HD Hyundai Electric Co., Ltd. and its subsidiaries

Consolidated financial statements
for each of the two years in the period ended December 31, 2025
with the independent auditor's report

HD Hyundai Electric Co., Ltd.
and its subsidiaries

Table of contents

Independent auditor’s report

Page

Consolidated financial statements

Consolidated statements of financial position 1

Consolidated statements of profit or loss and other comprehensive income 3

Consolidated statements of changes in equity 4

Consolidated statements of cash flows 6

Notes to the consolidated financial statements 8

Audit opinion on internal control over financial reporting

Independent auditor’s report on internal control over financial reporting

Management’s report on the effectiveness of internal control over financial reporting

EY Han Young
2-3F, 7-8F, Taeyoung Building, 111 Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600
Fax: + 82 2 783 5890
ey.com/kr

Shape the future
with confidence

Independent auditor's report
(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors
HD Hyundai Electric Co., Ltd.

Opinion

We have audited the consolidated financial statements of HD Hyundai Electric Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the each of the two years in the period ended December 31, 2025, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the two years in the period ended December 31, 2025 in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Group's internal control over financial reporting ("ICFR") as of December 31, 2025 based on the *Conceptual Framework for Design and Operation of ICFR* established by the Operating Committee of ICFR in Korea, in accordance with Korean Standards on Auditing ("KSA"), and our report dated March 13, 2026 expressed an unqualified opinion thereon.

Basis for opinion

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

Key audit matter

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of timing of revenue recognition for overseas sales

As described in Note 27 to the consolidated financial statements, the Group's revenues from overseas sales amount to KRW 3,147,338 million, accounting for a significant proportion of its consolidated financial statements.

Under the contracts regarding the overseas sales, different types of performance obligations occur and the timing of fulfilling such obligations varies depending on the contractual terms. Accordingly, the timing of revenue recognition related thereto requires management's judgment, resulting in a high inherent risk of incorrect timing of recognition of revenues due to management's intention or human errors.

We have selected the assessment of timing of revenue recognition for overseas sales as a key audit matter, considering the significance of inherent risks therein.

We have performed the primary audit procedures as follows in order to address this key audit matter:

- Obtain an understanding of the accounting policies and internal controls related to the timing of recognizing revenues from overseas sales.
- Conduct test on the effectiveness of the design and operation of key internal controls related to the timing of recognizing revenues from overseas sales.
- Identify the evidence regarding the cancellation of non-recurring sales arising after the reporting period and review the supporting documents.
- Review significant transactions that occurred close to the end of the reporting period.
- Conduct test on the sales transactions that occurred close to before and after the end of the reporting period in relation to the overseas sales on a sample basis.

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 KIFRS, and for such internal control as management determines is necessary to enable the preparation of the 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KSA 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 KSA, 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

EY한영

Shape the future
with confidence

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sang Hoon, Jeon.

EY한영

Shape the future
with confidence

EY Han Young

March 13, 2026

This audit report is effective as of March 13, 2026, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

HD Hyundai Electric Co., Ltd. and its subsidiaries

Consolidated financial statements
for each of the two years in the period ended December 31, 2025

"The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group."

Young-ki, Kim
Chief Executive Officer
HD Hyundai Electric Co., Ltd.

HD Hyundai Electric Co., Ltd. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2025 and 2024

(in Korean won)

Category	December 31, 2025		December 31, 2024	
Assets				
Ⅰ. Current assets		3,426,275,170,373		2,763,740,978,393
Cash and cash equivalents (Notes 6, 36, and 37)	950,781,542,257		569,771,637,520	
Short-term financial assets (Notes 7, 36, and 37)	17,261,026,153		32,987,685,673	
Trade receivables and other receivables (Notes 9, 27, 36, and 37)	774,761,145,978		832,342,754,787	
Contract assets (Notes 27, 36, and 37)	316,947,631,668		170,881,939,161	
Inventories (Note 10)	1,266,517,678,791		1,081,391,018,449	
Current derivative assets (Notes 20, 36, and 37)	3,647,897,152		-	
Other current assets (Note 11)	62,240,351,602		58,631,444,077	
Current tax assets	34,117,896,772		17,734,498,726	
Ⅱ. Non-current assets		1,343,540,222,985		1,031,804,118,067
Long-term financial assets (Notes 7, 36, and 37)	6,713,198,906		4,753,673,707	
Long-term trade receivables and other receivables (Notes 9, 27, 36, and 37)	6,181,732,520		7,206,958,553	
Property, plant, and equipment (Note 14)	942,724,542,237		730,080,201,042	
Investment property (Note 13)	5,005,333,210		5,000,557,285	
Right-of-use assets (Note 33)	69,582,573,740		56,292,984,619	
Intangible assets (Note 15)	65,245,675,400		65,912,979,386	
Defined benefit assets (Note 18)	10,808,101,338		3,847,813,015	
Deferred tax assets (Note 32)	233,785,703,108		155,154,397,788	
Other non-current assets (Note 11)	3,493,362,526		3,554,552,672	
Total assets		4,769,815,393,358		3,795,545,096,460

(Continued)

(in Korean won)

Category	December 31, 2025		December 31, 2024	
Liabilities				
Ⅰ. Current liabilities		2,548,719,075,384		2,001,078,594,202
Short-term financial liabilities (Notes 16, 36, and 37)	139,200,492,371		126,798,558,145	
Trade payables and other payables (Notes 17, 36, and 37)	607,924,643,007		500,632,628,326	
Current contract liabilities (Note 27)	1,463,103,310,429		1,051,916,510,941	
Current lease liabilities (Notes 16, 33, 36, and 37)	17,159,208,759		13,897,666,799	
Current provisions (Note 19)	193,109,853,924		181,545,162,497	
Current derivative liabilities (Notes 20, 36, and 37)	15,499,536,314		45,887,531,170	
Current tax liabilities	107,393,274,599		71,736,972,782	
Other current liabilities	5,328,755,981		8,663,563,542	
Ⅱ. Non-current liabilities		188,161,393,955		286,949,377,660
Long-term financial liabilities (Notes 16, 36, and 37)	46,859,273,047		166,949,634,414	
Long-term trade payables and other payables (Notes 17, 36, and 37)	3,635,213,733		2,428,511,729	
Non-current contract liabilities (Note 27)	19,380,273,828		19,967,443,240	
Non-current lease liabilities (Notes 16, 33, 36, and 37)	55,346,966,947		44,133,129,022	
Defined benefit liabilities (Note 18)	3,278,269,464		3,022,814,285	
Non-current provisions (Note 19)	59,661,396,936		48,318,180,426	
Non-current derivative liabilities (Notes 20, 36, and 37)	-		2,129,664,544	
Total liabilities		2,736,880,469,339		2,288,027,971,862
Equity				
Ⅰ. Equity attributable to owners of the parent		2,028,771,644,117		1,501,786,699,279
Capital stock (Note 21)	180,235,675,000		180,235,675,000	
Capital surplus (Notes 21 and 22)	402,297,350,113		401,836,690,517	
Capital adjustment (Note 23)	(15,240,682,452)		(15,240,682,452)	
Accumulated other comprehensive income (Note 24)	138,760,043,427		119,078,672,224	
Retained earnings (Note 25)	1,322,719,258,029		815,876,343,990	
Ⅱ. Non-controlling interest (Note 1)		4,163,279,902		5,730,425,319
Total equity		2,032,934,924,019		1,507,517,124,598
Total liabilities and equity		4,769,815,393,358		3,795,545,096,460

The accompanying notes are an integral part of the consolidated financial statements.

HD Hyundai Electric Co., Ltd. and its subsidiaries
Consolidated statements of profit or loss and other comprehensive income
for each of the two years in the period ended December 31, 2025

(in Korean won)

Category	2025	2024
I. Sales revenue (Note 27)	4,079,497,658,529	3,322,349,007,529
II. Cost of sales (Note 29)	2,686,658,538,765	2,277,783,725,387
III. Gross profit	1,392,839,119,764	1,044,565,282,142
IV. Selling and administrative expenses (Notes 28 and 29)	397,525,681,974	375,594,568,595
V. Operating profit	995,313,437,790	668,970,713,547
VI. Finance income (Note 30)	133,188,353,200	146,140,201,367
VII. Finance expenses (Note 30)	155,660,053,309	153,021,524,690
VIII. Other non-operating income (Note 31)	9,431,669,833	13,265,617,508
IX. Other non-operating expenses (Note 31)	25,887,977,871	25,256,326,006
X. Share of profit or loss of associates	-	(26,749,902)
XI. Profit before tax	956,385,429,643	650,071,931,824
XII. Income tax expense (Note 32)	224,569,238,338	151,662,396,435
XIII. Net income	731,816,191,305	498,409,535,389
XIV. Other comprehensive income (Note 24)	16,278,057,836	24,052,042,429
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):	725,842,424	34,362,453,298
Gains (losses) on derivatives	3,062,384,906	(1,041,564,061)
Gains (losses) on translation of foreign operations	(2,336,542,482)	35,404,017,359
Net other comprehensive income(loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):	15,552,215,412	(10,310,410,869)
Gains on revaluation of property, plant, and equipment	18,924,780,535	-
Gains on financial assets at fair value through other comprehensive income	2,662,090,716	26,196,560
Actuarial losses	(6,034,655,839)	(10,336,607,429)
XV. Total comprehensive income	748,094,249,141	522,461,577,818
XVI. Net income attributable to:	731,816,191,305	498,409,535,389
Owners of the parent	732,605,395,230	501,567,028,463
Non-controlling interest	(789,203,925)	(3,157,493,074)
XVII. Total comprehensive income attributable to:	748,094,249,141	522,461,577,818
Owners of the parent	747,879,414,842	525,619,070,892
Non-controlling interest	214,834,299	(3,157,493,074)
XVIII. Earnings per share for equity holders of the parent		
Basic earnings per share (Note 34)	20,354	13,935

The accompanying notes are an integral part of the consolidated financial statements.

HD Hyundai Electric Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity
for each of the two years in the period ended December 31, 2025

(in Korean won)

Category	Equity attributable to owners of the parent						Non-controlling interest	Total equity
	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity attributable to owners of the parent		
As of January 1, 2024	180,235,675,000	401,836,690,517	(15,240,682,452)	84,690,022,366	396,620,702,346	1,048,142,407,777	8,887,918,393	1,057,030,326,170
Net income	-	-	-	-	501,567,028,463	501,567,028,463	(3,157,493,074)	498,409,535,389
Gains on financial assets at fair value through other comprehensive income	-	-	-	26,196,560	-	26,196,560	-	26,196,560
Losses on valuation of derivatives	-	-	-	(1,041,564,061)	-	(1,041,564,061)	-	(1,041,564,061)
Gains on translation of foreign operations	-	-	-	35,404,017,359	-	35,404,017,359	-	35,404,017,359
Actuarial losses	-	-	-	-	(10,336,607,429)	(10,336,607,429)	-	(10,336,607,429)
Dividends	-	-	-	-	(75,584,678,400)	(75,584,678,400)	-	(75,584,678,400)
Changes in the scope of consolidation	-	-	-	-	3,604,290,910	3,604,290,910	-	3,604,290,910
Others	-	-	-	-	5,608,100	5,608,100	-	5,608,100
As of December 31, 2024	180,235,675,000	401,836,690,517	(15,240,682,452)	119,078,672,224	815,876,343,990	1,501,786,699,279	5,730,425,319	1,507,517,124,598

(Continued)

(in Korean won)

Category	Equity attributable to owners of the parent						Non-controlling interest	Total equity
	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity attributable to owners of the parent		
As of January 1, 2025	180,235,675,000	401,836,690,517	(15,240,682,452)	119,078,672,224	815,876,343,990	1,501,786,699,279	5,730,425,319	1,507,517,124,598
Net income	-	-	-	-	732,605,395,230	732,605,395,230	(789,203,925)	731,816,191,305
Gains on financial assets at fair value through other comprehensive income	-	-	-	1,658,052,492	-	1,658,052,492	1,004,038,224	2,662,090,716
Reclassification of accumulated other comprehensive income	-	-	-	(1,627,304,248)	1,627,304,248	-	-	-
Gains on valuation of derivatives	-	-	-	3,062,384,906	-	3,062,384,906	-	3,062,384,906
Losses on translation of foreign operations	-	-	-	(2,336,542,482)	-	(2,336,542,482)	-	(2,336,542,482)
Gains on revaluation of property, plant, and equipment	-	-	-	18,924,780,535	-	18,924,780,535	-	18,924,780,535
Actuarial loss	-	-	-	-	(6,034,655,839)	(6,034,655,839)	-	(6,034,655,839)
Dividends	-	-	-	-	(221,355,129,600)	(221,355,129,600)	-	(221,355,129,600)
Changes in equity transactions within the Group	-	460,659,596	-	-	-	460,659,596	(1,781,979,716)	(1,321,320,120)
December 31, 2025	180,235,675,000	402,297,350,113	(15,240,682,452)	138,760,043,427	1,322,719,258,029	2,028,771,644,117	4,163,279,902	2,032,934,924,019

The accompanying notes are an integral part of the consolidated financial statements.

HD Hyundai Electric Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
for each of the two years in the period ended December 31, 2025

(in Korean won)

Category	2025		2024	
Ⅰ. Net cash flows from operating activities		959,572,657,325		1,033,722,426,199
1. Cash flows generated from operating activities (Note 35)	1,240,344,709,919		1,115,121,249,157	
(1) Net income	731,816,191,305		498,409,535,389	
(2) Adjustments	508,528,518,614		616,711,713,768	
2. Interest received	24,716,108,445		13,371,971,744	
3. Interest paid	(13,040,110,687)		(26,151,969,393)	
4. Dividends received	-		4,500,000	
5. Income taxes paid	(292,448,050,352)		(68,623,325,309)	
Ⅱ. Net cash flows from investing activities		(225,911,470,009)		(143,186,078,555)
Decrease in short-term loans	317,400,000		2,840,311,905	
Decrease in short-term financial assets	26,897,728,719		10,680,266,064	
Decrease in long-term financial assets	3,616,235,042		220,382,868	
Decrease in long-term other receivables	397,211,023		2,224,730,282	
Disposal of property, plant and equipment	513,146,598		201,273,138	
Disposal of intangible assets	1,347,619,575		-	
Increase in short-term loans	-		(2,567,568,846)	
Increase in short-term financial assets	(11,114,075,615)		(18,970,431,838)	
Increase in long-term loans	(2,725,587,498)		-	
Increase in long-term financial assets	(2,858,009,982)		(489,291,081)	
Increase in long-term other receivables	(346,735,950)		(1,939,093,568)	
Increase in other non-current assets	(25,719,360)		(6,819,900)	
Acquisition of property, plant and equipment	(233,500,152,700)		(121,640,871,886)	
Acquisition of intangible assets	(8,414,637,601)		(15,090,808,499)	
Repayment of government grants	-		(6,546,040)	
Changes in the scope of consolidation	(15,892,260)		1,358,388,846	

(Continued)

(in Korean won)

Category	2025		2024	
Ⅲ. Net cash flows from financing activities		(349,596,873,601)		(517,933,765,660)
Decrease in short-term financial liabilities	(134,362,043,578)		(704,449,932,120)	
Decrease in long-term financial liabilities	-		(70,000,000,000)	
Decrease in lease liabilities	(18,694,812,741)		(14,975,822,140)	
Dividends paid	(221,346,948,200)		(75,583,348,400)	
Increase in short-term financial liabilities	26,123,251,038		277,393,271,800	
Increase in long-term financial liabilities	-		69,564,065,200	
Increase in long-term other payables	5,000,000		118,000,000	
Decrease in non-controlling interests	(1,321,320,120)		-	
Ⅳ. Effect of exchange rate changes on cash and cash equivalents		(3,054,408,978)		21,071,165,447
Ⅴ. Net increase in cash and cash equivalents (Ⅰ + Ⅱ + Ⅲ + Ⅳ)		381,009,904,737		393,673,747,431
Ⅵ. Cash and cash equivalents at the beginning of the year		569,771,637,520		176,097,890,089
Ⅶ. Cash and cash equivalents at the end of the year		950,781,542,257		569,771,637,520

The accompanying notes are an integral part of the consolidated financial statements.

1. Corporate overview

(1) Overview of the parent company

HD Hyundai Electric Co., Ltd. (hereinafter referred to as the "Parent Company" or the “Company”) was established through a spin-off from HD Hyundai Heavy Industries Co., Ltd. as of April 1, 2017. The main business purposes include the manufacture and sale of transformers, high-voltage circuit breakers, rotating machinery, low-voltage motors, distribution panels, medium and low-voltage circuit breakers, power conversion systems, and energy storage systems. The Company's headquarters is located in Seongnam-si, Gyeonggi-do, South Korea

As of December 31, 2025, the major shareholders of the Parent Company include HD Hyundai Co., Ltd. (35.74%) and the National Pension Service (7.63%), etc.

(2) Subsidiaries

Details of the Group’s subsidiaries included in consolidation as of December 31, 2025 and 2024 are as follows:

Company	Location	Closing month	Main business	Ownership percentage (%)	
				Dec. 31, 2025	Dec. 31, 2024
HD Hyundai Electric Hungary Kft.	Hungary	December	Technology Development and Research	100.00	100.00
HD Hyundai Electric Switzerland Ltd.	Switzerland	December	Technology Development and Research	100.00	100.00
HD Hyundai Electric China Co.,Ltd.	China	December	Manufacturing and Sales of Distribution Boards	100.00	100.00
HD Hyundai Electric Shanghai Ltd.	China	December	Technology Development and Research	100.00	100.00
HD Hyundai Power Transformers USA, Inc.	United States	December	Manufacturing and Sales of Industrial Electrical Products	100.00	100.00
HD Hyundai Electric America Corporation	United States	December	Sales of Transformers	100.00	100.00
HD Hyundai Electric Arabia L.L.C.	Saudi Arabia	December	Customer Support Services	100.00	100.00
HD Hyundai Plaspo Co., Ltd.(*1)	South Korea	December	Manufacturing of Power Conversion Devices	73.99	61.84
Yeocheon Energy Co., Ltd. (*2)	South Korea	December	Solar Power Generation	100.00	100.00
DaebulGreen1 Co.,Ltd.	South Korea	December	Solar Power Generation	100.00	100.00
HD Hyundai Electric Europe GmbH	Germany	December	Sales of Transformers	100.00	100.00
HD Hyundai Electric Texas LLC.(*3)	United States	December	Installation of building machinery and equipment	100.00	-

(*1) The ownership interest increased due to the additional acquisition of shares for the year ended December 31, 2025.
(*2)The percentage of ownership includes indirect ownership.
(*3) Established through new investment for the year ended December 31, 2025.

