquisition of shares, which we refer to as converted shares, by exercise of warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;
- acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders' rights, including pre-emptive rights or rights to participate in free distributions and receive dividends;
- over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded;
- shares acquired by way of direct investment and/or the disposal of such shares by the investor;
- the disposal of shares pursuant to the exercise of appraisal rights of dissenting shareholders;
- the acquisition or disposal of shares in connection with a tender offer;
- the acquisition of underlying shares by a foreign depositary in connection with the issuance of depositary receipts;
- the acquisition and disposal of shares through overseas stock exchange market if such shares are simultaneously listed on the KRX KOSPI Market or the KRX KOSDAQ Market and such overseas stock exchange; and
- arm's length transactions between foreigners, if all of such foreigners belong to the investment group managed by the same person.

For over-the-counter transactions of shares between foreigners outside the KRX KOSPI Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, an investment broker licensed in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve an investment dealer licensed in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions by borrowing shares from investment brokers or investment dealers with respect to shares that are subject to a foreign ownership limit.

Prior to 14 December 2023, the Investment Rules required a foreign investor wishing to invest in or dispose of shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including shares issued or sold in connection with an initial listing on the KRX KOSPI Market or the KRX KOSDAQ Market) to register its identity with the Financial Supervisory Service prior to making any such investment or disposal, unless it had previously registered. Such registration requirement was abolished as of 14 December 2023 and is no longer in effect.

Upon a foreign investor's purchase of shares through the KRX KOSPI Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration certificate system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market (as discussed above) must be reported by the foreign investor or his standing proxy to the governor of the Financial Supervisory Service at the time of each such acquisition or sale; provided, however, that a foreign investor must ensure that any acquisition or sale by it of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the governor of the Financial Supervisory Service by the investment dealer or investment broker engaged in facilitating such transaction. A foreign investor may appoint a standing proxy from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), investment dealers, investment brokers and collective investment companies ("financial investment firms") (including licensed domestic

branches of foreign financial investment firms) and internationally recognised custodians which will act as a standing proxy to exercise shareholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities itself. Generally, a foreign investor may not permit any person, other than its standing proxy, to exercise rights relating to its shares or perform any tasks related thereto on its behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed inevitable by reason of conflict between the laws of Korea and the home country of the foreign investor.

Shares of Korean companies owned by a foreign investor must be registered with an eligible custodian in Korea. Only foreign exchange banks (including domestic branches of foreign banks), financial investment firms (including domestic branches of foreign financial investment firms), the Korea Securities Depository and internationally recognised custodians are eligible to act as a custodian of shares for a foreign investor; provided, however, that a foreign investor may have the shares withdrawn from such registration when it is necessary to exercise its rights with respect to such shares or to inspect and confirm the existence of such shares. The custodian of a foreign investor must deposit such foreign investor's shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this registration requirement with the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may own shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate, and the designated public service corporations may set a ceiling on the acquisition of shares by a single person in their articles of incorporation. Currently, Korea Electric Power Corporation is the only designated public service corporation which has set a ceiling on the acquisition of shares by a single person regardless of its nationality within 3% of the total number of shares by its articles of incorporation, although it has no ceiling specifically set for foreign shareholders.

Under the Foreign Exchange Transaction Laws, a foreign investor who wishes to trade shares without obtaining separate governmental approvals or submitting separate reports to Korean government must designate a foreign exchange bank and open a foreign currency account and a Korean Won account with the bank exclusively for stock investments. No approval is required for remittance of foreign currency funds into Korea or for deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account to a Korean Won account opened with an investment dealer or an investment broker at the time the foreign investor is required to place a deposit for, or settle the purchase price of, a stock purchase transaction to an investment dealer or investment broker's Won account. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Furthermore, in the case of investments amounting to Won 100.0 million or more, (i) an investment by a foreign investor in 10% or more of the outstanding shares of voting rights of a Korean company or (ii) an acquisition of the right by a foreign investor holding shares to appoint directors or officers of a Korean company to second or appoint directors or officers of such company constitutes a foreign direct investment for purposes of the Foreign Investment Promotion Act of Korea. Generally, under the Foreign Investment Promotion Act of Korea, foreign direct investments must be reported to a delegate institution of the Ministry of Trade, Industry and Energy prior to such investment (or within 60 days from the date of such investment, if the investment is made through acquisition of outstanding shares of a Korean company listed on the Korea Exchange). The acquisition of shares of a Korean company by a foreign investor may also be subject to certain industry-specific or business-specific foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company.

Dividends on shares of Korean companies are paid in Korean Won. No governmental approval is required for foreign investors to receive dividends on, or the Korean Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Korean Won proceeds of the sale of, any shares held by a non-resident of Korea may be deposited either in a Korean Won account with the investor's investment dealer or investment broker or his Korean Won account. Funds

in the investor's Korean Won account may be transferred to his foreign currency account or withdrawn for local living expenses, provided that any withdrawal of local living expenses in excess of a certain amount must be reported to the governor of the Financial Supervisory Service by the foreign exchange bank at which the Korean Won account is maintained. Funds in the Korean Won account in Korea may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of pre-emptive rights.

Investment dealers and investment brokers are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, investment dealers and investment brokers may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Korean Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

KOREAN SECURITIES MARKET

The Korea Exchange

On 27 January 2005, the Korea Exchange was established pursuant to the Korea Securities and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. On 1 July 2013, the Korea Exchange launched the Korea New Exchange (KONEX), a new securities exchange that focuses on small- and medium-sized enterprises. There are four different markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, the KONEX Market and the KRX Derivatives Market. The Korea Exchange has three trading floors located in Seoul, one for the KRX KOSPI Market, one for the KRX KOSDAQ Market and one for the KONEX Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a stock corporation ("*chusik hoesa*" in Korean), the shares of which are held by (i) investment brokers and investment dealers that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Historically, the Korea Exchange was the only stock exchange in Korea and is operated by membership, having as its members most of the Korean investment brokers and investment dealers and some Korean branches of foreign investment brokers and investment dealers. As of March 2025, however, Nextrade (NTX) commenced operations as Korea's first alternative trading system.

According to data published by the Korea Exchange, as of 31 December 2025, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately Won 3,478 trillion, and the average daily trading volume of equity securities in 2025 was approximately 518 million shares with an average daily transaction value of Won 16.9 trillion.

The Korea Exchange has the power in some circumstances to suspend trading in the shares of a specific company or to de-list a security pursuant to the Regulation on Listing on the Korea Exchange. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately certain information that may affect trading in a security.

The Korea Exchange publishes the KOSPI every ten seconds, which is an index of all equity securities listed on the KRX KOSPI Market. On 1 January 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalisations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalisation of all listed companies as of the base date, 4 January 1980.

Movements in KOSPI are set out in the following table:

	Opening	High	Low	Closing
1985	139.53	163.37	131.40	163.37
1986	161.40	279.67	153.85	272.61
1987	264.82	525.11	264.82	525.11
1988	532.04	922.56	527.89	907.20
1989	919.61	1,007.77	844.75	909.72
1990	908.59	928.77	566.27	696.11
1991	679.75	763.10	586.51	610.92
1992	624.23	691.48	459.07	678.44
1993	697.41	874.10	605.93	866.18
1994	879.32	1,138.75	860.47	1,027.37
1995	1,013.57	1,016.77	847.09	882.94
1996	888.85	986.84	651.22	651.22
1997	653.79	792.29	350.68	376.31
1998	385.49	579.86	280.00	562.46
1999	587.57	1,028.07	498.42	1,028.07
2000	1,059.04	1,059.04	500.60	504.62
2001	520.95	704.50	468.76	693.70
2002	724.95	937.61	584.04	627.55
2003	635.17	822.16	515.24	810.71
2004	821.26	936.06	719.59	895.92

	Opening	High	Low	Closing
2005	893.71	1,379.37	870.84	1,379.37
2006	1,389.27	1,464.70	1,203.86	1,434.46
2007	1,435.26	2,064.85	1,355.79	1,897.13
2008	1,853.45	1,888.88	938.75	1,124.47
2009	1,157.40	1,718.88	1,018.81	1,682.77
2010	1,696.14	2,051.00	1,552.79	2,051.00
2011	2,070.08	2,228.96	1,652.71	1,825.74
2012	1,826.37	2,049.28	1,769.31	1,997.05
2013	2,031.10	2,059.58	1,780.63	2,011.34
2014	1,967.19	2,082.61	1,886.85	1,915.59
2015	1,926.44	2,173.41	1,829.81	1,961.31
2016	1,918.76	2,068.72	1,835.28	2,026.46
2017	2,026.16	2,557.97	2,026.16	2,467.49
2018	2,479.65	2,598.19	1,996.05	2,041.04
2019	2,010.00	2,248.63	1,909.71	2,197.67
2020	2,175.17	2,873.47	1,457.64	2,873.47
2021	2,944.45	3,305.21	2,839.01	2,977.65
2022	2,988.77	2,989.24	2,155.49	2,236.40
2023	2,225.67	2,667.07	2,218.67	2,655.28
2024	2,669.81	2,891.35	2,360.58	2,399.49
2025	2,398.94	4,221.87	2,293.70	4,214.17
2026 (through 30 March)	4,309.63	6,307.27	4,309.63	5,277.30

Source: The Korea Exchange

Shares are generally quoted "ex-dividend" from the trading day immediately preceding the record date for determining shareholders entitled to receive dividends. As the record date for dividends of many listed companies in Korea has historically been set at the end of the fiscal year (which for most listed companies is 31 December), this may account for the drop in KOSPI between the closing price of the second trading day preceding the last trading day of one calendar year and the opening price of the trading day immediately preceding the last trading day of such calendar year.

In January 2023, the Ministry of Justice of Korea issued an official ruling to the effect that (i) a record date for determining shareholders entitled to exercise of their voting rights at the general meeting of shareholders for declaration of dividends and (ii) a record date for determining the shareholders entitled to payment of dividends so declared may be separately set. Based on the foregoing official ruling, the Government has recommended the listed companies to set the record date for determining the shareholders entitled to payment of dividends after the date of the general meeting of shareholders by resolution of their board of directors so that the investors may invest in the shares of the listed companies after checking whether the dividend is declared and the amount of dividend so declared. As a result of the recommendation of the Government, many listed companies have amended, or are expected to amend their articles of incorporation which generally provide the shareholders shown at the register of shareholders as of the end of the fiscal year are entitled to both (i) exercise of their voting rights at the general meeting of shareholders for declaration of dividends and (ii) payment of dividends so declared. The above change of the past practice is also expected to affect the practice of "ex-dividend" in the Korean securities markets including the KRX KOSPI Market.

With certain exceptions, principally to take account of a share being quoted "ex-dividend" and "ex-rights," permitted upward and downward movements in share prices of any category of shares on any trading day are limited under the rules of the Korea Exchange to 30% of the previous trading day's closing price of the shares, rounded down as set out below:

Previous trading day's closing price (Won)	Rounded Down to (Won)
Less than 2,000	1
2,000 to less than 5,000	5
5,000 to less than 20,000	10
20,000 to less than 50,000	50
50,000 to less than 200,000	100
200,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the investment brokers and the investment dealers. In addition, a securities transaction tax (including agricultural and fishery special surtax thereon) of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares on the Korea Exchange. See "*Taxation—Korean Taxation*."

The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalisation at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

	Market Capitalisation on the Last Day of Each Period		Average Daily Trading Volume, Value	
Year	Number of Listed Companies	(Billions of Won)	Thousands of Shares	(Millions of Won)
1985	342	₩ 6,570	18,925	₩ 12,315
1986	355	11,994	31,755	32,870
1987	389	26,172	20,353	70,185
1988	502	64,544	10,367	198,364
1989	626	95,477	11,757	280,967
1990	669	79,020	10,866	183,692
1991	686	73,118	14,022	214,263
1992	688	84,712	24,028	308,246
1993	693	112,665	35,130	574,048
1994	699	151,217	36,862	776,257
1995	721	141,151	26,130	487,762
1996	760	117,370	26,571	486,834
1997	776	70,989	41,525	555,759
1998	748	137,799	97,716	660,429
1999	725	349,504	278,551	3,481,620
2000	704	188,042	306,163	2,602,211
2001	689	255,850	473,241	1,997,420
2002	683	258,681	857,245	3,041,598
2003	684	355,363	542,010	2,216,636
2004	683	412,588	372,895	2,232,108
2005	702	655,075	467,629	3,157,662
2006	731	704,588	279,096	3,435,180
2007	745	951,900	363,732	5,539,588
2008	763	592,635	355,205	5,189,643
2009	770	887,935	485,657	5,795,426
2010	777	1,141,885	380,859	5,619,768
2011	791	1,041,999	353,759	6,863,146
2012	784	1,154,294	486,480	4,823,643
2013	777	1,185,974	328,325	3,993,422
2014	773	1,192,253	278,082	3,983,580
2015	770	1,242,832	455,256	5,351,734
2016	779	1,308,440	376,773	4,523,044
2017	774	1,605,821	340,457	5,325,760
2018	788	1,343,972	397,972	6,548,622
2019	799	1,475,909	470,723	4,989,807
2020	800	1,980,543	895,256	12,200,417
2021	824	2,203,367	1,039,479	15,424,224
2022	826	1,767,235	595,197	9,008,398
2023	839	2,126,373	538,210	9,602,689
2024	848	1,963,329	486,868	10,741,556
2025	847	3,477,840	445,035	12,400,178
2026 (through 30 March)	840	4,347,926	887,436	29,643,411

Source: The Korea Exchange

The Korean securities markets are principally regulated by the Financial Services Commission and under the regulations set forth in the FSCMA. In August 2007, the National Assembly of Korea enacted the FSCMA. The FSCMA, which came into effect on 4 February 2009, comprehensively regulates the Korean capital markets, the financial investment businesses (including collective investment businesses and trust businesses) and financial investment products (such as securities and derivatives). The FSCMA imposes, among others, restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests. The FSCMA regulates the operation and monitoring of the securities and derivatives markets.

Protection of Customer's Interest in Case of Insolvency of Investment Brokers or Investment Dealers

Under Korean law, the relationship between a customer and an investment broker or an investment dealer in connection with a securities sell or buy order is deemed to be a consignment and the securities acquired by a consignment agent (i.e., the investment broker or the investment dealer) through such sell or buy order are regarded as belonging to the customer insofar as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganisation procedure involving an investment broker or an investment dealer, the customer of the investment broker or the investment dealer is entitled to claim the securities acquired by the investment broker or the investment dealer for the customer's account.

Under the FSCMA, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by members of the KRX KOSPI Market or the KRX KOSDAQ Market. If an investment broker or an investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities subject to the buy order that it has placed with the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer insofar as the customer and the non-member company's creditors are concerned.

As cash deposited with an investment broker or an investment dealer is regarded as belonging to the investment broker or investment dealer, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the investment broker or the investment dealer if a bankruptcy or rehabilitation procedure is instituted in respect of the investment broker or the investment dealer and, therefore, can suffer a loss or damage as a result. However, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of an investor, pay the investor up to Won 50 million of cash deposited with an investment broker or an investment dealer in case of the investment broker or the investment dealer's bankruptcy, liquidation, cancellation of investment broker or investment dealer licence or other insolvency events. Investment brokers and investment dealers pay premiums to the Korea Deposit Insurance Corporation for this insurance. Pursuant to the FSCMA, investment brokers or investment dealers are required to deposit cash received from their customers at the Korea Securities Finance Corporation, a special entity established pursuant to the FSCMA. Set-off or attachment of any such cash deposits by investment brokers or investment dealers is prohibited.

Clearance and Settlement

The settlement of trades on the Korea Exchange is required to be handled by a settlement agency of the Korea Exchange. The Korea Securities Depository is the institution commissioned by the Korea Exchange to handle all such settlement of trades.

The settlement of trades on the Korea Exchange takes place through a clearance and settlement procedure. The Korea Exchange has adopted the multilateral netting system and carries out the clearance of the trades by netting the sales and purchases of each Korea Securities Depository participant. The Korea Exchange is required to provide the daily net settlement results of the trades to the Korea Securities Depository by 7 p.m. on the business day immediately prior to the settlement date. The Korea Securities Depository then handles settlement of the securities and the funds based on the information received from the Korea Exchange. The securities are settled through book-entry changes in the accounts of Korea Securities Depository participants and the funds are settled by transfer to an account at a bank designated by the Korea Securities Depository. Settlement of trades is generally required to take place on the third trading day following the day of the sale and purchase contract (i.e., T+2, with the day of the sale and purchase contract being T+0 or the first trading day).

TAXATION

The following is a summary of the principal Korean tax consequences to owners of the Bonds or the Shares, as the case may be, who are non-resident individuals or non-Korean corporations without a permanent establishment in Korea to which the relevant income is attributable or with which the relevant income is effectively connected ("Non-resident Holders"). The statements regarding Korean tax laws set forth below are based on the laws in force and as interpreted by the Korean taxation authorities as of the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds or the Shares, including specifically the tax consequences under Korean law, the laws of the jurisdiction of which they are resident, and any tax treaty between Korea and their country of residence, by consulting their own tax advisors.

Korean Taxation Relating to the Bonds

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-Korean corporations ("Non-Residents") depends on whether they have a "permanent establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Bonds to Non-Residents (other than to their permanent establishments in Korea) under the Corporation Tax Law ("CTL"). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Bonds are currently exempt from taxation by virtue of the Special Tax Treatment Control Law of Korea (the "STTCL"), provided that the issuance of the Bonds is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable tax treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realisation proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Bond) 22% (including local income tax) of the realised gain (i.e., the excess of the gross realisation proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. With respect to computing the above-mentioned 22% withholding tax (including local income tax) on the realised gain, please note that there is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Bonds issued by Korean companies. The purchaser or any other designated withholding agent of Bonds is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the gross realisation proceeds. Any amounts withheld by the purchaser or withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or the withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings

against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Share Exchange

The tax liability in connection with the Bonds and the capital gains resulting from the exchange of Bonds into the Shares is not clear.

In principle, any gain resulting from the exercise of the exchange rights of the Bonds into the Shares is treated as an unrealised gain and thus does not trigger a taxable event at the time of exchange, but will be subject to taxation upon the subsequent transfer of such Shares. However, any interest income accrued in accordance with the guaranteed yield to maturity will be recognised and, as a general rule, subject to Korean withholding tax at the rate of 15.4% (including local income tax).

If cash payment is made to a Non-resident Holder in lieu of the exchange of the Bonds into the Shares, the amount in excess of the principal and the accrued interest of the Bonds may be deemed to be a taxable event by the Korean tax authorities, and such Non-resident Holder may be subject to Korean withholding tax. Although it is uncertain whether the gain arising from such cash payment is treated as interest income, capital gains or "other income" and how the amount subject to such tax would be calculated, the Korean National Tax Service issued a ruling to the effect that the cash payments received by the non-resident holders of a foreign currency denominated exchangeable bonds in excess of the issuance price and the accrued interest of such bonds should be treated as premium, and thus, Korean source interest income, which is exempt from Korean income taxation under Article 21 of the STTCL.

Early Redemption and Redemption at Maturity

Upon exercise of the put option by either the Issuer or the Bondholder, the Bonds will be redeemed at their Early Redemption Amount. Under the interpretation of the Korean tax authorities, the excess of the Early Redemption Amount over the principal of the Bonds will be classified as Korean source interest income. Since Article 21 of the STTCL only exempts interest income from foreign currency denominated bonds from income taxation, such interest income from the Bonds which is denominated in Korean Won is subject to withholding tax at the rate of 15.4% (including local income tax) unless exempt under an applicable Korean tax treaty.

When redeemed at the Maturity Date, the Bonds will be redeemed at the Final Redemption Amount. Although there is currently no express ruling concerning redemption of exchangeable bonds at maturity, it is likely that the Korean tax authorities will equally treat the excess of the Final Redemption Amount over the principal of the Bonds as Korean source interest income that is subject to withholding tax at the rate of 15.4% (including local income tax) unless exempt under an applicable Korean tax treaty.

Korean Taxation Relating to the Shares

Tax on Dividends

Dividends on the Shares paid (whether in cash or in shares) to a Non-resident Holder will be subject to Korean withholding taxes at the rate of 22% (including local income tax) or such lower rate as is applicable under a treaty between Korea and such Non-resident Holder's country of tax residence. Free distributions of shares representing a capitalisation of certain capital surplus reserves may be subject to Korean withholding taxes.

The tax is withheld by the payor of the dividend. In order to obtain a reduced rate of withholding tax pursuant to an applicable tax treaty, a Non-resident Holder must submit to us, prior to the dividend payment date, such evidence of tax residence as the Korean tax authorities may require in order to establish its entitlement to the benefits of the applicable tax treaty.

Tax on Capital Gains

As a general rule, capital gains earned by Non-resident Holders upon transfer of the Shares are subject to Korean withholding tax at the lower of (i) 11% (including local income tax) of the gross

proceeds realised or (ii) 22% (including local income tax) of the net realised gains (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs), unless exempt from Korean income taxation under the effective Korean tax treaty with the Non-resident Holder's country of tax residence.

However, a Non-resident Holder will not be subject to Korean income taxation on capital gains realised upon the sale of the Shares through the Korea Exchange if the Non-resident Holder (i) has no permanent establishment in Korea and (ii) did not or has not owned (together with any shares owned by any entity with certain special relationships with such Non-resident Holder) 25% or more of our total issued and outstanding shares at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Korean Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or resided in Korea for at least 183 days immediately prior to the death and (b) all property located in Korea which passes on death (irrespective of the domicile or residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the tax rates vary from 10% to 50% according to the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned. Consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Bonds by inheritance or gift. Holders should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

Korean Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Bonds except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by us.

No securities transaction tax will be imposed upon the transfer of the Bonds.

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation generally at the rate of 0.35% of the sales price. In the case of the transfer of shares listed on the KRX KOSPI Market (such as the common shares), the securities transaction tax is imposed generally at the rate of (i) 0.05% for any transfers made on or after 1 January 2026 and an agriculture and fishery special tax at a rate of 0.15%, calculated based on the sales price of the shares if traded on the KRX KOSPI Market or (ii) subject to certain exceptions, 0.35% of the sales price of such shares if traded outside the KRX KOSPI Market.

Securities transaction tax or the agricultural and fishery special surtax is not applicable if (i) the shares are listed on a designated foreign stock exchange and (ii) the sale of the shares takes place on such exchange.

Securities transaction tax, if applicable, must be paid by the transferor of the shares, in principle. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay (to the tax authority) the tax, and when such transfer is made through a financial investment company with a brokerage licence only, such company is required to withhold and pay the tax. Where the transfer is effected by a Non-resident Holder without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage licence, the transferee is required to withhold the securities transaction tax. Failure to do so will result in the imposition of penalties equal to the sum of (i) between 10% and 60% of the tax amount due, depending on the nature of the improper reporting, and (ii) 8.03% per annum on the tax amount due for the default period.

Tax Treaties

At the date of this offering circular, Korea has tax treaties with, inter alia, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, Finland, France, Germany, India, Indonesia, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, Mongolia, the Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Republic of Fiji, Romania, Singapore, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Tunisia, Turkey, the United Kingdom, the United States of America and Vietnam under which the rate of withholding tax on interest is reduced, generally to between 5.0% and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Bonds. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or the Issuer a certificate as to his country of tax residence. In the absence of sufficient proof, the payer or the Issuer, as the case may be, must withhold taxes in accordance with the above discussion.

In order for a Non-resident Holder to obtain the benefit of a tax exemption on certain Korean source income, such as capital gains, under an applicable tax treaty, Korean tax law requires such Non-resident Holder (or its agents) to submit to the purchaser or the securities company (or through the depositary), as the case may be, prior to the first payment, an exemption application, together with a certificate of tax residence issued by a competent authority of such Non-resident Holder's country of residence, provided that, if such tax exemption amount being sought to be applied is Won 1 billion or more (including where the aggregate amount exempted within one year from the last day of the month in which the payment was made is Won 1 billion or more), in addition to the certificate of tax residence issued by a competent authority of such Non-resident Holder's country of residence, such Non-resident Holder will also be required to submit the names and addresses of all of the members of its board of directors, the identities and shareholding percentages of all of its shareholders (provided that if such Non-resident Holder has more than 100 shareholders, it may instead provide a statement showing the total number of shareholders and aggregate investment amount from each country), and audit reports, tax returns or financial statements (including detailed statements) for the most recent three years submitted to a relevant tax authority of the country of residence (or, if it has been in existence for less than three years, audit reports, tax returns or financial statements since incorporation), together with Korean translations thereof. If the Korean source income is paid to an overseas investment vehicle, such investment vehicle, subject to certain exceptions, must obtain an application for tax exemption along with a certificate of tax residency from each of its non-resident beneficial owners seeking a tax exemption under an applicable tax treaty and submit to the payer of such Korean source income a report of overseas investment vehicle, together with the applications for tax exemption prepared by the non-resident beneficial owners and a schedule of non-resident beneficial owners. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. However, this requirement does not apply to exemptions under Korean tax law.