1. Reporting entity (cont'd)

(3) Changes in the scope of consolidation

Changes in the scope of consolidation for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025

The subsidiaries newly included in consolidation for the year ended December 31, 2025 are as follows:

Company	Reason
HD Hyundai Electric Texas LLC.	New establishment

② For the year ended December 31, 2024

The subsidiary excluded from consolidation for the year ended December 31, 2024 is as follows:

Company	Reason
DaebulGreen1 Co., Ltd.	Acquisition
HD Hyundai Electric Europe GmbH	New establishment

(4) Condensed financial information on consolidated subsidiaries

The summarized financial information on the subsidiaries as of and for the years ended December 31, 2025 and 2024 is as follows:

① As of and for the year ended December 31, 2025:

(In millions of Korean won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)
HD Hyundai Electric Hungary Kft.	8,906	546	8,360	4,786	158
HD Hyundai Electric Switzerland Ltd.	3,945	2,605	1,340	5,399	10
HD Hyundai Electric China Co.,Ltd.	176,309	113,641	62,668	154,100	3,687
HD Hyundai Electric Shanghai Ltd.	6,364	645	5,719	2,320	169
HD Hyundai Power Transformers USA, Inc.	638,309	249,498	388,811	531,612	147,386
HD Hyundai Electric America Corporation	1,822,104	1,762,336	59,768	1,502,199	27,205
HD Hyundai Electric Arabia L.L.C.	3,247	292	2,955	7,570	23
HD Hyundai Plaspo Co., Ltd.	31,329	19,210	12,119	15,777	(1,347)
Yeocheon Energy Co., Ltd.	1,934	2,086	(152)	-	(26)
DaebulGreen1 Co.,Ltd.	8,949	3,888	5,061	996	614
HD Hyundai Electric Europe GmbH	60,290	53,637	6,653	15,778	3,138
HD Hyundai Electric Texas LLC.	34,627	34,188	439	1,038	(987)

1. Reporting entity (cont'd)

② As of and for the year ended December 31, 2024:

(In millions of Korean won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)
HD Hyundai Electric Hungary Kft.	7,262	290	6,972	3,667	95
HD Hyundai Electric Switzerland Ltd.	3,659	2,466	1,193	4,657	211
HD Hyundai Electric China Co.,Ltd.	177,229	119,381	57,848	152,442	11,269
HD Hyundai Electric Shanghai Ltd.	6,343	893	5,450	2,865	180
HD Hyundai Power Transformers USA, Inc.	420,903	174,920	245,983	375,690	70,929
HD Hyundai Electric America Corporation	1,311,867	1,278,756	33,111	893,010	15,020
HD Hyundai Electric Arabia L.L.C.	3,403	403	3,000	8,197	465
HD Hyundai Plaspo Co., Ltd.	23,871	13,036	10,835	13,363	(6,938)
Yeocheon Energy Co., Ltd.	1,914	2,040	(126)	-	(46)
DaebulGreen1 Co.,Ltd.	9,791	10,222	(431)	-	-
HD Hyundai Electric Europe GmbH	21,640	21,190	450	-	(8)

(5) Non-controlling interests

The information on non-controlling interests in major subsidiaries as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Description	HD Hyundai Plaspo Co., Ltd.	
	December 31, 2025	December 31, 2024
Non-controlling interest	26.01%	38.16%
Net assets	12,119	10,835
Carrying amount of non-controlling interest	4,163	5,730
Profit (loss)	(1,347)	(6,938)
Profit (loss) allocated to non-controlling interest	(577)	(2,647)
Cash flows from operating activities	3,585	(3,836)
Cash flows from investing activities	1,507	(638)
Cash flows from financing activities	(162)	(1,805)
Net increase (decrease) in cash and cash equivalents	4,930	(6,279)

2. Basis of preparation of consolidated financial statements

The Parent Company and its subsidiaries (hereinafter referred to as the "Group") have prepared its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”), which are based on the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board, as stipulated in Article 5, Paragraph 1, Item 1 of the *External Audit Act for Stock Companies*. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The Group’s consolidated financial statements were approved by the Board of Directors on February 6, 2026, and will be finally approved at the shareholders' meeting on March 24, 2026

(1) Measurement basis

The consolidated financial statements are prepared based on historical cost, except for the major items in the balance sheet listed below, which are measured at fair value:

- property, plant, and equipment measured at fair value:
- derivative instruments measured at fair value;
- financial instruments measured at fair value through profit or loss(“FVTPL”);
- financial instruments measured at fair value through other comprehensive income(“FVOCI”); and
- defined benefit obligations, after deducting the fair value of plan assets from the present value of the defined benefit obligation.

(2) Functional currency and presentation currency

These consolidated financial statements are presented in Korean Won, which is the currency of the primary economic environment in which the Group operates. The financial statements are presented in Korean Won (presented as “Korean won”, or “KRW”), which is the Group’s functional and presentation currency.

(3) Estimates and judgments

① Uncertainty of management’s judgments, assumptions, and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis considering the consistency of the Group’s risk management and its 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 information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following notes:

- Note 12: Investments in associates - Whether the Group exercises significant influence
- Notes 14 and 15: Impairment testing - Key assumptions in estimating the recoverable amount, including the recoverability of property, plant, and equipment and intangible assets
- Note 18: Measurement of defined benefit obligations - Key actuarial assumptions
- Notes 19 and 38: Provisions and contingent liabilities - Assumptions regarding the outflows of resources and amounts

2. Basis of preparation of financial statements (cont'd)

- Note 27: Revenue recognition based on progress - Estimates of the total contract costs
- Note 32: Recognition of deferred tax assets - Deductible temporary differences and the use of tax loss carryforwards
- Note 33: Lease term - Whether it is highly probable that the extension option will be exercised
- Note 37: Expected credit loss measurement for trade and other receivables - Key assumptions used to determine the weighted average loss rate

② Fair value measurement

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 head of finance department. 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 KIFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group reports any significant valuation issues to the Audit Committee.

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

Classification	Significance of input variables
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)

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. The detailed information about the assumptions used to measure fair value is included in the following Notes:

- Note 14: Property, plant, and equipment;
- Note 15: Intangible assets; and
- Note 37: Financial risk management.

3. Changes in accounting policies

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2025 The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(1) **Amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability***
The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates*, which are effective for annual periods beginning on or after January 1, 2025, specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments do not have a material impact on the consolidated financial statements of the Group.

(2) **Amendments to KIFRS 1117 *Insurance Contracts – Disclosure of Estimation Techniques for Inputs Used in Measuring Insurance Contracts***
The amendments to KIFRS 1117 *Insurance Contracts*, effective for annual reporting periods ending on or after December 31, 2025, specify disclosure requirements applied when the entity with insufficient historical data or experience available is required to use principle-based estimation techniques in accordance with insurance-related laws and regulations. If the entity uses the estimation techniques for inputs in measuring insurance contracts different from the principle-based estimation techniques as required by insurance-related laws and regulations and the information about such differences is judged to be relevant and material to users of financial statements, the entity is required to disclose the followings:

- the methods that the entity used for estimating inputs based on its significant judgment and the basis of such judgment, and the difference between the estimation technique used by the entity and the principle-based estimation techniques required by laws and regulations; and

- the impact of applying the principle-based estimation techniques required by laws and regulations on the estimates of future cash flows, insurance contract margins, insurance revenues and insurance service expenses.

However, the amendments will remain effective until the annual reporting period that includes December 31, 2029.

The amendments have no material impact on the Group's consolidated financial statements.

4. Material accounting policies

The material accounting policies applied by the Group in preparing its consolidated financial statements in accordance with KIFRS are described below. Except for the changes explained in Note 3, the Group has consistently applied the following accounting policies to all periods in these financial statements.

The material accounting policies applied by the Group in preparing its consolidated financial statements in accordance with KIFRS are as follows:

(1) Operating segments
The Group did not disclose consolidated business segment information as the reporting segment in accordance with KIFRS 1108 *Operating Segments* corresponds to a single segment.

(2) Consolidation

1. Non-controlling Interests
Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

2. Elimination of internal transactions
Intra-group balances and transactions, income and expenses and unrealized gains or losses arising from intra-group transactions are eliminated in preparation of the consolidated financial statements. 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.

4. Material accounting policies (cont'd)

(3) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date.

(4) Inventories
Purchase costs, transfer costs and costs incurred in bringing each product to its present location and conditions are accounted for initial cost of inventories. Unit costs of inventories are measured by weighted average basis. However, work-in-progress is valued at acquisition cost using the specific identification method.

(5) Non-derivative financial assets

① Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

② Classification and subsequent measurement

1. 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. For this purpose, a transaction that transfers a financial asset from a transaction that does not meet the removal requirements to a third party is not considered a sale.

The Group's business models are as follows:

Objective of collecting contractual cash flow	The Group holds financial assets arising from the manufacturing and sales of transformers, among other products. The business model objective for these financial assets is to collect the principal and interest income on the bonds as they mature.
Objective of Selling	The Group holds a portfolio of debt securities for liquidity management purposes (refer to Note 37).

2. Financial assets - assessment of contractual cash flows being solely principal and interest
When evaluating whether the contractual cash flows consist solely of payments for principal and interest, we take into account the terms and conditions of the applicable product. If a financial asset includes a contractual term that changes the timing or amount of a contractual cash flow, then the contractual terms must determine whether the contractual cash flows that may occur over the life of the financial instrument consist solely of principal and interest payments. In performing this evaluation, the Group considers the following:

- conditional circumstances that alter the timing or amount of cash flows;
- provision to adjust contractual nominal interest rate, including variable interest rate characteristics;

4. Material accounting policies (cont'd)

- moderate repayment characteristics and maturity extension characteristics; and
- contract terms that limit the Group's claims for cash flows from certain assets.

③ Offsetting

For accounting policy information regarding the offsetting of financial assets and financial liabilities, please refer to Note 37(6).

(6) Derivative financial instruments

For information on the accounting policies for derivatives and hedge accounting, as well as risk management activities, please refer to Note 20.

(7) Impairment of financial assets

① Financial instruments and contract assets

The Group recognizes a loss reserve for expected credit losses on the following assets:

- financial assets measured at amortized cost;
- contract assets as defined in KIFRS 1115; and
- debt instruments measured at FVOCI.

The Group measures the allowance for losses by the amount corresponding to the expected credit losses for the whole period, except for the following financial assets measured at 12-month expected credit losses:

- debt securities for which credit risk is determined to be low at the reporting date; and
- other debt securities and bank deposits where there has been no significant increase in credit risk since initial recognition (i.e., no significant increase in the default risk over the expected life of the financial asset)

Loss allowance for trade receivables and contract assets

Provision for losses on trade receivables and contractual assets is always measured at the amount corresponding to the expected credit loss for the whole period.

The Group considers a default on the financial asset in the following circumstance:

- if the debtor does not engage in any activity with the Group and is not likely to fully fulfill the credit obligations to the Group; or
- when there is a significant increase in the days overdue of the financial asset.

② Credit impaired financial assets

At the end of each reporting period, the Group assesses the financial assets measured at amortized cost and other comprehensive income - whether the creditworthiness of the debentures measured at fair value has been impaired. If there is more than one event that adversely affects the estimated future cash flows of a financial asset, the financial asset is impaired. The evidence that the credit of a financial asset is impaired includes the following observable information:

- significant financial difficulties of the issuer or borrower;
- breach of contract such as default or delinquency;
- involuntary modifications of the original terms of the loan due to economic or contractual reasons related to the borrower's financial difficulties;
- increased probability of bankruptcy or other financial restructuring; and
- the disappearance of an active market for the financial asset due to financial difficulties.

4. Material accounting policies (cont'd)

③ Presentation of credit loss allowance on the statement of financial position

The loss allowance on financial assets and contract assets measured at amortized cost is deducted from the carrying amount of the asset. Impairment losses related to trade receivables, including contract assets, and other receivables are not presented separately in the statement of comprehensive income, considering materiality, and are included under selling, general, and administrative expenses or other non-operating expenses.

④ Write-off

The recoverability of the entire or a portion of the contractual cash flows of a financial asset is individually assessed. If an entity does not reasonably expect to recover all or part of the contractual cash flows of a financial asset, the asset is derecognized. The Group has no expectation that the proceeds will be recovered significantly. However, any financial assets that are derecognized may be subject to recovery activities in accordance with the Group's procedures for recovering the amount due.

(8) Property, plant, and equipment

Assets, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses after initial recognition. Land is carried at revalued amounts, which are the fair values at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed periodically to ensure that the carrying amount of the asset does not differ materially from its fair value at the end of the reporting period.

Property, plant and equipment, except for land which is not subject to depreciation, 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.

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

Category	Estimated useful Life	Category	Estimated useful life
Buildings	25~50 years	Vehicles	5~14 years
Structures	20~45 years	Office equipment	3~20 years
Machinery and equipment	5~42 years		

Subsequent expenditures

Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

(9) Intangible assets

Intangible assets are initially recognized at cost. After initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

The intangible assets, of which the residual values are zero ("0"), are amortized on a straight-line basis over useful life as follows. However, some intangible assets are not amortized because the useful life of the intangible assets cannot be estimated and the useful life are deemed to be indefinite.

4. Material accounting policies (cont'd)

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Development costs, patents	5 ~10 years
Other intangible assets	5 ~10 years
Memberships	Indefinite
Trademarks	Indefinite
Goodwill	Indefinite

(10) Government grants
Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

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

(11) Investment property
Investment property is initially recognized at cost at the acquisition date. After initial recognition, the carrying amount of the investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

The estimated useful life of investment property is as follows, and depreciation is calculated using the straight-line method.

Category	Estimated useful life
Buildings	40 years

(12) Impairment of non-financial assets
The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The impairment loss for a CGU is allocated to the assets within the unit in proportion to their carrying amounts. At the end of each reporting period, the Group examines whether there are indications that the impairment loss recognized in prior periods may no longer exist or may have decreased. If there are changes in the estimates used to determine the recoverable amount since the impairment loss was recognized, the impairment loss may be reversed. The 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.

(13) Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is the Group's right to consideration in exchange for goods or services that the entity has transferred to a customer.

4. Material accounting policies (cont'd)

If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (i.e., a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group offsets contract assets and contract liabilities arising from a single contract and presents them at net amounts in its consolidated statement of financial position.

(14) Non-derivative financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss or at amortized cost in accordance with the definition of financial liabilities and the terms of the contracts and are recognized when the Group becomes a party to the contractual provisions of the instruments.

(15) Employee benefits

Defined benefit obligations are calculated annually by an independent actuary using the projected unit credit method.

(16) Provisions

① Warranty provisions

The Group recognizes warranty provisions based on its past experience for the expected warranty repairs on construction projects.

② Sales warranty provisions

The Group establishes sales warranty provisions to cover the costs of routine repairs and replacement of parts during the warranty period for products sold.

③ Loss provisions

The Group establishes loss provisions for contracts where the unavoidable costs to fulfill the contractual obligation exceed the expected economic benefits to be received under the contract. The costs include both costs directly related to a specific contract and common costs allocated based on actual operating activities, including fixed and variable overhead costs allocated to the contract.

(17) Greenhouse gas emission allowances

Pursuant to *Act on Allocation and Trading of Greenhouse Gas Emissions Permits* of the Republic of Korea, the Group applies the following accounting policies for emissions rights and obligations.

Greenhouse gas emissions rights consist of the allowances received free of charge from the government and the ones purchased. Free allocation allowances are recognized at zero value, while purchased allowances are recognized at their acquisition cost, which includes directly attributable acquisition costs and other normal incidental costs.

(18) Leases

① Group as a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Generally, the Group uses the incremental borrowing rate as the discount rate.

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

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases with less than 12 months. 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 (cont'd)

② Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. As one of the evaluation criteria, the Group considers whether the lease term covers a significant portion of the economic useful life of the underlying asset.

The Group recognizes lease income from operating leases as revenue over the lease term on a straight-line basis as part of revenue.

(19) Revenue

The Group's performance obligations and revenue recognition policies for the various goods and services it provides are as follows:

① Nature of goods or services and timing of performance obligation fulfillment

The Group manufactures and supplies a variety of electrical and electronic equipment and energy solutions required at each stage of the power supply process, from generation to transmission, distribution, and consumption (load). The Group's revenue types can be broadly classified into three categories: standard product supply contracts, complex component procurement contracts, and turn-key contracts. For standard product supply contracts, there is a single performance obligation, complex element contracts and turn-key contracts involve multiple distinct performance obligations, as they supply various products and services within one contract.

Since the Group manufactures and supplies various electrical and electronic equipment and energy solutions for all stages of the power supply process, typical contract does not involve performance obligations fulfilled over time. Therefore, revenue is recognized when the performance obligation is fulfilled at a single point in time.

The timing of fulfillment of the performance obligation is when the asset held by the Group is transferred to the customer and is under the customer's control. The Group determines the timing of fulfillment of the performance obligation based on indicators such as the transfer of the right to payment, ownership, physical possession, transfer of significant risks and rewards, and the customer's acceptance of the asset. Generally, for export sales, the transfer is based on Incoterms such as CIF, FOB, and DDP, while for domestic sales, the performance obligation is considered fulfilled when the asset is physically transferred to the customer.

Meanwhile, due to the nature of the order-based industry in which the Group's contracts are custom-made according to the conditions presented by customers, it is determined that there is no alternative use for the contracts within the Group itself. Therefore, for contracts that clearly specify that the Group can charge for the costs incurred and expected profits for the portion already completed if the contract is terminated due to reasons attributable to the customer or another party, revenue is recognized over time. In other cases, revenue is recognized at a single point in time.

When the performance obligation is satisfied over time, the timing of performance is determined based on the progress measurement method that reflects the extent of the Group's performance, which indicates the transfer of control of goods or services to the customer. If the degree of performance cannot be reasonably measured, the extent of performance is measured based on the range of incurred costs. Since the Group provides contracts involving design, procurement of raw materials, production, commissioning, etc., and the construction processes are very diverse, it is difficult to obtain information to apply the output method without incurring excessive costs. Therefore, the Group recognizes revenue based on the input method, which reflects the Group′s performance degree based on the inputs made to fulfill the performance obligation compared to the total expected inputs, and uses the point at which costs are incurred as the time of performance.

② Nature and period of warranty

The Group generally provides warranties for a period ranging from 24 to 48 months, depending on the product and contract. After the specified warranty period, the warranty is converted into a paid after-sales service. The

4. Material accounting policies (cont'd)

warranties provided by the entity are intended to assure that the product conforms to the agreed specifications and do not constitute separate performance obligations.

③ Method of determining transaction price

For the Group's standard product supply contracts, as these are considered to have a single performance obligation, there is no need to allocate the transaction price. However, in the case of complex element contracts and turn-key contracts, where the contract includes multiple distinct performance obligations such as various products and services, the transaction price is allocated to each of these individual performance obligations.

The Group prioritizes the market-based adjustment approach, which allocates the transaction price based on the standalone selling price. If standalone selling prices do not exist in the market, the Group uses the expected cost plus a margin approach, which estimates the expected cost of fulfilling the performance obligation and adds an appropriate profit margin. The total contract amount is then allocated to the distinct performance obligations. If neither of the above methods can be used to allocate the transaction price, the residual approach is applied on a limited basis, where the estimated price is determined by subtracting the sum of observable standalone selling prices for other goods or services from the total transaction price.

④ Estimation of variable consideration

The Group's transaction price may vary due to changes in design and additional work arising from the group's fault or client requests, delay penalties for late delivery or failure to meet conditions, and sales discounts and sales incentives to encourage customer purchases. In the case of sales discounts and sales incentives, the Group includes in the transaction price only the amounts of variable considerations that are highly unlikely to be reversed from the accumulated recognized revenue. For delay penalties, the Group recognizes revenue by subtracting the expected amount arising from the contract terms from the contract price.

(20) Finance income and expenses

Finance income includes interest income from investments, dividend income, gains on financial assets and liabilities denominated in foreign currencies, and gains on financial instruments measured at fair value through profit or loss. Interest income is recognized in profit or loss using the effective interest method over time, while dividend income is recognized when the right to receive the dividend as a shareholder is established.

Finance expenses include interest expenses on borrowings, losses on financial assets and liabilities denominated in foreign currencies, and losses on financial instruments measured at fair value through profit or loss. Interest expenses on borrowings are recognized in profit or loss using the effective interest method over time.

(21) Income tax

The global minimum tax paid under Pillar 2 is subject to the application of income tax as defined by KIFRS 1012, *Income Taxes*. The Group applied temporary relief for deferred tax accounting related to the minimum tax effect and recognized it as current tax at the time of occurrence.

(22) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

① Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*

The amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments* include the following:

- clarifying that a financial liability is derecognized on the settlement date and introducing an accounting policy choice to derecognize financial liabilities that are settled by using electronic payment system before the settlement date (if specific criteria are met);

4. Material accounting policies (cont'd)

- providing additional guidance as to how to assess contractual cash flows of financial assets that include environmental, social and governance (ESG)-linked features and similar features;
- clarifying what constitutes non-recourse features and the characteristics of contractually linked financial instruments; and
- introducing disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments measured at fair value through other comprehensive income (OCI).

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but only for the amendments for the classification of financial assets and related disclosures. The Group does not plan to early apply the amendments.

② Annual improvements to KIFRS Volume 11

Annual Improvements to KIFRS - Volume 11 have been announced for the purpose of improving consistency of requirements set out in each standard, enhancing clarity, and providing better understanding of the amendments.

- Amendments to KIFRS 1101 *First-time adoption of KIFRS: Hedge accounting by a first-time adopter*
- Amendments to KIFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition, Guidance for application of amendments in practice*
- Amendments to KIFRS 1109 *Financial Instruments: Accounting for derecognition of lease liabilities and definition of transaction prices*
- Amendments to KIFRS 1110 *Consolidated Financial Statements: Determination of a 'de facto agent'*
- Amendments to KIFRS 1007 *Statement of Cash Flows: Cost Method*

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4. Material accounting policies (cont'd)

③ Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures* relating to contracts referencing nature-dependent electricity have been issued. The key amendments are as follows:

- clarifying the application of the 'own-use' requirements for contracts within the scope of the amendments;
- revising the requirements for designating hedge items in cash flow hedge relationships for contracts within the scope of the amendments; and

- introducing new disclosure requirements to enable investors to understand the effects of such contracts on an entity's financial performance and cash flows.

The amendments are effective for annual periods beginning on or after January 1, 2026. Early application is permitted, and the fact that the amendments have been early adopted must be disclosed. The amendments relating to the own-use exception are applied retrospectively, while the amendments relating to hedge accounting are applied prospectively to new hedge relationships designated on or after the date of initial application. In addition, the disclosure requirements introduced by KIFRS 1107 shall be applied together with the amendments to KIFRS 1109, and comparative information for the disclosures is not required if comparative information is not restated.

These amendments are not expected to have a material impact on the consolidated financial statements of the Group.

④ KIFRS 1118 *Presentation and Disclosure in Financial Statements*

KIFRS 1118 Presentation and Disclosure in Financial Statements, which replaces KIFRS 1001 *Presentation of Financial Statements*, has been issued. KIFRS 1118 introduces new requirements for the presentation of the statement of profit or loss, including specified totals and subtotals. In addition, entities are required to classify all income and expenses presented in the statement of profit or loss into one of five categories: operating, investing, financing, income tax and discontinued operations, with the first three representing newly introduced categories.

KIFRS 1118 also requires entities to disclose newly defined management-defined performance measures and certain subtotals of income and expenses. Furthermore, the standard introduces new requirements for aggregating and disaggregating financial information based on the identified 'roles' of the primary financial statements and the notes.

In addition, narrow-scope amendments have been made to KIFRS 1007 *Statement of Cash Flows* as a consequence of the issuance of this standard. For example, under the indirect method, the starting point for determining cash flows from operating activities will change from net income to operating profit or loss, and the option to classify cash flows arising from dividends and interest will be removed. Several consequential amendments have also been made to other standards.

KIFRS 1118 and the related amendments to other standards are effective for reporting periods beginning on or after January 1, 2027. Early application is permitted, and the fact that the amendments have been early adopted must be disclosed. KIFRS 1118 shall be applied retrospectively on initial application.

The Group is currently assessing the impact that the amendments may have on the primary consolidated financial statements and the notes to the consolidated financial statements. The items expected to have a significant impact on the consolidated financial statements upon initial application are as follows:

- rental income, fair value changes in investment properties, and the share of profit or loss of associates and joint ventures will be classified within the investing category in the statement of profit or loss;

4. Material accounting policies (cont'd)

- foreign exchange differences will be classified in the same category as the income and expenses that gave rise to the foreign exchange differences;

- the following new disclosures will be introduced:
  (1) management-defined performance measures (MPMs);
  (2) certain expenses by nature when expenses are presented by function within the operating category of the statement of profit or loss; and
  (3) reconciliation of the differences between the amounts restated in accordance with KIFRS 1118 and the amounts presented under KIFRS 1001 for each separately presented line item in the statement of profit or loss;

- in the statement of cash flows, interest received and interest paid will be classified as investing and financing activities, respectively.

5. Risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This Note presents the information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative information is disclosed throughout the consolidated financial statements.

(1) Financial risk management

1) Risk management policy

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

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

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

2) Credit risk

Credit risk is the risk that a customer or a counterparty will fail to fulfill their contractual obligations to a financial instrument, resulting in financial loss to the entity. This primarily arises from receivables from customers and counterparties, as well as from investment assets.

①Trade receivables and other receivables

The Group establishes provisions for expected losses on trade receivable and other receivables. These provisions consist of specific impairments for individually significant items and impairments that are expected but not yet specifically identified. The provisions for the portfolio of financial instruments are determined based on historical data regarding the recovery of similar financial assets.

② Investment assets

The Group limits its exposure to credit risk by investing only in liquid bonds and entities with high credit ratings. The management expects that companies with high credit ratings will not default on their obligations.

5. Risk management (cont'd)

③ Guarantees

The Group provides guarantees for subsidiaries and other related entities when necessary (refer to Note 38).

3) Liquidity risk

Liquidity risk refers to the risk that the Group may have difficulty meeting its obligations related to financial liabilities. The Group's liquidity management approach is to maintain sufficient liquidity to meet its debt obligations at maturity without incurring unacceptable losses or damaging its reputation, even in financially difficult situations.

The Group's cash flows from operations, borrowing, or capital procurement have enabled it to meet cash requirements for investment expenditures. If the Group is unable to generate funds from its operations, it may secure funding through external borrowings or issuing bonds.

4) Market risk

Market risk refers to the risk of changes in the fair value or future cash flows of financial instruments due to fluctuations in market prices. The objective of market price management is to optimize profits while managing and controlling market risk exposure within acceptable limits.

The Group manages market risk by buying and selling derivatives and issuing financial liabilities. All such transactions are conducted within the framework of guidelines set by the Group.

① Exchange rate risk

The Group is primarily exposed to currency risk from sales, purchases, and borrowings denominated in currencies other than the functional currency, which is the Korean won. The main currencies in which these transactions are denominated include USD, EUR, CNY, and JPY.

The Group hedges currency risk exposure related to foreign currency-denominated trade receivables and payables, as well as expected future sales and purchases. To hedge currency risk, the Group primarily uses forward contracts with maturities of less than three years from the reporting date. If necessary, the maturity of forward contracts is extended. The Group hedges against currency risk related to trade receivables, such as those in USD, using forward contracts that mature on the expected collection date. For other foreign-currency-denominated monetary assets and liabilities, the Group maintains net exposure risk at an acceptable level by purchasing or selling foreign currencies at the prevailing exchange rate to resolve short-term imbalances.

② Other market price risk

The Group is exposed to price fluctuation risks arising from equity instruments classified as financial assets measured at fair value through other comprehensive income.

(2) Capital management

The Group’s management policy is to maintain capital that sustains the confidence of investors, creditors, and the market, and supports future business development. The Group uses the debt-to-equity ratio, which is the total debt divided by total equity, and the net debt-to-total capital ratio, which is net borrowings divided by total capital, as capital management indicators.

5. Risk management (cont'd)

The debt-to-equity ratio and net debt-to-total capital ratio as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025	December 31, 2024
Total liabilities	2,736,880	2,288,028
Total equity	2,032,935	1,507,517
Deposits (*1)	968,711	603,856
Borrowings (*2)	186,060	293,749
Debt-to-equity ratio	134.63%	151.77%
Net debt-to-total capital ratio (*3)	-	-

(*1) Deposits consist of cash and cash equivalents, as well as short- and long-term financial instruments.

(*2) Bonds included in the amount of borrowings above are carried at the face value less discounts on bond issuance.

(*3) The net debt-to-total-capital ratio is calculated as (borrowings - deposits) / total equity. Since the net debt-to-total capital ratio as of December 31, 2025 is negative, it was not calculated.

The interest coverage ratio and its calculation basis for each of the two years in the period ended December 31, 2025 are as follows:

(In millions of Korean won)

Category	2025	2024
1. Operating profit	995,313	668,971
2. Interest expenses	16,787	29,592
3. Interest coverage ratio (1 ÷ 2)	59.29	22.61

6. Cash and cash equivalents

The breakdown of cash and cash equivalents as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025	December 31, 2024
Time deposits	339,325	333,524
Others (MMDA, etc.)	611,457	236,248
Total	950,782	569,772

7. Long-term and short-term financial assets

(1) The breakdown of long-term and short-term financial assets as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Financial assets at amortized cost	17,261	668	32,987	1,096
Financial assets at FVTPL	-	3,097	-	3,014
Financial assets at FVOCI	-	2,948	-	643
Total	17,261	6,713	32,987	4,753

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

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Acquisition cost	Book value	Acquisition cost	Book value
Electric Contractor’s Financial Cooperative	134	134	134	134
Construction Guarantee (*1)	656	387	656	361
Fire Guarantee	20	20	20	20
Information and Communications Financial Cooperative	15	15	15	15
Machinery Financial Cooperatives (*2)	2,096	2,541	2,096	2,484
Total	2,921	3,097	2,921	3,014

(*1) The fair value was determined using the Trading Comparables model and the Price-to-Book Ratio (PBR).
(*2) The value of above entity was assessed using the Net Asset Value (NAV) method.

7. Long-term and short-term financial assets (cont'd)

(3) Details of financial assets at fair value though other comprehensive income as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Acquisition cost	Book value	Acquisition cost	Book value
Non-marketable equity securities:				
EN Technology Co., Ltd.	1,208	-	1,208	-
Net Co., Ltd.	150	-	150	-
Busan Industrial Solar Power	109	109	109	109
Daebul Green No. 4 Co., Ltd.	69	69	69	69
Myungga Energy Co., Ltd.	78	78	78	78
Korea Energy Power Co., Ltd.	135	135	135	135
Daehoji Solar Park Inc.	-	-	252	252
JuminSandeulbaram Power Co., Ltd.	557	557	-	-
Shinhan-HD Global Green Way Fund	2,000	2,000	-	-
Total	4,306	2,948	2,001	643

8. Financial instruments restricted in use

Details of financial instruments restricted in use as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	Type	Financial institution	December 31, 2025	December 31, 2024	Restriction details
Long-term financial assets	Deposit in Korean won	Hana Bank	2	2	Bank deposit for checking account guarantee
			6	6	Deposit pledged for business license registration
Short-and-long-term financial assets	Deposits in foreign currencies	Bank of China, etc.	7,922	12,076	Including bills of exchange deposits, etc.
Total			7,930	12,084	

In addition, as of December 31, 2025, KRW 10,000 million has been deposited with financial institutions for financial support to vendors.

9. Trade receivable, other receivables, and contract assets

(1) Details of trade receivable and other receivables as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Trade receivable:				
Trade receivable	795,934	706	847,831	2,159
Allowance for doubtful accounts	(60,410)	(544)	(50,962)	(537)
Subtotal	735,524	162	796,869	1,622
Other receivables:				
Other account receivable	83,451	2,244	80,110	2,244
Allowance for doubtful accounts	(49,529)	(2,244)	(49,525)	(2,244)
Accrued income	337	-	1,195	-
Loans	2,442	1,797	1,435	1,531
Guarantee deposits	2,536	4,223	2,259	4,054
Subtotal	39,237	6,020	35,474	5,585
Total	774,761	6,182	832,343	7,207

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

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Contract assets	358,449	-	212,910	-
Allowance for doubtful accounts	(41,501)	-	(42,028)	-
Total	316,948	-	170,882	-

10. Inventories

Details of inventories as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025			December 31, 2024		
	Acquisition cost	Allowance for valuation	Book value	Acquisition cost	Allowance for valuation	Book value
Merchandise	27	(6)	21	22	-	22
Finished goods	365,697	(10,192)	355,505	349,980	(7,649)	342,331
Work-in-progress	638,261	(33,589)	604,672	535,877	(30,943)	504,934
Raw materials	284,201	(8,455)	275,746	224,648	(15,181)	209,467
Goods-in-transit	30,574	-	30,574	24,637	-	24,637
Total	1,318,760	(52,242)	1,266,518	1,135,164	(53,773)	1,081,391

The reversal of allowance for loss on valuation of inventories of KRW 1,531 million is deducted from the cost of goods sold for the year ended December 31, 2025.
The reversal of allowance for loss on valuation of inventories of KRW 11,723 million is deducted from the cost of goods sold for the year ended December 31, 2024.

11. Other current assets

Details of other current assets as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Prepaid expenses	52,805	-	54,242	-
Prepaid costs	9,435	3,485	4,389	3,542
Others	11,134	8	27,492	13
Accumulated impairment losses (*)	(11,134)	-	(27,492)	-
Total	62,240	3,493	58,631	3,555

(*) Some of the other current assets were sold, leading to a reduction in the accumulated impairment losses.

12. Investments in associates

Details of investments in the associate as of December 31, 2024 are as follows:

(In millions of Korean won)

Associate	Beginning	Changes in scope of consolidation	loss on equity method valuation	Ending
Daehoji Solar Park, Inc.	279	(252)	(27)	-

13. Investment property

(1) Details of investment property as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025			December 31, 2024		
	Land	Buildings	Total	Land	Buildings	Total
Acquisition cost	104	5,206	5,310	54	5,113	5,167
Accumulated depreciation	-	(305)	(305)	-	(166)	(166)
Ending book value	104	4,901	5,005	54	4,947	5,001

(2) Changes in investment property for each of the two years in the period ended December 31, 2025 are as follows:

(In millions of Korean won)

Category	2025			2024		
	Land	Buildings	Total	Land	Buildings	Total
Beginning	54	4,947	5,001	-	4,983	4,983
Acquisition	-	-	-	-	-	-
Transfers(*)	50	84	134	54	90	144
Depreciation	-	(130)	(130)	-	(126)	(126)
Ending	104	4,901	5,005	54	4,947	5,001

(*) For the year ended December 31, 2025, the Group converted properties for own use including land of KRW 50 million and buildings of KRW 84 million into investment property for lease purposes.
(*) For the year ended December 31, 2024, the Group converted properties for own use including land of KRW 54 million and buildings of KRW 90 million into investment property for lease purposes.

13. Investment property (cont'd)

(3) The income and expenses related to investment property for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Rental Income	546	481
Operating/maintenance costs (for the portion of rental income)	349	294

(4) The expected future minimum lease payments under operating lease agreements for investment property as of December 31, 2025 are as follows:

	(In millions of Korean won)
Category	**December 31, 2025**
Within 1 year	326
Over 1 year but within 5 years	1,366
Over 5 years	2,975
Total	4,667

(5) Details of fair values of investment property as of December 31, 2025 and 2024 are as follows:

		(In millions of Korean won)
Category	**December 31, 2025**	**December 31, 2024**
Land	104	54
Buildings	5,032	4,939
Total	5,136	4,993

14. Property, plant and equipment

(1) Details of property, plant and equipment as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(In millions of Korean won)

Category	Land (*)	Buildings (*)	Structures	Machinery	Vehicles	Tools and equipment	Construction-in-progress	Others	Total
Acquisition cost	332,117	512,717	40,877	487,013	5,357	330,752	48,314	2,312	1,759,459
Government grants	-	(4,803)	(235)	(185)	-	(26)	-	-	(5,249)
Accumulated depreciation	-	(153,004)	(10,558)	(322,109)	(2,699)	(259,066)	-	(863)	(748,299)
Accumulated impairment loss	-	(6,156)	(338)	(34,010)	(132)	(22,548)	-	(2)	(63,186)
Ending for carrying amount	332,117	348,754	29,746	130,709	2,526	49,112	48,314	1,447	942,725

(*) Land and buildings totaling KRW 33,532 million are included, which were transferred under a sale-and-leaseback transaction. However, the asset does not meet the criteria for sale recognition and is still recognized as the Group's asset.

② As of December 31, 2024:

(In millions of Korean won)

Category	Land (*)	Buildings (*)	Structures	Machinery	Vehicles	Tools and equipment	Construction-in-progress	Others	Total
Acquisition cost	227,114	448,572	37,308	447,946	4,500	310,438	33,143	1,215	1,510,236
Government grants	-	(5,078)	(504)	(218)	-	(41)	-	-	(5,841)
Accumulated depreciation	-	(142,282)	(9,025)	(308,282)	(2,524)	(248,034)	-	(785)	(710,932)
Accumulated impairment loss	-	(6,156)	(338)	(34,136)	(145)	(22,606)	-	(2)	(63,383)
Ending for carrying amount	227,114	295,056	27,441	105,310	1,831	39,757	33,143	428	730,080

(*) Land and buildings totaling KRW 34,089 million are included, which were transferred under a sale-and-leaseback transaction. However, the asset does not meet the criteria for sale recognition and is still recognized as the Group's asset.

14. Property, plant and equipment (cont'd)

(2) Changes in property, plant, and equipment for each of the two years in the period ended December 31, 2025

① For the year ended December 31 2025:

(In millions of Korean Won)

Category	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Construction in progress	Others	Total
Beginning	227,114	295,056	27,441	105,310	1,831	39,757	33,143	428	730,080
Acquisitions	161	977	867	17,759	1,280	19,767	194,609	1,046	236,466
Transfers(*)	76,450	64,957	3,051	30,544	50	3,138	(179,489)	127	(1,172)
Revaluation	28,441	-	-	-	-	-	-	-	28,441
Disposals	-	-	-	(438)	(59)	(59)	-	(28)	(584)
Depreciation	-	(10,906)	(1,346)	(22,210)	(551)	(13,490)	-	(140)	(48,643)
Gain (loss) on translation of foreign operations	(49)	(1,330)	(267)	(256)	(25)	(1)	51	14	(1,863)
Ending	332,117	348,754	29,746	130,709	2,526	49,112	48,314	1,447	942,725

(*) The transfer for the year ended December 31, 2025 includes KRW 134 million of transfer to invest property and KRW 1,188 million of transfer to intangible assets.

② For the year ended December 31 2024:

(In millions of Korean Won)

Category	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Construction in progress	Others	Total
Beginning	188,882	257,190	11,327	93,391	498	36,542	36,082	341	624,253
Acquisitions	630	616	1,325	12,839	1,474	14,443	91,549	117	122,993
Transfers(*)	37,430	33,238	6,493	15,611	37	1,210	(94,614)	10	(585)
Disposals	-	(73)	(145)	(53)	(3)	(31)	-	(2)	(307)
Depreciation	-	(9,972)	(598)	(18,716)	(319)	(13,148)	-	(50)	(42,803)
Gain on translation of foreign operations	172	14,057	1,005	2,238	144	741	126	12	18,495
Change in consolidation scope	-	-	8,034	-	-	-	-	-	8,034
Ending	227,114	295,056	27,441	105,310	1,831	39,757	33,143	428	730,080

(*) The transfer for the year ended December 31, 2024 includes KRW 144 million of transfer to invest property and KRW 563 million of transfer to intangible assets.

14. Property, plant and equipment (cont'd)

(3) Land revaluation
The Group applies the revaluation model to land. As of June 30, 2025, the Group revalued the land using the appraisal value calculated by an independent and professionally qualified appraisal institution.

The revaluation was performed using the publicly announced land price based on the standard land price, adjusted according to the status of the subject land, and the price was determined using the public land price standard method. The valuation was reviewed for reasonableness based on recent market transactions under the terms of independent third-party transactions.

As of December 31, 2025, the carrying amount of the land being valued under the revaluation model and the carrying amount of the land being valued under the cost model are as follows:

		(In millions of Korean won)
Category	**Revaluation model**	**Cost model**
Land	332,117	214,118

The revaluation surplus of KRW 86,933 million (after tax effects) arising from the land revaluation is recognized in accumulated comprehensive income.

14. Property, plant and equipment (cont'd)

(4) Fair value measurement

① Fair value hierarchy

The fair value measurement of land is classified as Level 3 in the fair value hierarchy, based on the inputs used in the valuation techniques.

② Valuation techniques and inputs used for the fair value measurement of land

The valuation techniques and inputs used for the fair value measurement of land are as follows:

Valuation technique	Significant but unobservable inputs	Key unobservable variables and their relationship to fair value
Valuation method based on Officially Assessed Land Price ("OALP")	Land price fluctuation rate	If the land price fluctuation rate increases (decreases), the fair value increases (decreases)
	Regional factors	If regional factors increase (decrease), the fair value increases (decreases)
	Individual factors, adjustment factors such as land conditions	If adjustment factors such as land conditions increase (decrease), the fair value increases (decreases)
	Other factors, adjustments to land price level	If adjustment factors related to land price level increase (decrease), the fair value increases (decreases)

15. Intangible assets

(1) Details of intangible assets as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(In millions of Korean won)

Category	Goodwill	Development costs	Industrial property rights	Others	Total
Acquisition cost	9,067	139,034	31,524	65,269	244,894
Government grants	-	(42)	-	-	(42)
Accumulated amortization	-	(69,131)	(2,500)	(39,138)	(110,769)
Accumulated impairment loss	(8,637)	(50,008)	-	(10,192)	(68,837)
Ending for carrying amount	430	19,853	29,024	15,939	65,246

15. Intangible assets (cont'd)

② As of December 31 2024:

(In millions of Korean won)					
Category	**Goodwill**	**Development costs**	**Industrial property rights**	**Others**	**Total**
Acquisition cost	9,067	135,290	31,524	60,701	236,582
Government grants	-	(67)	-	(1)	(68)
Accumulated amortization	-	(65,479)	(1,836)	(34,686)	(102,001)
Accumulated impairment loss	(8,637)	(49,852)	-	(10,111)	(68,600)
Ending for carrying amount	430	19,892	29,688	15,903	65,913

(2) Changes in intangible assets for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)					
Category	**Goodwill**	**Development costs**	**Industrial property rights**	**Others**	**Total**
Beginning	430	19,892	29,688	15,903	65,913
Acquisitions (internal development)	-	3,746	-	4,688	8,434
Transfer(*)	-	-	-	1,188	1,188
Disposal	-	-	-	(1,348)	(1,348)
Amortization	-	(3,633)	(664)	(4,265)	(8,562)
Impairment loss	-	(152)	-	-	(152)
Gain on translation of foreign operations	-	-	-	(227)	(227)
Ending	430	19,853	29,024	15,939	65,246

(*) The transfer for the year ended December 31, 2025 includes KRW 1,188 million of transfer from property, plant, and equipment.