Furthermore, in order for a Non-resident Holder to obtain the benefit of a tax reduction on certain Korean source income, such as interest and dividends, under an applicable tax treaty, Korean tax law generally requires such Non-resident Holder (or its agents) to submit to the payer of such Korean source income an application for entitlement to a reduced tax rate prior to the Non-resident Holder's receipt of such Korean source income. If the Korean source income is paid to an overseas investment vehicle, such investment vehicle must, subject to certain exceptions, obtain an application for entitlement to a reduced tax rate from each of its non-resident beneficial owners seeking a tax reduction under an applicable tax treaty and submit to the payer of such Korean source income a report of overseas investment vehicle together with a schedule of non-resident beneficial owners. An application for entitlement to a reduced tax rate submitted by a Non-resident Holder remains effective for three years from submission, and if any changes occur with respect to information provided in the application, an application reflecting such change must be newly submitted. On or after 1 January 2026, the payer of such Korean source income, in turn, is required to submit the application for entitlement to a reduced tax rate submitted by the Non-resident Holder to the relevant district tax office by the end of February of the year following the year in which the relevant income payment date falls.

Starting from 1 January 2022, an overseas investment vehicle is deemed to be a beneficial owner of the Korean source income if (i) under the applicable tax treaty, the overseas investment vehicle

bears tax liabilities in its country of organisation or the overseas investment vehicle is deemed to be the beneficial owner of the Korean source income, and (ii) the Korean source income is eligible for benefits under the applicable tax treaty. The benefits under an applicable tax treaty between Korea and the overseas investment vehicle's country of organisation will apply with respect to the relevant income paid to such overseas investment vehicle, subject to certain application requirements as prescribed by the CTL and the Individual Income Tax Law such as an application for tax exemption or application for entitlement to a reduced tax rate, as the case may be, along with a certificate of tax residency of such overseas investment vehicle, a report of overseas investment vehicle treated as beneficial owner of Korean source income and documents required to be attached thereto.

Withholding and Gross Up

In the event that the payer or we are required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in "*Terms and Conditions of the Bonds—Taxation*") we have agreed to pay (subject to the customary exceptions as set out in "*Terms and Conditions of the Bonds—Taxation*") such Additional Amounts as may be necessary in order that the net amounts received by the Holder of any Bond after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement (the "Subscription Agreement") dated 31 March 2026 with the Managers pursuant to which, and subject to certain conditions contained therein, it has agreed to sell to the Managers and the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds at the issue price of 100.00% of the aggregate principal amount of the Bonds net of underwriting commissions to the Managers but prior to deducting discretionary incentive payments (if any) and other offering expenses related to the offering of the Bonds as agreed among the Managers and the Company.

The Company has agreed to indemnify the Managers against certain liabilities incurred in connection with the issue of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitle the Managers to terminate it in certain circumstances prior to payment of the issue price to the Company.

The Company has undertaken to the Managers that neither it nor any person acting on its behalf shall (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe for or purchase any interest in, or any securities convertible into, exchangeable for or which carry rights to subscribe for or purchase, the Shares or securities of the same class as the Shares or other instruments representing interests in the Shares or other securities of the same class as them (collectively, the "Securities"), (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers, between the date hereof and the date which is 90 days after the Closing Date; except for (i) the Exchange Shares delivered on exchange of the Bonds, (ii) any offer, sale and pledge of, contract to sell or other disposal of, any Securities to any of its subsidiaries or affiliates, so long as the subsidiary or affiliate agrees in writing to be bound by the restrictions on the Securities for the remainder of the 90-day period in the same manner as set out herein and (iii) any public announcement of an intention to effect any transaction described in (i) through (ii) above.

In connection with the offering of the Bonds, the Managers or any of its affiliates may purchase the Bonds for its own account and enter into transactions, including (i) credit derivatives (including convertible asset swaps, repackaging transactions and credit default swaps) relating to the Bonds and/or our securities and (ii) equity derivatives and stock loan transactions relating to the Shares. Such transactions may occur either at the same time as the offer and sale of the Bonds, or in secondary market transactions. Such transactions would be carried out as bilateral transactions with selected counter-parties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counter-parties may also be purchasers of the Bonds).

The Managers and certain of its affiliates may have performed certain investment banking and advisory, brokerage, commercial banking, financial advisory and fiduciary services for the Company, our affiliates and/or any other persons from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Company and/or our affiliates in the ordinary course of their business and which may have conflicting interests with respect to any potential investor of the Bonds (including, without limitation, the provision of services in respect of acquiring long or short positions in the Bonds or derivatives or in the Shares or buy or sell the Bonds or derivatives or the Shares).

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with

the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, the Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the Managers to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: projectharmonia@hsbc.com.hk; Asian_ECM_Syndicate@jpmorgan.com; ol-asia-syndicate-core@ubs.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that

they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the Managers with such evidence within the timeline requested.

Selling Restrictions

General

No representation is made by the Company that any action has been or will be taken in any jurisdiction by the Company that would permit a public offering of the Bonds, or possession or distribution of this offering circular in any country or jurisdiction where action for that purpose is required.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Korea

The Bonds have not been and will not be registered under the Financial Investment Services and Capital Markets Act. Each of the Managers represents and agrees that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Bonds in Korea or to, or for the account or benefit of, any Korean resident (as such term is defined in the Foreign Exchange Transactions Act of Korea and the decree, rules and regulations promulgated thereunder), except as otherwise permitted under applicable Korean laws and regulations. Furthermore, each of the Managers is aware that a holder of any Bonds will be prohibited from offering, selling or delivering any Bonds, directly or indirectly, in Korea or to any resident of Korea (as such term is defined in the Foreign Exchange Transactions Act of Korea and the decree, rules and regulations promulgated thereunder) for a period of one (1) year from the date of issuance of the Bonds, except as otherwise permitted by applicable Korean laws and regulations; provided that any investor to which any Manager sells the Bonds confirms that it is purchasing such Bonds as principal and agrees that it will comply with the restrictions described above. Each of the Managers further represents that it will take commercially reasonable best measures as underwriter in the ordinary course of its business to prevent any Bonds from being offered, sold or delivered to any resident of Korea within one (1) year from the issuance of the Bonds.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – We have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each of the Managers has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each of the Managers represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including

any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Prohibition of Sales to EEA Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation.

Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision,

(a) the expression "retail investor" means a person who is not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to buy or subscribe for the Bonds.

Consequently, no key information document required by the UK PRIIPs Regulation which applies up to and including 5 April 2026, or disclosure document required by DISC which will apply from and including 6 April 2026, for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation or DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024, as applicable.

Each Manager has represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the UK.

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult with legal counsel prior to making any offer, resale, pledge or other transfers of the Bonds, or the Shares deliverable upon exchange of the Bonds.

Transfer restrictions under Korean law

Each purchaser of the Bonds, by accepting delivery of this offering circular, will be deemed to have acknowledged, represented and agreed that the Bonds have not been registered under the FSCMA, and that accordingly, the Bonds may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Act of Korea and the decree, rules and regulations promulgated thereunder), for a period of one year from the date of issuance of the Bonds, except as otherwise permitted under applicable Korean laws and regulations. In addition, until the expiration of one year after the issuance of the Bonds, the Bonds may not be transferred to any resident of Korea.

Transfer restrictions applicable to the Bonds, and the Shares deliverable upon exchange of the Bonds

The Bonds, and the Shares deliverable upon exchange of the Bonds have not been and will not be registered under the Securities Act. The Bonds and the Shares deliverable upon exchange of the Bonds may not be offered or sold to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Certificate. Such interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See “Terms and Conditions of the Bonds” and “The Global Certificates.”

Each purchaser of the Bonds, by accepting delivery of this offering circular, will be deemed to have acknowledged and represented and agreed as follows:

1. The Bonds, and the Shares deliverable upon exchange of the Bonds, have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.
2. Until 40 days after the commencement of offering of the Bonds, an offer or sale of the Bonds or the Shares to be delivered upon exchange of the Bonds within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act.
3. Such purchaser will not offer, sell, pledge or otherwise transfer any interest in the Bonds, or the Shares deliverable upon exchange of the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
4. The Bonds will bear legends to the following effect, unless the Company determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THE BONDS EVIDENCED HEREBY (THE “BONDS”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE

DECREE, RULES AND REGULATIONS PROMULGATED THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENTS OF KOREA FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THE BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, UNTIL THE EXPIRATION OF ONE YEAR AFTER THE ISSUANCE OF THE BONDS, THE BONDS MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

LEGAL MATTERS

Certain legal matters with respect to the issue and sale of the Bonds will be passed upon for us by Paul Hastings LLP as to matters of English law and by Lee & Ko as to matters of Korean law. Certain legal matters relating to the issue and sale of the Bonds will be passed upon for the Managers by Linklaters LLP as to matters of English law and by Bae, Kim & Lee LLC as to matters of Korean law. Paul Hastings LLP and Linklaters LLP may rely as to all matters of Korean law on the opinions of Lee & Ko and Bae, Kim & Lee LLC. Lee & Ko and Bae, Kim & Lee LLC may rely as to all matters of English law on the opinions of Paul Hastings LLP and Linklaters LLP.

INDEPENDENT ACCOUNTANTS

Our annual consolidated financial statements as of and for the years ended 31 December 2025 and 2024 included in this offering circular have been audited by KPMG Samjong Accounting Corp., independent accountants, as stated in their report appearing herein.

The annual consolidated financial statements of HHI as of and for the years ended 31 December 2025 and 2024 included in this offering circular have been audited by KPMG Samjong Accounting Corp., independent accountants, as stated in their report appearing herein, which contains an emphasis-of-matter paragraph related to the merger with HD Hyundai Mipo Co., Ltd.

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KPMG SAMJONG Accounting Corp.
152, Teheran-ro, Gangnam-gu, Seoul 06236
(Yeoksam-dong, Gangnam Finance Center 27th Floor)
Republic of Korea

Tel +82 (2) 2112 0100
Fax +82 (2) 2112 0101
www.kr.kpmg.com

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Overview

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

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

(2) Uncertainty in estimating total contract costs

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

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

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

(3) Assessment of the percentage-of-completion

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

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

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

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

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

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the internal controls.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 18, 2026

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

Consolidated Statements of Financial Position

As of December 31, 2025 and 2024

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Position, Continued

As of December 31, 2025 and 2024

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

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2025 and 2024

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

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2025 and 2024

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

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

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

See accompanying notes to the consolidated financial statements.

1. Reporting Entity

(1) Description of the controlling company

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

(2) Consolidated subsidiaries

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

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

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

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

(3) Changes in scope of consolidation

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

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

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

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

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries

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

(In millions of won)

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

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

(In millions of won)

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

1. Reporting Entity, Continued

(5) Non-controlling interests

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

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

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

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

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

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

2. Basis of Preparation

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

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

(1) Basis of measurement

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

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

(2) Functional and presentation currency

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

2. Basis of Preparation, Continued

(3) Use of estimates and judgments

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

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

(i) Judgments

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

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

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

(ii) Uncertainties of assumptions and estimation

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

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

2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair value

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

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

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

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

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

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

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

3. Changes In Accounting Policies

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

K-IFRS No. 1021 'The Effects of Changes in Foreign Exchange Rates' – Lack of Exchangeability
The amendment define circumstances in which an entity is considered able to exchange one currency for another for accounting purposes, and clarify the assessment of exchangeability between currencies, the estimation of a spot exchange rate when exchangeability is lacking, and the related disclosure requirements. When a currency is not exchangeable, the Group is required to estimate the spot exchange rate at the measurement date, using either an observable exchange rate without adjustment or other estimation techniques.

4. Material Accounting Policies

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

(1) Operating segments

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

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

(2) Basis of consolidation

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

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

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

(3) Cash and cash equivalents

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

(4) Inventories

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

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

4. Material Accounting Policies, Continued

(5) Non-derivative financial assets

1) Recognition and initial measurement

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

2) Classification and subsequent measurement

(i) Financial assets – Business model assessment

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value are measured at FVTPL.

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

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

In making this assessment, the Group considers:

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

3) Derecognition

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

4. Material Accounting Policies, Continued

(5) Non-derivative financial assets, continued

4) Offsetting

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

(6) Derivative financial instruments

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

1) Hedge accounting

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

4. Material Accounting Policies, Continued

(6) Derivative financial instruments, continued

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

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

(7) Impairment of financial assets

1) Financial instruments and contract assets
The Group recognized loss allowances for expected credit losses ("ECL") on;
- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets defined in K-IFRS No.1115

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs;
- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition

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

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

4. Material Accounting Policies, Continued

(7) Impairment of financial assets, continued

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

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

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

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

4. Material Accounting Policies, Continued

(8) Property, plant and equipment

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

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

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

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

(9) Intangible assets

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

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

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

(10) Government grants

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

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

4. Material Accounting Policies, Continued

(11) Investment property

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

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

	Useful lives (years)
Buildings	25~50

(12) Lease

1) As a lessee

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

(i) Right-of-use assets

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

(ii) Lease liabilities

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

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

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

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

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

4. Material Accounting Policies, Continued

(12) Lease, continued

2) As a lessor

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

(13) Contract assets and contract liabilities

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

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

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

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

(14) Borrowing costs

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

4. Material Accounting Policies, Continued

(15) Non-derivative financial liabilities

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

(16) Employee benefits

1) Retirement benefits: defined benefit plans
The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

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

(17) Provisions

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

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

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

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

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

4. Material Accounting Policies, Continued

(18) Emissions rights

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

1) Greenhouse Gases Emission Right

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

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

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

2) Emission liability

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

(19) Foreign currency

1) Foreign currency transactions

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

2) Foreign operations

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

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers

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

- Determination of the transaction price

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

- Identification of performance obligations

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

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

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

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

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

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

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

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4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

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

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

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

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

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

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

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

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

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

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

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

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

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

2) Significant collection terms

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

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

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

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

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

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

3) Nature of warranty and the length of the warranty coverage period
The shipbuilding segment typically provides a warranty of 12 months or 24 months depending on type of ship. The offshore, industrial plant and engineering segment offers warranty periods that vary based on the nature of the asset and the terms of the contract. For engine and machinery contracts, the warranty period is typically the earlier of either 12 months from the date of delivery of vessels or 24 months from the date of delivery of engines. The green energy sector provides a warranty of about 12 years after delivery.
These warranty periods are generally consistent with those of industry peers. Usually, after the warranty period granted, it will be converted to paid-in-AS. The provided warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

4) How to determine the transaction price, estimating the variable consideration, input variables, information
Because the shipbuilding, offshore, industrial plant and engineering, and green energy segments each involve a single performance obligation for the supply of standard goods, there is generally no requirement to estimate a stand-alone selling price when allocating the transaction price. However, in the engine machinery segment, certain contracts include additional distinct services—such as installation and supervision—that constitute separate performance obligations. In the green energy segment, multi-component contracts may also include several distinct performance obligations for the various goods and services provided within a single contract.

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

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

4. Material Accounting Policies, Continued

(21) Finance income and finance costs

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

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

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

(22) Corporate income taxes

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

(23) Discontinued operations

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

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

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

4. Material Accounting Policies, Continued

(24) New standards and interpretations not yet adopted

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

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

5. Risk Management

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

- Credit risk
- Liquidity risk; and
- Market risk

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

(1) Financial risk management

1) Risk management framework

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

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

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

2) Credit risk

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

(i) Trade and other receivables and contract assets

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

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

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

5. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk, continued

(ii) Investments

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

(iii) Guarantees

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

3) Liquidity risk

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

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

4) Market risk

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

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

(i) Currency risk

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

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

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk

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

(iii) Other market price risk

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

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

(2) Capital management

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

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

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

(*1) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.
(*2) Discount on bonds is deducted from the face value of bonds.
(*3) Net borrowing represents borrowings net of cash and deposits.
(*4) As the ratio is negative, net borrowing to equity ratio has not been calculated.

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

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

6. Cash and Cash Equivalents

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

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

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:

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

8. Restricted Deposits and Others

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

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

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

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

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

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

10. Inventories

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

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

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

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

11. Other Assets

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

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

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

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

12. Investments in Associates

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

(In millions of won)

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

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

12. Investments in Associates, Continued

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

(In millions of won)

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

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

12. Investments in Associates, Continued

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

(In millions of won)

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

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

12. Investments in Associates, Continued

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

(In millions of won)

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

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

12. Investments in Associates, Continued

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

(In millions of won)

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

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

12. Investments in Associates, Continued

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

(In millions of won)

	2025						
Associates	**Ending net assets**	**Percentage of the Group's ownership (%)**	**Net value**	**Corporate adjustments (i.e.: goodwill, etc.)**	**Elimination of intra-company transactions and unrealized profits and losses**	**Others**	**Ending carrying amount**
New Korea Country Club	₩ 51,734	29.00	₩ 15,003	16,436	-	-	31,439
Hyundai Green Industries Co., W.L.L.	-	49.00	-	-	-	-	-
KC LNG Tech Co., Ltd.	(7,033)	16.60	(1,168)	-	-	1,168	-
Zvezda-Hyundai LLC	4,987	49.00	2,444	-	(528)	-	1,916
International Maritime Industries Company	(380,459)	20.00	(76,092)	-	-	76,092	-
Elcogen Group PLC	71,895	15.33	11,023	-	-	-	11,024
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	216,442	41.26	89,308	8,468	-	-	97,776
Hyundai Hyms Co., Ltd	252,897	20.84	52,701	-	-	-	52,701
STX China Shipbuilding Holdings Co., Ltd.	(146,165)	20.25	(29,598)	-	-	29,598	-
STX Dalian Development Co., Ltd.	(8,486)	30.00	(2,546)	-	-	2,546	-
	₩ 55,812		₩ 61,075	24,904	(528)	109,404	194,856

12. Investments in Associates, Continued

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

(In millions of won)

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

13. Investments in a Joint Ventures

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

(In millions of won)

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

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

13. Investments in Joint Ventures, Continued

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

(i) Summary of financial information

(In millions of won)

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

(ii) Additional financial information

(In millions of won)

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

13. Investments in Joint Ventures, Continued

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

(i) Summary of financial information, continued

(In millions of won)

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

(ii) Additional financial information

(In millions of won)

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

13. Investments in a Joint Ventures, Continued

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

(In millions of won)

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

(In millions of won)

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

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

(In millions of won)

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

(In millions of won)

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

14. Joint Operation

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

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

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

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

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
		1,272	2,275		1,272	1,384
Unlisted equity securities(*1):						
Hyundai Heavy Industries Power Systems Co., Ltd.(*2)	-	-	-	20.00	31,888	22,761
Bexco Co., Ltd.(*3)	7.96	9,460	5,603	7.96	9,460	5,254
Hyundai M Partners Co., Ltd.(*4)	9.93	13,145	19,250	9.93	13,145	18,430
OSX Construcao Naval S.A.	0.20	57,498	-	0.20	57,498	-
Other	-	67,920	65,640	-	68,973	66,225
		148,023	90,493		180,964	112,670
		₩ 149,295	92,768		₩ 182,236	114,054

(*1) Unless otherwise noted, the carrying amounts of unlisted equity securities were recorded at their acquisition cost since their fair values cannot be reliably estimated.
(*2) During the current period, the Group disposed of all its shares in Hyundai Heavy Industries Power System Co., Ltd. for the purpose of asset securitisation.
(*3) The fair value of Bexco Co., Ltd. was calculated by using the free cash flow to equity method and comparison method of similar listed companies.
(*4) The fair value of Hyundai M Partners Co., Ltd. was calculated by using the net asset value method.

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

15. Financial assets measured at fair value, Continued

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

(In millions of won, except percentage of ownership)

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

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

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

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

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

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

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

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

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

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

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

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

17. Property, Plant and Equipment

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

(In millions of won)

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

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

(In millions of won)

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

17. Property, Plant and Equipment, Continued

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

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

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

(3) Impairment losses

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

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

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

17. Property, Plant and Equipment, Continued

(3) Impairment losses, continued

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

(In percentage)	Discount rate	Terminal growth rate
Inputs variables	10.20	1.00

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

(5) Land revaluation

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

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

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

(In millions of won)	2025	
	Revaluation model	Cost model
Land	₩ 5,593,916	3,215,874

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

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

18. Right-of-use assets and lease liabilities

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

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

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

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

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

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

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:

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

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

(In millions of won)

		Contractual cash flow	Within 1 years	1~3 years	More than 3 years
Lease liabilities	₩	488,296	57,509	86,723	344,064

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

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

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

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

19. Intangible Assets

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

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

(*1) For the year ended December 31, 2024, the Group recognized goodwill arising from the acquisition of a 97.46% equity interest in Convion OY by its subsidiary, HD Hydrogen Co., Ltd.
(*2) For the year ended December 31, 2025, HD Hyundai Asia Holdings Pte. Ltd., a subsidiary, acquired 100% of the equity interest in HD Hyundai Eco Vina Co., Ltd. resulting in the recognition of goodwill.

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

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

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

19. Intangible Assets, Continued

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

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

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

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

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

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

19. Intangible Assets, Continued

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

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

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

20. Greenhouse Gas Emission Rights and Emission Liabilities

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

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

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

(In ton, In millions of won)

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

20. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

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

(In ton, In millions of won)

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

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

20. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

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

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

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

21. Pledged Assets

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

(In millions of won)

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

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

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

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

22. Short-term and Long-term Financial Liabilities

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

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

23. Trade and Other Payables

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

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

24. Supplier Finance Arrangements

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

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

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

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

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

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

25. Other Liabilities

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

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

26. Borrowings and Bonds

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

(In millions of won)

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

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

(In millions of won)

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

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

(In millions of won)

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

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

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

26. Borrowings and Bonds, Continued

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

(In millions of won)

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

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

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

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

(In millions of won)

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

(*) 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

26. Borrowings and Bonds, Continued

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

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

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

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

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

(In millions of won)

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

26. Borrowings and Bonds, Continued

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

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

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

26. Borrowings and Bonds, Continued

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

(In millions of won)

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

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

(In millions of won)

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

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

27. Employee Benefits

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

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

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

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

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

(*) 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:

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

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

27. Employee Benefits, Continued

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

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

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

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

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

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

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

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

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

27. Employee Benefits, Continued

(8) Weighted average durations of defined benefit obligations

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

(In years)	2025	2024
Weighted average durations	9.95	10.20

(9) Sensitivity analysis of changes of defined benefit obligations

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

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

28. Provisions

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

(In millions of won)

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

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

(In millions of won)

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

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

28. Provisions, Continued

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

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

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

29. Derivative Financial Instruments

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

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

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

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

(In millions of won)

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

※ Terms of settlement: Netting the settlement or collecting total
※ The contract amount is denominated in the selling currency.

29. Derivative Financial Instruments, Continued

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

(In millions of won)

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

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

(In millions of won)

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

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

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

30. Capital and Capital Surplus

(1) Common stock

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

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

(2) Capital surplus

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

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

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

31. Capital Adjustments

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

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

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

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

32. Accumulated Other Comprehensive Income (loss)

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

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

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

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

33. Retained Earnings

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

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

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

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

34. Acquisitions of Subsidiary and Non-controlling Interests

(1) Business combinations

1) General information

(i) For the year ended December 31, 2025, a business combination occurred between the Group's subsidiaries, HD Hyundai Heavy Industries Co., Ltd. and HD Hyundai Mipo Co., Ltd. (See Note 1).

(ii) For the year ended December 31, 2025, the subsidiary HD Hyundai Asia Holdings Pte. Ltd. acquired a 100% equity interest in HD Hyundai Eco Vina Co., Ltd. , thereby obtaining control and including it in the consolidated group as a subsidiary.