15. Intangible assets (cont'd)

② For the year ended December 31, 2024:

(In millions of Korean won)

Category	Goodwill	Development costs	Industrial property rights	Other intangible assets	Total
Beginning	8,563	19,783	30,351	11,309	70,006
Acquisitions (internal development)	-	7,839	-	8,049	15,888
Transfer(*)	-	(3,220)	-	563	(2,657)
Amortization	-	(3,175)	(663)	(4,905)	(8,743)
Impairment loss	(8,563)	(1,335)	-	-	(9,898)
Gain (loss) on translation of foreign operations	-	-	-	887	887
Change in consolidation scope	430	-	-	-	430
Ending	430	19,892	29,688	15,903	65,913

(*) The transfer for the year ended December 31, 2024 included KRW 563 million replaced from property, plant, and equipment.

The carrying amounts of intangible assets with an indefinite useful life as of December 31, 2025 and 2024 are KRW 29,267 million and KRW 28,058 million, respectively.

(3) Impairment loss

1) Impairment loss on individual development projects
The impairment losses on development costs recognized for each of the two years in the period ended December 31, 2025 due to factors such as sluggish demands for products are as follows:

a. For the year ended December 31, 2025:

(In millions of Korean won)

Category	Project name	Pre-impairment carrying amount	Impairment loss	Post-impairment carrying amount	Valuation method for recoverable amount
Development costs	Development of PV PCS for 1100V or higher	54	(54)	-	Value in use
	Development of PV PCS (PLAVIX H2)	98	(98)	-	Value in use

15. Intangible assets (cont'd)

b. For the year ended December 31, 2024:

(In millions of Korean won)

Category	Project name	Pre-impairment carrying amount	Impairment loss	Post-impairment carrying amount	Valuation method for recoverable amount
Development costs	Overseas GIS development	1,715	(445)	1,270	Value in use
	Domestic plant high-voltage distribution panel development	206	(206)	-	Value in use
	KEPCO small capacity substation transformer development	14	(14)	-	Value in use
	200kW or larger medium-low temperature solid oxide fuel cell system for power generation	670	(670)	-	Value in use

2) Impairment assessment for cash generating unit – HD Hyundai Plaspo and goodwill
The Group conducted an impairment assessment for cash generating units with signs of impairment due to deteriorating business performance and recognized an impairment loss of KRW 8,563 million on goodwill for the year ended December 31, 2024.

As of December 31 2025 and 2024, the carrying amount and recoverable amount of the CGU to be assessed is as follows:

(In millions of Korean won)

Subsidiaries	Category	December 31, 2025	December 31, 2024
HD Hyundai Plaspo Co., Ltd.	Ⅰ. Carrying amount of CGU	13,626	32,764
	Ⅱ. Recoverable amount	19,823	18,917
	Ⅲ. Impairment loss (*)	-	(8,563)

(*) The impairment loss of KRW 8,563 million recognized for the year ended December 31, 2024 is the amount after applying the Group's equity interest ratio in the entity (61.84%). The recoverable amount of the cash generating unit was estimated based on fair value after deducting disposal-related costs. The valuation methods used for fair value measurement were the market approach, cost approach, and income approach.

15. Intangible assets (cont'd)

The assumptions used in the calculation of the value in use of the cash generating unit as of December 31, 2025 and 2024 are as follows:

Category	Percentage (%)	
	December 31, 2025	December 31, 2024
Pre-tax discount rate	13.20	12.70
Perpetual growth rate	1.00	1.00

The fair value measurement has been classified as Level 3 fair value based on the input variables used in the valuation method, and the valuation method and input variables used for the fair value measurement are as follows:

Valuation method	Significant but unobservable input variables	Key unobservable variables and relationship to fair value
Market approach	Land price fluctuation rate	If the land price fluctuation rate increases (decreases), the fair value increases (decreases)
	Regional factors	If regional factors increase (decrease), the fair value increases (decreases)
	Individual factors	If corrections for land conditions increase (decrease), the fair value increases (decreases)
	Other factors	If corrections for land level, etc., increase (decrease), the fair value increases (decreases)
Cost approach	Price fluctuations of raw materials, materials, labor	If the prices of materials, etc., increase (decrease), the fair value increases (decreases)
	Condition of maintenance, repairs, and management	If the condition of maintenance and repairs is good (poor), the fair value increases (decreases)
Income approach	Cash flow forecasts	If the cash flow forecasts increase (decrease), the fair value increases (decreases)
	Discount rate	If the discount rate increases (decreases), the fair value decreases (increases)

(4) The breakdown of research costs, routine development costs, and amortization of development costs for each of the two years in the period ended December 31, 2025 is as follows:

(In millions of Korean won)

Category	Type	2025	2024
Research costs	Selling, general and administrative expenses	660	790
Routine development costs	Selling, general and administrative expenses	85,934	68,433
Amortization of development costs	Manufacturing costs	3,633	3,175
Total		90,227	72,398

16. Short-term and long-term financial liabilities

(1) The composition of short-term and long-term financial liabilities as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Short-term borrowings	18,836	-	19,905	-
Long-term borrowings	30,440	-	-	30,440
Bonds	90,000	47,000	107,000	137,000
Bond discount	(76)	(141)	(107)	(490)
Total	139,200	46,859	126,798	166,950

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

(In millions of Korean won)

Category	Lender	Interest rate	December 31, 2025	December 31, 2024
Usance L/C	Hana Bank, etc.	-	-	574
General Loan in KRW	Hana Bank, etc.	4.57%~5.14%	8,188	8,188
General Loan in Foreign Currencies	Hana Bank, etc.	2.50%~2.60%	10,648	11,143
Total			18,836	19,905

(3) Details of long-term borrowings as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	Lender	Interest rate	December 31, 2025	December 31, 2024
Sale-and-leaseback (*)	Korea Asset Management Corporation	6.20%	30,440	30,440
Subtotal			30,440	30,440
Long-term borrowings due within one year			(30,440)	-
Total			-	30,440

(*) The asset was transferred through a sale-and-leaseback transaction; however, since the transaction did not meet the criteria for a sale of asset, the consideration of the transfer was recognized as borrowings. As the contract was extended on a one-year basis, the maturity was modified, resulting in a reclassification from long-term borrowings to current portion of long-term borrowings.

16. Short-term and long-term financial liabilities (cont'd)

(4) There are no assets provided as collaterals for the borrowings with financial institutions as of December 31, 2025 and 2024.

(5) Details of bonds as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	Issuance date	Maturity date	Interest rate	December 31, 2025	December 31, 2024	Guarantee status
8-1st Issue	May 8, 2023	May 8, 2025	-	-	89,000	Unsecured bond
8-2nd Issue	May 8, 2023	May 8, 2026	5.27%	57,000	57,000	Unsecured bond
10-1st Issue	Oct. 19, 2023	Oct. 17, 2025	-	-	18,000	Unsecured bond
10-2nd Issue	Oct. 19, 2023	Oct. 19, 2026	5.73%	10,000	10,000	Unsecured bond
11-1st Issue	Apr. 9, 2024	Apr. 9, 2026	4.10%	23,000	23,000	Unsecured bond
11-2nd Issue	Apr. 9, 2024	Apr. 9, 2027	4.19%	37,000	37,000	Unsecured bond
11-3rd Issue	Apr. 9, 2024	Apr. 9, 2029	4.47%	10,000	10,000	Unsecured bond
Less: discounts on bond issuance				(217)	(597)	
Subtotal				136,783	243,403	
Less: current portion of bonds				(89,924)	(106,893)	
Total				46,859	136,510	

(6) The repayment schedule for borrowings and bonds as of December 31, 2025 is as follows:

(In millions of Korean won)

Category	Borrowings	Bonds	Total
Within 1 year	49,276	90,000	139,276
1 to 5 years	-	47,000	47,000
Total	49,276	137,000	186,276

16. Short-term and long-term financial liabilities (cont'd)

(7) Changes in liabilities arising from financing activities in the cash flows for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Category		Borrowings	Bonds	Lease liabilities	Total
Beginning		50,345	243,403	58,031	351,779
Cash flows from financing activities	Borrowings	26,123	-	-	26,123
	Repayments	(27,362)	(107,000)	(18,695)	(153,057)
Non-cash flows	Effect of exchange rate fluctuation	201	-	241	442
	Amortization of bond discount	-	380	-	380
	Others	(31)	-	32,929	32,898
Ending		49,276	136,783	72,506	258,565

② For the year ended December 31, 2024:

(In millions of Korean won)

Category		Borrowings	Bonds	Lease liabilities	Total
Beginning		471,682	243,811	27,174	742,667
Cash flows from financing activities	Borrowings	277,393	69,564	-	346,957
	Repayments	(705,827)	(70,500)	(14,976)	(791,303)
Non-cash flows	Effect of exchange rate fluctuation	6,509	-	394	6,903
	Amortization of bond discount	-	528	-	528
	Changes in consolidation scope	588	-	-	588
	Others	-	-	45,439	45,439
Ending		50,345	243,403	58,031	351,779

17. Trade payables and other payables

The detailed breakdown of current trade payable and other payables as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Trade payable	401,972	-	326,157	-
Accrued costs	87,626	587	65,198	576
Accrued dividends	10	-	3	-
Accrued expenses	118,317	2,925	109,275	1,734
Security deposits	-	123	-	118
Total	607,925	3,635	500,633	2,428

The Group participates in a supplier finance agreement, under which the financial institution pays the Group's debt to the supplier, and the Group subsequently repays 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 related trade payable settlement period. Since the Group is not exempt from the original debt due to this agreement, it has not removed the original liability.

The Group has entered into a supplier finance agreement with the financial institution regarding trade receivable-backed loans and Banker's Usance, and all debts under the supplier finance agreement are classified as current liabilities as of December 31, 2025.

Additional information on the Group's supplier finance agreement as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025	December 31, 2024
Book value of financial liabilities under supply financing agreements	32,449	28,748
Book value corresponding to amounts already received by the supplier from the financial provider	-	1,838
Payment due range for financial liabilities under supply financing agreements	Within 1 year	Within 1 year

(*) The payment due range for comparable trade payable not subject to supply financing agreements is within 90 days from the invoice issuance date.

18. Employee benefits

(1) Details of employee benefits recognized as expenses for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Salary	361,898	345,644
Expenses in relation with defined benefit pension plans	15,524	13,281
Expenses in relation with defined contribution pension plans	2,114	1,996
Severance payments	398	501
Total	379,934	361,422

(2) Details of liabilities related to the defined benefit obligation as of December 31, 2025 and 2024 are as follows:

		(In millions of Korean won)
Category	**Dec. 31, 2025**	**Dec. 31, 2024**
Present value of defined benefit obligation (*1)	151,888	142,512
Fair value of plan assets (*2)	(159,418)	(143,337)
Recognized liability (asset) of defined benefit plan	(7,530)	(825)

(*1) As of December 31, 2025 and 2024, the other long-term employee benefit liabilities include KRW 3,278 million and KRW 3,023 million, respectively.
(*2) The plan assets exceeding the retirement benefit obligation of KRW 148,609 million as of December 31, 2025 amount to KRW 10,808 million and the external plan assets exceeding the retirement benefit obligation of KRW 139,489 million as of December 31, 2024 amounted to KRW 3,848 million, both of which are classified as defined benefit assets in the Group's consolidated statement of financial position.

(3) The plan assets as of December 31, 2025 and 2024 consist of the following items:

		(In millions of Korean won)
Category	**Dec. 31, 2025**	**Dec. 31, 2024**
Retirement pension (*)	159,238	143,146
Contributions to national pension plan	180	191
Total	159,418	143,337

(*) As of December 31, 2025, the retirement pension is fully invested in principal-guaranteed instruments.

18. Employee benefits (cont'd)

(4) The retirement benefit expenses recognized in profit or loss for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Defined benefit plan:		
Current service cost	15,844	13,739
Interest expense	4,788	4,941
Interest income	(5,108)	(5,399)
Subtotal	15,524	13,281
Defined contribution plan:		
Contributions recognized as expense	2,114	1,996
Severance payments:		
Severance payments	398	501
Total	18,036	15,778

(5) Changes in the defined benefit obligations for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Beginning	142,512	123,485
Current service cost	15,844	13,739
Interest expense	4,788	4,941
Actuarial gains and losses:		
Demographic assumptions	48	-
Financial assumptions	224	10,170
Experience adjustments	7,381	3,897
Benefits paid	(20,561)	(14,539)
Transfers from associates	1,658	793
Loss on translation of foreign operations	(6)	26
Ending	151,888	142,512

18. Employee benefits (cont'd)

(6) Changes in plan assets for each of the two years in the period ended December 31, 2025 are as follows:

	(In millions of Korean won)
Category	**2025**	**2024**
Beginning	143,337	129,602
Payments	(17,689)	(12,020)
Contributions	29,200	19,900
Interest income	5,108	5,399
Actuarial gains	(538)	456
Ending	159,418	143,337

The Group reviews the funding level of the pension plan annually and has a policy to make up for any losses in the fund. As of December 31, 2025, the expected contribution to the fund for the next year related to the defined benefit plan is KRW 14,434 million.

(7) The expected payment dates for the defined benefit obligation as of December 31, 2025 are as follows:

					(In millions of Korean won)
Category	**Less than 1 year**	**1 to less than 5 years**	**5 to less than 10 years**	**10 years and above**	**Total**
Expected payments	6,341	72,729	65,328	322,797	467,195

(8) The key actuarial assumptions as of December 31, 2025 and 2024 are as follows:

		(unit:%)	
Category		**Dec. 31, 2025**	**Dec. 31, 2024**
Discount rate		4.00	3.60
Future salary increase rate	Production workers/other administrative workers	4.38	3.37
	Clerical staff (below assistant level)	4.80	4.14
	Clerical staff (assistant level and above)	2.46	2.46
Mortality rate (Male, 45 years old)		0.18	0.18

18. Employee benefits (cont'd)

(9) The weighted average maturity (duration) for defined benefit obligations as of December 31, 2025 and 2024 is as follows:

(Unit: years)

Category	Dec. 31, 2025	Dec. 2024
Weighted average maturity (Duration)	8.46	8.30

(10) Sensitivity analysis of the defined benefit obligation
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as of December 31, 2025 and 2024 as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Increase	Decrease	Increase	Decrease
Discount rate (1% change)	(10,608)	12,221	(9,821)	11,302
Future salary increase rate (1% change)	12,146	(10,746)	11,255	(9,965)

19. Provisions

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

① As of December 31, 2025:

(In millions of Korean won)

Category	Loss provisions	Warranty provisions	Sales warranty provisions	Other provisions	Total
Current liabilities	45,808	1,312	131,784	14,206	193,110
Non-current liabilities	-	1,768	57,617	276	59,661
Total	45,808	3,080	189,401	14,482	252,771

② As of December 31, 2024:

(In millions of Korean won)

Category	Loss provisions	Warranty provisions	Sales warranty provisions	Other provisions	Total
Current liabilities	28,482	3,292	130,385	19,386	181,545
Non-current liabilities	-	95	48,101	122	48,318
Total	28,482	3,387	178,486	19,508	229,863

19. Provisions (cont'd)

(2) Changes in provisions for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Category	Loss provisions	Warranty provisions	Sales warranty provisions	Other provisions	Total
Beginning	28,482	3,387	178,486	19,508	229,863
Transfers In	17,315	28	52,108	6,522	75,973
Reversals	-	(231)	(19,704)	(5,000)	(24,935)
Offset	-	(104)	(21,086)	(6,699)	(27,889)
Loss (gain) on translation of foreign operations	11	-	(403)	151	(241)
Ending	45,808	3,080	189,401	14,482	252,771

② For the year ended December 31, 2024:

(In millions of Korean won)

Category	Loss provisions	Warranty provisions	Sales warranty provisions	Other provisions	Total
Beginning	58,848	3,497	138,673	7,147	208,165
Transfers In	4,864	-	77,498	12,450	94,812
Reversals	(35,738)	(77)	(19,116)	-	(54,931)
Offset	-	(33)	(20,602)	(89)	(20,724)
Loss on translation of foreign operations	508	-	2,033	-	2,541
Ending	28,482	3,387	178,486	19,508	229,863

20. Derivative financial instruments

The Group has entered into derivative contracts with financial institutions to hedge against the risk of exchange rate fluctuations and the risk of fluctuations in raw material prices. The fair value of all derivatives is assessed using the forward exchange rates, interest rates and futures prices provided by the trading bank. The evaluation details as of December 31, 2025 and 2024 are as follows.

(1) Overview of derivatives and hedge accounting treatment

Category	Type	Derivative contract and hedge accounting treatment
Cash flow hedge	Commodity futures	Hedge cash flow risk due to fluctuations in commodity prices.

20. Derivative financial instruments (cont'd)

(2) Details of derivatives entered into by the Group as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(Unit: thousand USD)

Purpose	Type	Currency category		Contract amount	Weighted average exchange rate (KRW)	Average maturity date	Number of contracts
		Sell	Buy				
Trading purpose	Currency forward	USD	KRW	382,000	1,389.03	May. 21, 2026	68
Cash flow hedge	Commodity futures	KRW	USD	9,588	-	Jun. 5, 2026	9

※ Payment method: cash settlement or gross settlement method

② As of December 31, 2024:

(Unit: thousand USD)

Purpose	Type	Currency category		Contract amount	Weighted average exchange rate (KRW)	Average maturity date	Number of contracts
		Sell	Buy				
Trading purpose	Currency forward	USD	KRW	395,000	1,337.90	Jun. 21, 2025	75
Cash flow hedge	Commodity futures	KRW	USD	8,477	-	May 30, 2025	9

※ Payment method: cash settlement or gross settlement method

(3) The carrying amounts of derivatives as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Purpose	Type	December 31, 2025				December 31, 2024			
		Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
		Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Trading purpose	Currency forward	782	-	15,500	-	-	-	44,635	2,130
Cash flow hedge	Commodity futures	2,866	-	-	-	-	-	1,252	-
Total		3,648	-	15,500	-	-	-	45,887	2,130

20. Derivative financial instruments (cont'd)

(4) Gains and losses related to derivatives for each of the two years in the period ended December 31, 2025 are as follows:

(In millions of Korean won)

Purpose	Type	2025		2024	
		Other comprehensive income (pre-tax)	Profit or loss (pre-tax)	Other comprehensive income (pre-tax)	Profit or loss (pre-tax)
Trading purpose	Currency forward	-	(460)	-	(75,939)
Trading purpose	Early redemption rights of convertible bonds	-	-	-	18
Cash flow hedge	Commodity futures	4,118	-	(1,372)	-
Total		4,118	(460)	(1,372)	(75,921)

For the year ended December 31, 2025, a gain of KRW 4,118 million was recorded for the fair value of commodity futures derivatives under cash flow hedge accounting, which was adjusted by KRW 1,056 million for deferred tax, resulting in other comprehensive income of KRW 3,062 million.

The Group recognized a loss of KRW 1,372 million for the evaluation of commodity futures derivatives under cash flow hedge accounting for the year ended December 31, 2024. After deducting KRW 330 million adjusted for deferred income tax, a total of KRW 1,042 million was recognized as other comprehensive loss.

21. Capital and capital surplus

(1) Capital stock
As of December 31, 2025, the total number of shares the parent company is authorized to issue, the number of shares issued, and the par value per share are 160,000,000 shares, 36,047,135 shares, and 5,000 KRW, respectively.

21. Capital and capital surplus (cont'd)

(2) Capital surplus
Details of capital surplus as of December 31, 2025 and 2024 are as follows:

	(In millions of Korean won)	
Category	**December 31, 2025**	**December 31, 2024**
Share premium from the split-off in April 2017	696,168	696,168
Share premium from the paid-in capital increase in November 2017	257,020	257,020
Share premium from the paid-in capital increase in December 2019	28,870	28,870
Expiration of subsidiary stock options in 2022 (*1)	126	126
Expiration of subsidiary stock options in 2023 (*1)	4	4
Additional acquisition of ownership interests in subsidiaries in 2025 (*2)	460	-
Subtotal	982,648	982,188
Less: corporate establishment and new share issuance costs	(4,216)	(4,216)
Less: capital transfer due to free share issuance	(76,135)	(76,135)
Less: transfer to retained earnings (*3)	(500,000)	(500,000)
Subtotal	(580,351)	(580,351)
Total	402,297	401,837

(*1) The share options issued by the subsidiary, HD Hyundai Plaspo Co., Ltd., expired, resulting in an increase in capital surplus.
(*2) The Group additionally acquired 333,330 shares of HD Hyundai Plaspo Co., Ltd., a subsidiary, and the transaction was accounted for as an equity transaction with non-controlling interests that did not result in a change in control. Accordingly, additional paid-in capital increased.
(*3) At the 5th Annual General Meeting of Shareholders, a resolution was passed to reduce capital reserves, and KRW 500,000 million was transferred to retained earnings

22. Share-based payment arrangements

(1) As of December 31, 2025, details of stock options granted to employees of the subsidiary, HD Hyundai Plaspo Co., Ltd., are as follows:

Category	Details
Grant date	Sep. 20, 2019
Expiry date	Sep. 19, 2026
Grant quantity(*)	56,530 shares
Settlement method	Stock-settlement type
Type of shares to be issued	Registered common shares of HD Hyundai Plaspo Co., Ltd. (formerly Hyundai Plaspo Co., Ltd.)
Vesting condition	2 years of service from the grant date

(*) The exercise price for one of the granted stock options is KRW 11,815.

22. Share-based payment arrangements(cont'd)

(2) Changes in stock options for each of the two years in the period ended December 31, 2025 are as follows:

Category	2025	2024
Unexercised quantity at the beginning	56,530 shares	56,530 shares
Expired quantity	-	-
Unexercised quantity at the end	56,530 shares	56,530 shares

23. Capital adjustment

Details of capital adjustments as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025			December 31, 2024		
	Shares	Acquisition cost	Fair value	Shares	Acquisition cost	Fair value
Treasury shares	54,431 shares	15,241	42,130	54,431 shares	15,241	20,793

24. Accumulated other comprehensive income

(1) Details of the accumulated other comprehensive income as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	Dec. 31, 2025	Dec. 31, 2024
Gains (losses) on evaluation of derivatives	2,111	(951)
Gains on revaluation of property, plant and equipment	86,933	68,008
Financial assets at fair value through other comprehensive income	(1,001)	(1,032)
Gains on translation of foreign operations	50,717	53,054
Total	138,760	119,079

(2) Details of other comprehensive income for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Category	Pre-tax amount	Tax effect	After-tax amount
Gains (losses) on valuation of derivatives	4,118	(1,056)	3,062
Gains (losses) on revaluation of property, plant and equipment	28,438	(9,513)	18,925
Actuarial gains (losses)	(8,191)	2,156	(6,035)
Financial assets at fair value through other comprehensive income	2,631	31	2,662
Losses on translation of foreign operations	(2,336)	-	(2,336)
Total	24,660	(8,382)	16,278

24. Accumulated other comprehensive income (cont'd)

② For the year ended December 31, 2024:

(In millions of Korean won)			
Category	**Pre-tax amount**	**Tax effect**	**After-tax amount**
Gains (losses) on valuation of derivatives	(1,371)	330	(1,041)
Actuarial gains (losses)	(13,612)	3,275	(10,337)
Financial assets at fair value through other comprehensive income	34	(8)	26
Gains on translation of foreign operations	35,404	-	35,404
Total	20,455	3,597	24,052

25. Retained earnings

(1) Details of retained earnings as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)		
Category	**December 31, 2025**	**December 31, 2024**
Legal reserve(*)	31,494	9,358
Unappropriated retained earnings	1,291,225	806,518
Total	1,322,719	815,876

(*) In accordance with the *Commercial Act* of the Republic of Korea, the Group is required to appropriate at least 10% of the profit distribution in cash as a legal reserve until it reaches 50% of the capital stock. This legal reserve cannot be used for cash dividends and may only be used for capital increase or offsetting deficits.

26. Changes in ownership interests in subsidiaries

(1) Acquisition of subsidiaries

On March 25, 2025, the Board of Directors of the Group approved the establishment of a new overseas entity. Pursuant to this resolution, the Group acquired an equity interest in HD Hyundai Electric Texas LLC on April 30, 2025. Details are as follows:

(In millions of Korean won)	
Category	**HD Hyundai Electric Texas LLC.**
Number of shares acquired (*)	-
Acquisition cost	1,439
Ownership interest (%)	100.00

(*) The entity is a limited liability company and, accordingly, has no issued shares.

26. Changes in ownership interests in aubsidiaries(cont'd)

(2) Changes in ownership interests in subsidiaries

(In millions of Korean won)					
Subsidiary	**Effective ownership interest before transaction (%)**	**Effective ownership interest after transaction (%)**	**Reason for change in ownership**	**Change in non-controlling interests**	**Change in owners of the parent**
HD Hyundai Plaspo Co., Ltd.	61.84%	73.99%	Capital transaction within the Group	(1,782)	461

27. Sales

(1) The breakdown of sales for each of the two years in the period ended December 31, 2025 is as follows:

(In millions of Korean won)		
Category	**2025**	**2024**
Construction contracts (*)	3,135	20,936
Sales of goods	4,061,785	3,282,294
Others	14,578	19,119
Total	4,079,498	3,322,349

(*) The sales from construction contracts arises from performance obligations satisfied over time.

For the year ended December 31, 2025, overseas sales amount to KRW 3,147,338 million, while domestic sales amount KRW to 932,160 million.

Sales to major customers who account for more than 10% of the total sales for the year ended December 31, 2025 amount to KRW 421,224 million while sales to major customers who account for more than 10% of the total sales for the year ended December 31, 2024 amount to KRW 549,148 million.

Sales from contracted goods for the year ended December 31, 2025 amount to KRW 3,685,799 million, while sales from contracted goods for the year ended December 31, 2024 amount to KRW 2,969,006 million.

(2) Changes in construction contract revenue for the year ended December 31, 2025 are as follows:

(In millions of Korean won)	
Category	**2025**
Beginning contract balance (*)	3,516
New contract amount	61,492
Revenue	(3,135)
Gains on translation of foreign operations	539
Ending contract balance	62,412

(*) The opening contract balance is recalculated based on the foreign currency amount as of December 31, 2024, using an appropriate exchange rate.

The Group has deposited a certain amount of reserve (guarantee deposit) or submitted a payment guarantee certificate from a financial institution for bid bonds, performance bonds, advance payment guarantees, and defect bonds related to the above construction contracts with the client.

27. Sales (cont'd)

(3) Details of accumulated construction revenue and the related information on ongoing projects as of December 31, 2025 are as follows:

(In millions of Korean won)

Cumulative construction revenue	Cumulative construction costs	Cumulative construction loss	Construction receivables(*)		Contract liabilities	Provision for construction loss
			Billable amount	Contract assets		
151,001	159,338	(8,337)	3,247	11,141	1,385	3,324

(*) As of December 31, 2025, the allowance for doubtful accounts related to construction receivables is KRW 10,575 million.

There are no amounts withheld for collection according to the contract terms in the above construction receivables.

The payment collection terms are based on a milestone system, and therefore, trade receivable, contract assets, and contract liabilities fluctuate depending on the progress of the construction.

(4) Details of the contract information on major projects with contract revenue amounting to 5% or more of the previous year's sales are as follows:

(In millions of Korean won)

Contract name	Contract date	Construction deadline	Progress rate	Contract assets		Trade receivable	
				Total amount	Allowance for doubtful accounts	Total amount	Allowance for doubtful accounts
Rabigh 2**(*)**	Nov. 29, 2013	Dec. 31, 2025	100.00%	-	-	-	-
Anjwa BESS	Dec. 19, 2025	Dec. 31, 2026	-	-	-	-	-

(*) Included pursuant to applicable disclosure requirements, even though the contract revenue amounted to less than 5% of the previous year's sales since the construction was completed during 2025.

27. Sales (cont'd)

(5) Impact of changes in the total contract cost estimates

① Impact of changes in the total contract cost

For the year ended December 31, 2025 cost fluctuation factors occurred, leading to changes in the estimated total contract cost for ongoing contracts as of the consolidated financial statement date. As a result, the amounts affecting the current and future periods' profit or loss, contract assets, and contract liabilities are as follows:

(In millions of Korean won)

Changes in total contract revenue(*)	Changes in estimated total contract costs	Changes in construction profit or loss			Changes in contract assets	Changes in contract liabilities
		Current period	Future	Total		
(461)	(1,632)	1,506	(335)	1,171	(213)	(1,724)

(*) Since it is not possible to directly separate the change in total contract revenue due to the change in estimated total contract costs, the change in total contract revenue (including foreign exchange fluctuation) was used for the calculation.

The impact on current and future profit or loss is based on the estimated total contract cost and total contract revenue calculated based on the situation that occurred in the current period. These estimates may change due to future changes in circumstances.

② Sensitivity Analysis of Changes in Total Contract Cost Estimates

The amounts of contract assets and contract liabilities are influenced by the progress rate, which is calculated by dividing the cumulative contract cost by the estimated total contract cost. The estimated total contract cost is based on future estimates such as material costs, labor costs, and construction periods, and is subject to fluctuations due to changes in exchange rates, site installation costs, and other factors.

To mitigate the risks arising from exchange rate fluctuations, the Group enters into foreign exchange forward contracts to reduce short-term price volatility risks. For performance obligations that are fulfilled over time, there may be uncertainties related to work at the installation site. If site installation costs fluctuate by 10%, the impact on current profit or loss, future profit or loss, contract assets, and contract liabilities is as follows:

(In millions of Korean won)

Impact on current period profit of loss		Impact on future profit or loss		Changes in contract assets		Changes in contract liabilities	
10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
(359)	492	(4,819)	4,634	-	-	31	(30)

(6) Contract with customers

① Sources of revenue

The sources of revenue for the Group for each of the two years in the period ended December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	2025	2024
Revenue from contracts with customers	4,079,498	3,322,349

27. Sales (cont'd)

② Classification of revenue

Details of revenue recognized by Group from contracts with customers by category for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Revenue by geography:		
South Korea	932,160	953,474
North America	1,611,950	999,958
Asia (including Middle East)	1,098,132	1,045,865
Europe	413,598	294,208
Others	23,658	28,844
Total	4,079,498	3,322,349
Timing of revenue recognition:		
Revenue recognized at point of delivery	4,056,557	3,274,765
Revenue recognized over time	22,941	47,584
Total	4,079,498	3,322,349
Contract duration:		
Short-term contracts (within 1 year)	584,352	766,481
Long-term contracts (over 1 year)	3,495,146	2,555,868
Total	4,079,498	3,322,349

③ Contract balances

a. As of December 31, 2025 and 2024, the carrying amounts of receivables arising from contracts with customers for the Group are as follows:

		(In millions of Korean won)
Category	**December 31, 2025**	**December 31, 2024**
Trade receivable:		
Trade receivable	796,640	849,990
Less: allowance for doubtful accounts	(60,954)	(51,498)
Total	735,686	798,492

27. Sales (cont'd)

The carrying amounts of contract assets and contract liabilities arising from contracts with customers as of December 31, 2025 and 2024 are as follows:

		(In millions of Korean won)
Category	**December 31, 2025**	**December 31, 2024**
Contract assets:		
Contract assets	358,449	212,910
Less: allowance for doubtful accounts	(41,501)	(42,028)
Total	316,948	170,882
Contract liabilities:		
Current contract liabilities	1,463,103	1,051,917
Non-current contract liabilities	19,380	19,967
Total	1,482,483	1,071,884

b. Changes in contract assets for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Beginning	170,882	220,881
Revenue recognition	321,541	125,614
Reclassified to accounts receivable	(176,002)	(165,438)
Impairment	527	(10,175)
Ending	316,948	170,882

c. Changes in contract liabilities for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Beginning	1,071,884	468,137
Revenue recognition	(655,795)	(384,409)
Increase due to advances received/obligations incurred	1,066,394	988,156
Ending	1,482,483	1,071,884

28. Selling, general and administrative expenses

The detailed breakdown of selling and administrative expenses for each of the two years in the period ended December 31, 2025 is as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Salaries	65,693	59,053
Bonuses	23,913	24,319
Retirement benefits	5,018	6,900
Employee welfare	22,808	16,717
Depreciation of property, plant and equipment	2,304	2,491
Depreciation of investment properties	130	126
Amortization of right-of-use assets	6,379	5,308
Amortization of intangible assets	2,687	3,514
Bad debt expense (reversal)	8,853	(4,278)
Ordinary development	85,934	68,433
Advertisement	23,590	7,708
Publication	257	212
Power	3,760	592
Warranty repairs	30,957	59,650
Insurance premiums	4,110	3,440
Office supplies	1,003	733
Consumables	284	253
Repairs	3,712	4,775
Travel	6,118	5,238
Research	660	790
Service	18,908	21,442
Transportation	5,265	4,449
Rents	6,568	5,135
IT	5,261	4,337
Entertainment	1,126	1,136
Payment commission	16,931	33,302
Vehicle maintenance	834	796
Sales commissions	30,820	27,662
Others	13,643	11,362
Total	397,526	375,595

29. Nature of expenses

The information on the classification of costs by nature for each of the two years in the period ended December 31, 2025 is as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Change in inventory	(185,127)	(231,666)
Purchases of inventory	2,162,849	1,821,762
Depreciation of property, plant and equipment	48,643	42,803
Depreciation of right-of-use assets	16,383	13,576
Amortization of intangible assets	8,562	8,743
Labor costs	379,934	361,422
Others	652,941	636,738
Total(*)	3,084,185	2,653,378

(*) It is the sum of cost of sales and selling, general, and administrative expenses.

30. Finance income and finance costs

The breakdown of finance income and costs for each of the two years in the period ended December 31, 2025 is as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Finance income:		
Interest income	24,972	13,975
Dividend income	10	25
Profit from financial assets at FVTPL	73	2
Gains on revaluation of derivatives	834	-
Gains on trading of derivatives	14,665	18
Gains on foreign exchange translation	10,848	49,331
Gains on foreign exchange rate transaction	81,786	82,789
Total	133,188	146,140
Finance costs:		
Interest expenses	16,787	29,592
Loss from financial assets at FVTPL	-	222
Losses on revaluation of derivatives	13,422	47,211
Losses on trading of derivatives	2,537	28,728
Losses on foreign exchange translation	11,588	2,493
Losses on foreign exchange transaction	111,326	44,776
Total	155,660	153,022

31. Other non-operating income and other non-operating expenses

The breakdown of other non-operating income and other non-operating expenses for each of the two years in the period ended December 31, 2025 is as follows:

	(In millions of Korean won)	
Category	**2025**	**2024**
Other non-operating income:		
Profit from disposal of property, plant and equipment	446	167
Profit from disposal of right-of-use assets	-	16
Profit from disposal of other current assets	49	1
Reversal of other allowance for doubtful accounts	6	6
other gains(*1,2)	8,931	13,076
Total	9,432	13,266
Other non-operating expenses:		
Payment commission	869	1,799
Loss on disposal of property, plant and equipment	517	273
Loss on disposal of right-of-use assets	-	3
Impairment loss on intangible assets	152	9,898
Donations	16,685	11,372
Miscellaneous losses	7,665	1,911
Total	25,888	25,256

(*1) For the year ended December 31, 2025, KRW 3,248 million was recorded as other gains due to the outcome of an anti-dumping lawsuit.
(*2) For the year ended December 31, 2024, KRW 8,671 million was recorded as other gains due to the outcome of an anti-dumping lawsuit.

32. Income tax expense

(1) The components of the income tax expense for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Current income tax expense	309,126	121,199
Adjustments related to income taxes for previous periods	2,457	3,473
Deferred tax effects arising from temporary differences	(78,632)	23,393
Income tax expense directly recognized in equity	(8,382)	3,597
Total income tax expense	224,569	151,662

(2) Details of income tax expenses related to items recognized outside of profit or loss for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Financial assets at FVOCI	31	(8)
Gains (losses) on valuation of derivatives	(1,056)	330
Losses on revaluation of property, plant, and equipment	(9,513)	-
Actuarial gains	2,156	3,275
Income tax expense recognized directly in equity	(8,382)	3,597

(3) The relationship between income tax expense and accounting profit for each of the two years in the period ended December 31, 2025 is as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Profit before tax	956,385	650,072
Income tax expense by applying income tax rate	275,488	181,518
Adjustments:		
- Income tax effect of expenses not deductible for tax purposes	1,172	428
- Tax credit	(4,743)	(3,130)
- Effect of changes in tax rate	(44)	(434)
- Others	(47,304)	(26,720)
Income tax expense	224,569	151,662
Average effective tax rate	23.48%	23.33%

32. Income tax expense (cont'd)

(4) The deferred tax assets and the deferred tax effects arising from temporary differences, etc., for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Ending deferred tax assets	233,786	155,154
Beginning deferred tax assets	155,154	178,547
Deferred tax effects arising from temporary differences, etc.	(78,632)	23,393

(5) The deferred tax effect of temporary differences at the end of the period is calculated by applying the expected future tax rate for the accounting period in which the temporary differences will reverse.

(6) The deferred tax assets and liabilities of the Group are subject to corporate tax imposed by the same tax authority, and the Group only offsets deferred tax assets and liabilities in the balance sheet if it has the legal right and intention to offset the amounts.

(7) Changes in deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2025:

① For the year ended December 31, 2025:

			(In millions of Korean won)
Category	**Beginning**	**Change**	**Ending**
Allowance for doubtful accounts	32,588	4,737	37,325
Accrued income	8,907	9,100	18,007
Defined benefit obligation	24,520	4,895	29,415
Plan assets	(26,002)	(5,782)	(31,784)
Provision for losses	5,266	4,504	9,770
Warranty provision	38,922	5,686	44,608
Land revaluation surplus	(35,448)	(10,821)	(46,269)
Depreciation	(16,154)	613	(15,541)
Derivatives	301	(1,055)	(754)
Gains (losses) on foreign exchange translation	(12,956)	8,389	(4,567)
Allowances for annual and monthly leaves	4,487	(986)	3,501
Others	125,385	58,713	184,098
Subtotal	149,816	77,993	227,809
Deficit carried forward	-	379	379
Tax credit carried forward	5,338	260	5,598
Total	155,154	78,632	233,786

32. Income tax expense (cont'd)

② For the year ended December 31, 2024:

(In millions of Korean won)			
Category	**Beginning**	**Change**	**Ending**
Allowance for doubtful accounts	33,280	(692)	32,588
Accrued income	8,249	658	8,907
Defined benefit obligation	21,506	3,014	24,520
Plan assets	(21,826)	(4,176)	(26,002)
Provision for losses	13,865	(8,599)	5,266
Warranty provision	31,631	7,291	38,922
Land revaluation surplus	(35,448)	-	(35,448)
Depreciation	6,865	(23,019)	(16,154)
Derivatives	(25)	326	301
Gains (losses) on foreign exchange translation	582	(13,538)	(12,956)
Allowances for annual and monthly leaves	4,035	452	4,487
Others	59,684	65,701	125,385
Subtotal	122,398	27,418	149,816
Deficit carried forward	49,133	(49,133)	-
Tax credit carried forward	7,016	(1,678)	5,338
Total	178,547	(23,393)	155,154

(8) The timing of the recovery and settlement of deferred tax assets and liabilities as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)		
Category	**Dec. 31, 2025**	**Dec. 31, 2024**
Deferred tax assets (liabilities)		
Deferred tax assets (liabilities) expected to be recovered (settled) after 12 months	75,954	12,367
Deferred tax assets (liabilities) expected to be recovered (settled) within 12 months	157,832	142,787
Total	233,786	155,154

(9) Details of temporary differences for which deferred tax assets have not been recognized as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)			
Category	**December 31, 2025**	**December 31, 2024**	**Reason**
Treasury shares	15,241	15,241	Not recognized in accordance with paragraph 24 of KIFRS 1012
Impairment of investment(s) in subsidiaries	15,191	-	Unlikely to reverse

(10) Legislation on Pillar Two Model Rules

The Group has applied the temporary exemption provision for deferred taxes under KIFRS 1012, and has not recognized deferred tax assets and liabilities related to Pillar Two Model Rule. Consequently, no information related to deferred taxes is disclosed.