2) Transfer price

Transfer price on acquisition date is as follows:

(In millions of won)		**HD Hyundai Eco Vina Co., Ltd.**
Cash and cash equivalents	₩	366,175

3) Identifiable assets and liabilities acquired

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

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

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

(1) Business combinations, continued

4) Goodwill and fair value adjustment

Goodwill from business combinations are as follow:

(In millions of won)

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

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

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

1) Increase of ownership

(In millions of won)

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

(In millions of won)

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

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

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

2) Decrease of ownership

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

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

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

35. Revenue

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

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

(*1) The increase includes the impact from changes in the contract amount and exchange rate.
(*2) The share of profit (loss) of equity accounted investees in associates and joint ventures is not included.
(*3) The balance of contract related to joint operation (FDH JV) is not included.

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

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

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

35. Revenue, Continued

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

(In millions of won)

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

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

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

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

35. Revenue, Continued

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

(In millions of won)

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

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

35. Revenue, Continued

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

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

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

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

(*1) Changes in entire contract revenue (including foreign currency fluctuation) are reflected because it is unable to distinguish total contract revenue changed directly by changes in total contract costs.
(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

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

35. Revenue, Continued

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

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

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

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

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

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

(5) Source of revenue

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

35. Revenue, Continued

(6) Disaggregation of revenue

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

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

35. Revenue, Continued

(7) Contract balance

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

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

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

(8) Cost to fulfill a contract recognized as an asset

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

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

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

36. Operating Segments

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

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

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

(1) The financial performance of each segment

(In millions of won)

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

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

36. Operating Segments, Continued

(1) The financial performance of each segment , continued

(In millions of won)

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

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

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

36. Operating Segments, Continued

(2) Assets and liabilities of each segment

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

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

(3) Geographical revenue information by subsidiary location

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

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

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

(4) Non-current assets by subsidiary location

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

(*1) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses.
(*2) It represents the sum of investment property, property, plant and equipment, intangible assets, and right-of-use assets.

37. Selling, General and Administrative Expenses

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

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

38. Nature of Expenses

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

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

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

39. 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)		2025	2024
Finance income:			
Interest income	₩	254,740	213,074
Gain on valuation of financial instruments measured at FVTPL		205	1,543
Gain on disposal of financial instruments measured at FVTPL		5,286	1,111
Dividend income		245	3,632
Gain on foreign currency translations		151,137	576,005
Gain on foreign currency transactions		813,602	946,909
Gain on valuation of derivatives		73,238	55,546
Gain on derivatives transactions		424,880	79,350
Others		115	322
	₩	1,723,448	1,877,492
Finance costs:			
Interest expense	₩	158,762	206,322
Loss on valuation of financial instruments measured at FVTPL		1,990	223
Loss on disposal of financial instruments measured at FVTPL		31,763	80
Loss on foreign currency translations		88,226	183,763
Loss on foreign currency transactions		1,154,336	480,673
Loss on valuation of derivatives		529,080	3,439,846
Loss on derivatives transactions		130,143	867,987
Others		-	134
	₩	2,094,300	5,179,028

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

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

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

41. Income Tax Expense (Benefit)

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

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

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

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

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

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

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

41. Income Tax Expense (Benefit), Continued

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

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

(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.

41. Income Tax Expense (Benefit), Continued

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

(In millions of won)

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

(In millions of won)

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

41. Income Tax Expense (Benefit), Continued

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

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

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

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

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

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

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

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

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

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

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41. Income Tax Expense (Benefit), Continued

(13) Global Minimum Tax

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

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

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

42. Earnings per Share

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

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

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

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

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

(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.

43. Cash Generated from Operations

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

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

43. Cash Generated from Operations, Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(In millions of won)

	2025				
	Fair value-hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Total
Selling, general and Administrative Expenses:					
Bad dept expenses	₩ -	-	-	(6,798)	(6,798)
Finance income:					
Interest income(*)	₩ -	-	-	254,740	254,740
Gain on valuation of financial instruments measured at FVTPL	-	205	-	-	205
Gain on disposal of financial instruments measured at FVTPL	-	5,286	-	-	5,286
Dividend income	-	27	218	-	245
Gain on foreign currency translation	-	-	-	151,137	151,137
Gain on foreign currency transactions	-	-	-	813,602	813,602
Gain on valuation of derivatives	73,238	-	-	-	73,238
Gain on derivatives transactions	424,880	-	-	-	424,880
Others	-	-	-	115	115
	₩ 498,118	5,518	218	1,219,594	1,723,448
Finance costs:					
Interest expense(*)	₩ -	-	-	(158,762)	(158,762)
Loss on valuation of financial instruments measured at FVTPL	-	(1,990)	-	-	(1,990)
Loss on disposal of financial instruments measured at FVTPL	-	(31,763)	-	-	(31,763)
Loss on foreign currency translation	-	-	-	(88,226)	(88,226)
Loss on foreign currency transactions	-	-	-	(1,154,336)	(1,154,336)
Loss on valuation of derivatives	(529,080)	-	-	-	(529,080)
Loss on derivatives transactions	(130,143)	-	-	-	(130,143)
Others	-	-	-	-	-
	₩ (659,223)	(33,753)	-	(1,401,324)	(2,094,300)
Other non-operating income:					
Reversal of other allowance for doubtful Accounts	₩ -	-	-	1,697	1,697
Other non-operating expenses:					
Other bad debt expenses	₩ -	-	-	(3,430)	(3,430)
Other comprehensive income (loss) (net of tax):					
Changes in fair value of financial assets measured at FVOCI	₩ -	-	1,965	-	1,965
Effective portion of changes in fair value of cash flow hedges	20,027	-	-	-	20,027
	₩ 20,027	-	1,965	-	21,992
	₩ (141,078)	(28,235)	2,183	(190,261)	(357,391)

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

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

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

(In millions of won)

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

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

45. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

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

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

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

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

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

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

45. Financial Instruments, Continued

(1) Credit risk, continued

(ii) Impairment loss

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

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

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

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

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

45. Financial Instruments, Continued

(2) Liquidity risk

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

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

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

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

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

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

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

45. Financial Instruments, Continued

(2) Liquidity risk, continued

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

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

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

45. Financial Instruments, Continued

(3) Currency risk

(i) Exposure to currency risk

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

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

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

45. Financial Instruments, Continued

(3) Currency risk, continued

(i) Exposure to currency risk, continued

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

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

(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
CNY	197.78	189.20	204.76	201.27
JPY (100)	950.79	900.36	917.63	936.48

(ii) Sensitivity analysis

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

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

The changes in profit or loss are as follows:

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

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

45. Financial Instruments, Continued

(4) Interest rate risk

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

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

(ii) Cash flow sensitivity analysis for variable rate instruments

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

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

45. Financial Instruments, Continued

(5) Fair values

Fair value hierarchy

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

The different levels have been defined as follows:

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

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

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

45. Financial Instruments, Continued

(5) Fair values, continued

Fair value hierarchy, continued

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

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

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

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

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

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

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

45. Financial Instruments, Continued

(7) Level 3 fair values

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

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

45. Financial Instruments, Continued

(7) Level 3 fair values, continued

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

	2025			
	Valuation techniques	**Input variables**	**Significant unobservable input variables**	**Ranges of significant unobservable input variables**
Financial assets measured at FVOCI:				
Equity securities	Net Asset Value Method	-	-	-
	Discounted Cash Flow Model,	Discount rate	Discount rate	9.09%
	Discounted Free Cash Flow to Equity Method,	PBR	PBR	0.81 ~ 0.98
	Comparable Company Method	EV/Sales	EV/Sales	0.88
Financial assets measured at FVTPL:				
Equity securities and others	Net Asset Value Method	-	-	-
	Comparable Company Method	PBR	PBR	0.56

	2024			
	Valuation techniques	**Input variables**	**Significant unobservable input variables**	**Ranges of significant unobservable input variables**
Financial assets measured at FVOCI:				
Equity securities	Net Asset Value Method	-	-	-
	Discounted Cash Flow Model,	Discount rate	Discount rate	10.90%
	Discounted Free Cash Flow to Equity Method,	PBR	PBR	0.76 ~ 1.47
	Comparable Company Method	EV/Sales	EV/Sales	0.91
Financial assets measured at FVTPL:				
Equity securities and others	Net Asset Value Method	-	-	-
	Comparable Company Method	PBR	PBR	0.52

45. Financial Instruments, Continued

(7) Level 3 fair values, continued

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

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

45. Financial Instruments, Continued

(7) Level 3 fair values, continued

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

(In millions of won)

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

45. Financial Instruments, Continued

(8) Transfers of financial assets

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

(9) Offsetting of financial assets and financial liabilities

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

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

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

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

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

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

46. Commitments and Contingencies

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

(In millions of won)

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

(*1) For foreign currency commitments, the limit amounts have been translated using the exchange rates prevailing as of December 31, 2025.
(*2) The Group has provided collateral in the form of a letter of credit in the amount of USD 900 thousand, issued by KEB Hana Bank, in favor of Atlantic Specialty Insurance Company.

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

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

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

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

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

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

46. Commitments and Contingencies, Continued

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

47. Litigations

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

48. Related Parties

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

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

(*) Associates and joint ventures include their subsidiaries.

48. Related Parties, Continued

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

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

(*1) Dividends of ₩205,899 million were paid to the parent company, HD Hyundai Co., Ltd. for the year ended December 31, 2025.
(*2) Including disposal of property, plant and equipment and interest income.
(*3) Including acquisitions of property, plant and equipment and payments of lease (₩15,704 million) and others.
(*4) Including associates and joint ventures' subsidiaries.

48. Related Parties, Continued

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

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

(*1) Including disposal of property, plant and equipment and interest income.
(*2) Including acquisitions of property, plant and equipment and payments of lease (₩14,512 million) and others.
(*3) Including associates and joint ventures' subsidiaries.

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

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

48. Related Parties, Continued

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

(In millions of won)

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

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

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

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

48. Related Parties, Continued

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

(In millions of won)

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

(*1) Including associates and joint ventures' subsidiaries.
(*2) Including lease liabilities (₩30,298 million).

48. Related Parties, Continued

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

(5) There is no guarantee provided to or received from related parties as of December 31, 2025.

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

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

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

49. Assets held for sale

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

(In millions of won)		2025	2024
Property, Plant and Equipment(*)	₩	-	63,000

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

50. Subsequent Events

(1) Subsequent to the reporting period, exchange rights were exercised in respect of exchangeable bonds issued by the Group with a principal amount of ₩ 10,000 million.

(2) Subsequent to the reporting period, the Group acquired convertible bonds issued by Elcogen Group PLC amounting to ₩ 865 million.

(3) During January 2026, the liquidation of STX HI Malaysia Sdn. Bhd., a subsidiary, was completed.

(4) On March 13, 2026, HD Hyundai Heavy Industries Co., Ltd., a subsidiary of the Group, entered into a memorandum of agreement with Eco Prime Marine Pacific Co., Ltd. for the proposed sale of the Gunsan Shipyard.

KPMG SAMJONG

KPMG SAMJONG Accounting Corp.
152, Teheran-ro, Gangnam-gu, Seoul 06236
(Yeoksam-dong, Gangnam Finance Center 27th Floor)
Republic of Korea

Tel +82 (2) 2112 0100
Fax +82 (2) 2112 0101
www.kr.kpmg.com

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to the following matter. Our opinion is not modified in respect of this matter.

As described in Notes 1 and 46 to the consolidated financial statements, HD Hyundai Heavy Industries Co., Ltd. merged with HD Hyundai Mipo Co., Ltd. through a business combination effective December 1, 2025.

Key audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Overview

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

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

(2) Uncertainty of estimated total contract costs

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

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

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

(3) Assessment of the percentage-of-completion

As described in Note 31 to the consolidated financial statements, when the Group measures progress using the input method, only contract costs incurred to date that relate to work performed are included in the calculation of percentage of completion. There is a risk that changes in contract costs incurred to date may include construction inefficiency costs or other amounts that do not depict performance. Therefore, we identified assessment of the percentage-of-completion as a significant risk, considering the impact of uncertainty on earnings volatility.

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

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

(4) Accounting for the construction modifications

As described in Note 31 to the consolidated financial statements, although contract revenue is initially measured based on the amount agreed in the contract, it may increase due to claims and incentive payments, or decrease due to penalties arising from delays attributable to the Group. Construction modifications, including specification or design changes requested by customers, occur frequently in the shipbuilding sector and may result in significant variations in contract revenue. Accordingly, we identified the accounting for the construction modifications as a significant risk.

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

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

(5) Assessment of recoverability of contract assets

As described in Note 31 to the consolidated financial statements, the Group frequently enters into heavy-tail payment plans, under which a substantial portion of the contract consideration is collected near or upon delivery. Because such payment terms may expose the Group to significant losses if a contract is cancelled, we identified the recoverability of contract assets as a significant risk.

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 18, 2026

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

HD HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2025 and 2024

(In thousands of won)

	Note		2025	2024
Assets				
Cash and cash equivalents	*5,6,8,40,41*	₩	1,869,917,695	1,257,867,151
Short-term financial assets	*5,7,8,40,41*		1,702,500,000	131,000,000
Trade and other receivables	*9,31,40,41,44*		1,713,176,554	1,659,562,960
Contract assets	*9,31,40,41*		5,131,962,920	3,573,015,733
Inventories	*10*		2,016,750,847	1,510,905,566
Current derivative assets	*26,40,41*		8,611,821	927,288
Current firm commitment assets	*26*		500,069,333	822,949,357
Current tax assets			-	45,449
Other current assets	*11,31*		2,037,020,309	1,446,848,373
Total current assets			14,980,009,479	10,403,121,877
Investments in associates	*12,44*		305,260,991	1,132,870
Long-term financial assets	*5,7,8,14,40,41*		25,480,056	10,562,231
Long-term trade and other receivables	*9,31,40,41,44*		92,825,892	125,839,467
Investment property	*15*		1,339,710	1,378,979
Property, plant and equipment	*16*		8,780,697,058	6,609,788,996
Intangible assets	*18*		161,134,665	128,126,183
Right-of-use assets	*17*		34,922,123	31,509,946
Non-current derivative assets	*26,40,41*		81,469,693	64,055,704
Non-current firm commitment assets	*26*		801,964,456	994,420,031
Deferred tax assets	*37*		471,798,225	808,888,118
Other non-current assets	*11,24*		426,142,187	212,122,348
Total non-current assets			11,183,035,056	8,987,824,873
Total assets		₩	26,163,044,535	19,390,946,750

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Position, Continued

As of December 31, 2025 and 2024

(In thousands of won)

	Note		2025	2024
Liabilities				
Short-term financial liabilities	*5,16,20,22,23,40,41,42*	₩	156,966,805	399,253,312
Current lease liabilities	*17,23,40,41*		16,149,936	13,192,173
Trade and other payables	*21,22,40,41,42,44*		3,294,779,523	2,310,897,488
Contract liabilities	*31*		10,807,768,393	7,710,290,581
Short-term provisions	*19,25,31*		333,747,011	247,337,774
Current derivative liabilities	*26,40,41*		674,947,262	1,093,499,554
Current firm commitment liabilities	*26*		9,097,038	7,949,357
Current tax liabilities			39,130,114	13,795,557
Total current liabilities			15,332,586,082	11,796,215,796
Long-term financial liabilities	*5,20,23,40,41,42*		488,384,389	751,605,744
Non-current lease liabilities	*17,23,40,41*		20,593,805	20,130,244
Long-term trade and other payables	*21,40,41,44*		16,148,018	8,909,028
Long-term contract liabilities	*31*		9,703,571	9,995,742
Liabilities for defined benefit plans	*24*		31,153,152	33,647,533
Long-term provisions	*25*		90,049,587	71,487,138
Non-current derivative liabilities	*26,40,41*		814,569,351	994,420,031
Non-current firm commitment liabilities	*26*		17,481,213	86,993
Deferred tax liabilities	*37*		755,269	-
Total non-current liabilities			1,488,838,355	1,890,282,453
Total liabilities			16,821,424,437	13,686,498,249
Equity				
Common stock	*27*		524,806,125	443,865,580
Capital surplus	*27*		5,129,601,235	3,122,522,702
Capital adjustments	*28*		(42,928,719)	(1,642,927)
Accumulated other comprehensive income	*16,26,29*		1,336,277,087	851,361,408
Retained earnings	*30*		2,393,864,230	1,288,341,189
Equity attributable to owners of Controlling Company			9,341,619,958	5,704,447,952
Non-controlling interests	*1*		140	549
Total equity			9,341,620,098	5,704,448,501
Total liabilities and equity		₩	26,163,044,535	19,390,946,750

See accompanying notes to the consolidated financial statements.

HD HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

(In thousands of won, except per share information)

	Note		2025	2024
Sales	*26,31,32,40,44*	₩	17,580,633,257	14,486,453,544
Cost of sales	*10,26,34,40,44*		14,616,416,939	12,992,522,670
Gross profit			2,964,216,318	1,493,930,874
Selling, general and administrative expenses	*33,34,40*		926,706,215	788,707,391
Operating profit			2,037,510,103	705,223,483
Finance income	*26,35,40*		1,018,180,889	963,969,901
Finance costs	*26,35,40*		1,264,665,207	3,244,079,981
Other non-operating income	*26,36,40*		430,375,226	2,543,156,461
Other non-operating expenses	*26,36,40*		416,082,473	169,933,394
Share of loss of associates and joint venture	*12*		(4,402,000)	(198,757)
Profit before income tax			1,800,916,538	798,137,713
Income tax expense	*37*		385,431,973	176,628,293
Profit for the year			1,415,484,565	621,509,420
Other comprehensive income (loss)	*16,26,29,40*			
Items that are or may be reclassified subsequently to profit or loss:				
Gain (loss) on valuation of cash flow hedges			8,196,437	(5,842,471)
Exchange differences on translating foreign operations			(1,348,083)	(244,807)
Changes in equity of equity method investments			(6,573,572)	-
Total items that are or may be reclassified subsequently to profit or loss			274,782	(6,087,278)
Items that will not be reclassified to profit or loss:				
Loss on valuation of financial assets measured at FVOCI			(151,206)	-
Actuarial gains and losses			21,546,911	(117,709,462)
Gain on revaluation of property, plant and equipment			144,872,863	-
Total items that will not be reclassified to profit or loss			166,268,568	(117,709,462)
Other comprehensive income (loss) for the year, net of income tax			166,543,350	(123,796,740)
Total comprehensive income for the year		₩	1,582,027,915	497,712,680
Profit attributable to:				
Owners of the Controlling Company			1,415,484,774	621,509,050
Non-controlling interests			(209)	370
		₩	1,415,484,565	621,509,420
Total comprehensive income or loss attributable to:				
Owners of the Controlling Company			1,582,028,259	497,712,359
Non-controlling interests			(344)	321
		₩	1,582,027,915	497,712,680
Earnings per share				
Basic earnings per share (In won)	*38*	₩	15,702	7,001

See accompanying notes to the consolidated financial statements.

HD HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2025 and 2024

(In thousands of won)

	Attributable to owners of the Parent Company						
	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2024 ₩	443,865,580	3,123,227,191	(1,642,927)	869,146,269	772,843,969	228	5,207,440,310
Total comprehensive income (loss) for the year							
Profit for the year	-	-	-	-	621,509,050	370	621,509,420
Effective portion of changes in fair value of cash flow hedges	-	-	-	(5,842,471)	-	-	(5,842,471)
Actuarial gains and losses	-	-	-	-	(117,709,462)	-	(117,709,462)
Exchange differences on translating foreign operations	-	-	-	(244,758)	-	(49)	(244,807)
Other							
Changes in other capital surplus	-	(704,489)	-	-	-	-	(704,489)
Reclassification of accumulated other comprehensive income	-	-	-	(11,697,632)	11,697,632	-	-
Balance at December 31, 2024 ₩	443,865,580	3,122,522,702	(1,642,927)	851,361,408	1,288,341,189	549	5,704,448,501
Balance at January 1, 2025 ₩	443,865,580	3,122,522,702	(1,642,927)	851,361,408	1,288,341,189	549	5,704,448,501
Total comprehensive income (loss) for the year							
Profit for the year	-	-	-	-	1,415,484,774	(209)	1,415,484,565
Changes in fair value of financial assets measured at FVOCI	-	-	-	(151,206)	-	-	(151,206)
Effective portion of changes in fair value of cash flow hedges	-	-	-	8,196,437	-	-	8,196,437
Actuarial gains and losses	-	-	-	-	21,546,911	-	21,546,911
Land revaluation surplus	-	-	-	144,872,863	-	-	144,872,863
Exchange differences on translating foreign operations	-	-	-	(1,347,948)	-	(135)	(1,348,083)
Changes in equity of equity method investments	-	-	-	(6,573,572)	-	-	(6,573,572)
Transactions with owners of the Group, recognized directly in equity:							
Business combination	80,940,545	2,005,143,361	-	342,286,150	-	-	2,428,370,056
Acquisition of treasury shares	-	-	(15,496,949)	-	-	-	(15,496,949)
Equity transaction within the Group	-	65	-	-	-	(65)	-
Dividends	-	-	-	-	(333,875,689)	-	(333,875,689)
Other							
Equity method capital surplus	-	1,935,107	-	-	-	-	1,935,107
Equity method adjustments	-	-	(25,788,843)	-	-	-	(25,788,843)
Reclassification of revaluation surplus	-	-	-	(2,367,045)	2,367,045	-	-
Balance at December 31, 2025 ₩	524,806,125	5,129,601,235	(42,928,719)	1,336,277,087	2,393,864,230	140	9,341,620,098

See accompanying notes to the consolidated financial statements.

HD HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(In thousands of won)

	Note		2025	2024
Cash flows from operating activities				
Profit for the year		₩	1,415,484,565	621,509,420
Adjustments			2,102,967,417	2,321,310,255
Cash generated from operations	*39*		3,518,451,982	2,942,819,675
Interest received			82,182,165	58,034,945
Interest paid			(39,375,629)	(114,764,592)
Dividends received			-	17,140
Income taxes paid			(50,866,076)	(2,224,460)
Net cash provided by operating activities			3,510,392,442	2,883,882,708
Cash flows from investing activities				
Decrease in short-term financial assets			448,248,517	131,000,000
Decrease in long-term financial assets			2,745,350	-
Decrease in long-term financial assets			385,723	893,240
Decrease in other non-current assets			14,000,000	-
Proceeds from disposal of property, plant and equipment			15,111,123	11,745,435
Proceeds from disposal of intangible assets			5,287,953	-
Cash acquired from business combination			250,106,371	-
Changes in scope of consolidation			26,105	-
Increase in short-term financial assets			(1,966,000,000)	(131,000,000)
Increase in investments in associates			(263,971,586)	
Increase in long-term financial assets			(2,748,106)	-
Increase in long-term other receivables			(1,329,491)	(1,164,048)
Acquisition of property, plant and equipment			(511,943,688)	(463,463,027)
Acquisition of intangible assets			(29,546,150)	(33,135,573)
Increase in other non-current assets			-	(14,000,000)
Net cash used in investing activities			(2,039,627,879)	(499,123,973)
Cash flows from financing activities				
Increase in short-term financial liabilities			9,000,000	157,651,163
Increase in long-term financial liabilities			-	200,000,000
Repayment of short-term financial liabilities			(404,640,212)	(1,692,194,302)
Repayment of long-term financial liabilities			(100,000,000)	(700,000,000)
Repayment of lease liabilities			(15,240,177)	(14,290,066)
Acquisition of treasury shares			(15,496,949)	-
Dividends			(333,875,689)	-
Net cash used in financing activities			(860,253,027)	(2,048,833,205)
Effects of exchange rate changes on cash and cash equivalents			1,539,008	(6,101,486)
Net increase in cash and cash equivalents			612,050,544	329,824,044
Cash and cash equivalents at January 1			1,257,867,151	928,043,107
Cash and cash equivalents at December 31		₩	1,869,917,695	1,257,867,151

See accompanying notes to the consolidated financial statements.

1. Reporting Entity

(1) Description of the Parent company

HD Hyundai Heavy Industries Co., Ltd. (the "Parent company") was newly established through a split-off from HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (known as Hyundai Heavy Industries Co., Ltd. before split-off, existing entity) on June 1, 2019 (inception date) and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other products. The Parent company was listed on the Korea Exchange in September 2021. The Parent company's head office is located in Ulsan. As of December 31, 2025, the Parent company's major shareholder is the HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (69.23%).

On the basis of the resolutions of the Board of Directors on August 27, 2025 and the Extraordinary General Meeting of Shareholders on October 23, 2025, the Parent Company merged HD Hyundai Mipo Co., Ltd. as of the record date of December 1, 2025, in order to strengthen its competitive advantage in the global market and maximize future growth opportunities in the shipbuilding industry.

(2) Consolidated subsidiaries

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

Company	Main business	Location	Fiscal year end	Ownership (%)	
				2025	2024
HD Hyundai Engine Company Ltd.	Manufacture of internal combustion engines	South Korea	December	100.00	100.00
Hyundai Heavy Industries Argentina S.R.L	Construction	Argentina	December	99.99	99.98
HD Hyundai Marine & Structure Co., Ltd.	Manufacture of ship parts and components	South Korea	December	100.00	-
HD Hyundai Engineering & Technology Co., Ltd.	Other engineering services	South Korea	December	100.00	-

(3) Changes in scope of consolidation

The subsidiary exclusively excluded from consolidation for the year ended December 31, 2025 is as follows (See Note 45):

Company	Reason
HD Hyundai Marine & Structure Co., Ltd.	New establishment
HD Hyundai Engineering & Technology Co., Ltd.	Equity acquisition through the business combination

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries

Condensed financial information of consolidated subsidiaries as of and for the years ended December 31, 2025 and 2024 is summarized as follows:

(In millions of won)

Company		2025 Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
HD Hyundai Engine Company Ltd.	₩	120,364	62,248	58,116	72,694	3,575	3,551
Hyundai Heavy Industries Argentina S.R.L		3,896	1,789	2,107	6,023	(2,090)	(3,438)
HD Hyundai Marine & Structure Co., Ltd.		104,642	12,663	91,979	44,889	(3,022)	(3,021)
HD Hyundai Engineering & Technology Co., Ltd. (*)		57,347	41,826	15,521	172,461	6,118	2,110

(*) HD Hyundai E&T Co., Ltd. reflects the performance for the 12-month fiscal year, 2025.

(In millions of won)

Company		2024 Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
HD Hyundai Engine Company Ltd.	₩	90,298	35,733	54,565	30,515	1,307	1,281
Hyundai Heavy Industries Argentina S.R.L		4,543	1,446	3,097	10,563	1,851	1,606

2. Basis of Preparation

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2026 and will be submitted for approval to the shareholder's meeting to be held on March 31, 2026.

(1) Basis of measurement

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

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

(2) Functional and presentation currency

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

(3) Use of estimates and judgments

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

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

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

(i) Judgments

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

- Note 4: Timing of revenue recognition;
- Note 4: Business combination under common control
- Note 12: Investment in associates - whether the Group has significant influence over an associate;
- Note 13: Classification of joint ventures;
- Note 15: Classification of investment property; and
- Note 22: Reverse factoring - presentation of amounts related to supplier finance arrangements in the statement of financial position and in the statement of cash flows.

2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(ii) Uncertainties of assumptions and estimation

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

- Note 5 and 41: Measurement of expected credit loss on trade receivables and contract assets – key assumption about determining weighted-average loss rate;
- Note 11, 16 and 18: Impairment test – key assumptions underlying recoverable amounts, including the recoverability of other current assets, property and intangible assets;
- Note 24: Measurement of defined benefit obligations – key actuarial assumptions;
- Note 19, 25, 42 and 43: Recognition and measurement of provisions and contingencies – key assumption about the likelihood and magnitude of an outflow of resources;
- Note 31: Revenue recognition in proportion to the stage of completion, the estimates of total contract costs; and
- Note 37: Measurement of deferred tax.

(iii) Measurement of fair value

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

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

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

When measuring the fair value of an asset or a liability, the Group uses 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 follows.

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

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

2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair value, continued

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

- Note 14: Financial assets measured at fair value;
- Note 15: Investment property;
- Note 16: Property, plant and equipment; and
- Note 41: Financial instruments.

3. Changes in Accounting Policies

New and revised standards adopted by the Group

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

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

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

The amendment is applied for the first time in 2025 and do not have a material impact on the consolidated financial statements of the Group.

4. Material Accounting Policies

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

(1) Basis of consolidation

(i) Subsidiaries

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

(ii) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets on the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Interests in equity-accounted investees

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

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

(v) Business combination of entities under common control

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

4. Material Accounting Policies, Continued

(2) Cash and cash equivalents

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

(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. Fixed manufacturing overhead costs among conversion costs are distributed based on the normal capacity of production facilities. However, the materials-in-transit are valued at acquisition cost using the individual method.

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.

(4) Non-derivative financial assets

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

(a) Financial assets

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

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

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. These financial assets include all derivative financial assets (See Note 26).

4. Material Accounting Policies, Continued

(4) Non-derivative financial assets, continued

(ii) Classification and subsequent measurement, continued

(b) Financial assets - Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a 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. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for 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 in prior periods, the reasons for such sales and its expectations about future sales activity.

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

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

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

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

In making the assessment, the Group considers:

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

4. Material Accounting Policies, Continued

(4) Non-derivative financial assets, continued

(ii) Classification and subsequent measurement, continued

(d) Financial assets – Subsequent measurement and gains and losses

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

(iii) Derecognition

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

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

(iv) Offsetting

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

4. Material Accounting Policies, Continued

(5) Derivative financial instruments

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

(i) Hedge accounting

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

(ii) Other derivative financial instruments

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

4. Material Accounting Policies, Continued

(6) Impairment of financial assets

(i) Financial instruments and contract assets

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

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets defined in K-IFRS No.1115.

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

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

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

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

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

(ii) Credit-impaired financial assets

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

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

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

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

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

In view of the importance of impairment losses related to trade receivables and other receivables, including contract assets, they are presented in 'selling, general 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 statement of comprehensive income but are presented in 'finance costs'.

4. Material Accounting Policies, Continued

(6) Impairment of financial assets, continued

(iv) Write-off

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

(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 that fair value can be measured reliably is carried at its fair value at the date of revaluation less any accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

	Useful lives (years)
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 some intangible assets are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

	Useful lives (years)
Development costs	5
Other intangible assets	5, 20
Memberships, Trademarks	Indefinite

4. Material Accounting Policies, Continued

(9) Investment property

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

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

	Useful lives (years)
Buildings	50

(10) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimate future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

An impairment loss is reversed if there is any indication that the impairment loss previously recognized is no longer exists or has been reduced and there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(11) Leases

(i) As a lessee

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

(a) Right-of-use assets

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

4. Material Accounting Policies, Continued

(11) Leases, continued

(i) As a lessee, continued

(b) Lease liabilities

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

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

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

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

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

(ii) As a lessor

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

(12) Contract assets and contract liabilities

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

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

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

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

4. Material Accounting Policies, Continued

(13) Non-derivative financial liabilities

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

(14) Employee benefits

(i) Retirement benefits: defined benefit plans

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

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

Remeasurements of the net defined benefit liability are recognized immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Termination benefits

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

(15) Provisions

(i) 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.

(ii) 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.

(iii) Provision for construction losses

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

4. Material Accounting Policies, Continued

(15) Provisions, continued

(iv) Other provision

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

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

(16) Emissions rights

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

(i) Greenhouse gases emission right

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

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

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

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when 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.

(17) Foreign currency

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.

4. Material Accounting Policies, Continued

(18) Revenue from contracts with customers

Under K-IFRS No.1115, revenue is recognized when the Group transfers control over a good or service to a customer. Control is transferred at a point in time or over time and it requires judgments.

- Determining the transaction price

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

- Identifying of performance obligations

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

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

The Group engages in the shipbuilding segment for building merchant ships and special vessels, industrial plant and engineering segment for building and installing offshore oil and gas fields, and the engine machinery segment for manufacturing ships' engines.

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

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

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

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

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

4. Material Accounting Policies, Continued

(18) Revenue from contracts with customers, continued

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

The construction contracts of the Group take at least one year from the contract signing date to the construction completion date and as it has the following nature of the industry, which it produces the customization goods on orders from the customers, the Group recognizes revenue over time for performance obligations satisfied over time.

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

ii) the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

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

4. Material Accounting Policies, Continued

(18) Revenue from contracts with customers, continued

(ii) Significant collection terms

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

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

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

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.

(iii) Nature of warranty and the length of the warranty coverage period

The shipbuilding segment typically provides a warranty of 12 months or 24 months depending on type of ship. For engine and machinery contracts, the warranty period is typically the earlier of either 12 months from the date of delivery of vessels or 24 months from the date of delivery of engines. The offshore, industrial plant and engineering segment provides a separate warranty period based on the nature of each construction and the terms of the contract. Usually, after the warranty period granted, it will be converted to paid-in-AS. The provided warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

(iv) How to determine the transaction price, estimating the variable consideration, input variables, information

In the shipbuilding and the offshore, industrial plant and engineering segment, a single performance obligation exists, so it is not necessary to estimate the stand-alone selling price to allocate the transaction price, but in the engine machinery segment, separate services such as installation and supervision exist within the contract.

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

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

4. Material Accounting Policies, Continued

(19) Finance income and finance costs

The Group's finance income and finance costs include:

- 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 liabilities;
- hedge ineffectiveness recognized in profit or loss; and
- the reclassification of net gains or losses previously recognized in other comprehensive income on cash flow hedges of interest rate risk and foreign currency risk for borrowings (See Note 26).

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

(20) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

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

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

- there is a legally enforceable right to offset the recognized amount; and
- there is intends to settle on a net basis or the liability while simultaneously realizing the asset.

4. Material Accounting Policies, Continued

(20) Income tax, continued

(i) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences relating to investments in subsidiaries, associates and joint ventures unless the Group can control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

In addition, the Group recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences and the business plans of the Group are considered.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

(21) Operating segments

The Group divides operating segments basis on internal reports that the Group's chief executive officer (CEO) regularly reviews to make decisions about resources to be allocated to the segment and assess its performance. As described in Note 32, the Group has four reportable segments which are its strategic operating units. These strategic operating units offer different products and services and are managed separately because they require different technology and marketing strategies.

Segment information reported to the CEO includes items that are directly attributable to the segment and items that are reasonably allocable to the segment.

4. Material Accounting Policies, Continued

(22) Standards issued but not yet effective

The following new standards, interpretations and amendments to existing standards have been published and are not mandatory for the Group for the year beginning on January 1, 2025, and the Group has not early adopted them.

(i) K-IFRS No.1107 'Financial Instruments: Disclosures' and K-IFRS No.1109 'Financial Instruments' - Classification and Measurement of Financial Instruments

The amendment clarifies the requirements for assessing the contractual cash flow characteristics, specifically whether the cash flows consist solely of payments of principal and interest (SPPI), and introduce additional disclosure requirements for fair value changes and realized gains or losses by type of investments in equity instruments measured at fair value through other comprehensive income (FVOCI). The amendment is effective for annual periods beginning on or after January 1, 2026.

(ii) K-IFRS No.1107 'Financial Instruments: Disclosures' and K-IFRS No.1109 'Financial Instruments' - Nature-dependent Power Contracts

The amendment clarifies the terminology of "nature-dependent power contracts" and the types of contracts included within the scope of the amendment. It further specifies that purchase and sale contracts for nature-dependent power are subject to the assessment of the own-use exemption and provide more detailed guidance on applying the own-use exemption to purchases of nature-dependent power. In addition, the amendment clarifies that certain nature-dependent power contracts may be designated as hedging instruments in hedges of forecast electricity transactions. The amendment is effective for annual periods beginning on or after January 1, 2026.

(iii) Annual Improvements to K-IFRS

The Annual Improvements to Korean IFRS were issued to enhance consistency across standards, clarify ambiguous requirements, and improve understandability. These amendments are effective for annual periods beginning on or after January 1, 2026.

- 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 Instruments : Disclosures'
- K-IFRS No. 1109 'Financial Instruments'
- K-IFRS No. 1110 'Consolidated Financial Statements'

5. Risk Management

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

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

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

(1) Financial risk management

1) Risk management framework

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

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

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

5. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk

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

(i) Trade and other receivables and contract assets

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

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

(ii) Investments

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

(iii) Guarantees

The Group provides financial guarantees to other related parties if necessary.

3) Liquidity risk

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

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

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk

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

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

(i) Currency risk

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

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

(ii) Interest rate risk

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

(iii) Other market price risk

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

5. Risk Management, Continued

(2) Capital management

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

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

(In millions of won, except equity ratio)		2025	2024
Total liabilities	₩	16,821,424	13,686,498
Total equity		9,341,620	5,704,449
Cash and deposits(*1)		3,572,629	1,388,875
Borrowings(*2)		645,351	1,150,859
Liability to equity ratio		180.07%	239.93%
Net borrowing to equity ratio(*3)		(*4)	(*4)

(*1) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.
(*2) Discount on bonds is deducted from the face value of bonds.
(*3) Net borrowing represents borrowings net of cash and deposits.
(*4) As the ratio is negative, net borrowing to equity ratio has not been calculated.

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

(In millions of won, except interest coverage ratio)		2025	2024
1. Operating profit	₩	2,037,510	705,223
2. Interest expenses		96,548	149,669
3. Interest coverage ratio (1÷2)		21.10	4.71

6. Cash and Cash Equivalents

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

(In millions of won)		2025	2024
Cash	₩	29	34
Current deposit		1,115	3,500
MMDA and others		1,868,774	1,254,333
	₩	1,869,918	1,257,867

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:

(In millions of won)		2025		2024	
		Current	Non-current	Current	Non-current
Financial instruments	₩	1,702,500	210	131,000	8
Financial assets measured at FVTPL		-	9,069	-	8,816
Financial assets measured at FVOCI		-	16,201	-	1,738
	₩	1,702,500	25,480	131,000	10,562

8. Restricted Financial Instruments

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

(In millions of won)

Description		2025	2024	Restrictions
Cash and cash equivalents	₩	12,145	3,418	Allocation for mutual aid business
Long-term financial instruments		14	8	Guarantee deposits for checking accounts

The Group has deposited ₩149,000 million and ₩131,000 million in financial institutions to provide financial support to the Group's partners as of December 31, 2025 and 2024.

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	₩	1,931,543	83,157	2,019,208	203,923
Allowance for doubtful accounts		(500,716)	(1,433)	(626,511)	(85,321)
		1,430,827	81,724	1,392,697	118,602
Other receivables:					
Other accounts receivables		463,659	248	452,131	719
Allowance for doubtful accounts		(214,490)	-	(198,174)	-
Accrued income		92,622	-	60,148	-
Allowance for doubtful accounts		(61,833)	-	(49,564)	-
Loans		159,934	292	160,284	308
Allowance for doubtful accounts		(159,844)	(292)	(159,844)	(292)
Guarantee deposits		2,302	10,854	1,885	6,502
		282,350	11,102	266,866	7,237
	₩	1,713,177	92,826	1,659,563	125,839

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

(In millions of won)		2025	2024
Contract assets	₩	5,148,043	3,573,016
Allowance for doubtful accounts		(16,080)	-
	₩	5,131,963	3,573,016

(3) Changes in allowance for doubtful accounts in respect of trade and other receivables for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Beginning balance	₩	1,119,706	1,105,103
Impairment loss recognized		12,102	37,780
Reversal of allowance for doubtful accounts		(10,769)	(32,981)
Write-off		(216,005)	(1,156)
Others		27,970	10,960
Business combination		21,684	-
Ending balance	₩	954,688	1,119,706

10. Inventories

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	₩ 761,051	(13,080)	747,971	700,331	(5,925)	694,406
Raw materials	776,866	(3,710)	773,156	480,468	(5,680)	474,788
Supplies	22,220	-	22,220	21,036	-	21,036
Materials-in-transit	473,404	-	473,404	320,676	-	320,676
	₩ 2,033,541	(16,790)	2,016,751	1,522,511	(11,605)	1,510,906

The write-downs of inventories, amounting to ₩5,185 million were charged to cost of sales for the year ended December 31, 2025, and the reversals of inventories, amounting to ₩8,814 million were deducted from cost of sales for the year ended December 31, 2024.

11. Other Current Assets and Other Non-current Assets

Other current assets and other 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	₩ 1,654,570	-	1,222,215	-
Accumulated impairment loss	-	-	(18,392)	-
Prepaid expenses	383,673	642	243,195	671
Accumulated impairment loss(*)	(2,350)	-	(170)	-
Emission allowances	1,127	-	-	-
Defined benefit assets	-	281,695	-	84,389
Others	-	143,805	-	127,062
	₩ 2,037,020	426,142	1,446,848	212,122

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

12. Investment in Associate

(1) Investment in associate as of December 31, 2025 and 2024 is summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year end	Main business	Ownership (%)	2025 Carrying amount	2024 Carrying amount
KC LNG Tech Co., Ltd.(*1)	Korea	December	Other engineering services	16.60	₩ -	1,133
HD Hyundai Asia Holdings Pte.Ltd.(*2)	Singapore	December	Management of overseas subsidiaries	40.00	305,261	-
					₩ 305,261	1,133

(*1) Although ownership is less than 20%, the Group includes the entity securities as investments in associate since the Group has a significant influence on main operating and financial policy decisions.

(*2) It was acquired through a cash contribution and the business combination with HD Hyundai Mipo Co., Ltd. for the year ended December 31, 2025.

12. Investment in Associate, Continued

(2) Condensed financial information of associate as of and for the years ended December 31, 2025 and 2024 is summarized as follows:

1) Condensed statements of financial position of associate

(In millions of won)

Associate		2025 Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity
KC LNG Tech Co., Ltd.	₩	1,094	5,250	13,013	364	(7,033)
HD Hyundai Asia Holdings Pte.Ltd.(*)		899,645	1,009,681	729,269	366,576	813,481

(*) The financial information of associate is based on their consolidated financial statements as of December 31, 2025.

(In millions of won)

Associate		2024 Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity
KC LNG Tech Co., Ltd.	₩	2,559	5,784	13,461	369	(5,487)

2) Condensed statements of comprehensive loss of associate

(In millions of won)

Associate		2025 Sales	Operating loss	Loss for the year	Other comprehensive income	Total comprehensive loss
KC LNG Tech Co., Ltd.	₩	750	(1,052)	(1,546)	-	(1,546)
HD Hyundai Asia Holdings Pte.Ltd.(*)		121,462	(9,616)	(10,520)	1	(10,519)

(*) The financial information of associate is based on their consolidated financial statements as of December 31, 2025.

(In millions of won)

Associate		2024 Sales	Operating loss	Loss for the year	Other comprehensive income	Total comprehensive loss
KC LNG Tech Co., Ltd.	₩	72	(1,795)	(1,197)	-	(1,197)

(3) Changes in equity-method accounted investees for the years ended December 31, 2025 and 2024 are summarized as follows:

(In millions of won)

Associate		2025 Beginning balance	Acquisition (disposal)	Share of profit (loss) of equity accounted investees	Impairment loss on investments in associates (*)	Changes in equity of equity accounted investees	Dividends received	Ending balance
KC LNG Tech Co., Ltd.	₩	1,133	-	(257)	(876)	-	-	-
HD Hyundai Asia Holdings Pte.Ltd.		-	339,833	(4,145)	-	(30,427)	-	305,261

(*) Indicators of impairment were identified for the investment in the investee, and an impairment loss on investments in associates of ₩876 million was recognized as non-operating expenses for the year ended December 31, 2025.

12. Investment in Associate, Continued

(3) Changes in equity-method accounted investees for the years ended December 31, 2025 and 2024 are summarized as follows, continued:

(In millions of won)

Associate		2024					
		Beginning balance	Acquisition (disposal)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
KC LNG Tech Co., Ltd.	₩	1,332	-	(199)	-	-	1,133

(4) Reconciliation from net assets of the associate to the carrying amount of investment in associate in the Group's consolidated financial statements as of December 31, 2025 and 2024 is summarized as follows:

(In millions of won)

Associate		2025				
		Ending net assets (liabilities)	Percentage of the Group's ownership	Net value	Others	Ending carrying amount
KC LNG Tech Co., Ltd.	₩	(7,033)	16.60%	-	-	-
HD Hyundai Asia Holdings Pte.Ltd.		813,481	40.00%	325,392	(20,131)	305,261

(In millions of won)

Associate		2024				
		Ending net assets (liabilities)	Percentage of the Group's ownership	Net value	Others	Ending carrying amount
KC LNG Tech Co., Ltd.	₩	(5,487)	16.60%	-	1,133	1,133

13. Joint Operation

The joint operations as of December 31, 2025 and 2024 are summarized as follows:

Joint operation	Location	Main business	2025 Ownership (%)	2024 Ownership (%)
FDH JV(*1)	Kuwait	Chemical plant	33.33	33.33
FDH JV(*2)	Kuwait	Chemical plant	20.00	20.00

(*1) The Group holds a significant joint operation 'FDH JV' as of December 31, 2025 and 2024. FDH JV is a joint operation that the main purpose of arrangement is construction of Clean Fuels Project MAB2 EPC PKG ordered by Kuwait National Petroleum Company. The Group recognizes the assets and liabilities relating to its interest in a joint operation and recognizes revenues and expenses relating to its interest in a joint operation.

(*2) The Group holds a significant joint operation 'FDH JV' as of December 31, 2025 and 2024. FDH JV is a joint operation that the main purpose of arrangement is construction of Al Zour Refinery Project Package 2 & 3 EPC PKG ordered by Kuwait Integrated Petroleum Industries Company. The Group recognizes the assets and liabilities relating to its interest in a joint operation and recognizes revenues and expenses relating to its interest in a joint operation.

14. 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)		2025 Non-current	2024 Non-current
Unlisted equity securities:			
Korea Defense Guarantee Cooperative(*)	₩	1,738	1,738
The Korea Economic Daily		10,461	-
Maeil Broadcasting Network(MBN)		3,902	-
Korea Ship Finance Co, Ltd.		100	-
	₩	16,201	1,738

(*) 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) Financial assets measured at FVTPL as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)		2025 Non-current	2024 Non-current
Investments in capital(*):			
Machinery Financial Cooperative	₩	5,998	5,998
Construction Guarantee Cooperative		-	2,539
Korea Finance for Construction		2,691	-
Busan Marine Equipment Association		330	230
Fire Guarantee		20	20
Korea Marine Equipment Association		22	21
Korea Electric Engineers Association		8	8
	₩	9,069	8,816

(*) Unless otherwise noted, the carrying amounts of Investments in capital were recorded at their acquisition cost since their fair values cannot be reliably estimated.

15. Investment Property

(1) Changes in investment property for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025		
		Land	**Buildings**	**Total**
Beginning balance	₩	476	903	1,379
Depreciation		-	(39)	(39)
Ending balance	₩	476	864	1,340

(In millions of won)		2024		
		Land	**Buildings**	**Total**
Beginning balance	₩	476	942	1,418
Depreciation		-	(39)	(39)
Ending balance	₩	476	903	1,379

(2) Investment properties as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025		
		Land	**Buildings**	**Total**
Acquisition cost	₩	476	2,226	2,702
Accumulated depreciation		-	(1,362)	(1,362)
Ending balance	₩	476	864	1,340

(In millions of won)		2024		
		Land	**Buildings**	**Total**
Acquisition cost		476	2,226	2,702
Accumulated depreciation		-	(1,323)	(1,323)
Ending balance	₩	476	903	1,379

(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	₩	71	58
Operating and maintenance expense arising from investment property that generated rental income		66	53

15. Investment Property, Continued

(4) Fair values from investment property as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Land	₩	867	850
Buildings		1,874	1,936
		2,741	2,786

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. The valuation is achieved by using comparison methods to obtain the economic value based on marketability of the property. The Group calculated fair value considering changes in the standard market price such as individual publicly assessed land price after previous evaluation date in order to estimate the fair value of investment property as of December 31, 2025.

16. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩	3,113,990	1,067,217	885,050	795,142	269,022	479,368	6,609,789
Acquisitions(*)		79,964	20,424	9,493	146,191	155,096	125,227	536,395
Reclassification		27,800	58,974	38,930	18,626	(171,009)	22,319	(4,360)
Disposals		(7,148)	(3,213)	(1,681)	(1,311)	-	(636)	(13,989)
Depreciation		-	(45,721)	(35,173)	(126,550)	-	(92,617)	(300,061)
Revaluation of land		230,515	-	-	-	-	-	230,515
Business combination		1,006,048	257,069	179,102	162,351	8,698	105,722	1,718,990
Changes in scope of consolidation		-	-	-	-	-	3,418	3,418
Ending balance	₩	4,451,169	1,354,750	1,075,721	994,449	261,807	642,801	8,780,697

(*) The amount of expenditures related to the acquisition of construction in-progress is ₩154,784 million for the year ended December 31, 2025.