Under the global minimum tax legislation, the Parent Company is required to pay additional tax on the profits of subsidiaries taxed at an effective tax rate of less than 15% to the tax authorities of the Republic of Korea or countries in which the subsidiaries domicile. Based on the current consolidated financial statements, the

compliance of each jurisdiction in which subsidiaries operate their business with the exemption requirements of Article 80 of the *Adjustment of International Taxes Act* was

32. Income tax expense (cont'd)

reviewed, and it was determined that all jurisdictions meet the applicable requirements. Therefore, the Group's current income tax expenses do not include income tax expenses related to the legislation on Pillar Two Model Rules. The estimated annual effective tax rate may change due to various factors, including tax benefits provided to subsidiaries and adjustments to the net income required to calculate the global minimum taxable income as stipulated in the legislation for the subsequent interim periods. Accordingly, the estimation of income tax expenses related to Pillar Two Model Rules is exposed to uncertainty.

33. Leases

(1) Group as a lessee

The information on leases where the Group is the leases for each of the two years in the period ended December 31, 2025 is as follows:

1) Details of the right-of-use assets as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(In millions of Korean won)

Category	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Total
Acquisition cost	869	117,550	1,766	637	5,221	773	126,816
Accumulated depreciation	(363)	(52,159)	(1,286)	(177)	(2,642)	(244)	(56,871)
Accumulated impairment loss	(60)	-	-	-	(302)	-	(362)
Ending book value	446	65,391	480	460	2,277	529	69,583

② As of December 31, 2024:

(In millions of Korean won)

Category	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Total
Acquisition cost	860	90,556	1,690	-	4,296	462	97,864
Accumulated depreciation	(321)	(37,505)	(987)	-	(2,080)	(316)	(41,209)
Accumulated impairment loss	(60)	-	-	-	(302)	-	(362)
Ending book value	479	53,051	703	-	1,914	146	56,293

33. Leases (cont'd)

2) Details of right-of-use assets as of December 31, 2025 and 2024 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Category	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Total
Beginning	479	53,051	703	-	1,914	146	56,293
Depreciation	(42)	(14,799)	(313)	(177)	(864)	(188)	(16,383)
Additions/adjustments	9	27,098	96	637	1,268	572	29,680
Return/cancellation	-	(194)	-	-	(54)	-	(248)
Gains on translation of foreign operations	-	235	(6)	-	13	(1)	241
Ending	446	65,391	480	460	2,277	529	69,583

② For the year ended December 31, 2024:

(In millions of Korean won)

Category	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Total
Beginning	521	24,041	567	474	1,542	-	27,145
Depreciation	(42)	(12,580)	(217)	-	(640)	(97)	(13,576)
Additions/adjustments	-	41,363	340	(502)	1,011	233	42,445
Return/cancellation	-	(79)	-	-	(30)	-	(109)
Gains on translation of foreign operations	-	306	13	28	31	10	388
Ending	479	53,051	703	-	1,914	146	56,293

3) Details of the amounts recognized in profit or loss for each of the two years in the period ended December 31, 2025 are as follows:

(In millions of Korean won)

Category	2025	2024
Depreciation of right-of-use assets	16,383	13,576
Interest expense on lease liabilities	3,540	3,141
Expenses related to short-term leases	1,159	819
Expenses related to leases other than short-term leases for low-value assets	132	254
Total	21,214	17,790

4) Details of the amounts recognized in the consolidated statement of cash flows are as follows:

(In millions of Korean won)

Category	2025	2024
Total cash outflows for leases	20,251	16,056

(2) Lessor

The Group provides land, classified as a right-of-use asset, under subleases, which is categorized as a finance lease. As of December 31, 2025, all lease receivables have been collected, and there is no outstanding receivable balance.

34. Earnings per Share (EPS)

(1) The basic earnings per share are calculated for each of the two years in the period ended December 31, 2025 as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Net income	732,605	501,567
Weighted average number of common shares outstanding (*)	35,992,704 shares	35,992,704 shares
Earnings per Share	KRW 20,354	KRW 13,935

(*) Weighted average number of common shares outstanding

						(Unit: shares)
Category	**2025**			**2024**		
	Common shares outstanding	**Weighting**	**Weighted average number of common shares outstanding**	**Common shares outstanding**	**Weighting**	**Weighted average number of common shares outstanding**
Beginning	36,047,135	365 days /365 days	36,047,135	36,047,135	366 days /366 days	36,047,135
Treasury shares	(54,431)	365 days /365 days	(54,431)	(54,431)	366 days /366 days	(54,431)
Weighted average number of common shares outstanding	35,992,704		35,992,704	35,992,704		35,992,704

(2) The Group does not calculate diluted earnings per share as it does not have any potentially dilutive common shares.

35. Cash flows from operating activities

(1) Details of cash flows generated from operating activities for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
(1) Net income	731,816	498,409
(2) Adjustments	508,529	616,712
Retirement benefits	15,524	13,281
Depreciation of property, plant, and equipment	48,643	42,803
Depreciation of investment properties	130	126
Depreciation of right-of-use assets	16,383	13,576
Amortization of intangible assets	8,562	8,744
Allowance for doubtful accounts (reversal)	8,853	(4,278)
Finance income	(51,402)	(63,333)
Finance expenses	44,335	79,518
Other operating income	(1,183)	615
Other operating expenses	669	12,617
Income tax expense	224,569	151,662
Decrease (increase) in trade receivable	52,554	(107,440)
Decrease (increase) in other receivables	(1,647)	22,300
Decrease (increase) in contract assets	(146,706)	54,896
Increase in inventories	(196,366)	(170,469)
Decrease (increase) in derivatives	(32,508)	2,462
Decrease (increase) in other current assets	(12,540)	22,285
Increase in other non-current assets	(4,470)	(10,214)
Increase (decrease) in trade payable	79,254	(12,813)
Increase in other payables	30,837	41,807
Increase in contract liabilities	426,411	518,067
Decrease in other current liabilities	(1,968)	(2,802)
Increase in long-term other payables	1,279	1,115
Payment of retirement benefits	(20,561)	(14,539)
Transfer of defined benefit liabilities	1,658	793
Increase in plan assets	(11,511)	(7,880)
Increase in provisions	29,730	23,813
Total	1,240,345	1,115,121

(2) Significant non-cash transactions for each of the two years in the period ended December 31, 2025 are as follows:

		(In millions of Korean won)
Category	**2025**	**2024**
Transfer of construction-in-progress to the item of asset	179,900	94,614
Transfer of current portion of long-term borrowings	30,440	-
Transfer of current portion of bonds	90,000	107,000
Recognition of right-of-use assets and lease liabilities	29,680	42,445
Increase in payables for acquisition of property, plant and equipment	2,958	1,462

36. Financial assets

(1) The carrying amounts of financial instruments by category as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(In millions of Korean won)

Category	Cash flow hedge	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Financial assets:					
Cash and cash equivalents	-	-	-	950,782	950,782
Short-term financial assets	-	-	-	17,261	17,261
Trade receivable and other receivables	-	-	-	774,761	774,761
Contract assets	-	-	-	316,948	316,948
Long-term financial assets	-	3,097	2,948	668	6,713
Long-term trade receivable and other receivables	-	-	-	6,182	6,182
Derivative assets (current)	2,866	782	-	-	3,648
Total financial assets	2,866	3,879	2,948	2,066,602	2,076,295
Financial liabilities:					
Short-term financial liabilities	-	-	-	139,200	139,200
Trade payable and other payables	-	-	-	607,925	607,925
Derivative liabilities (current)	-	15,500	-	-	15,500
Current lease liabilities	-	-	-	17,159	17,159
Long-term financial liabilities	-	-	-	46,859	46,859
Long-term trade payable and other payables	-	-	-	3,635	3,635
Non-current lease liabilities	-	-	-	55,347	55,347
Total financial liabilities	-	15,500	-	870,125	885,625

36. Financial assets (cont'd)

② As of December 31, 2024:

(In millions of Korean won)

Category	Cash flow hedge	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Financial assets:					
Cash and cash equivalents	-	-	-	569,772	569,772
Short-term financial assets	-	-	-	32,987	32,987
Trade receivable and other receivables	-	-	-	832,343	832,343
Contract assets	-	-	-	170,882	170,882
Long-term financial assets	-	3,014	643	1,096	4,753
Long-term trade receivable and other receivables	-	-	-	7,207	7,207
Total financial assets	-	3,014	643	1,614,287	1,617,944
Financial liabilities:					
Short-term financial liabilities	-	-	-	126,798	126,798
Trade payable and other payables	-	-	-	500,633	500,633
Derivative liabilities (current)	1,252	44,635	-	-	45,887
Current lease liabilities	-	-	-	13,898	13,898
Long-term financial liabilities	-	-	-	166,950	166,950
Derivative liabilities (non-current)	-	2,130	-	-	2,130
Long-term trade payable and other payables	-	-	-	2,428	2,428
Non-current lease liabilities	-	-	-	44,133	44,133
Total financial liabilities	1,252	46,765	-	854,840	902,857

36. Financial assets (cont'd)

(2) The profits or losses by category of financial instruments for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Classification	Cash flow hedge	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Net income:							
Interest income (*)	-	-	-	-	24,972	-	24,972
Dividend income	-	-	-	10	-	-	10
Gain on valuation of financial assets at FVTPL	-	73	-	-	-	-	73
Gain valuation of derivatives	-	782	52	-	-	-	834
Gain on transaction of derivatives	-	-	14,665	-	-	-	14,665
Gain on foreign exchange transaction	-	-	-	-	79,742	2,044	81,786
Gain on foreign exchange translation	-	-	-	-	10,291	557	10,848
Reversal of allowance for doubtful accounts	-	-	-	-	1,601	-	1,601
Reversal of other allowance for doubtful accounts	-	-	-	-	6	-	6
Gain on disposal of other investments	-	-	-	-	49	-	49
Bad debt expense	-	-	-	-	(10,454)	-	(10,454)
Interest expense (*)	-	-	-	-	-	(16,787)	(16,787)
Loss on valuation of financial assets at FVTPL	-	-	-	-	-	-	-
Loss on valuation of derivatives	-	-	(13,422)	-	-	-	(13,422)
Loss on transaction of derivatives	-	(1,328)	(1,209)	-	-	-	(2,537)
Loss on foreign exchange transaction	-	-	-	-	(105,193)	(6,132)	(111,325)
Loss on foreign exchange translation	-	-	-	-	(10,596)	(992)	(11,588)
Payment commission	-	-	-	-	(653)	(216)	(869)
Subtotal	-	(473)	86	10	(10,235)	(21,526)	(32,138)
Other comprehensive income:							

(In millions of Korean won)

Classification	Cash flow hedge	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Loss on valuation of derivatives	3,062	-	-	-	-	-	3,062
Gain on valuation of financial assets at FVOCI	-	-	-	31	-	-	31
Subtotal	3,062	-	-	31	-	-	3,093
Total	3,062	(473)	86	41	(10,235)	(21,526)	(29,045)

(*) It includes interest income/expense based on the amortization of the effective interest rate.

② For the year ended December 31, 2024:

(In millions of Korean won)

Classification	Cash flow hedge	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Net income:						
Interest income (*)	-	-	-	13,975	-	13,975
Dividend income	-	-	25	-	-	25
Gain on valuation of financial assets at FVTPL	-	2	-	-	-	2
Gain valuation of derivatives	-	-	-	-	-	-
Gain on transaction of derivatives	-	-	-	-	18	18
Gain on foreign exchange transaction	-	-	-	81,199	1,590	82,789
Gain on foreign exchange translation	-	-	-	47,514	1,817	49,331
Reversal of allowance for doubtful accounts	-	-	-	7,428	-	7,428
Reversal of other allowance for doubtful accounts	-	-	-	6	-	6
Gain on disposal of other investments	-	-	-	1	-	1
Bad debt expense	-	-	-	(3,149)	-	(3,149)
Interest expense (*)	-	-	-	-	(29,592)	(29,592)
Loss on valuation of financial assets at FVTPL	-	(222)	-	-	-	(222)
Loss on valuation of financial assets	-	(47,211)	-	-	-	(47,211)
Loss on valuation of derivatives	-	(28,728)	-	-	-	(28,728)

(In millions of Korean won)

Classification	Cash flow hedge	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Loss on transaction of derivatives	-	-	-	(41,239)	(3,537)	(44,776)
Loss on foreign exchange transaction	-	-	-	(1,400)	(1,093)	(2,493)
Loss on foreign exchange translation	-	-	-	(1,483)	(316)	(1,799)
Payment commission	-	(76,159)	25	102,852	(31,113)	(4,395)
Other comprehensive income:						
Loss on valuation of derivatives	(1,041)	-	-	-	-	(1,041)
Gain on valuation of financial assets at FVOCI	-	-	26	-	-	26
Subtotal	(1,041)	-	26	-	-	(1,015)
Total	(1,041)	(76,159)	51	102,852	(31,113)	(5,410)

(*) It includes interest income/expense based on the amortization of the effective interest rate.

37. Financial risk management

(1) Credit risk

① Exposure to credit risk

The carrying amounts of financial assets means maximum exposure in respect of credit risk. The maximum exposure as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	Dec. 31, 2025	Dec. 31, 2024
Cash and cash equivalents	950,782	569,772
Short-term financial instruments	17,261	32,987
Long-term financial instruments	668	1,096
Financial assets at fair value through other comprehensive income (non-current)	2,948	643
Financial assets at fair value through profit or loss (non-current)	3,097	3,014
Trade receivables and other receivables	774,761	832,343
Long-term trade receivables and other receivables	6,182	7,207
Contract assets	316,948	170,882
Derivative assets	3,648	-
Total	2,076,295	1,617,944

The maximum exposure to credit risk by geography for current and non-current financial instruments, trade receivables, other receivables, and contract assets as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025	December 31, 2024
South Korea	328,565	310,574
North America	285,906	186,671
Asia	378,397	493,736
Europe	117,273	43,735
Others	5,679	9,799
Total	1,115,820	1,044,515

37. Financial risk management (cont'd)

② Impairment losses

a. The aging of current and non-current financial instruments, trade receivables, other receivables, and contract assets, along with the impaired amounts for each aging category, as of December 31, 2025 and 2024 is as follows:

(In millions of Korean won)

Category	December 31, 2025		December 31, 2024	
	Receivable balance	Impaired amount	Receivable balance	Impaired amount
Not past due	235,780	(1,323)	257,558	(1,543)
Within 6 months	591,216	(2,106)	504,363	(2,087)
6 to 12 months	145,319	(1,138)	120,483	(1,331)
1 to 3 years	155,549	(30,745)	159,782	(20,417)
More than 3 years	142,183	(118,917)	147,625	(119,918)
Total	1,270,047	(154,229)	1,189,811	(145,296)

b. Changes in the allowances for doubtful accounts for trade receivables, other receivables, and contract assets for each of the two years in the period ended December 31, 2025 are as follows:

(In millions of Korean won)

Category	2025		2024	
	Trade receivables and other receivables	Contract assets	Trade receivables and other receivables	Contract assets
Beginning	103,268	42,028	116,683	31,853
Amount established	14,747	12,608	11,086	10,175
Reversal	(5,241)	(13,134)	(24,410)	-
Write-off	(47)	-	(91)	-
Ending	112,727	41,502	103,268	42,028

The allowance for doubtful accounts for trade receivables, other receivables, and contract assets is used to record impairment losses until the Group is certain that the asset amounts cannot be recovered. If the Group determines that the asset cannot be recovered, the allowance for doubtful accounts is offset against the financial assets.

37. Financial risk management (cont'd)

c. The impairment losses arising from receivables other than trade receivables for each of the two years in the period ended December 31, 2025 are recognized as other operating income and expenses, and their details are as follows:

	(In millions of Korean won)	
Category	**2025**	**2024**
Reversal of other allowance for doubtful accounts	6	6

37. Financial risk management (cont'd)

(2) Liquidity risk

① Liquidity risk

a. The contractual maturities of financial liabilities as of December 31, 2025 are as follows. The amounts include interest payments and do not reflect the effects of offsetting agreements.

(In millions of Korean won)

Category	Carrying amount	Contractual cash flows	Within 6 months	6 - 12 months	1 - 3 years	More than 3 years
Non-derivative financial liabilities:						
Short-term borrowings	18,836	19,065	7,638	11,427	-	-
Current bonds	89,924	92,107	91,821	286	-	-
Current long-term borrowings	30,440	30,440	-	30,440	-	-
Current lease liabilities	17,159	17,801	8,730	9,071	-	-
Trade payables and other payables	607,925	631,540	538,699	92,841	-	-
Long-term borrowings	-	-	-	-	-	-
Bonds	46,859	50,892	999	999	38,670	10,224
Long-term trade payables and other payables	3,635	3,635	-	-	-	3,635
Non-current lease liabilities	55,347	67,849	-	-	22,733	45,116
Total	870,125	913,329	647,887	145,064	61,403	58,975

The maximum exposure of the Group related to debt guarantees for the Employee Stock Ownership members as of December 31, 2025 is KRW 240 million (refer to Notes 38 and 40).

37. Financial risk management (cont'd)

b. The contractual maturities of financial liabilities as of December 31, 2024 are as follows. The amounts include interest payments and do not reflect the effects of offsetting agreements.

(In millions of Korean won)

Category	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 3 years	Over 3 years
Non-derivative financial liabilities:						
Short-term borrowings	19,905	20,164	9,808	10,356	-	-
Current bonds	106,893	110,277	91,788	18,489	-	-
Current long-term borrowings	-	-	-	-	-	-
Current lease liabilities	13,898	14,495	7,343	7,152	-	-
Trade payables and other payables	500,633	502,188	398,524	103,664	-	-
Long-term borrowings	30,440	32,567	(4,395)	31,478	606	4,878
Bonds	136,510	149,957	3,259	3,259	132,768	10,671
Long-term trade payables and other payables	2,428	2,429	-	-	118	2,311
Non-current lease liabilities	44,133	55,978	-	-	18,706	37,272
Total	854,840	888,055	506,327	174,398	152,198	55,132

The maximum exposure of the Group related to debt guarantees for the Employee Stock Ownership members as of December 31, 2024 is KRW 720 million (refer to Notes 38 and 40).

The Group does not expect this cash flow to occur significantly earlier or in a significantly different amount.