(In millions of won)		2024						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩	3,143,698	1,069,325	844,616	678,666	290,951	424,812	6,452,068
Acquisitions(*)		14	2,595	7,116	208,841	154,190	93,957	466,713
Reclassification		(25,309)	40,051	68,621	33,811	(176,119)	26,925	(32,020)
Disposals		(4,413)	(1,287)	(67)	(3,723)	-	(712)	(10,202)
Depreciation		-	(43,044)	(33,641)	(120,922)	-	(80,281)	(277,888)
Impairment		-	(423)	(1,595)	(1,531)	-	(371)	(3,920)
Reversal of impairment loss		-	-	-	-	-	15,038	15,038
Ending balance	₩	3,113,990	1,067,217	885,050	795,142	269,022	479,368	6,609,789

(*) The amount of expenditures related to the acquisition of construction in-progress is ₩154,227 million for the year ended December 31, 2024.

16. Property, Plant and Equipment, Continued

(2) Property, plant and equipment as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Acquisition cost	₩	4,451,169	2,482,320	2,065,821	3,983,125	261,807	2,345,157	15,589,399
Accumulated depreciation		-	(1,056,436)	(865,335)	(2,903,312)	-	(1,639,249)	(6,464,332)
Accumulated impairment		-	(71,134)	(124,765)	(85,364)	-	(63,107)	(344,370)
Ending balance	₩	4,451,169	1,354,750	1,075,721	994,449	261,807	642,801	8,780,697

(In millions of won)		2024						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Acquisition cost	₩	3,113,990	2,037,427	1,689,025	3,377,797	269,022	1,914,312	12,401,573
Accumulated depreciation		-	(898,963)	(679,105)	(2,496,526)	-	(1,370,986)	(5,445,580)
Accumulated impairment		-	(71,247)	(124,870)	(86,129)	-	(63,958)	(346,204)
Ending balance	₩	3,113,990	1,067,217	885,050	795,142	269,022	479,368	6,609,789

(3) Construction-in-progress is mainly related to the expansion of plant facilities as of December 31, 2025.

(4) Impairment losses

The Group generally defines each business unit as a CGU and assesses indicators of impairment based on the five-year business plan approved by management. As a result of reasonable assessment of whether any assets were impaired, no impairment indicators were identified during the year ended December 31, 2025.

16. Property, Plant and Equipment, Continued

(5) Land revaluation

The Group applied revaluation model on land and as of June 30, 2025 the Group revalued land by using the value which independent and expertise appraisal institution. The appraisal institution valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraised results with the estimated price based on recent market transactions among the independent third parties.

As a result of revaluation of land, a revaluation surplus of ₩144,873 million (net of tax effects) was additionally recognized in other comprehensive income for the year ended December 31, 2025. In addition, a revaluation gain of ₩23,754 million was recognized as other non-operating income, and a revaluation loss of ₩11,678 million was recognized as other non-operating expenses.

Book values of land assessed by revaluation model and cost model as of December 31, 2025 are as follows:

(In millions of won)	2025	
	Revaluation model	Cost model
Land	₩ 4,451,169	2,629,524

As a result of revaluation of land, the cumulative balance of the revaluation surplus recognized in other comprehensive income up to the end of the current period amounts to ₩1,344,253 million (net of tax effects), and the cumulative revaluation loss recognized in profit or loss in respect of the land held as of December 31, 2025 amounts to ₩13,225 million.

Based on the input variables used in the valuation method, the fair value measurement of land is classified as level 3 fair value based on the input variables used in the valuation techniques. The valuation method and input variables used in 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 flexibility of land value increases (decreases), then fair value increases (decreases).
	Regional contribution	If regional contribution increases (decreases), then fair value increases (decreases).
	Individual contribution	If the adjusted value of terms of residential lot and others increases (decreases), then fair value increases (decreases).
	Other contributions	If the adjusted value of the level of land value and others increases (decreases), then fair value increases (decreases).

(6) The details of property, plant and equipment provided as collateral for loans as of December 31, 2025 are as follows:

(In millions of won)	2025				
Collateral for loans	Carrying amount	Provided amount	Related liabilities	Related amount	Creditor
Buildings	₩ 14,124	10,800	Short-term borrowing	4,000	KEB Hana Bank

17. Right-of-use Assets and Lease Liabilities

(1) Changes in right-of-use assets for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025					
	Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning balance	₩ 13,098	15,677	-	8	2,727	31,510
Additions	936	4,219	-	-	1,994	7,149
Adjustment	254	-	13	-	8	275
Termination/Cancellation	-	(1,497)	-	-	(29)	(1,526)
Depreciation	(4,324)	(8,702)	(19)	(8)	(2,083)	(15,136)
Business combination	8,844	1,276	1,795	-	644	12,559
Changes in scope of consolidation	-	-	-	-	91	91
Ending balance	₩ 18,808	10,973	1,789	-	3,352	34,922

(In millions of won)

	2024				
	Land	Buildings	Machinery and equipment	Others	Total
Beginning balance	₩ 14,064	20,886	50	2,418	37,418
Additions	3,076	3,351	-	2,576	9,003
Depreciation	(4,042)	(8,560)	(42)	(2,267)	(14,911)
Ending balance	₩ 13,098	15,677	8	2,727	31,510

(2) Right-of-use assets as of December 31, 2025 and 2024 are as follows:

(In millions of won)

	2025				
	Land	Buildings	Structures	Others	Total
Acquisition cost	₩ 37,864	32,511	2,688	6,741	79,804
Accumulated depreciation	(19,056)	(21,538)	(899)	(3,389)	(44,882)
Ending balance	₩ 18,808	10,973	1,789	3,352	34,922

(In millions of won)

	2024				
	Land	Buildings	Machinery and equipment	Others	Total
Acquisition cost	₩ 21,405	28,808	26	5,370	55,609
Accumulated depreciation	(8,307)	(13,131)	(18)	(2,643)	(24,099)
Ending balance	₩ 13,098	15,677	8	2,727	31,510

17. Right-of-use Assets and Lease Liabilities, Continued

(3) Lease liabilities as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Current lease liabilities	₩	16,150	13,192
Non-current lease liabilities		20,594	20,130
	₩	36,744	33,322

(4) Details of the timing of the cash outflow the lease liabilities under contract as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025				
		Carrying amount	Contractual cash flow(*)	Less than 1 year	1 to 3 years	More than 3 years
Lease liabilities	₩	36,744	39,903	17,306	12,456	10,141

(*) Undiscounted lease payments

(In millions of won)		2024				
		Carrying amount	Contractual cash flow(*)	Less than 1 year	1 to 3 years	More than 3 years
Lease liabilities	₩	33,322	35,753	13,973	14,255	7,525

(*) Undiscounted lease payments

(5) Expenses recognized in profit or loss related to leases for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Depreciation on right-of-use assets(*):	₩	15,136	14,911
Interest expense on lease liabilities		958	1,110
Short-term lease payment(*)		18,312	22,071
Payments for leases of low-value assets not short-term lease(*)		184	68

(*) Included in cost of sales and selling, general and administrative expenses.

The total cash outflows related to leases for the years ended December 31, 2025 and 2024 are amounting to ₩34,485 million and ₩37,257 million.

18. Intangible Assets

(1) Changes in development costs for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025		
		Development costs	**Others(*)**	**Total**
Beginning balance	₩	84,506	43,620	128,126
Acquisition		29,546	-	29,546
Reclassification		-	4,576	4,576
Disposals		(2,164)	(4,576)	(6,740)
Amortization		(17,107)	(1,066)	(18,173)
Impairment		(653)	-	(653)
Business combination		22,406	1,222	23,628
Changes in scope of consolidation		-	825	825
Ending balance	₩	116,534	44,601	161,135

(*) As of December 31, 2025, other intangible assets include abyss engineering tank and intangible assets with indefinite useful lives, the carrying amounts of which is ₩33,979 million.

(In millions of won)		2024		
		Development costs	**Others(*)**	**Total**
Beginning balance	₩	65,726	42,694	108,420
Acquisition		31,459	1,677	33,136
Reclassification		-	302	302
Amortization		(11,924)	(1,053)	(12,977)
Impairment(*)		(755)	-	(755)
Ending balance	₩	84,506	43,620	128,126

(*) As of December 31, 2024, other intangible assets include abyss engineering tank and intangible assets with indefinite useful lives, the carrying amounts of which is ₩32,757 million.

(2) Intangible assets as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025		
		Development costs	**Others**	**Total**
Acquisition cost	₩	175,129	53,401	228,530
Accumulated amortization		(58,595)	(6,959)	(65,554)
Accumulated impairment		-	(1,841)	(1,841)
Ending balance	₩	116,534	44,601	161,135

(In millions of won)		2024		
		Development costs	**Others**	**Total**
Acquisition cost	₩	138,981	48,212	187,193
Accumulated amortization		(39,952)	(2,824)	(42,776)
Accumulated impairment		(14,523)	(1,768)	(16,291)
Ending balance	₩	84,506	43,620	128,126

18. Intangible Assets, Continued

(3) Details of research and development costs and ordinary development costs and development cost amortization included in intangible asset for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)			2025	2024
Research and development costs	Selling, general and administrative expenses	₩	1,202	5,679
	Government grants		-	-
		₩	1,202	5,679
Ordinary development costs	Selling, general and administrative expenses	₩	118,573	95,995
	Government grants		(3,613)	(1,441)
		₩	114,960	94,554
Development cost amortization	Manufacturing costs	₩	16,979	11,924
	Selling, general and administrative expenses		128	-
		₩	17,107	11,924

19. Greenhouse Gas Emission Rights and Emission Liabilities

(1) The Group participated in the *Act on Allocation and Trading of Greenhouse Gas Emission* from 2015. One planning period spans from 2021 to 2025. The quantities of emission allowances which are allocated freely during the planning period are as follows:

(In ton)	2021	2022	2023	2024	2025(*)	Total
Emissions allowances freely allocated	514,508	530,744	585,172	577,478	717,351	2,925,253

(*) This includes increases arising from the Business combination.

(2) Changes in emissions allowances and their carrying amounts for the years ended December 31, 2025 and 2024 are as follows:

(In ton and in millions of won)	2025									
	2021		2022		2023		2024		2025(*1)	
	Quantity	Carrying amounts	Quantity	Carrying amounts	Quantity	Carrying amounts	Quantity	Carrying amounts	Quantity	Carrying amounts
Beginning balance and free allocation quantity(*2)	714,166	-	653,522	-	654,485	-	588,433	-	613,854	418
Purchase(disposal)	(61,389)	-	(34,657)	-	(3,652)	-	132,723	1,131	55,211	569
Surrendered	(529,999)	-	(549,552)	-	(639,878)	-	(671,156)	(713)	-	-
Borrowing(carry forward)	(122,778)	-	(69,313)	-	(10,955)	-	(50,000)	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-
Business combination	-	-	-	-	-	-	-	-	168,580	140
Ending balance	-	-	-	-	-	-	-	418	837,645	1,127

(*1) The quantities of allowances surrendered, purchased(or disposed), borrowed(or carried forward), and the ending balance as of December 31, 2025 will be finalized in the following year.
(*2) The quantity includes adjustments such as additional allocations ad cancellations from the initially allocated amount.

(In ton and in millions of won)	2024									
	2021		2022		2023		2024		2025	
	Quantity	Carrying amounts	Quantity	Carrying amounts	Quantity	Carrying amounts	Quantity	Carrying amounts	Quantity	Carrying amounts
Beginning balance and free allocation quantity(*)	714,166	-	653,522	-	654,485	-	530,441	-	519,486	-
Purchase(disposal)	(61,389)	-	(34,657)	-	(3,652)	-	-	-	-	-
Surrendered	(529,999)	-	(549,552)	-	(639,878)	-	-	-	-	-
Borrowing(carry forward)	(122,778)	-	(69,313)	-	(10,955)	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-
Ending balance	-	-	-	-	-	-	530,441	-	519,486	-

(*) The quantity includes adjustments such as additional allocations ad cancellations from the initially allocated amount.

(3) As of December 31, 2025 and 2024, there are no emission allowances provided as collateral.

(4) The estimated quantity of greenhouse gas emissions for the year ended December 31, 2025 is 837,645 tons.

19. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

(5) Changes in emissions liabilities for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Beginning balance	₩	882	-
Additions		998	882
Reversals		(180)	-
Utilization		(713)	-
Business combination		140	-
Ending balance	₩	1,127	882

20. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)		2025		2024	
		Current	Non-current	Current	Non-current
Borrowings	₩	4,000	-	86,640	100,000
Bonds		153,000	488,470	313,000	652,000
Discount on bonds		(33)	(86)	(387)	(394)
	₩	156,967	488,384	399,253	751,606

21. Trade and Other Payables

Trade and other payables as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)		2025		2024	
		Current	Non-current	Current	Non-current
Trade payables	₩	1,751,201	-	1,535,351	-
Other accounts payable		666,280	-	240,446	-
Accrued expenses		877,299	11,887	535,100	6,432
Deposits received		-	4,261	-	2,477
	₩	3,294,780	16,148	2,310,897	8,909

22. Supplier Finance Arrangements

The Group participates in supplier finance arrangements, under which the financial institution pays our debts to the supplier and the Group subsequently repay the financial institution. The Purpose of this transaction is to streamline the payment process and provide early payment terms to the supplier compared to the relevant trade payable payment due date. The Group does not eliminate the original debt because this arrangement does not release us from liability for the original debt.

The Group has supplier finance arrangements with financial institutions for our accounts receivable term loan, Banker's Usance and Network Loan, and all obligations under the supplier finance arrangements were classified as current liabilities as of December 31, 2025.

Additional information about the Group's supplier finance arrangements as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	
		Trade payables(*)	**Short-term borrowings**
Carrying amount of financial liabilities under supplier finance arrangements	₩	329,983	-
Carrying amount corresponding to the portion of the amount that the provider has already received from the financial institution		4,280	-
Range of payment dates for financial liabilities under supplier finance arrangements		One year or less	One year or less

(*) Comparable trade payables that do not qualify as supplier finance arrangements have a payment date range of 60 to 90 days after the invoice date.

(In millions of won)		2024	
		Trade payables(*)	**Short-term borrowings**
Carrying amount of financial liabilities under supplier finance arrangements	₩	318,147	12,572
Carrying amount corresponding to the portion of the amount that the provider has already received from the financial institution		7,212	12,572
Range of payment dates for financial liabilities under supplier finance arrangements		One year or less	One year or less

(*) Comparable trade payables that do not qualify as supplier finance arrangements have a payment date range of 60 to 90 days after the invoice date.

There were no material non-cash changes in the carrying amount of financial liabilities under supplier finance arrangements for the year ended December 31, 2025 and 2024.

23. Borrowings and Bonds

(1) Short-term borrowings as of December 31, 2025 and 2024 are as follows:

(In millions of won)

Type of borrowing	Lender	Annual Interest rate (%)		2025
Facility loan(*)	KEB Hana Bank	4.83	₩	4,000
				4,000
Current portion of long-term borrowings				-
			₩	4,000

(*) In connection with the facility loan borrowings, the Group has provided its building as collateral (see Note 16).

(In millions of won)

Type of borrowing	Lender	Annual Interest rate (%)		2024
General loan in foreign currency	FDH JV ZOR	5.00	₩	15,068
Usance L/C	Kookmin Bank and others	3.94~5.67		12,572
				27,640
Current portion of long-term borrowings				59,000
			₩	86,640

(2) Long-term borrowings as of December 31, 2025 and 2024 are as follows:

There is no Long-term borrowings as of December 31, 2025.

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2024
General loan	The Korea Development Bank and others	4.69~5.88	₩	159,000
Current portion of long-term borrowings				(59,000)
			₩	100,000

23. Borrowings and Bonds, Continued

(3) Bonds as of December 31, 2025 and 2024 are as follows:

(In millions of won)

Type of Bonds	Longest Maturity	Annual interest rate (%)		2025
Secured bond(*)	2027-03-28	3.18	₩	430,470
Debenture	2027-01-29	4.27~5.38		211,000
				641,470
Discount on bonds				(119)
Current portion of bonds				(153,000)
Current portion of discount on bonds				33
			₩	488,384

(*) The Group is provided with guarantees from financial institution issued for Secured bond.

(In millions of won)

Type of Bonds	Longest Maturity	Annual interest rate (%)		2024
Secured bond(*)	2027-03-28	3.18	₩	441,000
Debenture	2027-01-29	4.27~5.38		524,000
				965,000
Discount on bonds				(781)
Current portion of bonds				(313,000)
Current portion of discount on bonds				387
			₩	651,606

(*) The Group is provided with guarantees from financial institution issued for Secured bond.

(4) Aggregate maturities of the Group's borrowings and bonds as of December 31, 2025 and 2024 are as follows:

(In millions of won)

Periods		2025 Borrowings	2025 Bonds	2025 Total
2026.01.01 ~ 2026.12.31	₩	4,000	153,000	157,000
2027.01.01 ~ 2030.12.31		-	488,470	488,470
	₩	4,000	641,470	645,470

(In millions of won)

Periods		2024 Borrowings	2024 Bonds	2024 Total
2025.01.01 ~ 2025.12.31	₩	86,640	313,000	399,640
2026.01.01 ~ 2029.12.31		100,000	652,000	752,000
	₩	186,640	965,000	1,151,640

23. Borrowings and Bonds, Continued

(5) Changes in liabilities arising from financing cash flows for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)

			2025			
			Borrowings	Bonds	Lease liabilities	Total
Beginning balance		₩	186,640	964,219	33,322	1,184,181
Cash flows from financing activities	Borrowing		9,000	-	-	9,000
	Repayment		(191,640)	(313,000)	(15,240)	(519,880)
Non-cash flows	The effects of changes in foreign exchange rates		-	(10,530)	139	(10,391)
	Amortization of bond discounts		-	662	-	662
	Others		-	-	5,776	5,776
Cash flows from operating activities(*)			-	-	(749)	(749)
Business combination			-	-	13,402	13,402
Changes in scope of consolidation			-	-	94	94
Ending balance		₩	4,000	641,351	36,744	682,095

(*) Interest expense among the reduction of lease liabilities for the year ended December 31, 2025, is classified as cash flows from operating activities.

(In millions of won)

			2024			
			Borrowings	Bonds	Lease liabilities	Total
Beginning balance		₩	1,819,379	1,309,595	39,086	3,168,060
Cash flows from financing activities	Borrowing		157,651	200,000	-	357,651
	Repayment		(1,792,314)	(599,880)	(14,290)	(2,406,484)
Non-cash flows	The effects of changes in foreign exchange rates		1,924	54,180	611	56,715
	Amortization of bond discounts		-	324	-	324
	Others		-	-	8,743	8,743
Cash flows from operating activities(*)			-	-	(828)	(828)
Ending balance		₩	186,640	964,219	33,322	1,184,181

(*) Interest expense among the reduction of lease liabilities for the year ended December 31, 2024, is classified as cash flows from operating activities.

24. Employee Benefits

(1) Defined contribution plans

The cost recognized in profit or loss due to the defined contribution plans is ₩3,652 million for the year ended December 31, 2025 and ₩2,324 million for the year ended December 31, 2024.

(2) Defined benefit plans

(i) The details of liabilities related to employee benefits as of December 31, 2025 and 2024 are as follows:

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(In millions of won)		2025	2024
Present value of defined benefit obligations	₩	1,364,580	1,012,057
Other long-term benefits		31,153	33,648
		1,395,733	1,045,705
Fair value of plan assets(*)		(1,364,580)	(1,012,057)
Liabilities recognized under defined benefit plans	₩	31,153	33,648

(*) The fair value of plan assets amounting to ₩281,695 million (₩84,389 million in 2024), exceeding the present value of defined benefit obligations, is recognized as defined benefit assets and the fair value of plan assets including excess reserve is ₩1,646,275 million (₩1,096,446 million in 2024) as of December 31, 2025(See Note 11).

(ii) Plan assets as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Retirement pension(*)	₩	1,645,719	1,095,857
Transfer to National Pension Fund		556	589
	₩	1,646,275	1,096,446

(*) The retirement pension is invested in principal and interest guaranteed instruments, principal guaranteed instruments, and funds with bonds mixed as of December 31, 2025.

(iii) Expenses recognized in profit or loss for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Current service costs	₩	100,362	85,811
Past service costs		(7,988)	1,649
Interest on obligations		38,121	36,129
Expected return on plan assets		(41,859)	(46,725)
	₩	88,636	76,864

For the years ended December 31, 2025 and 2024, amounting to ₩1,122 million and ₩632 million were incurred, respectively, as additional retirement benefits.

24. Employee Benefits, Continued

(2) Defined benefit plans, continued

(iv) Changes in the liabilities related to employee benefits for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Beginning balance	₩	1,045,705	873,005
Current service costs		100,362	85,811
Past service costs		(7,988)	1,649
Interest cost		38,121	36,129
Benefits paid		(117,188)	(107,411)
Transfers from (to) related parties		5,830	2,319
Business combination		322,028	-
Changes in scope of consolidation		42,559	-
Actuarial gains and losses			
Population statistical assumption		(2,224)	-
Financial assumption		(40,341)	131,037
Experience adjustment		8,869	23,166
Ending balance	₩	1,395,733	1,045,705

(v) Changes in the fair value of plan assets for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Beginning balance	₩	1,096,446	1,067,012
Benefits paid		(88,207)	(79,992)
Contributions paid into the plan		239,819	65,435
Expected return on plan assets		41,859	46,725
Actuarial gains and losses		(3,795)	(2,734)
Business combination		314,090	-
Changes in scope of consolidation		46,063	-
Ending balance	₩	1,646,275	1,096,446

The Group reviews the level of the fund each year and takes the policy to preserve fund in the event of a loss to the fund. The Group expects to pay ₩126,698 million in contributions to its defined benefit plans in next year, as of December 31, 2025.

(vi) Expected payment date of the defined benefit obligations as of December 31, 2025 is as follows:

(In millions of won)		2026.01.01 ~ 2026.12.31	2027.01.01 ~ 2030.12.31	2031.01.01 ~ 2035.12.31	2036.01.01 ~	Total
Expected payment	₩	53,370	401,948	716,927	3,498,469	4,670,714

(vii) Principal actuarial assumptions as of December 31, 2025 and 2024 are as follows:

(In percentage)	2025	2024
Discount rate	4.13~4.43	3.75~3.96
Future salary growth	3.28~4.90	3.95
Future mortality (Males, at age 45)	0.18	0.18

24. Employee Benefits, Continued

(2) Defined benefit plans, continued

(viii) Weighted average durations of the defined benefit obligations as of December 31, 2025 and 2024 are as follows:

(In years)	2025	2024
Weighted average duration	10.64	10.78

(ix) Reasonably possible changes as of December 31, 2025 and 2024 to each relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below.

(In millions of won)		2025		2024	
		Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	₩	(118,198)	136,695	(92,667)	108,082
Future salary growth (1% movement)		124,569	(110,445)	95,734	(84,361)

25. Provisions

(1) Changes in provisions for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025					
		Provision for construction losses	Provision for construction warranty	Provision for product warranty	Provisions for emissions	Other provisions (*1)	Total
Beginning balance	₩	16,865	76,529	216,879	882	7,670	318,825
Additions		17,772	39,314	169,214	998	-	227,298
Reversals		(3,494)	(8,881)	(38,835)	(180)	-	(51,390)
Utilization		-	(13,960)	(69,972)	(713)	(139)	(84,784)
Others(*2)		(2,180)	-	-	-	-	(2,180)
Business combination		-	15,888	-	140	-	16,028
Ending balance	₩	28,963	108,890	277,286	1,127	7,531	423,797

(*1) As of December 31, 2025, other provisions consist of ₩3,573 million in provisions related to ordinary wage lawsuit.
(*2) For the year ended December 31, 2025, this is the effect of changes in impairment losses previously recognized for assets related to onerous contracts.

25. Provisions, Continued

(1) Changes in provisions for the years ended December 31, 2025 and 2024 are as follows, continued:

(In millions of won)	2024					
	Provision for construction losses	Provision for construction warranty	Provision for product warranty	Provisions for emissions	Other provisions (*1)	Total
Beginning balance	₩ 19,763	112,500	95,843	-	3,808	231,914
Additions	8,449	103,677	197,334	882	3,959	314,301
Reversals	(14,626)	(26,925)	(34,913)	-	-	(76,464)
Utilization	-	(112,723)	(41,385)	-	(97)	(154,205)
Others(*2)	3,279	-	-	-	-	3,279
Ending balance	₩ 16,865	76,529	216,879	882	7,670	318,825

(*1) As of December 31, 2025, other provisions consist of ₩3,711 million in provisions related to ordinary wage lawsuit.
(*2) For the year ended December 31, 2025, this is the effect of changes in impairment losses previously recognized for assets related to onerous contracts.