② Cash flows of derivative instruments

a. The expected periods in which cash flows related to derivatives designated for cash flow hedging are expected to occur for the year ended December 31, 2025 are as follows:

(In millions of Korean won)

Category	Carrying amount	Expected cash flows	Within 6 months	6 to 12 months	1 to 3 years	Over 3 years
Commodity derivatives:						
Assets	2,866	2,866	2,306	560	-	-

37. Financial risk management (cont'd)

b. The expected periods in which cash flows related to derivatives designated for cash flow hedging are expected to occur for the year ended December 31, 2024 are as follows:

(In millions of Korean won)

Category	Carrying amount	Expected cash flows	Within 6 months	6 to 12 months	1 to 3 years	Over 3 years
Commodity derivatives:						
Liabilities	(1,252)	(1,252)	(887)	(365)	-	-

(3) Exchange rate risk

① Exposure to exchange rate risk

a. The degree of exposure of the Group to exchange rate risk as of December 31, 2025 is as follows:

(In millions of Korean won)

Category	USD	EUR	CNY	JPY	Other Currencies	Total
Cash and cash equivalents	508,599	33,065	-	24	758	542,446
Trade receivables and other receivables	504,695	45,586	1,569	18	73,080	624,948
Contract assets	363,525	350	-	-	119,124	482,999
Total assets	1,376,819	79,001	1,569	42	192,962	1,650,393
Trade payables and other payables	(570,464)	(5,873)	(4,758)	(155)	(20,176)	(601,426)
Borrowings and bonds	(3,587)	-	-	-	-	(3,587)
Total liabilities	(574,051)	(5,873)	(4,758)	(155)	(20,176)	(605,013)
Net on consolidated financial statements	802,768	73,128	(3,189)	(113)	172,786	1,045,380
Derivative contracts	(548,132)	-	-	-	-	(548,132)
Net exposure	254,636	73,128	(3,189)	(113)	172,786	497,248

37. Financial risk management (cont'd)

b. The degree of exposure of the Group to exchange rate risk as of December 31, 2024 is as follows:

(In millions of Korean won)

Category	USD	EUR	CNY	JPY	Other Currencies	Total
Cash and cash equivalents	410,254	41	-	18	14,833	425,146
Trade receivables and other receivables	478,877	6,429	2,349	53	163,069	650,777
Contract assets	206,831	700	-	-	126,780	334,311
Total assets	1,095,962	7,170	2,349	71	304,682	1,410,234
Trade payables and other payables	(435,090)	(4,810)	(5,217)	(373)	(39,643)	(485,133)
Borrowings and bonds	-	(575)	-	-	-	(575)
Total liabilities	(435,090)	(5,385)	(5,217)	(373)	(39,643)	(485,708)
Net on consolidated financial statements	660,872	1,785	(2,868)	(302)	265,039	924,526
Derivative contracts	(580,650)	-	-	-	-	(580,650)
Net exposure	80,222	1,785	(2,868)	(302)	265,039	343,876

The exchange rates applied for each of the two years in the period ended December 31, 2025 are as follows:

(in Korean won)

Category	Average exchange rate		Exchange rate as of reporting date	
	2025	2024	December 31, 2025	December 31, 2024
USD	1,422	1,364	1,435	1,470
EUR	1,607	1,475	1,686	1,529
CNY	198	189	205	201
JPY(100)	951	900	918	936

37. Financial risk management (cont'd)

② Sensitivity analysis

If the exchange rates of the Korean won against USD, EUR, CNY, and JPY had been higher as of December 31, 2025, the Group's profit or loss would have increased. Such an analysis assumes the extent to which the Group believes it is reasonably possible as of December 31, 2025. In the sensitivity analysis, it is assumed that other variables such as the interest rate do not fluctuate.

(In millions of Korean won)

Category	Exchange rate change	Effect on income	
		2025	2024
USD	3% increase	7,639	2,407
EUR	3% increase	2,194	54
CNY	3% increase	(96)	(86)
JPY	3% increase	(3)	(9)

If the Korean won is strong against the currencies mentioned above as of December 31, 2025, and other variables remain constant, the opposite effect of what has been presented will occur.

(4) Interest rate risk

① The carrying amounts of interest-bearing financial instruments as of December 31, 2025 and 2024 are as follows:

(In millions of Korean won)

Category	December 31, 2025	December 31, 2024
Fixed interest rate:		
Financial assets	251,827	286,950
Financial liabilities	(178,677)	(286,746)
Total	73,150	204
Variable interest rate:		
Financial assets	620,114	261,698
Financial liabilities	(7,600)	(7,600)
Total	612,514	254,098

② Sensitivity analysis of fair values for financial instruments with fixed interest rate

The Group's interest rate risk primarily arises from variable-rate borrowings. To hedge against the risk of interest rate fluctuations, the Group manages this risk appropriately through interest rate swaps for variable-rate borrowings. There are no interest rate swap contracts in place as of December 31, 2025.

37. Financial risk management (cont'd)

③ Sensitivity analysis of cash flows for financial instruments with variable interest rate

If interest rates had fluctuated by 100 basis points as of December 31, 2025 and 2024, profit or loss would have either increased or decreased. This analysis assumes that other variables, such as exchange rates, do not change, and the specific amounts of profit or loss fluctuations are as follows:

(In millions of Korean won)

Category	Profit or loss	
	100bp Increase	100bp decrease
For the year ended December 31, 2025:		
Financial instruments with variable interest rate	6,125	(6,125)
For the year ended December 31, 2024:		
Financial instruments with variable interest rate	2,541	(2,541)

(5) Fair value

① Fair value and carrying amount

The carrying amounts and fair values of the Group's financial assets and liabilities as of December 31, 2025 and 2024 are as follows:

37. Financial risk management (cont'd)

a. As of December 31, 2025:

(In millions of Korean won)

Category	Book value					Fair value
	Cash flow hedge instrument	FVTPL	FVOCI	Measurement at amortized cost	Total	
Financial assets measured at fair value:						
Derivative assets(current)	2,866	782	-	-	3,648	3,648
Financial assets at fair value (non-current)	-	3,097	2,948	-	6,045	6,045
Subtotal	2,866	3,879	2,948	-	9,693	9,693
Financial assets not measured at fair value:						
Cash and cash equivalents	-	-	-	950,782	950,782	-
Short-term financial instruments	-	-	-	17,261	17,261	-
Trade receivables and other receivables	-	-	-	774,761	774,761	-
Contract assets	-	-	-	316,948	316,948	-
Long-term financial instruments	-	-	-	668	668	-
Long-term trade receivables and other receivables	-	-	-	6,182	6,182	-
Subtotal	-	-	-	2,066,602	2,066,602	-
Total financial assets	2,866	3,879	2,948	2,066,602	2,076,295	9,693
Financial liabilities measured at fair value:						
Derivative liabilities (current)	-	15,500	-	-	15,500	15,500
Derivative liabilities (non-current)	-	-	-	-	-	-
Subtotal	-	15,500	-	-	15,500	15,500
Financial liabilities not measured at fair value:						
Short-term borrowings	-	-	-	18,836	18,836	-
Current long-term borrowings	-	-	-	30,440	30,440	
Current bonds	-	-	-	89,924	89,924	-
Trade payables and other payables	-	-	-	607,925	607,925	-
Current lease liabilities	-	-	-	17,159	17,159	-
Bonds	-	-	-	46,859	46,859	-
Long-term trade payables and other payables	-	-	-	3,635	3,635	-
Non-current lease liabilities	-	-	-	55,347	55,347	-
Subtotal	-	-	-	870,125	870,125	-
Total financial liabilities	-	15,500	-	870,125	885,625	15,500

37. Financial risk management (cont'd)

b. As of December 31, 2024:

(In millions of Korean won)

Category	Carrying amount					Fair value
	Cash flow hedge instrument	FVTPL	FVOCI	Measurement at amortized cost	Total	
Financial assets measured at fair value:						
Fair value measured financial assets (non-current)	-	3,014	643	-	3,657	3,657
Subtotal	-	3,014	643	-	3,657	3,657
Financial assets not measured at fair value:						
Cash and cash equivalents	-	-	-	569,772	569,772	-
Short-term financial instruments	-	-	-	32,987	32,987	-
Trade receivables and other receivables	-	-	-	832,343	832,343	-
Contract assets	-	-	-	170,882	170,882	-
Long-term financial instruments	-	-	-	1,096	1,096	-
Long-term trade receivables and other receivables	-	-	-	7,207	7,207	-
Subtotal	-	-	-	1,614,287	1,614,287	-
Total financial assets	-	3,014	643	1,614,287	1,617,944	3,657
Financial liabilities measured at fair value:						
Derivative liabilities (current)	1,252	44,635	-	-	45,887	45,887
Derivative liabilities (non-current)	-	2,130	-	-	2,130	2,130
Subtotal	1,252	46,765	-	-	48,017	48,017
Financial liabilities not measured at fair value:						
Short-term borrowings	-	-	-	19,905	19,905	-
Current bonds	-	-	-	106,893	106,893	-
Trade payables and other payables	-	-	-	500,633	500,633	-
Current lease liabilities	-	-	-	13,898	13,898	-
Long-term borrowings	-	-	-	30,440	30,440	-
Bonds	-	-	-	136,510	136,510	-
Long-term trade payables and other payables	-	-	-	2,428	2,428	-
Non-current lease liabilities	-	-	-	44,133	44,133	-
Subtotal	-	-	-	854,840	854,840	-
Total financial liabilities	1,252	46,765	-	854,840	902,857	48,017

37. Financial risk management (cont'd)

② Interest rates used for fair value measurement

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. The discount rates used for calculating fair value as of December 31, 2025 and 2024 are as follows:

(Unit:%)

Category	December 31, 2025	December 31, 2024
Derivatives	3.90	3.76

③ Fair value hierarchy

The Group classifies fair value measurements according to the fair value hierarchy that reflects the significance of the input variables used in the measurement. The levels of the fair value hierarchy are as follows:

Category	Significance of input variables
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); and
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(In millions of Korean won)

Category	Level 1	Level 2	Level 3	Total
As of December 31, 2025:				
Derivative assets	-	3,648	-	3,648
Financial assets at FVTPL	-	-	3,097	3,097
Financial assets at FVOCI	-	-	2,948	2,948
Derivative liabilities	-	15,500	-	15,500
As of December 31, 2024:				
Financial assets at FVTPL	-	-	3,014	3,014
Financial assets at FVOCI	-	-	643	643
Derivative liabilities	-	48,017	-	48,017

The fair value of the Group's actively-traded financial instruments (i.e. short-term financial assets held for trading, available-for-sale financial assets, etc.) is based on the traded market-price as of December 31, 2024. An active market is one in which 'quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are classified as Level 1 and most of the instruments included in Level 1 consist of listed equity instruments.

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 minimize the use of entity-specific estimates. If all significant

37. Financial risk management (cont'd)

inputs required to measure the fair value of an instrument are observable, the instrument is classified as Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is classified as Level 3.

Valuation techniques used to measure the fair value of financial instruments include the following:

- quoted market prices or dealer prices of similar instruments;
- for derivatives, the fair value is measured by discounting the amount to present value using the forward exchange rates at the end of the reporting period; and
- for other financial instruments, techniques such as discounted cash flow methods are used.

④ Explanation of valuation techniques and input variables for Level 2 of the fair value hierarchy

The valuation techniques and inputs for assets and liabilities classified as Level 2 in the fair value hierarchy are as follows:

(In millions of Korean won)

Category	December 31, 2025	December 31, 2024	Valuation technique	Input variables
Derivatives:				
Derivative assets (currency forward)	782	-	Discounted Cash Flow Model	Currency forward price, discount rate, etc.
Derivative liabilities (currency forward)	15,500	46,765	Discounted Cash Flow Model	Currency forward price, discount rate, etc.
Derivative assets (commodity futures)	2,866	-	Discounted Cash Flow Model	Commodity futures price, discount rate, etc.
Derivative liabilities (commodity futures)	-	1,252	Discounted Cash Flow Model	Commodity futures price, discount rate, etc.

37. Financial risk management (cont'd)

⑤ Level 3 fair value hierarchy disclosures

a. The fair value measurements of assets and liabilities classified as Level 3 in the fair value hierarchy include the following changes for each of the two years in the period ended December 31, 2025:

(In millions of Korean won)

Category	2025	2024
Financial assets at FVTPL		
Beginning	3,014	3,255
Disposal	-	(42)
Gains or losses included profit or loss	83	(199)
Ending	3,097	3,014
Financial assets at FVOCI		
Beginning	643	391
Acquisition	2,557	252
Disposal	(252)	-
Ending	2,948	643

b. The valuation techniques and input variables for assets and liabilities classified as Level 3 in the fair value hierarchy include the following:

i. For the year ended December 31, 2025:

(In millions of Korean won)

Category	Amount	Valuation technique	Input variables	Significant but unobservable input variables	Range of significant but unobservable input variables
Construction Guarantee	387	Comparable Company Model	PBR	PBR	0.56
Machinery Financial Cooperative	2,541	Net Asset Value Method	-	-	-
Others (*)	169	-	-	-	-
Total	3,097				

(*) The carrying amount is determined to be reasonably equivalent to the fair value, and thus the carrying amount has been assessed as the fair value.

37. Financial risk management (cont'd)

ii. For the year ended December 31, 2024:

(In millions of Korean won)

Category	Amount	Valuation technique	Input variables	Significant but unobservable input variables	Range of significant but unobservable input variables
Construction Guarantee	361	Comparable Company Model	PBR	PBR	0.52
Machinery Financial Cooperative	2,484	Net Asset Value Method	-	-	-
Others (*)	169	-	-	-	-
Total	3,014				

(*) The carrying amount is determined to be reasonably equivalent to the fair value, and thus the carrying amount has been assessed as the fair value.

c. The effect of changes in unobservable input variables as of December 31, 2025 and 2024 on the fair value measurements of financial assets and financial liabilities is as follows:

i. As of December 31, 2025:

(In millions of Korean won)

Category	Unobservable input variables	Impact of unobservable input variables on fair value measurement	Method of calculating variability effect	Effect of fair value changes	
				Profit or loss	
				Favorable change	Unfavorable change
Financial assets at fair value through profit or loss:					
Construction Guarantee	PBR	Changes in fair value based on market multiples	Change in fair value due to a 1P increase and decrease in market multiples	7	(7)

37. Financial risk management (cont'd)

ii. As of December 31, 2024:

(In millions of Korean won)

Category	Unobservable input variables	Impact of unobservable input variables on fair value measurement	Method of calculating variability effect	Effect of fair value changes	
				Profit or loss	
				Favorable change	Unfavorable change
Financial Assets at Fair Value through Profit or Loss:					
Construction Guarantee	PBR	Changes in fair value based on market multiples	Change in fair value due to a 1P increase and decrease in market multiples	7	(7)

(6) Netting or similar agreements

The carrying amounts of recognized financial assets and financial liabilities subject to netting agreements as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(In millions of Korean won)

Category	Total financial instruments recognized	Total financial instruments offset and recognized	Net amount of financial instruments on the balance sheet	Related amounts not offset on the balance sheet		Net amount
				Financial instruments	Financial collateral received	
Financial assets:						
Trade receivable and other receivables	5,781	(4,644)	1,137	-	-	1,137
Financial liabilities:						
Trade payable and other payables	12,234	(4,644)	7,590	-	-	7,590

37. Financial risk management (cont'd)

② As of December 31, 2024:

(In millions of Korean won)

Category	Total financial instruments recognized	Total financial instruments offset and recognized	Net amount of financial instruments on the balance sheet	Related amounts not offset on the balance sheet		Net amount
				Financial instruments	Financial collateral received	
Financial assets:						
Trade receivable and other receivables	3,712	(3,092)	620	-	-	620
Financial liabilities:						
Trade payable and other payables	9,608	(3,092)	6,516	-	-	6,516

38. Contingent liabilities and commitments

(1) As of December 31, 2025, the Group has entered into general loan agreements with The Export-Import Bank of Korea and others for a total limit of KRW 37,600 million, and with Korea Development Bank and others for a total limit of USD 70,000 thousand and CNY 228,000 thousand.

(2) As of December 31, 2025, the Group has entered into a trade financing loan agreement with Hana Bank and others for a total limit of KRW 11,000 million.

(3) As of December 31, 2025, the Group has entered into a promissory note issuance agreement with financial institutions for a total limit of CNY 142,000 thousand.

(4) As of December 31, 2025, the Group has received guarantees from financial institutions related to export and domestic construction contract performance for limits of KRW 394,013 million, USD 704,279 thousand, and CNY 240,000 thousand, EUR 40,000 thousand, respectively.

(5) As of December 31, 2025, the Group has entered into agreements for the opening of export and import letters of credit and trade finance with financial institutions for amounts of KRW 3,500 million and USD 228,570 thousand.

(6) As of December 31, 2025, the Group provided a debt guarantee of KRW 44,973 million for the acquisition funds of the Employee Stock Ownership members during the capital increase in 2017, as resolved by the board of directors on October 31, 2017. The debt amount at the time of the guarantee was KRW 37,477 million, and the guarantee amount is based on 120% of the debt amount. Due to partial repayments of the acquisition funds, the remaining balance of the employee stock acquisition funds as of December 31, 2025 is KRW 139 million, and the corresponding guarantee amount is KRW 240 million.

38. Contingent liabilities, contingent asset and commitments (cont'd)

(7) As of December 31, 2025, the Group has provided a guarantee for the advance payment of KRW 244 million received during project execution.

(8) The Group was established through a spin-off from HD Korea Shipbuilding & Offshore Engineering Co., Ltd. on April 1, 2017, and is jointly liable for the debts of the pre-spin-off company in accordance with Article 530-9, Paragraph 1 of the *Commercial Act*.

39. Major litigation cases

(1) Lawsuit for Revocation of KFTC Corrective Order and Surcharge – KEPCO 170kV GIS Bid-Rigging Case (Seoul High Court 2025Nu6106

Category	Details
Date of filing	February 21, 2025
Parties involved	Plaintiff: HD Hyundai Electric Co., Ltd., Defendant: Korea Fair Trade Commission
Details of the lawsuit	The plaintiff filed a lawsuit seeking revocation of the Korea Fair Trade Commission's corrective order and surcharge (KRW 6,699 billion) imposed in relation to alleged bid-rigging in connection with the supply of 170kV GIS to Korea Electric Power Corporation.
Litigation value	KRW 6.699 billion
Current status	The lawsuit was filed on February 21, 2025, and the first hearing is scheduled for March 18, 2026.
Future schedule and action plan	The Group maintains that it did not participate in any collusive conduct. Currently, it is difficult to reasonably predict the outcome of the lawsuit.
Impact on the Group	Depending on the outcome of the lawsuit, the surcharge may be refunded; however, the outcome of the lawsuit cannot be reasonably predicted.

(2) Lawsuit for Revocation of Bid-Qualification Restriction – KEPCO 170kV GIS Case (Seoul Administrative Court 2025Guhap54809)

Category	Details
Date of filing	July 18, 2025
Parties involved	Plaintiff: HD Hyundai Electric Co., Ltd., Defendant: Korea Electric Power Corporation
Details of the lawsuit	Korea Electric Power Corporation imposed a six-month restriction on the Group's eligibility to participate in bids from July 25, 2025 to January 24, 2026, and cancelled the Group's 170kV GIS qualified vendor registration pursuant to the Act on the Management of Public Institutions.
Current status	The complaint and application for suspension of execution were filed on July 18, 2025, and suspension was granted until 30 days after the date of the first-instance judgment.
Future schedule and action plan	The first hearing date has not yet been scheduled. The Group maintains that it did not participate in any collusive conduct
Impact on the Group	Depending on the outcome of the lawsuit, the restriction on bid participation and cancellation of qualified vendor registration may be upheld or revoked; however, , the outcome of the lawsuit cannot be reasonably predicted.

39. Major litigation cases (cont'd)

(3) Damages Claim Related to KEPCO 170kV GIS Bid-Rigging Case (Seoul Eastern District Court 2025Gahap101418)

Category	Details
Date of filing	August 22, 2025
Parties involved	Plaintiff: Korea Electric Power Corporation, Defendants: HD Hyundai Electric Co., Ltd. and nine other companies
Details of the lawsuit	Following the Korea Fair Trade Commission's determination that ten companies engaged in collusive conduct related to the supply of 170kV GIS, the plaintiff filed a damages claim against ten joint defendants, including the Group.
Litigation value	KRW 2.0 billion
Current status	The lawsuit was filed on August 22, 2025, and the first hearing date has not yet been scheduled.
Future schedule and action plan	The Group maintains that it did not participate in any collusive conduct. Currently, it is difficult to reasonably predict the outcome of the lawsuit.
Impact on the Group	If the claim is upheld, the Group may be required to pay damages; however, the outcome cannot be reasonably predicted.

(4) Appeal Regarding Canadian Large Power Transformer Anti-Dumping Duties – NVR 101, 102, 104, 120 (Canadian International Trade Tribunal)

Category	Details
Date of filing	March 2, 2022 (NVR 101); April 12, 2022 (NVR 102, 104); September 5, 2023 (NVR 120)
Parties involved	Appellant: HD Hyundai Electric Co., Ltd., Respondent: Government of Canada
Details of the lawsuit	The Group filed an appeal to Canadian International Trade Tribunal (CITT) in relation to the part of the anti-dumping duties imposed on large power transformers exported to Canada during 2020–2021.
Litigation value	Up to KRW 0.9 billion
Current status	Three appeals were consolidated on June 12, 2024, and hearings were conducted on January 23, 2025.
Future schedule and action plan	The decision date of the CITT has not yet been determined. Currently, it is difficult to reasonably predict the outcome of the appeals.
Impact on the Group	Depending on the outcome, up to KRW 0.9 billion may be refunded; however, currently outcome cannot be reasonably predicted.