(2) Provisions as of December 31, 2025 and 2024 are as follows:

(In millions of won)	2025					
	Provision for construction losses	Provision for construction warranty	Provision for product warranty	Provisions for emissions	Other provisions	Total
Current	₩ 28,963	77,215	222,870	1,127	3,572	333,747
Non-current	-	31,675	54,416	-	3,959	90,050
	₩ 28,963	108,890	277,286	1,127	7,531	423,797

(In millions of won)	2024					
	Provision for construction losses	Provision for construction warranty	Provision for product warranty	Provisions for emissions	Other provisions	Total
Current	₩ 16,865	48,985	176,895	882	3,711	247,338
Non-current	-	27,544	39,984	-	3,959	71,487
	₩ 16,865	76,529	216,879	882	7,670	318,825

26. Derivative Financial Instruments

The Group has entered into derivative instrument contracts related to foreign currency forwards with KEB Hana Bank and other 18 banks for hedge the changes in foreign exchange rates. Derivatives are measured at fair values by using forward exchange rates presented by the contract counterparty. The details of assessment and gains or losses of transaction for the year ended December 31, 2025 are as follows:

(1) The description of derivative instrument and hedge accounting is as follows:

Hedge accounting	Type	Description
Fair value hedge	Foreign exchange forward contracts	Hedge of the risk of changes in the fair value of firm commitments
Cash flow hedge	Foreign exchange forward contracts	Hedge of the variability in cash flows attributable to foreign currency exposure in respect of forecast purchases
	Foreign exchange swap contracts	Hedge of the variability in cash flows attributable to foreign currency liabilities in respect of interest rate and exchange rate

(2) Terms of derivative contracts as of December 31, 2025 are as follows:

(In millions of won and in thousands of foreign currency)

		Sell Amount		Buy Amount			
Description	Type	Currency	Amount	Currency	Amount	Average maturities	Number of contracts (in cases)
Fair value hedge	Foreign exchange forward contracts	USD	16,791,832	KRW	22,141,817	2027-05-09	10,532
		EUR	6,478	KRW	10,817	2026-11-16	3
Cash flow hedge	Foreign exchange forward contracts	USD	23,901	GBP	18,447	2027-05-02	2
	Foreign exchange swap contracts	KRW	363,540	USD	300,000	2027-03-28	1

- Terms of settlement: Netting the settlement or collecting total

26. Derivative Financial Instruments, Continued

(3) Book values related to derivatives as of December 31, 2025 are as follows:

(In millions of won)

Description	Type	Derivatives				Firm commitment			
		Assets		Liabilities		Assets		Liabilities	
		Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Fair value hedge	Foreign exchange forward contracts	₩ 7,973	17,482	674,947	814,569	500,069	801,964	9,097	17,481
Cash flow hedge	Foreign exchange forward contracts	639	666	-	-	-	-	-	-
	Foreign exchange swap contracts	-	63,322	-	-	-	-	-	-
		₩ 8,612	81,470	674,947	814,569	500,069	801,964	9,097	17,481

(4) Gains and losses on the valuation and transaction of derivatives for the year ended December 31, 2025 are as follows:

(In millions of won)

Description	Type	Sales	Cost of sales	Finance income	Finance costs	Other non-operating income	Other non-operating expenses	Other comprehensive income (before tax)
Fair value hedge	Foreign exchange forward contracts	₩ (801,697)	-	418,036	435,103	381,029	321,290	-
Cash flow hedge	Foreign exchange forward contracts	-	(1,229)	-	-	-	-	987
	Foreign exchange swap contracts	-	-	-	10,530	-	-	9,883
For trading	Foreign exchange forward contracts	-	-	8,283	34,912	-	-	-
		₩ (801,697)	(1,229)	426,319	480,545	381,029	321,290	10,870

For the year ended December 31, 2025, the Group applies cash flow hedge accounting, for which the Group accounted the effective portion of the hedge amounting to ₩8,196 million, net of deferred tax of ₩2,674 million, as a loss on valuation of derivatives in accumulated other comprehensive income.

The maximum expected period of exposure to cash flow risk, where the cash flow hedge accounting is applied, is approximately 22 months as of December 31, 2025.

27. Common stock and Capital Surplus

(1) Common stock

Common stock as of December 31, 2025 and 2024 is as follows:

(In won, In shares)		2025	2024
Authorized shares		160,000,000	160,000,000
Par value per share	₩	5,000	5,000
Issued shares(*)		104,961,225	88,773,116

(*) This includes new shares issued in connection with the business combination of HD Hyundai Mipo Co., Ltd.

(2) Capital surplus

Capital surplus as of years December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Paid-in capital in excess of par value by split-off in June, 2019	₩	4,641,671	4,641,671
Paid-in capital in excess of par value by capital increase in September, 2021		990,000	990,000
Other capital surplus by transfers of business in May, 2023		4,732	4,732
Other capital surplus by transfers of business in August, 2023		1,169	1,169
Capital transaction and others in Group		436	436
Other capital surplus of business combination in January, 2024		(704)	(704)
Paid-in capital in excess of par value arising from the business combination in December, 2025		8,254,952	-
Other capital surplus arising from the business combination in December, 2025		(6,249,809)	-
Capital surplus from equity method investments in December, 2025		1,935	-
		7,644,382	5,637,304
Deduction : Establishment costs of corporation in June, 2019		(1,729)	(1,729)
Deduction : New stock issue costs of capital increase in September, 2021		(11,577)	(11,577)
Deduction : Tax effect of transfers of business in 2023		(1,475)	(1,475)
Appropriations of retained earnings		(2,500,000)	(2,500,000)
		(2,514,781)	(2,514,781)
Total	₩	5,129,601	3,122,523

28. Capital adjustments

(1) Capital adjustments as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Repayment of hybrid bonds	₩	(1,411)	(1,411)
Acquisition of subsidiary		(232)	(232)
Treasury shares		(15,497)	-
Capital adjustments from equity method investments		(25,789)	-
	₩	(42,929)	(1,643)

(2) Treasury shares as of December 31, 2025 and 2024 are as follows:

(In shares, In millions of won)		2025	2024
Shares		28,451	-
Carrying amount	₩	15,497	-
Fair value	₩	14,482	-

29. Accumulated Other Comprehensive Income

(1) Accumulated other comprehensive income as of December 31, 2025 and 2024 is as follows:

(In millions of won)		2025	2024
Effective portion of changes in fair value of cash flow hedges	₩	(1,684)	(9,880)
Changes in fair value of financial assets measured at FVOCI(*1)		4,603	(11)
Revaluation of property, plant and equipment(*2)		1,344,253	864,226
Exchange differences on translating foreign operations		(4,321)	(2,974)
Changes in equity from equity method investments		(6,574)	-
	₩	1,336,277	851,361

(*1) For the year ended December 31, 2025, the Group assumed ₩4,765 million through a business combination.
(*2) For the year ended December 31, 2025, the Group assumed ₩337,521 million through a business combination.

(2) Other comprehensive income (loss) for the years ended December 31, 2025 and 2024 is as follows:

(In millions of won)		2025		
		Before tax amount	Tax effect	After tax amount
Effective portion of changes in fair value of cash flow hedges	₩	10,870	(2,674)	8,196
Changes in fair value of financial assets measured at FVOCI		-	(151)	(151)
Actuarial gains and losses		29,901	(8,354)	21,547
Revaluation of property, plant and equipment		218,236	(73,363)	144,873
Exchange differences on translating foreign operations		(1,348)	-	(1,348)
Changes in equity from equity method investments		(6,574)	-	(6,574)
	₩	251,085	(84,542)	166,543

(In millions of won)		2024		
		Before tax amount	Tax effect	After tax amount
Effective portion of changes in fair value of cash flow hedges	₩	(7,789)	1,947	(5,842)
Actuarial gains and losses		(156,937)	39,228	(117,709)
Exchange differences on translating foreign operations		(246)	-	(246)
	₩	(164,972)	41,175	(123,797)

30. Retained Earnings

Retained earnings as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Legal reserve(*)	₩	33,388	-
Unappropriated retained earnings		2,360,476	1,288,341
	₩	2,393,864	1,288,341

(*) In accordance with the Korean Commercial Code, the Parent Company appropriates at least 10% of cash dividends at each reporting date as a legal reserve until such reserve reaches 50% of its paid-in capital. This legal reserve may not be distributed as cash dividends and may only be used for capitalization or to offset accumulated deficits.

31. Revenue

(1) Changes in outstanding contracts for the year ended December 31, 2025 are as follows:

(In millions of won)		Shipbuilding	Offshore, Industrial Plant and Engineering	Others	Total
Beginning balance	₩	33,937,341	3,629,748	9,364,679	46,931,768
Business combination		11,376,357	-	-	11,376,357
Changes and others(*)		11,500,524	54,367	4,102,089	15,656,980
Sales recognized		(12,463,097)	(1,239,028)	(3,878,508)	(17,580,633)
Ending balance	₩	44,351,125	2,445,087	9,588,260	56,384,472

(*) The changes include the impact from the changes due to fluctuations in the exchange rate of foreign currency contracts, cancellation of contracts, change of contract amount and others.

As of December 31, 2025, the Group provides certain amount of financial institution guarantee deposits or letters of guarantee from various financial institutions to the customers for bidding, performance, advance payment and warranty guarantees in connection with above construction contracts.

Periods when the ending balance is expected to be recognized as revenues are as follows:

(In millions of won)		2026	2027	After 2028	Total
Expected amount	₩	24,828,698	21,843,155	9,711,687	56,383,540

(2) Accumulated revenues of construction and others related to construction in progress as of December 31, 2025 are as follows:

(In millions of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit of construction	Billed receivables on construction contracts	Contract assets	Contract liabilities	Provisions for construction losses
Shipbuilding(*1)	₩	13,414,028	11,891,322	1,522,706	455,483	4,999,207	8,255,568	21,880
Offshore, Industrial Plant and Engineering(*2)		2,786,775	2,629,524	157,251	135,757	132,756	743,699	7,083
	₩	16,200,803	14,520,846	1,679,957	591,240	5,131,963	8,999,267	28,963

(*1) For the year ended December 31, 2025, the accumulated construction revenue of the merged division are included as a result of the business combination.
(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

Heavy-tail payment plan is a major collection term in the Shipbuilding segment, and Offshore, Industrial Plant and Engineering segment mainly based on Progress and Milestone payment plan. Therefore, billed receivables on construction contracts and contract assets might be changed according to the progress of construction.

31. Revenue, Continued

(3) As of December 31, 2025, the information about significant construction contracts is as follows:

(In millions of won)

	Contract	Contract date	Contract due(*)	Progress	Contract assets		Trade receivables	
					Total	Allowance for doubtful accounts	Total	Allowance for doubtful accounts
Offshore, Industrial Plant and Engineering	CFP	2014.04.13	2018.10.18	98.50%	₩ -	-	965	-
	ZOR	2015.10.13	2019.07.27	97.29%	-	-	17,663	-
	FPSO Petrobras 78 Project	2021.05.08	2025.11.07	98.20%	122,142	-	52,024	-
	Shenandoah FPS Project	2021.08.05	2025.02.10	100.00%	-	-	218,092	-
	FPU Project	2023.07.01	2027.04.01	58.57%	-	-	-	-
	RUYA BATCH 1 PROJECT	2024.01.30	2028.04.15	12.42%	-	-	65,104	-
Shipbuilding	3407 Shipbuilding PJT(FSRU)	2022.10.04	2026.06.30	85.52%	228,351	-	-	-

(*) For the project the construction deadline that has elapsed, some remaining works are in a progress after delivering the object or a consultation with the client to extent the construction period is still under negotiation.

As there are contractual confidentiality obligations and the clients disagree with disclosing this information, the Group omits the related disclosures after reporting it to audit committee. As of December 31, 2025, the Group omitted the related disclosures for 3 contracts.

31. Revenue, Continued

(4) The effect of changes in estimated total contract cost and total contract revenue

(i) The effect of changes in total contract cost and total contract revenue

For the year ended December 31, 2025, the estimated total contract cost 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, and the impact on contract assets and contract liabilities are as follows:

(In millions of won)		Change in total contract revenue(*1)	Change in total estimated contract cost	Effect on construction profit or loss			Effect on contract assets	Effect on contract liabilities
				Current period	Future period	Total		
Shipbuilding(*2)	₩	(655,858)	(485,641)	152,768	(322,985)	(170,217)	(238,674)	66,146
Offshore, Industrial Plant and Engineering(*3)		54,668	(119,499)	135,690	38,477	174,167	3,909	(17,567)
	₩	(601,190)	(605,140)	288,458	(284,508)	3,950	(234,765)	48,579

(*1) Changes in entire contract revenue (including foreign currency fluctuation) are reflected because it is unable to distinguish total contract revenue changed directly by changes in total contract costs.
(*2) Changes in the merged division subsequent to the business combination are included.
(*3) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

Effects on profit or loss for the current period and future period is calculated based on the total contract cost and total contract revenue estimated on the basis of situations generated in current period, and these estimations could be changed by variation of situations in the future.

31. Revenue, Continued

(4) The effect of changes in estimated total contract cost and total contract revenue, continued

(ii) Sensitivity analysis of changes in estimated total contract cost

The amount of contract assets and contract liabilities are affected by progress which is determined by accumulated cost incurred divided by estimated total contract cost. An estimated total contract cost is calculated based on an estimated material cost, labor cost and construction period, and has a variance risk related to exchange rate fluctuations, changes in steel prices and changes in production hours.

The Group has entered foreign currency forward contracts to hedge the risk related to exchange rate fluctuations, and hedges the risk related to changes of steel price in short period of time by entering steel purchase agreement by period. The risk and uncertainty related to production hours has been managed by department which is responsible for managing production hours. The effects on profit or loss of current period and future periods, contract assets and contract liabilities in case production hour changes 10% are as follows:

(In millions of won)	Effect on profit or loss in current period		Effect on profit or loss in future period		Effect on contract assets		Effect on contract liabilities	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
Shipbuilding(*1)	₩ (246,706)	255,776	(824,533)	807,540	(197,619)	210,492	40,389	(38,524)
Offshore, Industrial Plant and Engineering(*2)	(9,528)	9,665	(14,552)	14,416	(166)	167	9,327	(9,462)
	₩ (256,234)	265,441	(839,085)	821,956	(197,785)	210,659	49,716	(47,986)

(*1) The effects of changes in production hours of the merged division are included.
(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

31. Revenue, Continued

(5) Source of revenue

(In millions of won)		2025	2024
Revenue from contracts with customers	₩	18,382,259	15,104,621
Investment property rentals		71	58
Hedging gains and losses		(801,697)	(618,225)
	₩	17,580,633	14,486,454

(6) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers for the years ended December 31, 2025 and 2024 is as follows:

(In millions of won)		2025	2024
Major products/service lines			
Shipbuilding	₩	13,040,167	11,109,807
Offshore, Industrial Plant and Engineering		1,278,081	660,759
Engine and Machinery		3,976,364	3,254,448
Others		87,718	79,665
	₩	18,382,330	15,104,679
Primary geographical markets			
Korea	₩	3,235,706	5,105,098
North America		1,451,835	542,410
Asia		7,338,249	3,061,795
Europe		6,070,212	5,837,093
Others		286,328	558,283
	₩	18,382,330	15,104,679
Duration of contract			
Short-term contract	₩	286,025	275,745
Long-term contract		18,096,305	14,828,934
	₩	18,382,330	15,104,679
Timing of revenue recognition			
Goods and services transferred at a point in time	₩	3,994,273	3,297,167
Goods and services transferred over time		14,388,057	11,807,512
	₩	18,382,330	15,104,679

31. Revenue, Continued

(7) Contract balance

The information about receivables, contract assets and contract liabilities from contracts with customers as of December 31, 2025 and 2024 is as follows:

(In millions of won)		2025		2024	
		Current	Non-current	Current	Non-current
Trade receivables	₩	1,931,543	83,157	2,019,208	203,923
Allowance for doubtful accounts		(500,716)	(1,433)	(626,511)	(85,321)
	₩	1,430,827	81,724	1,392,697	118,602
Contract assets	₩	5,148,043	-	3,573,016	-
Allowance for doubtful accounts		(16,080)	-	-	-
	₩	5,131,963	-	3,573,016	-
Contract liabilities(*)		(10,807,768)	(9,704)	(7,710,291)	(9,996)

(*) Out of the ₩7,720,287 million in contract liabilities recognized as of December 31, 2024, ₩4,394,063 million was recognized as revenue for the year ended December 31, 2025.

(8) Incremental costs of obtaining a contract recognized as an asset

The Group pays commission fees in relation to the contract, in accordance with K-IFRS No.1115, which is the incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Commission fees that are expected to be recovered from the customers are recognized incremental costs of obtaining a contract and amortized to reflect the progress of the construction.

The changes in the incremental costs of obtaining contracts recognized as assets for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Beginning balance	₩	168,957	123,173
Increase		99,785	81,606
Amortization(*)		(49,579)	(39,101)
Reversal(Impairment)		(2,180)	3,279
Business combination		73,405	-
Ending balance	₩	290,388	168,957

(*) It is amortized in the same way that the controls over involved goods or services are transferred to the customer.

32. Operating Segments

The Group has the following four strategic divisions, which are its reportable segments. These strategic operating units offer different products and services and are managed separately because they require different technology and marketing strategies. The chief executive officer (CEO) reviews internal reports of each strategic operating unit at least quarterly. The business acquired through the business combination is included in the Shipbuilding segment as of the reporting date based on the nature of its operations (see Note 46)

(i) Shipbuilding: Manufacturing and sale of VLCCs, containerships, P/C ships, LNG carriers, warships and others;
(ii) Offshore, Industrial Plant and Engineering: Manufacturing and installation of offshore facilities, floating units, co-generating power plants, and processing equipment;
(iii) Engine and Machinery: Manufacturing and sale of engines for ships, diesel power plants, industrial and marine pumps and hydraulic machinery; and
(iv) Others: Operating performing arts center, leisure sports facilities and others.

32. Operating Segments, Continued

(1) The financial performance of each reportable segment for the years ended December 31, 2025 and 2024 is as follows:

(In millions of won)

	2025				
	Sales	Inter-segment revenue	Operating Profit(loss)	Profit(loss) for the year	Depreciation (*1)
Shipbuilding	₩ 12,517,530	(54,431)	1,526,348	1,404,294	187,921
Offshore and Industrial Plant Engineering	1,239,028	-	142,648	122,561	30,824
Engine and Machinery	3,864,217	(73,428)	693,589	589,079	76,120
Others	87,717	-	(324,790)	(696,082)	38,548
Consolidation adjustments(*2)	(127,859)	127,859	(285)	(4,367)	(4)
	₩ 17,580,633	-	2,037,510	1,415,485	333,409

(*1) Depreciation on the property, plant and equipment, the investment property and the right-of-use assets, and amortization for the year ended December 31, 2025 are included.

(*2) Consolidation adjustments are intercompany transactions within operating segments, the elimination of intercompany transactions, equity method valuation for investments in associates and others.

(In millions of won)

	2024				
	Sales	Inter-segment revenue	Operating Profit(loss)	Profit(loss) for the year	Depreciation (*1)
Shipbuilding	₩ 10,623,294	-	702,639	859,719	167,575
Offshore and Industrial Plant Engineering	649,152	-	(100,101)	(49,287)	26,914
Engine and Machinery	3,165,357	(31,014)	358,945	302,679	71,108
Others	79,665	-	(256,269)	(491,620)	40,218
Consolidation adjustments(*2)	(31,014)	31,014	9	18	-
	₩ 14,486,454	-	705,223	621,509	305,815

(*1) Depreciation on the property, plant and equipment, the investment property and the right-of-use assets, and amortization for the year ended December 31, 2024 are included.

(*2) Consolidation adjustments are intercompany transactions within operating segments, the elimination of intercompany transactions, equity method valuation for investments in associates and others.

32. Operating Segments, Continued

(2) Assets and liabilities of each reportable segment as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	
		Total assets	**Total liabilities**
Shipbuilding	₩	16,047,197	12,102,387
Offshore and Industrial Plant Engineering		1,422,307	1,299,746
Engine and Machinery		3,517,303	2,868,507
Others		5,498,503	664,373
Consolidation adjustments		(322,265)	(113,589)
	₩	26,163,045	16,821,424

(In millions of won)		2024	
		Total assets	**Total liabilities**
Shipbuilding	₩	9,498,286	8,638,567
Offshore and Industrial Plant Engineering		1,146,952	1,196,239
Engine and Machinery		3,138,597	2,781,174
Others		5,712,300	1,119,893
Consolidation adjustments		(105,188)	(49,375)
	₩	19,390,947	13,686,498

(3) For the years ended December 31, 2025 and 2024, sales recognized from an external customer representing 10% or more of the Group's total sales amounted to ₩1,782,851 million and ₩2,391,969 million, respectively, in the Shipbuilding segment.

(4) As of December 31, 2025, all of the Group's non-current assets are located in the Republic of Korea.

33. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Salaries	₩	151,313	128,733
Bonus		70,627	40,675
Post-employment benefit costs		13,487	11,704
Employee welfare		53,504	52,497
Depreciation		39,123	31,515
Amortization		519	385
Bad debt expenses		276	16,184
Ordinary development costs		114,960	94,554
Advertising		22,235	6,084
Printing		1,056	1,029
Power		5,209	3,970
Warranty expenses		151,419	133,487
Insurance		919	435
Office supplies		974	785
Supplies		2,072	1,933
Utilities		542	256
Repairs		1,672	1,013
Travel		7,393	6,412
Research		1,202	5,679
Training		6,026	4,123
Service contract expenses		95,300	90,007
Transportation		352	402
Freight		779	1,896
Ceremony expenses		1,290	935
Rent		3,941	3,093
Data processing		24,393	20,224
Entertainment		830	697
Taxes and dues		3,474	2,743
Service charges		135,707	116,435
Automobile maintenance		3,194	3,241
Sales commissions		96	75
Others		12,822	7,506
	₩	926,706	788,707

34. Nature of Expenses

The classifications of expenses by nature for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Changes in inventories(*1)	₩	(505,845)	(201,099)
Purchase of inventories		9,889,416	8,736,469
Depreciation		300,100	277,927
Depreciation on right-of-use assets		15,136	14,911
Amortization		18,173	12,977
Employee benefits		1,533,576	1,233,465
Others		4,292,567	3,706,580
(*2)	₩	15,543,123	13,781,230

(*1) For the year ended December 31, 2025, changes in inventories resulting from the business combination are included.
(*2) Total expenses consist of cost of sales and selling, general and administrative expenses.

35. 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)		2025	2024
Finance income:			
Interest income	₩	104,857	53,763
Gain on disposal of financial instruments measured at FVTPL		8,435	38
Dividend income		-	17
Gain on foreign currency translation		87,654	326,939
Gain on foreign currency transactions		399,083	457,065
Gain on valuation of derivatives		118,123	55,268
Gain on derivatives transactions		299,913	70,557
Others		116	323
	₩	1,018,181	963,970
Finance costs:			
Interest expense	₩	96,548	149,669
Loss on disposal of financial instruments measured at FVTPL		34,912	80
Loss on foreign currency translation		83,877	116,402
Loss on foreign currency transactions		603,695	255,021
Loss on valuation of derivatives		333,907	2,161,977
Loss on derivatives transactions		111,726	560,931
	₩	1,264,665	3,244,080

36. Other Non-Operating Income and Other Non-operating Expenses

Other non-operating income and other non-operating expenses for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Other non-operating income:			
Gain on disposal of property, plant and equipment	₩	6,577	5,931
Reversal of impairment loss on other current assets		-	15,038
Gain on valuation of firm commitments		381,029	2,469,829
Gain on disposal of right-of-use assets		1,080	1,369
Reversal of other allowance for doubtful accounts		1,697	1,520
Gain on revaluation of property, plant and equipment		23,754	-
Miscellaneous income		16,238	49,469
	₩	430,375	2,543,156
Other non-operating expenses:			
Other bad debt expenses	₩	2,691	8,527
Commissions		4,622	2,392
Warranty		3,486	3,897
Impairment loss on investments in associates		876	-
Impairment loss on property, plant and equipment		-	3,920
Impairment loss on intangible assets		653	755
Loss on disposal of property, plant and equipment		5,231	4,371
Loss on disposal of intangible assets		1,452	-
Loss on revaluation of property, plant and equipment		11,678	-
Loss on valuation of firm commitments		321,290	84,433
Donation		33,491	40,946
Other provision additions		-	3,959
Miscellaneous expenses		30,612	16,733
	₩	416,082	169,933

37. Income Tax Expense

(1) Components of income tax expense for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Current tax expense	₩	69,443	20,974
Origination and reversal of temporary differences		400,531	114,479
Income tax recognized directly in equity		(84,542)	41,175
Total income tax expense	₩	385,432	176,628

(2) Income taxes recognized directly other than profit or loss for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Effective portion of changes in fair value of cash flow hedges	₩	(2,674)	1,947
Actuarial gains and losses		(8,354)	39,228
Revaluation of property, plant and equipment		(73,363)	-
Gain (loss) on equity investments measured at FVOCI		(151)	-
	₩	(84,542)	41,175

Income taxes related to effective portion of changes in fair value of cash flow hedges, actuarial gains and losses and others are recognized in other comprehensive incomes.

(3) Reconciliations of the effective tax rates for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Profit before income tax	₩	1,800,917	798,138
Income tax using the Group's statutory tax rate		426,010	199,697
Adjustment for:			
- Change in tax rates(*)		(50,667)	-
- Tax effect of non-deductible expenses		4,806	610
- Tax effect of tax-exempt income		(63)	(4,633)
- Tax incentives, Tax incentives carried forward		(7,636)	(8,254)
- Others		12,982	(10,792)
Total income tax expense	₩	385,432	176,628
Effective tax rate		21.40%	22.13%

(*) The tax rate applied to temporary differences expected to be realized after 2026 has been changed.

(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:

		2025	2024
Deferred assets(liabilities) at the end of the year	₩	471,043	808,888
Deferred assets(liabilities) at the beginning of the year		808,888	923,367
Deferred tax effects by origination and reversal of temporary differences		(400,531)	(114,479)
Changes in deferred tax arising from the business combination		(63,597)	-
Changes in scope of consolidation		(911)	-

37. Income Tax Expense, Continued

(5) As of December 31, 2025 and 2024, the tax effects of temporary difference were calculated by expected tax rate of the fiscal year when the temporary differences are expected to reverse.

(6) Deferred tax assets and liabilities are offset and presented in the consolidated 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.

(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
Allowance for doubtful accounts	₩ 266,691	(43,602)	223,089
Defined benefit liabilities	295,886	114,085	409,971
Plan assets	(303,369)	(144,012)	(447,381)
Derivatives	36,047	(29,605)	6,442
Accrued expenses	18,849	10,260	29,109
Gains and losses on foreign exchange translations	(50,265)	53,579	3,314
Others	(69,326)	(102,054)	(171,380)
	194,513	(141,349)	53,164
Tax losses carried forward	578,073	(199,494)	378,579
Tax incentives carried forward	36,302	2,998	39,300
	₩ 808,888	(337,845)	471,043

(In millions of won)

	2024		
	Beginning balance	Change	Ending balance
Allowance for doubtful accounts	₩ 261,488	5,203	266,691
Defined benefit liabilities	254,832	41,054	295,886
Plan assets	(287,994)	(15,375)	(303,369)
Derivatives	3,374	32,673	36,047
Accrued expenses	19,054	(205)	18,849
Gains and losses on foreign exchange translations	30,510	(80,775)	(50,265)
Others	(89,751)	20,425	(69,326)
	191,513	3,000	194,513
Tax losses carried forward	697,952	(119,879)	578,073
Tax incentives carried forward	33,902	2,400	36,302
	₩ 923,367	(114,479)	808,888

(8) The Controlling Company believes that the deferred tax assets arising from tax loss carryforwards are recoverable based on projected future taxable income. Any portion of the tax loss carryforwards for which realization is considered note probable has not been recognized as a deferred tax asset

37. Income Tax Expense, Continued

(9) 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	Reasons
Tax losses carried forward	₩	24,462	25,746	uncertainty in future taxable income
Temporary differences to be deducted		(7,750)	9,838	uncertainty in future taxable income and others
Tax incentives carried forward		23	70	uncertainty in future taxable income
	₩	16,735	35,654	

(10) Expiration schedule of unused deficit as of December 31, 2025 and 2024 is as follows.

(In millions of won)		2025	2024
2029	₩	13,381	17,647
2035		4,013	3,984
2036		1,963	1,963
2037		5,105	2,152
	₩	24,462	25,746

(11) Global minimum tax – Pillar Two Model Rules

The Group applies the temporary exemption provision for deferred tax under K-IFRS No. 1012 'Income Taxes' and, accordingly, does not recognize deferred tax assets and liabilities arising from the Pillar Two legislation. Deferred tax-related disclosures are also not provided.

Under the global minimum tax legislation, a parent company is required to pay additional taxes in Korea or in the jurisdictions of its subsidiaries on the profits of subsidiaries that are subject to an effective tax rate of less than 15%. Based on a review of the effects under the applicable legislation, it was determined that the jurisdictions in which the Group's subsidiaries and permanent establishments are located either qualify for the transitional safe harbour provisions or do not give rise to any additional tax. Accordingly, no current tax expense related to Pillar Two has been recognized in the current period.

The estimated annual effective tax rate may fluctuate due to various factors, including tax incentives granted to subsidiaries and required adjustments to accounting net income under applicable legislation for the calculation of GloBE income in subsequent periods. Accordingly, the current tax expense related to Pillar Two remains subject to estimation uncertainty.

38. Earnings per Share

(1) Basic earnings per share for the years ended December 31, 2025 and 2024 is as follows:

(In thousands of won, in shares)		2025	2024
Parent company Earnings for the year	₩	1,415,484,774	621,509,050
Weighted average number of ordinary shares outstanding(*)		90,146,554	88,773,116
Earnings per share *(In won)*	₩	15,702	7,001

(*) The weighted average number of ordinary shares outstanding for the years ended December 31, 2025 and 2024 is as follows:

(In shares)	2025		
	Number of shares outstanding	**Weighted average (In days)**	**Weighted average number of shares outstanding**
Beginning balance	88,773,116	365/365	88,773,116
Acquisition of treasury shares	(2,033)	38/365	(212)
Issuance of new shares(*)	16,188,109	31/365	1,374,880
Acquisition of treasury shares	(26,418)	17/365	(1,230)
Weighted average number of ordinary shares outstanding	104,932,774		90,146,554

(*) New shares were issued during the current year in connection with a business combination and were reflected in the calculation of the weighted-average number of common shares outstanding.

(In shares)	2024		
	Number of shares outstanding	**Weighted average (In days)**	**Weighted average number of shares outstanding**
Beginning balance	88,773,116	366/366	88,773,116
Weighted average number of ordinary shares outstanding	88,773,116		88,773,116

(2) Since there are no diluted potential ordinary shares for the years ended December 31, 2025 and 2024, diluted earnings per share have not been calculated.

39. Cash Generated from Operations

(1) Cash generated from operations for the years ended December 31, 2025 and 2024 is as follows:

(In millions of won)		2025	2024
Profit for the year	₩	1,415,485	621,509
Adjustments for:		2,102,967	2,321,310
Post-employment benefit costs		88,636	76,864
Depreciation		300,100	277,927
Depreciation on right-of-use assets		15,136	14,911
Amortization		18,173	12,977
Bad debt expenses (Reversal of bad debt)		276	16,184
Reversal of other allowance for doubtful accounts (Other non-operating income)		(1,697)	(1,520)
Other bad debt expenses (Other non-operating expenses)		2,691	8,527
Finance income		(310,787)	(435,987)
Finance costs		514,333	2,428,048
Other non-operating income		(412,655)	(2,492,167)
Other non-operating expenses		341,178	125,194
Loss on valuation of equity method		4,402	199
Income tax expense		385,432	176,628
Trade receivables		(82,405)	(155,650)
Other receivables		138,746	(14,576)
Contract assets		(173,447)	121,284
Inventories		(329,090)	(201,099)
Derivatives		(1,145,354)	(208,810)
Firm commitments		862,109	647,118
Other current assets		225,488	(183,391)
Other non-current assets		(6,808)	(4,584)
Trade payables		36,611	222,770
Other payables		180,147	45,260
Contract liabilities		1,616,585	1,846,995
Long-term other payables		6,301	5,112
Retirement benefits paid		(117,188)	(107,412)
Succession of retirement benefits		5,830	2,319
Plan assets		(151,612)	14,557
Provisions		91,836	83,632

39. 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)		2025	2024
Reclassification of long-term borrowings to current portion	₩	-	59,000
Reclassification of construction-in-progress		171,009	176,119
Increase in other payables related to the acquisition of property, plant and equipment		24,451	3,250
Increase in right-of-use assets and lease liabilities		7,149	9,003
Increase in other accounts receivables related to the disposal of property, plant and equipment		224	17
Reclassification of non-current bonds to current portion		153,000	-
Revaluation of property, plant and equipment		230,515	-

40. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)		2025					
		Fair value-hedging instruments	Financial Instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost	Total	Fair value
Assets carried at fair value:							
Financial assets measured at FVTPL(*1)	₩	-	9,069	-	-	9,069	9,069
Financial assets measured at FVOCI(*2)		-	-	16,201	-	16,201	16,201
Derivative assets		90,082	-	-	-	90,082	90,082
Assets carried at amortized cost:							
Cash and cash equivalents		-	-	-	1,869,918	1,869,918	-
Financial instruments		-	-	-	1,702,710	1,702,710	-
Trade and other receivables		-	-	-	1,806,002	1,806,002	-
Contract assets		-	-	-	5,131,963	5,131,963	-
Financial assets total	₩	90,082	9,069	16,201	10,510,593	10,625,945	115,352
Liabilities carried at fair value:							
Derivative liabilities	₩	1,489,517	-	-	-	1,489,517	1,489,517
Liabilities carried at amortized cost:							
Borrowings		-	-	-	4,000	4,000	-
Bonds		-	-	-	641,351	641,351	-
Trade and other payables		-	-	-	3,310,928	3,310,928	-
Lease liabilities		-	-	-	36,744	36,744	-
Financial liabilities total	₩	1,489,517	-	-	3,993,023	5,482,540	1,489,517

(*1) It includes ₩380 million in financial assets measured at acquisition costs and others, since their fair values cannot be reliably estimated.

(*2) It includes ₩1,838 million in financial assets measured at acquisition costs and others, since their fair values cannot be reliably estimated.

40. Categories of Financial Instruments and Income and Costs by Categories, Continued

(1) Categories of financial instruments as of December 31, 2025 and 2024 are summarized as follows, continued:

(In millions of won)

	2024					
	Fair value-hedging instruments	Financial Instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost	Total	Fair value
Assets carried at fair value:						
Financial assets measured at FVTPL(*1)	₩ -	8,816	-	-	8,816	8,816
Financial assets measured at FVOCI(*2)	-	-	1,738	-	1,738	1,738
Derivative assets	64,983	-	-	-	64,983	64,983
Assets carried at amortized cost:						
Cash and cash equivalents	-	-	-	1,257,867	1,257,867	-
Financial instruments	-	-	-	131,008	131,008	-
Trade and other receivables	-	-	-	1,785,402	1,785,402	-
Contract assets	-	-	-	3,573,016	3,573,016	-
Financial assets total	₩ 64,983	8,816	1,738	6,747,293	6,822,830	75,537
Liabilities carried at fair value:						
Derivative liabilities	₩ 2,087,920	-	-	-	2,087,920	2,087,920
Liabilities carried at amortized cost:						
Borrowings	-	-	-	186,640	186,640	-
Bonds	-	-	-	964,219	964,219	-
Trade and other payables	-	-	-	2,319,806	2,319,806	-
Lease liabilities	-	-	-	33,322	33,322	-
Financial liabilities total	₩ 2,087,920	-	-	3,503,987	5,591,907	2,087,920

(*1) It includes ₩279 million in financial assets measured at acquisition costs and others, since their fair values cannot be reliably estimated.

(*2) It includes ₩1,738 million in financial assets measured at acquisition costs and others, since their fair values cannot be reliably estimated.

40. 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				
	Fair value-hedging instruments	Financial instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost	Total
Sales:					
Hedging gains and losses	₩ (801,697)	-	-	-	(801,697)
Cost of sales:					
Hedging gains and losses	1,229	-	-	-	1,229
Selling, general and administrative expenses:					
Bad debt expenses	-	-	-	(276)	(276)
Finance income:					
Interest income	-	-	-	104,857	104,857
Gain on disposal of financial instruments measured at FVTPL	-	8,435	-	-	8,435
Gain on foreign currency translation	-	-	-	87,654	87,654
Gain on foreign currency transactions	-	-	-	399,083	399,083
Gain on valuation of derivatives	118,123	-	-	-	118,123
Gain on derivatives transactions	299,913	-	-	-	299,913
Other finance income	-	-	-	116	116
Total	₩ 418,036	8,435	-	591,710	1,018,181
Finance costs:					
Interest expense(*)	₩ -	-	-	(36,199)	(36,199)
Loss on disposal of financial instruments measured at FVTPL	-	(34,912)	-	-	(34,912)
Loss on foreign currency translation	-	-	-	(83,877)	(83,877)
Loss on foreign currency transactions	-	-	-	(603,695)	(603,695)
Loss on valuation of derivatives	(333,907)	-	-	-	(333,907)
Loss on derivatives transactions	(111,726)	-	-	-	(111,726)
Total	₩ (445,633)	(34,912)	-	(723,771)	(1,204,316)
Other non-operating income:					
Reversal of other allowance for doubtful accounts	₩ -	-	-	1,697	1,697
Other non-operating expenses:					
Other bad debt expenses	-	-	-	(2,691)	(2,691)
Other comprehensive income (loss), net of income tax:					
Loss on valuation of financial assets measured at FVOCI	-	-	(151)	-	(151)
Effective portion of changes in fair value of cash flow hedges	8,196	-	-	-	8,196
Total	₩ 8,196	-	(151)	-	8,045

(*) Interest expense arising from the significant financing component of contract liabilities is excluded.

40. 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				
	Fair value-hedging instruments	Financial instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost	Total
Sales:					
Hedging gains and losses	₩ (618,225)	-	-	-	(618,225)
Cost of sales:					
Hedging gains and losses	(174)	-	-	-	(174)
Selling, general and administrative expenses:					
Bad debt expenses	-	-	-	(16,184)	(16,184)
Finance income:					
Interest income	-	-	-	53,763	53,763
Gain on disposal of financial instruments measured at FVTPL	-	38	-	-	38
Dividend income	-	17	-	-	17
Gain on foreign currency translation	-	-	-	326,939	326,939
Gain on foreign currency transactions	-	-	-	457,065	457,065
Gain on valuation of derivatives	55,268	-	-	-	55,268
Gain on derivatives transactions	70,557	-	-	-	70,557
Other finance income	-	-	-	323	323
Total	₩ 125,825	55	-	838,090	963,970
Finance costs:					
Interest expense(*)	₩ -	-	-	(98,006)	(98,006)
Loss on disposal of financial instruments measured at FVTPL	-	(80)	-	-	(80)
Loss on foreign currency translation	-	-	-	(116,402)	(116,402)
Loss on foreign currency transactions	-	-	-	(255,021)	(255,021)
Loss on valuation of derivatives	(2,161,977)	-	-	-	(2,161,977)
Loss on derivatives transactions	(560,931)	-	-	-	(560,931)
Total	₩ (2,722,908)	(80)	-	(469,429)	(3,192,417)
Other non-operating income:					
Reversal of other allowance for doubtful accounts	₩ -	-	-	1,520	1,520
Other non-operating expenses:					
Other bad debt expenses	-	-	-	(8,527)	(8,527)
Other comprehensive income (loss), net of income tax:					
Effective portion of changes in fair value of cash flow hedges	(5,842)	-	-	-	(5,842)

(*) Interest expense arising from the significant financing component of contract liabilities is excluded.

41. Financial Instruments

(1) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Cash and cash equivalents(*1)	₩	1,869,889	1,257,833
Fair value-hedging instruments		90,082	64,983
Financial instruments measured at FVTPL		9,069	8,816
Financial instruments measured at amortized cost(*2)		8,640,676	5,489,426
	₩	10,609,716	6,821,058

(*1) Cash held as of December 31, 2025 and 2024 is excluded.
(*2) The carrying amounts of contract assets as of December 31, 2025 and 2024 are included.

As of December 31, 2025, the Group is not exposed to any credit risk arising from financial guarantee contracts

The maximum exposure to credit risk for financial instruments measured at amortized cost (including contract assets) by geographic region as of December 31, 2025 and 2024 is as follows:

(In millions of won)		2025	2024
Korea	₩	2,415,108	1,445,490
North America		580,743	179,272
Asia		2,921,233	1,220,292
Europe		2,706,231	2,271,482
Others		17,361	372,890
	₩	8,640,676	5,489,426

41. Financial Instruments, Continued

(1) Credit risk, continued

2) Impairment loss

(i) The aging of trade and other receivables and contract assets and the amount of impairment in each aging as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025		2024	
		Gross	Impairment	Gross	Impairment
Not past due	₩	7,151,464	(246,668)	5,669,041	(351,220)
0~6 months past due		31,520	(1,060)	43,503	(6,597)
6~12 months past due		53,184	(52,654)	10,607	(7,282)
1~3 years past due		6,737	(4,895)	23,797	(23,691)
More than 3 years past due		649,749	(649,411)	731,176	(730,916)
	₩	7,892,654	(954,688)	6,478,124	(1,119,706)

(ii) Changes in the allowance for doubtful account in respect of trade and other receivables and contract assets for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024
Beginning balance	₩	1,119,706	1,105,103
Impairment loss recognized		12,102	37,780
Reversal of allowance for doubtful accounts		(10,769)	(32,981)
Write-off		(216,005)	(1,156)
Others		27,970	10,960
Business combination		21,684	-
Ending balance	₩	954,688	1,119,706

The allowance for doubtful accounts in respect of trade and other receivables and contract assets are used to record impairment losses until the Group is certain that the amount of assets cannot recover. If the Group decides that the asset cannot be recovered, allowance for doubtful accounts will be removed and offset from the financial asset.

For the years ended December 31, 2025 and 2024, impairment losses and reversal of allowance for doubtful accounts arising from in other receivables are recorded as other non-operating income (loss) and the details are as follows:

(In millions of won)		2025	2024
Other bad debt expenses	₩	2,691	8,527
Reversal of other allowance doubtful accounts		(1,697)	(1,520)
	₩	994	7,007

41. Financial Instruments, Continued

(2) Liquidity risk

1) The contractual maturities of financial liabilities, including contractual interest payments and excluding the impact of offsetting agreements as of 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	₩	4,087	4,087	-	-	-
Bonds		668,417	164,255	8,176	495,986	-
Trade and other payables		3,311,409	3,294,780	-	14,884	1,745
Lease liabilities		39,903	8,931	8,374	12,456	10,142
Derivative financial liabilities:						
Forward exchange contracts used for hedging		1,570,532	325,738	364,107	855,450	25,237
	₩	5,594,348	3,797,791	380,657	1,378,776	37,124

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group participates in supplier financing arrangements, which involve centralizing the financial liabilities owed to individual suppliers to banks(See Note 22).

2) The contractual maturities of financial liabilities, including contractual interest payments and excluding the impact of offsetting agreements as of 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	₩	197,409	88,218	4,527	104,664	-
Bonds		1,028,041	152,860	195,731	679,450	-
Trade and other payables		2,319,806	2,310,897	-	8,836	73
Lease liabilities		35,753	6,617	7,356	14,255	7,525
Derivative financial liabilities:						
Forward exchange contracts used for hedging		2,225,727	663,086	456,617	1,015,255	90,769
	₩	5,806,736	3,221,678	664,231	1,822,460	98,367

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

41. Financial Instruments, Continued

(2) Liquidity risk, continued

3) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2025 and 2024 are summarized as follows:

(In millions of won)		2025			
		Expected cash flows	6 months or less	6~12 months	1~3 years
Currency swap					
Assets	₩	71,305	1,488	1,399	68,418
Liabilities		-	-	-	-
Forward exchange					
Assets		1,395	-	666	729
Liabilities		-	-	-	-
	₩	72,700	1,488	2,065	69,147

(In millions of won)		2024			
		Expected cash flows	6 months or less	6~12 months	1~3 years
Currency swap					
Assets	₩	85,560	1,655	1,567	82,338
Liabilities		-	-	-	-
Forward exchange					
Assets		333	-	333	-
Liabilities		-	-	-	-
	₩	85,893	1,655	1,900	82,338

41. Financial Instruments, Continued

(3) Currency risk

1) Exposure to currency risk

(i) The Group's exposure to foreign currency risk as of December 31, 2025 is as follows:

(In millions of won)	2025					
	USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩ 875,855	139	-	144	41,937	918,075
Trade and other receivables	1,207,342	9,725	-	212	28,548	1,245,827
Contract assets	5,085,950	6,578	-	-	-	5,092,528
	₩ 7,169,147	16,442	-	356	70,485	7,256,430
Trade and other payables	(892,058)	(116,105)	(1,480)	(2,814)	(127,570)	(1,140,027)
Borrowings and bonds	(430,470)	-	-	-	-	(430,470)
Lease liabilities	(617)	(257)	-	(732)	(3,643)	(5,249)
	₩ (1,323,145)	(116,362)	(1,480)	(3,546)	(131,213)	(1,575,746)
Net exposure to statement of financial position	5,846,002	(99,920)	(1,480)	(3,190)	(60,728)	5,680,684
Derivative contracts(*)	(1,400,642)	(97)	-	-	1,305	(1,399,434)
Net exposure	₩ 4,445,360	(100,017)	(1,480)	(3,190)	(59,423)	4,281,250

(*) Derivative contracts to hedge the risk of exchange rate fluctuations are not considered effectiveness of the hedge.

(ii) The Group's exposure to foreign currency risk as of December 31, 2024 is as follows:

(In millions of won)	2024					
	USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩ 616,342	119	-	157	7,858	624,476
Trade and other receivables	1,098,853	23,387	-	225	39,320	1,161,785
Contract assets	3,541,093	10,809	-	-	578	3,552,480
	₩ 5,256,288	34,315	-	382	47,756	5,338,741
Trade and other payables	(533,743)	(130,443)	(733)	(3,299)	(130,457)	(798,675)
Lease liabilities	(713)	(149)	-	(421)	(6,078)	(7,361)
Borrowings and bonds	(446,878)	(12,085)	-	-	(9,677)	(468,640)
	₩ (981,334)	(142,677)	(733)	(3,720)	(146,212)	(1,274,676)
Net exposure to statement of financial position	4,274,954	(108,362)	(733)	(3,338)	(98,456)	4,064,065
Derivative contracts(*)	(2,023,205)	(50)	-	-	318	(2,022,937)
Net exposure	₩ 2,251,749	(108,412)	(733)	(3,338)	(98,138)	2,041,128

(*) Derivative contracts to hedge the risk of exchange rate fluctuations are not considered effectiveness of the hedge.

41. Financial Instruments, Continued

(3) Currency risk, continued

1) Exposure to currency risk, continued

(iii) Exchange rates have been applied for the years ended December 31, 2025 and 2024 are as follows:

(In won)	Average rate		Year-end spot rate	
	2025	2024	2025	2024
USD	₩ 1,422.22	1,363.98	1,434.90	1,470.00
EUR	1,607.46	1,475.05	1,685.72	1,528.73
CNY	197.78	189.20	204.76	201.27
JPY(100)	950.79	900.36	917.63	936.48

2) Sensitivity analysis

A weakening of the won, against the USD, EUR, CNY, JPY and others as of December 31, 2025 and 2024 would have changed profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. In addition, this analysis assumes that all other variables, in particular interest rates, remain constant. The changes in profit or loss are as follows:

(In millions of won)	Profit or loss	
	2025	2024
USD (3 percent strengthening)	₩ 133,361	67,552
EUR (3 percent strengthening)	(3,000)	(3,252)
CNY (3 percent strengthening)	(44)	(22)
JPY (3 percent strengthening)	(96)	(100)

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.