(5) Other lawsuits

The Group is currently involved in multiple lawsuits and disputes that have arisen in the normal course of business, in addition to the lawsuits mentioned above. As a result, it is impossible to make reasonable predictions regarding the outcomes of these lawsuits, and the timing and amounts of resource outflows are uncertain. It is anticipated that the impact of these outcomes on the Group's consolidated financial statements will not be significant.

40. Related party

(1) As of December 31, 2025, details of the Group's related parties are as follows:

Category	Company name	Main business activities
Ultimate parent company	HD Hyundai Co., Ltd.	Non-financial holding company
Other related parties (Large business group affiliates, etc.)	HD Korea Shipbuilding & Marine Engineering Co., Ltd.	Non-financial holding company
	HD Hyundai Heavy Industries Co., Ltd.	Shipbuilding industry
	HD Hyundai Construction Equipment Co., Ltd.	Manufacturing of construction and mining machinery
	Hyundai Jiangsu Construction Machinery Co., Ltd.	Manufacturing of construction and mining machinery
	HD Hyundai Samho Co., Ltd.	Shipbuilding industry
	HD Hyundai Mipo Co., Ltd.(*1)	Shipbuilding industry
	HD Hyundai E&T Co., Ltd.	Other engineering services
	HD Hyundai Oilbank Co., Ltd.	Crude oil refining business
	HD Hyundai Sports Co., Ltd.	Sports club management
	HD Hyundai Marine Solutions Co., Ltd.	Engineering services
	HD Hyundai Marine Solution Tech Co., Ltd.	Engineering services
	HD Hyundai Marine Engine Co., Ltd.	Manufacturing of marine engine
	HD Hyundai Energy Solutions Co., Ltd.	Renewable energy related business, including solar power
	HD Hyundai Infracore Co., Ltd.	Manufacturing of construction and mining machinery
	HD Hyundai Construction Equipment India Private Ltd.	Manufacturing of construction and mining machinery
	HD Hyundai Infracore China Co., Ltd.	Manufacturing of construction and mining machinery
	HD Hyundai Robotics Co., Ltd.	Manufacturing of industrial robots
	HD Hyundai XiteSolution Co., Ltd.	Manufacturing of construction and mining machinery and holding company
	HD Hyundai Chemical Co., Ltd.	Crude oil refining business
	HD Hydrogen Co., Ltd.	Manufacturing of power generator
	Others	Others

(*1) For the year ended December 31, 2025, the merger with HD Hyundai Heavy Industries Co., Ltd. has been completed, and it has been excluded from the related parties.

40. Related party (cont'd)

(2) Transactions with related parties

1) Details of the significant transaction with the related parties for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Category	Sales, etc.	Purchases, etc.	
	Sales(*1)	Purchase of raw materials	Other purchases (*2)
Ultimate parent company:			
HD Hyundai Co., Ltd.	-	-	8,820
Other Related Parties (Large-scale business group entities):			
HD Korea Shipbuilding & Marine Engineering Co., Ltd.	2,445	244	15,490
HD Hyundai Heavy Industries Co., Ltd.	144,350	15,648	24,514
HD Hyundai Construction Equipment Co., Ltd.	289	-	242
Hyundai Jiangsu Construction Machinery Co., Ltd.	113	-	-
HD Hyundai Samho Co., Ltd.	74,152	-	-
HD Hyundai Mipo Co., Ltd.(*1)	27,430	-	-
HD Hyundai E&T Co., Ltd.	640	14,563	362
HD Hyundai Oilbank Co., Ltd.	870	3,672	79,524
HD Hyundai Sports Co., Ltd.	-	-	12,143
HD Hyundai Marine Solutions Co., Ltd.	25,619	-	2,008
HD Hyundai Marine Solution Tech Co., Ltd.	1,114	-	-
HD Hyundai Marine Engine Co., Ltd.	286	-	-
HD Hyundai Energy Solutions Co., Ltd.	156	-	1
HD Hyundai Infracore Co., Ltd.	1,647	-	-
HD Hyundai Construction Equipment India Private Ltd.	174	-	-
HD Hyundai Infracore China Co., Ltd.	144	-	-
HD Hyundai Robotics Co., Ltd.	205	-	5,915
HD Hyundai XiteSolution Co., Ltd.	381	544	449
HD Hyundai Chemical Co., Ltd.	165	-	-
HD Hydrogen Co., Ltd.	473	-	-
Others	122	-	75
Subtotal	280,775	34,671	140,723
Total	280,775	34,671	149,543

(*1) This includes interest income between the related parties.
(*2) This includes transaction amounts for property, plant and equipment, etc., between the related parties.

40. Related party (cont'd)

② For the year ended December 31, 2024:

(In millions of Korean won)

Category	Sales, etc.	Purchases, etc.	
	Sales(*1)	Purchase of raw materials	Other purchases (*2)
Ultimate parent company:			
HD Hyundai Co., Ltd.	-	-	8,122
Other Related Parties (Large-scale business group entities):			
HD Hyundai Heavy Industries Co., Ltd.	149,091	16,486	13,614
HD Hyundai Construction Equipment Co., Ltd.	246	-	208
HD Korea Shipbuilding & Marine Engineering Co., Ltd.	1,896	102	10,195
HD Hyundai Infracore Co., Ltd.	1,069	-	-
HD Hyundai Samho Co., Ltd.	66,724	-	-
HD Hyundai Mipo Co., Ltd.	33,560	-	-
HD Hyundai E&T Co., Ltd.	605	13,294	100
HD Hyundai Oilbank Co., Ltd.	4,578	3,709	173
HD Hyundai Chemical Co., Ltd.	4	-	-
HD Hyundai Aromatics Co., Ltd.	1,397	-	-
HD Hyundai Sports Co., Ltd.	-	-	1,590
HD Hyundai Marine Solutions Co., Ltd.	20,479	-	2,725
HD Hyundai Energy Solutions Co., Ltd.	149	-	634
HD Hyundai XiteSolution Co., Ltd.	372	340	220
HD Hyundai Marine Solution Tech Co., Ltd.	1,198	-	-
Other	493	-	950
Subtotal	281,861	33,931	30,409
Total	281,861	33,931	38,531

(*1) This includes interest income between the related parties.
(*2) This includes transaction amounts for property, plant and equipment, etc., between the related parties.

40. Related party (cont'd)

2) Details of outstanding balances with the related parties as of December 31, 2025 and 2024 are as follows:

① As of December 31, 2025:

(In millions of Korean won)

Category	Receivables, etc.		Payables, etc.	
	Trade receivables	Other receivables	Trade payables	Other payables
Ultimate parent company:				
HD Hyundai Co., Ltd.	-	3,158	6	-
Other related parties (Large-scale business group entities):				
HD Korea Shipbuilding & Marine Engineering Co., Ltd.	366	474	3,368	729
HD Hyundai Heavy Industries Co., Ltd.	37,015	-	5,534	7,577
HD Hyundai Construction Equipment Co., Ltd.	32	-	-	-
HD Hyundai Samho Co., Ltd.	12,893	-	-	3,651
HD Hyundai E&T Co., Ltd.	-	-	1,371	16
HD Hyundai Oilbank Co., Ltd.	403	199	499	498
HD Hyundai Marine Solutions Co., Ltd.	12,201	-	241	362
HD Hyundai Marine Solution Tech Co., Ltd.	10	-	-	436
HD Hyundai Energy Solutions Co., Ltd.	-	11	-	-
HD Hyundai Robotics Co., Ltd.	-	-	916	-
HD Hyundai Infracore China Co., Ltd.	41	-	-	-
HD Hyundai Infracore Co., Ltd.	638	-	-	-
HD Hyundai XiteSolution Co., Ltd.	-	-	72	313
HD Hyundai Chemical Co., Ltd.	182	-	-	-
HD Hydrogen Co., Ltd.	-	199	-	-
Other	10	-	18	3
Subtotal	63,791	883	12,019	13,585
Total	63,791	4,041	12,025	13,585

40. Related party (cont'd)

② As of December 31, 2024:

(In millions of Korean won)

Category	Receivables, etc.		Payables, etc.	
	Trade receivables	Other receivables	Trade payables	Other payables
Ultimate parent company:				
HD Hyundai Co., Ltd.	-	3,156	48	-
Other related parties (Large-scale business group entities):				
HD Hyundai Heavy Industries Co., Ltd.	39,925	-	4,266	2,333
HD Hyundai Construction Equipment Co., Ltd.	83	-	49	5
HD Korea Shipbuilding & Marine Engineering Co., Ltd.	-	203	1,906	8
HD Hyundai Samho Co., Ltd.	14,193	-	-	4,503
HD Hyundai Mipo Co., Ltd.	8,409	-	-	550
HD Hyundai E&T Co., Ltd.	-	-	1,141	14
HD Hyundai Oilbank Co., Ltd.	170	-	1,443	-
HD Hyundai Marine Solutions Co., Ltd.	9,410	-	283	756
HD Hyundai Energy Solutions Co., Ltd.	-	2	-	-
HD Hyundai XiteSolution Co., Ltd.	96	-	106	313
HD Hyundai Marine Solution Tech Co., Ltd.	11	-	-	375
Other	22	-	836	5
Subtotal	72,319	205	10,030	8,862
Total	72,319	3,361	10,078	8,862

40. Related party (cont'd)

3) Changes in lease liabilities due to lease transactions with the related parties for each of the two years in the period ended December 31, 2025 are as follows:

① For the year ended December 31, 2025:

(In millions of Korean won)

Category	Company name	Beginning	Increase (*)	Interest expense	Lease payments (repayment)	Ending
Ultimate parent company	HD Hyundai Co., Ltd.	6,801	907	374	(4,106)	3,976
Other related parties (large-scale business group entities)	HD Hyundai Heavy Industries Co., Ltd.	295	234	11	(517)	23

(*) The right-of-use asset recognized in accordance with the lease agreement signed with the related parties for the year ended December 31, 2025 amount to KRW 1,141 million

② For the year ended December 31, 2024:

(In millions of Korean won)

Category	Company name	Beginning	Increase (*)	Interest expense	Lease payments (repayment)	Ending
Ultimate parent company	HD Hyundai Co., Ltd.	10,022	-	566	(3,787)	6,801
Other related parties (large-scale business group entities)	HD Hyundai Heavy Industries Co., Ltd.	555	201	23	(484)	295
	HD Hyundai Oilbank Co., Ltd.	-	73	2	(75)	-

(*) The right-of-use asset recognized in accordance with the lease agreement signed with the related parties for the year ended December 31, 2024 amount to KRW 274 million.

(3) As of December 31, 2025, the Group has received a guarantee of CNY 5,110 thousand from the related party HD Hyundai (China) Investment Co., Ltd. in relation with borrowings and performance bonds.

40. Related party (cont'd)

(4) Financial transactions with the related parties

1) Dividends paid to the related parties for each of the two years in the period ended December 31, 2025 are as follows:

(In millions of Korean won)

Category	Company name	Dividend payment	
		2025	2024
Ultimate parent	HD Hyundai Co., Ltd.	81,848	28,176

2) The cash pooling agreements with the related parties that occurred in the period ended December 31, 2024 are as follows:

① For the year ended December 31, 2024:

(in thousands of CNY)

Category		Counterparty	Beginning	Increase	Decrease	Ending
HD Hyundai Electric Shanghai Co., Ltd.	Loan	HD Hyundai (China) Investment Co., Ltd.	2,929	12,083	15,012	-

(5) As of December 31, 2025, there are no guarantees provided for the related parties.

(6) Transactions with key management

The compensations recognized for key management for each of the two years in the period ended December 31, 2025 are as follows.

(In millions of Korean Won)

Category	2025	2024
Short-term benefits	1,512	1,459
Retirement benefits	221	178
Other long-term benefits	164	42
Total	1,897	1,679

The key management personnel mentioned above consist of directors (including outside directors) and auditors who have significant authority and responsibility for the planning, operation, and control of the Group's activities.

40. Related party (cont'd)

(7) Others

In addition to the above transactions, as of December 31, 2025, the Group provided a debt guarantee for the loans made to the Employee Stock Ownership members for the acquisition of shares allocated to the Employee Stock Ownership during the paid-in capital increase in 2017, by a resolution of the Board of Directors. Details are described in Note 38.

41. Greenhouse gas emission rights and emissions liabilities

(1) As of December 31, 2025, the estimated quantities of free allocation emissions allowances for each compliance year of the third commitment period (2021-2025) are as follows:

(in tCO2-eq)

Category	2021	2022	2023	2024	2025	Total
Free allocation allowances	34,493	34,493	34,493	35,188	34,171	172,838

(2) Changes in the quantity of greenhouse gas emissions allowances for the Group are as follows:

(in tCO2-eq and millions of Korean won)

Category	2021		2022		2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Initial and free allocation(*)	34,493	-	34,493	-	34,493	-	35,188	-	34,171	-
Carried over from previous year	5,000	-	4,446	-	2,466	-	40	-	8,603	74
Cancellation of allocation	-	-	(2,077)	-	(978)	-	-	-	-	-
Purchases (sales)	(4,500)	-	(1,233)	-	-	-	11,600	99	-	-
Submitted to government	(30,547)	-	(33,163)	-	(35,941)	-	(38,225)	(25)	-	-
Borrowed (carried over)	(4,446)	-	(2,466)	-	(40)	-	(8,603)	(74)	-	-
Total	-	-	-	-	-	-	-	-	42,774	74

(*)The initial free allocation for 2024 was 34,171 tCO_2-eq, and with an additional allocation of 1,017 tCO_2-eq, the total free allocation amounts to 35,188 tCO_2-eq.

(3) The carrying amount of free allocation emissions allowances is "0" won, and there are no changes in the emissions liabilities for each of the two years in the period ended December 31, 2025.

(4) As of December 31, 2025, there are no emissions allowances provided as collaterals.

42. Subsequent events

(1) U.S. Supreme Court ruling on the illegality of the Global Reciprocal Tariff Regime

In the beginning of 2025, the U.S. government announced a measure to impose a minimum tariff of 10% on all countries worldwide based on the International Emergency Economic Powers Act (IEEPA). However, on February 20, 2026, the U.S. Supreme Court ruled that such a global reciprocal tariff regime is unlawful. As a result, the measure immediately lost its effect. Nevertheless, investment plans in the United States that were agreed upon and announced prior to the ruling remain valid. Key issues—such as whether the ruling applies retroactively and the specific application of the newly introduced universal tariff (10%)—remain uncertain. In addition, the actual level of tariff burden may vary depending on how the universal tariff structure is applied and how it is coordinated with existing trade measures. Accordingly, the impact of U.S. tariff impositions on the consolidated financial statements of the Group as of the end of the reporting period cannot be reliably estimated.

Audit opinion on internal control over financial reporting

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of HD Hyundai Electric Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") and the consolidated financial statements of the Group for the year ended December 31, 2025 in accordance with the Article 8 of the *Act on External Audit of Stock Companies.*

Attachments:
1. Independent auditor's report on internal control over financial reporting
2. Management's report on the effectiveness of internal control over financial reporting

EY Han Young
2-3F, 7-8F, Taeyoung Building, 111 Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600
Fax: + 82 2 783 5890
ey.com/kr

Shape the future
with confidence

Independent auditor's report on internal control over financial reporting

(English translation of a report originally issued in Korean)

HD Hyundai Electric Co., Ltd.
The Shareholders and Board of Directors

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting ("ICFR") of HD Hyundai Electric Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") based on the *Conceptual Framework for Design and Operation of ICFR* established by the Operating Committee of ICFR in Korea (the "ICFR Committee") as of December 31, 2025.

In our opinion, the Group's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2025 in accordance with the *Conceptual Framework for Design and Operation of ICFR*.

We also have audited, in accordance with Korean Standards on Auditing ("KSA"), the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information, and our report dated March 13, 2026 expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of ICFR in the 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.

Responsibility of management and those charged with governance for ICFR

Management is responsible for designing, implementing and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying Management's report on the effectiveness of ICFR.

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

EY한영

Shape the future
with confidence

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Group's ICFR based on our audit. We conducted our audit in accordance with KSA. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

An audit of the ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operation of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

The ICFR of a company and its subsidiaries is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). The ICFR of the company and its subsidiaries includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company and its subsidiaries; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with KIFRS, and that receipts and expenditures of the company and its subsidiaries are being made only in accordance with authorizations of management and directors of the company and its subsidiaries; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the assets of the company and its subsidiaries that could have a material effect on the consolidated financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Sang Hoon, Jeon.

EY Han Young

March 13, 2026

This audit report is effective as of March 13, 2026, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Group's ICFR and may result in modifications to this report.

Management's report on the effectiveness of internal control over financial reporting

(English translation of a report originally issued in Korean)

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

We, as the Chief Executive Officer and the Internal Accounting Manager of HD Hyundai Electric Co., Ltd. and its subsidiaries (collectively the "Group"), assessed the effectiveness of the design and operation of internal control over financial reporting ("ICFR") for the year ended December 31. 2025.

The design and operation of ICFR is the responsibility of the Group's management, including the CEO and the Internal Accounting Manager.

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

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

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

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

(Attachment)

Internal control activities conducted by the Group to respond to the fund-related fraud risks, including embezzlements

February 6, 2026

Young-Ki, Chief Executive Officer

Kwan-Joong, Kim, Internal Accounting manager

(Attachment)

○ Internal control activities conducted by the Group in response to fund-related fraud risks such as embezzlements, etc.

Classification	Control activities conducted by the Group	Target company	Assessment results on design and operation
Controls at the Group level	<Operation of fraud prevention system> The Management operates the internal whistle-blower program (anonymous reporting channel) to prevent frauds such as embezzlements.	HD Hyundai Electric and three other affiliates	As a result of the assessment, no material weaknesses have been identified. (Internal ICFR Department and external experts involved by HD Hyundai Electric, and external experts involved by overseas subsidiaries (HD Hyundai Electric America Corporation, HD Hyundai Power Transformers USA, Inc., HD Hyundai Electric China Co., Ltd.) conducted the assessment in June 2025 and January 2026.)
	<Assessment on fraud risk> The Management manages changes in the work processes and appropriately reflects these changes in internal controls.	HD Hyundai Electric and three other affiliates	Same as above
	<Separation of duties> The Management defines the criteria for incompatible duties and periodically reviews whether the corresponding responsibilities are appropriately separated based on the organization or individual in charge.	HD Hyundai Electric and three other affiliates	Same as above
	<Evaluation of the effectiveness of design and operation of ICFR> The Management conducts ongoing monitoring as part of routine business procedures and periodically assesses the effectiveness of key control activities through independent evaluations.	HD Hyundai Electric and three other affiliates	Same as above
Financial controls	<Management of status of accounts>	HD Hyundai Electric and	Same as above

Classification	Control activities conducted by the Group	Target company	Assessment results on design and operation
	The head of the Cash Management Team reviews any changes in the status of accounts and approves.	three other affiliates	
	<Opening and closing of accounts> The head of the Cash Management Team reviews and approves appropriate internal reports related to the opening and closing of bank accounts.	HD Hyundai Electric and three other affiliates	Same as above
	<Seal management> The department head in charge of corporate seal and seal in use restricts physical access to the seals.	HD Hyundai Electric and three other affiliates	Same as above
	<Seal usage> The department head in charge of corporate seal and seal in use verifies the approval and supporting documents from the department head who requested the approval before affixing the seal.	HD Hyundai Electric and one other affiliate	Same as above
	<Restriction on transactions with unregistered vendors> The ERP system is configured to restrict financial transactions with vendors that are not registered in the system.	HD Hyundai Electric and three other affiliates	Same as above
	<Separation of duties in payment processing> The person requesting the payment and the person approving the payment are separated.	HD Hyundai Electric and three other affiliates	Same as above
	<Preparation and approval of daily cash plans> The head of the Cash Management Team reviews and approves daily cash reports, including planned inflows and outflows for the day and the	HD Hyundai Electric and three other affiliates	Same as above

Classification	Control activities conducted by the Group	Target company	Assessment results on design and operation
	actual performance of the previous day.		
	<Approval of borrowing transactions> The head of the Cash Management Team approves the borrowing details, and the borrowing officer executes the transaction based on the borrowing proposal approved by the authorized signatory.	HD Hyundai Electric and three other affiliates	Same as above
	<Separation of vendor registration and confirmation> The individuals responsible for registering vendors and confirming the vendor information in the ERP system are separated.	HD Hyundai Electric and three other affiliates	Same as above