(4) Interest rate risk

1) The carrying amounts of the Group's interest-bearing financial instruments as of December 31, 2025 and 2024 are as follows:

(In millions of won)	2025	2024
Fixed interest rate instruments:		
Financial assets	₩ 3,050,124	1,626,407
Financial liabilities	(641,470)	(1,027,572)
	₩ 2,408,654	598,835
Floating interest rate instruments:		
Financial assets	₩ 482,811	10,421
Financial liabilities	(4,000)	(124,068)
	₩ 478,811	(113,647)

41. Financial Instruments, Continued

(4) Interest rate risk, continued

2) Cash flow sensitivity analysis for floating interest 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 changes in profit or loss are as follows:

(In millions of won)		Profit or loss	
		100 bp increase	100 bp decrease
2025			
Floating interest rate instruments	₩	4,788	(4,788)
2024			
Floating interest rate instruments	₩	(1,136)	1,136

41. Financial Instruments, Continued

(5) Fair value

Fair value hierarchy

The Group classified fair value measurements in accordance with the fair value hierarchy which reflects the significance of the inputs used in fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments measured 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	₩	-	-	8,689	8,689
Financial assets measured at FVOCI		-	-	14,363	14,363
Derivative assets		-	90,082	-	90,082
Derivative liabilities		-	1,489,517	-	1,489,517
2024:					
Financial assets measured at FVTPL	₩	-	-	8,537	8,537
Derivative assets		-	64,983	-	64,983
Derivative liabilities		-	2,087,920	-	2,087,920

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Unlisted equity securities, investments in capital and other investments in entities newly established or having no comparative entity are excluded from the fair value valuation because their fair value cannot be measured reliably.

41. Financial Instruments, Continued

(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:

(In millions of won)		2025	2024	Valuation techniques	Input variables
Derivatives:					
Derivative assets	₩	90,082	64,983	Cash flow discount model	Foreign currency forward price, discount rate and others
Derivative liabilities		1,489,517	2,087,920	Cash flow discount model	Foreign currency forward price, discount rate and others

(7) Level 3 fair values

1) Changes in assets which are classified as Level 3 fair values among assets measured at fair value for the years ended December 31, 2025 and 2024 are as follows:

(In millions of won)		2025		2024	
		Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at FVTPL	Financial assets measured at FVOCI
Beginning balance	₩	8,537	-	8,537	-
Acquisition		2,691	-	-	-
Business combination		-	14,363	-	-
Disposal		(2,539)	-	-	-
Ending balance	₩	8,689	14,363	8,537	-

2) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2025 and 2024 are as follows:

(In millions of won)		2025	2024	Valuation techniques	Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Financial assets measured at FVTPL:							
Machinery Financial Cooperative	₩	5,998	5,998	Net asset value model	-	-	-
Construction Guarantee Cooperative		-	2,539	Net asset value mode	-	-	-
Korea Finance for Construction		2,691	-	Net asset value method	-	-	-
Financial assets measured at FVOCI:							
The Korea Economic Daily		10,461	-	Discounted cash flow model	Discount rate	Discount rate	9.09%
Maeil Broadcasting Network(MBN)		3,902	-	Comparable listed company method	-	-	-

41. Financial Instruments, Continued

(8) Offsetting of financial assets and financial liabilities

1) The details of financial assets and financial liabilities offsetting arrangements as of December 31, 2025 are as follows:

(In millions of won)		2025			
		Total recognized financial assets	Total recognized financial assets that will be offset	Net financial assets presented in the statement of financial position	Net amount
Financial assets:					
Trade and other receivables	₩	204	(201)	3	3
Financial liabilities:					
Trade and other payables		5,946	(201)	5,745	5,745

Related amounts not offset were limited to the net financial assets presented in the consolidated statement of financial position.

2) The details of financial assets and financial liabilities offsetting arrangements as of December 31, 2024 are as follows:

(In millions of won)		2024			
		Total recognized financial assets	Total recognized financial assets that will be offset	Net financial assets presented in the statement of financial position	Net amount
Financial assets					
Trade and other receivables	₩	291	(276)	15	15
Financial liabilities					
Trade and other payables		5,269	(276)	4,993	4,993

Related amounts not offset were limited to the net financial assets presented in the consolidated statement of financial position.

42. Commitments and Contingencies

(1) As of December 31, 2025, the Group has entered into general loan agreements with Woori Bank and others amounting to ₩134,000 million.

(2) As of December 31, 2025, the Group has entered into credit facilities agreements such as letters of credit with Kookmin Bank and others for the Group's exports and imports amounting to ₩294,900 million and USD 1,310,200 thousand.

(3) As of December 31, 2025, the Group has entered into credit facilities agreements such as pre-shipment credit with Shinhan Bank of Korea and others amounting to ₩104,200 million.

(4) As of December 31, 2025, in connection with the Group's contract performance guarantees, the Group has been provided with guarantees amounting to ₩2,760,577 million and USD 24,387,611 thousand by various financial institution. Among them, the Group has also been provided with payment guarantees in relation to ship advances from customers amounting to USD 21,587,799 thousand by Export-Import Bank of Korea and others. Regarding this, the Group provides as collateral its ships under construction and construction materials as collateral.

43. Litigations

As of December 31, 2025, the Group is currently a defendant in 35 lawsuits involving claims amounted to ₩55,900 million. Currently, the lawsuits' effect on the Group's financial statements, if any, cannot be reliably estimated.

44. Related Parties

(1) As of December 31, 2025, related parties with the Group are as follows:

Ultimate parent	Main business
HD Hyundai Co., Ltd.	Investment

Intermediate parent	Main business
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	Investment and research and development

Associate(*2)	Main business
KC LNG Tech Co., Ltd.	Other engineering services
HD Hyundai Asia Holdings Pte. Ltd.(*1)	Management of overseas subsidiaries
HD Hyundai Vietnam Shipbuilding Co., Ltd.	Shipbuilding
HD Hyundai Heavy Industries Philippines, Inc.	Manufacturing
HD Hyundai Eco Vina Co., Ltd.	Manufacturing

Others (large-scale corporate conglomerate)(*3)	Main business
HD Hyundai Xitesolution Co., Ltd.	Sale and manufacture of machinery equipment for construction and mining
HD Hyundai Samho Co., Ltd.	Shipbuilding
Ulsan HD Football Club Co., Ltd.	Football club
HD Hyundai Energy Solutions Co., Ltd.	Solar photovoltaic and renewable energy
HD Hyundai Infracore Co., Ltd.	Sale and manufacture of construction equipment
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing
HHI Mauritius Limited	Manufacturing
HD Hyundai Technology Center India Private Limited	Consulting of engineering
Hyundai Arabia Company L.L.C.	Industrial plant construction
Pontos Investment LLC	Investment
Seamarq Service Co., Ltd.	Hotel consignment operation management
HD Hyundai Europe Research and Development Center GmbH	research and development
HD Hyundai Electric Co., Ltd.	Sale and manufacture of industrial electric equipment
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 Robotics Co., Ltd	Manufacturing of industrial robots
HD Hyundai Marine Engine Co., Ltd.(*3)	Manufacturing of engine
HD Hydrogen Co., LTD.(*3)	Manufacturing of generator
AMC Sciences Co., Ltd.(*3)	New drug research and development
Other related parties of HD HYUNDAI CO., LTD.	Other business
Other related parties of HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	Other business
Other related parties of HD Hyundai Electric 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 XiteSolution Co.,Ltd.	Other business
Other related parties of HD Hyundai Robotics Co.,Ltd.	Other business
Other related parties	Other business

44. Related Parties, Continued

(1) As of December 31, 2025, related parties with the Group are as follows, continued:

(*1) For the year ended December 31, 2025, it was included as an associate upon its establishment and acquisition of an ownership interest.
(*2) Associates include their subsidiaries.
(*3) For the year ended December 31, 2025, HD Hyundai Mipo Co., Ltd. and HD Hyundai Engineering & Technology Co., Ltd. were excluded from other related parties upon completion of the business combination.

44. Related Parties, Continued

(2) Transactions with related parties

1) Significant transactions for the years ended December 31, 2025 and 2024 with related parties are as follows:

(In millions of won)

	2025			
	Sales and others(*1)	Purchases and others(*2)		
	Sales	Purchase of raw materials	Purchase of property, plant and equipment	Purchase of others
Ultimate parent				
HD Hyundai Co., Ltd.	₩ 600	8,194	-	8,919
Intermediate parent				
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	46,650	245,477	17,000	174,490
Associate				
KC LNG Tech Co., Ltd.	-	469	-	-
HD Hyundai Vietnam Shipbuilding Co., Ltd.	61,366	104,092	-	-
HD Hyundai Heavy Industries Philippines, Inc.	-	-	-	9
	₩ 61,366	104,561	-	9
Others (large-scale corporate conglomerate)				
HD Hyundai Robotics Co., Ltd.	379	33	4,135	-
HD Hyundai Electric Co., Ltd.	41,302	139,225	2,855	-
HD Hyundai Construction Equipment Co., Ltd.	14,062	149	2,662	-
HD Hyundai Xitesolution Co., Ltd.	3,497	1,232	2,654	609
HD Hyundai Samho Co., Ltd.	910,156	673	14,217	182
HD Hyundai Mipo Co., Ltd.(*3)	432,431	26,843	-	174
HD Hyundai Engineering & Technology Co., Ltd.(*4)	1,990	58,997	-	-
HD Hyundai Marine Engine Co., Ltd.	3,437	8,259	-	-
HD Hyundai Oilbank Co., Ltd.	2,184	84,296	-	-
Hyundai Hyms Co., Ltd.	107	99,978	-	27
HD Hyundai Marine Solution Co., Ltd.	23,464	47,388	502	70,476
HD Hyundai Energy Solutions Co., Ltd	446	-	-	1
International Maritime Industries Company	18,839	-	-	-
Saudi Engines Manufacturing Company	6,970	-	-	-
Others	2,462	5,094	-	10,150
	1,461,726	472,167	27,025	81,619
	₩ 1,570,342	830,399	44,025	265,037

(*1) Includes actual expenses settlement transactions and others.
(*2) Includes ₩5,819 millions of lease payment.
(*3) For the year ended December 31, 2025, as the business combination procedures were completed during the year, the amounts represent transactions up to the date of the business combination.
(*4) For the year ended December 31, 2025, following its reclassification from other related party to subsidiary, only transactions from January to November are included.

In addition to the above transaction, in relation to the ordinary wage lawsuit, which is undergoing payment procedures for the year ended December 31, 2025, the Group paid the full amount of unpaid allowances in advance, received the allocated amount from each affiliate, and paid the withholding tax. No amounts were received from affiliates, and ₩16 million was paid to HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

44. Related Parties, Continued

(2) Transactions with related parties, continued

1) Significant transactions for the years ended December 31, 2025 and 2024 with related parties are as follows, continued:

In addition to the above transactions, the Group acquired equity interests from related parties during the current period. The details of the related transactions are as follows:

(In millions of USD)

	Company		Amount
New acquisition	HD Hyundai Asia Holdings Pte. Ltd.	USD	180,210

(In millions of won)

		2024			
		Sales and others(*1)	Purchases and others(*2)		
		Sales	Purchase of raw materials	Purchase of property, plant and equipment	Purchase of others
Ultimate parent					
HD Hyundai Co., Ltd.	₩	342	7,670	-	7,873
Intermediate parent					
HD Korea Shipbuilding & Offshore Engineering Co., Ltd		25,646	54,905	10,677	157,688
Associate					
KC LNG Tech Co., Ltd.		-	-	-	653
Others (large-scale corporate conglomerate)					
HD Hyundai Robotics Co., Ltd.		363	125	1,355	1,045
HD Hyundai Electric Co., Ltd.		29,881	150,620	3,452	-
HD Hyundai Construction Equipment Co., Ltd.		12,886	194	154	-
HD Hyundai Xitesolution Co., Ltd.		2,949	869	4,753	476
HD Hyundai Samho Co., Ltd.		695,293	21,276	25,540	2,843
HD Hyundai Mipo Co., Ltd.		450,654	20,062	-	13
HD Hyundai Engineering & Technology Co., Ltd.		2,040	49,926	-	4
HD Hyundai Oilbank Co., Ltd.		284	79,762	-	-
Hyundai Hyms Co., Ltd.		116	98,865	-	147
HD Hyundai Marine Solution Co., Ltd.		34,037	37,339	392	58,107
HD Hyundai Energy Solutions Co., Ltd		473	-	-	-
International Maritime Industries Company		17,039	-	-	-
Saudi Engines Manufacturing Company		7,613	-	-	-
Others		2,066	4,035	106	2,687
		1,255,694	463,073	35,752	65,322
	₩	1,281,682	525,648	46,429	231,536

(*1) Includes actual expenses settlement transactions and others.
(*2) Includes ₩5,737 millions of lease payment.

In addition to the above transaction, in relation to the ordinary wage lawsuit, which is undergoing payment procedures for the year ended December 31, 2024, the Group paid the full amount of unpaid allowances in advance, received the allocated amount from each affiliate, and paid the withholding tax. The amount of received from each affiliate and the withholding tax paid are as follows:

- HD Korea Shipbuilding & Offshore Engineering Co., Ltd.: received ₩54 million and paid ₩15 million; and
- HD Hyundai Electric Co., Ltd.: received ₩4 million.

44. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances as of December 31, 2025 and 2024 with related parties are as follows:

(In millions of won)		2025			
		Receivables		Payables	
		Trade receivables	Other receivables	Trade payables	Other payables(*1)
Ultimate parent					
HD Hyundai Co., Ltd.	₩	121	4,586	385	5,989
Intermediate parent					
HD Korea Shipbuilding & Offshore Engineering Co., Ltd		11,010	190,821	110,650	50,690
Associate					
HD Hyundai Vietnam Shipbuilding Co., Ltd.		21,505	414,754	7,861	218,028
Others (large-scale corporate conglomerate)					
HD Hyundai Robotics Co., Ltd		92	1,919	186	224
HD Hyundai Electric Co., Ltd.		4,480	3,851	38,423	549
HD Hyundai Construction Equipment Co., Ltd.		906	999	40	-
HD Hyundai Xitesolution Co., Ltd.		632	70	1,816	3
HD Hyundai Samho Co., Ltd.		200,070	14	2,171	256,336
HD Hyundai Marine Engine Co., Ltd.		1,317	77,177	13,395	-
HD Hyundai Oilbank Co., Ltd.		116	2,059	32,557	-
Hyundai Hyms Co., Ltd.		11	1	4,777	-
HD Hyundai Marine Solution Co., Ltd.		3,414	2,310	23,398	2,700
HD Hyundai Energy Solutions Co., Ltd		20	5	-	-
Hyundai Arabia Company L.L.C(*2)		-	218,270	-	-
International Maritime Industries Company		28,173	4,384	-	4,456
Saudi Engines Manufacturing Company		1,163	-	-	-
Others		777	4,287	4,518	-
		241,171	315,346	121,281	264,268
	₩	273,807	925,507	240,177	538,975

(*1) Includes ₩5,934 million of lease liabilities.

(*2) For the year ended December 31, 2025, the Group has recognized allowance for doubtful accounts related to the above related parties. An allowance for doubtful accounts amounting to ₩218,164 million has been recognized as of December 31, 2025, and no additional bad debt expense was recognized for the year ended December 31, 2025.

(*3) For the year ended December 31, 2025, the Group has recognized allowance for doubtful accounts related to the above related parties. An allowance for doubtful accounts amounting to ₩7,150 million has been recognized as of December 31, 2025, and the bad debt expense recognized for the year ended December 31, 2025 was equal to the amount of the allowance recognized.

44. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances as of December 31, 2025 and 2024 with related parties are as follows, continued:

(In millions of won)

		2024			
		Receivables		Payables	
		Trade receivables	Other receivables	Trade payables	Other Payables(*1)
Ultimate parent					
HD Hyundai Co., Ltd.	₩	83	4,038	147	9,912
Intermediate parent					
HD Korea Shipbuilding & Offshore Engineering Co., Ltd		4,846	100,198	54,593	3,131
Associate					
KC LNG Tech Co.,Ltd.		-	-	718	-
Others (large-scale corporate conglomerate)					
HD Hyundai Robotics Co., Ltd		45	3,322	1,183	467
HD Hyundai Electric Co., Ltd.		1,741	2,525	45,670	550
HD Hyundai Construction Equipment Co., Ltd.		658	1,209	56	-
HD Hyundai Xitesolution Co., Ltd.		86	115	734	1,676
HD Hyundai Samho Co., Ltd.		238,186	13,892	16,613	264,128
HD Hyundai Mipo Co., Ltd.		154,855	59	1,753	220,160
HD Hyundai Engineering & Technology Co., Ltd		218	23	4,867	-
HD Hyundai Oilbank Co., Ltd.		37	5	25,521	-
Hyundai Hyms Co., Ltd.		14	1,498	4,727	-
HD Hyundai Marine Solution Co., Ltd.		3,303	4,088	15,638	601
HD Hyundai Energy Solutions Co., Ltd		79	4	-	-
Hyundai Arabia Company L.L.C(*2)		-	208,695	-	-
International Maritime Industries Company		7,936	-	-	-
Saudi Engines Manufacturing Company		1,566	-	-	-
Others		611	1,895	4,032	-
		409,335	237,330	120,794	487,582
	₩	414,264	341,566	176,252	500,625

(*1) Includes ₩10,572 million of lease liabilities.

(*2) For the year ended December 31, 2024, the Group has recognized allowance for doubtful accounts related to the above related parties. An allowance for doubtful accounts amounting to ₩208,586 million has been recognized as of December 31, 2024, and no additional bad debt expense was recognized for the year ended December 31, 2024.

44. Related Parties, Continued

(2) Transactions with related parties, continued

3) The details of financing transactions with related parties for the years ended December 31, 2025 and 2024 are as follows:

(In thousands of foreign currency)		2025					
		Currency	Beginning balance	Increase	Recover	Impairment loss recognized	Ending balance
Hyundai Arabia Company L.L.C.	Loans	USD	145,141	-	-	-	145,141
	Allowance for doubtful accounts	USD	(145,141)	-	-	-	(145,141)

(In thousands of foreign currency)		2024					
		Currency	Beginning balance	Increase	Recover	Impairment loss recognized	Ending balance
Hyundai Arabia Company L.L.C.	Loans	USD	145,141	-	-	-	145,141
	Allowance for doubtful accounts	USD	(145,141)	-	-	-	(145,141)

(3) As of December 31, 2025, the Group has been provided with performance guarantees by the HD Korea Shipbuilding & Offshore Engineering Co., Ltd. in relation to the contracts of material supply, license, and service which the Group is executing with Saudi Engines Manufacturing Company.

(4) The Parent company was newly established by dividing the Parent company from the HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (Hyundai Heavy Industries Co., Ltd. before spin-off, existing entity) on June 1, 2019 (inception date) and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other products. In this regard, the Parent company is responsible for repaying the debts of HD Korea Shipbuilding & Offshore Engineering Co., Ltd.(Hyundai Heavy Industries Co., Ltd. before spin-off, existing entity) in solidarity.

44. Related Parties, Continued

(5) As of December 31, 2025, the Group has been provided with constructive obligations by HD Korea Shipbuilding & Offshore Engineering Co., Ltd. for SHWE Phase 3 EPCIC Project construction contracts, amounting to USD 473,730 thousand.

(6) As of December 31, 2025, the Group has been provided with constructive obligations by HD Korea Shipbuilding & Offshore Engineering Co., Ltd. for FPU Project construction contracts, amounting to USD 1,440,138 thousand.

(7) As of December 31, 2025, the Group has been provided with a performance guarantee by HD Korea Shipbuilding & Offshore Engineering Co., Ltd. for the Taean OSS FEED construction contract, amounting to KRW 1,785,640 thousand.

(8) As of December 31, 2025, the Group has been provided with performance guarantees by the HD Korea Shipbuilding & Offshore Engineering Co., Ltd. for the period from May 2024 to July 2029, limited to contracts concluded pursuant to the U.S. Naval Ship Maintenance Agreement, up to a limit of USD 270,000 thousand.

(9) Compensation for key management personnel of the Group for the years ended December 31, 2025 and 2024 is as follows:

(In millions of won)		2025	2024
Short-term employee benefits	₩	4,189	3,503
Post-employment benefits		1,016	514
Other long-term benefits		310	381
	₩	5,515	4,398

The above key management personnel consists of directors(including outside directors) who have important rights and responsibilities for the planning, operation and control of the Group.

45. Acquisition of subsidiaries and changes in ownership interests in subsidiaries

(1) Acquisition of subsidiaries

1) Acquisition of HD Hyundai Marine & Structure Co., Ltd.

In February 2025, the Group established HD Hyundai Marine & Structure Co., Ltd., a production subsidiary, by contributing W 95,000 million and obtained control with a 100% ownership interest (See Note 1).

2) Acquisition of HD Hyundai Engineering & Technology Co., Ltd.

On December 1, 2025, as a result of the business combination with HD Hyundai Mipo Co., Ltd., the Group obtained control of HD Hyundai Engineering & Technology Co., Ltd., which had been held by HD Hyundai Mipo Co., Ltd., with a 100% ownership interest (See Note 1).

(2) Changes in ownership interests in subsidiaries

For the year ended December 31, 2025, the effects of changes in the Parent Company's ownership interests in subsidiaries on equity attributable to owners of the Parent Company are as follows:

(In millions of won)

Subsidiary	Effective ownership ratio before transaction	Effective ownership ratio after transaction	Reasons for change in ownership stake		Change in non-controlling interest	Change in controlling shareholders' shares
Hyundai Heavy Industries Argentina S.R.L	99.98%	99.99%	Capital transactions within the Group and others	₩	(1)	1

46. Business Combination

(1) The Parent Company merged with HD Hyundai Mipo Co., Ltd. pursuant to the resolution of the extraordinary general meeting of shareholders held on October 23, 2025, to strengthen its competitive position in the global market and maximize future growth opportunities in the shipbuilding industry. The merger date was December 1, 2025. As this merger qualifies as a business combination under common control, the assets and liabilities of HD Hyundai Mipo Co., Ltd. Were recognized at the carrying amounts in the consolidated financial statements of the immediate parent company, HD Korea Shipbuilding & Offshore Engineering Co., Ltd., as of the acquisition date.

(2) The carrying amounts of the assets and liabilities assumed as a result of the business combination with HD Hyundai Mipo Co., Ltd. as of December 1, 2025 are as follows:

(In millions of won)		**Carrying amount**
Cash and cash equivalents	₩	248,495
Trade and other receivables		197,175
Contract assets		1,390,517
Inventories		176,755
Others current assets		1,149,455
Current assets	₩	3,162,397
Investments in subsidiaries and associates		1,400
Property, plant and equipment		1,718,990
Intangible assets		23,628
Others non-current assets		334,927
Non-current assets	₩	2,078,945
Total assets	₩	5,241,342
Trade and other payables		880,186
Contract liabilities		1,591,907
Others current liabilities		197,729
Current liabilities	₩	2,669,822
Non-current liabilities	₩	161,388
Total liabilities	₩	2,831,210
Net assets	₩	2,410,132

47. Subsequent Event

On March 13, 2026, the Group entered into a memorandum of agreement with Eco Prime Marine Pacific Co., Ltd. For the proposed sale of the Gunsan Shipyard.

PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY

HD Korea Shipbuilding & Offshore Engineering Co., Ltd.
477, Bundangsuseo-ro
Bundang-gu, Seongnam-si
Gyeonggi-do 13553, Korea

TRUSTEE

Citicorp International Limited
40/F, Champion Tower
3 Garden Road, Central
Hong Kong

PRINCIPAL AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

To the Company as to Korean law

Lee & Ko
18F, Hanjin Main Building
63 Namdaemun-ro, Jung-gu
Seoul 04532, Korea

To the Company as to English law

Paul Hastings LLP
33F West Tower, Mirae Asset Center1
26 Eulji-ro 5-gil, Jung-gu
Seoul 04539, Korea

To the Managers as to English law

Linklaters LLP
22F East Tower, Mirae Asset Center1
26 Eulji-ro 5-gil, Jung-gu
Seoul 04539, Korea

To the Managers as to Korean law

Bae, Kim & Lee LLC
Centropolis B
26 Ujeongguk-ro, Jongno-gu
Seoul 03161, Korea

To the Trustee as to English law

Reed Smith LLP
10 Collyer Quay
#18-01 Ocean Financial Centre
Singapore 049315

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

INDEPENDENT AUDITORS OF THE COMPANY HD HYUNDAI HEAVY INDUSTRIES

KPMG Samjong Accounting Corp.
27F, Gangnam Finance Center
152, Teheran-ro, Gangnam-gu
Seoul 06236, Korea

HD
KOREA SHIPBUILDING &
OFFSHORE ENGINEERING