Hyosung Corporation 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

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Independent auditor's report

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors
Hyosung Corporation

Opinion

We have audited the consolidated financial statements of Hyosung Corporation (the "Company") 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, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for 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 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 12, 2026 expressed an unqualified opinion thereon.

Basis for opinion

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 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. The 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.

Accounting for the business combination

As explained in Note 38 to the consolidated financial statements, on April 18, 2025, the Group acquired the Onsan Tank Terminal business from its associate, Hyosung Chemical Corporation, for a consideration of KRW 151,935 million.

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In accordance with KIFRS 1103 *Business Combinations*, the Group allocated the consideration transferred by measuring the fair values of the identifiable assets acquired and liabilities assumed, in which independent external valuation specialists were engaged. As a result of the consideration allocated, the consideration transferred exceeded the fair values of the identifiable net assets acquired by KRW 54,748 million, which was recognized as goodwill.

Given that the amount of goodwill recognized is material to the consolidated financial statements and that the allocation of consideration involves significant management judgment and estimation uncertainty related to the fair value measurements, we determined the accounting for the business combination to be a key audit matter.

We performed the following audit procedures to address this key audit matter:

- Review the report on the allocation of consideration transferred prepared by management's valuation specialists.
- Evaluate the qualifications and independence of management's valuation specialists involved in the allocation of consideration transferred.
- Perform physical inspection of the acquired property, plant and equipment, review relevant registry documents, and engage auditor's external specialists to evaluate the appropriateness of the valuation results.
- Involve our internal valuation specialists to assess the appropriateness of the valuation methodologies applied in the allocation of consideration transferred and the reasonableness of key assumptions used in the valuation (including valuation models, discount rates, and estimates).
- Review the appropriateness of the accounting treatment for the business combination and the related disclosures in accordance with KIFRS 1103.

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.

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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 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 Hyung-beom Kim.

Ernst & Young Han Young

March 12, 2026

This audit report is effective as of March 12, 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.

Hyosung Corporation 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."

Hyun-Joon Cho and Yun Eun Hwang
Chief Executive Officers
Hyosung Corporation

Hyosung Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2025 and 2024

(Korean won in millions)

	Notes		December 31, 2025		December 31, 2024
Assets					
Current assets:					
Cash and cash equivalents	4,6,33,34	₩	300,344	₩	108,875
Trade and other receivables	4,7,16,18,33,34		454,569		411,186
Other current financial assets	4,8,33,34		136,275		5,923
Other current assets	15		54,402		48,696
Inventories	9,13,34		369,948		440,220
Current tax assets			8,959		6,810
			1,324,497		1,021,710
Non-current assets:					
Long-term trade and other receivables	4,7,16,33		294,676		22,968
Property, plant and equipment	10,13,34		1,075,938		921,222
Investment properties	11		237,465		247,489
Intangible assets	12,16,36		185,032		46,956
Investments in associates and joint ventures	14,34		1,588,579		1,602,210
Net defined benefit assets	20		6,489		1,309
Other non-current financial assets	4,8,33,34		587,293		397,303
Other non-current assets	15		35,003		34,844
Deferred tax assets	29		52,132		44,853
			4,062,607		3,319,154
Total assets		₩	5,387,104	₩	4,340,864
Liabilities					
Current liabilities:					
Trade and other payables	4,16,17,33	₩	377,278	₩	394,125
Short-term borrowings and current portion of long-term borrowings	4,7,18,32,33,34		621,978		780,229
Other current financial liabilities	4,8,13,32,33		48,293		42,692
Current tax liabilities			81,639		10,540
Other current liabilities	21		176,302		124,242
			1,305,490		1,351,828
Non-current liabilities:					
Long-term trade and other payables	4,16,17,33		31,150		17,140
Long-term borrowings	4,18,32,33,34		737,502		54,609
Net defined benefit liabilities	20		2,340		2,605
Deferred tax liabilities	29		312,490		290,484
Current tax liabilities			8,230		109
Other non-current financial liabilities	4,8,13,32,33		118,191		105,654
Other non-current liabilities	21		14,518		13,996
			1,224,421		484,597
Total liabilities			2,529,911		1,836,425
Equity					
Equity attributable to the owners of the Parent Company					
Share capital	22		86,725		86,725
Share premium			369,049		369,049
Retained earnings	22		6,951,696		6,669,272
Other components of equity	22		(4,963,886)		(4,969,362)
			2,443,584		2,155,684
Non-controlling interests	35		413,609		348,755
Total equity			2,857,193		2,504,439
Total liabilities and equity		₩	5,387,104	₩	4,340,864

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

Hyosung Corporation and its subsidiaries
Consolidated statements of profit or loss
for each of the two years in the period ended December 31, 2025

(Korean won in millions, except for earnings per share)

	Notes		2025		2024
Revenue	5,11,14,16,23,24	₩	2,431,709	₩	2,272,756
Cost of sales	9,16,20,26		1,755,982		1,753,144
Gross profit			675,727		519,612
Selling and administrative expenses	7,16,20,25,26		270,785		284,145
Research and development expenses	26		11,921		14,334
Operating profit	5		393,021		221,133
Other income	4,27		104,763		18,895
Other expenses	27		14,781		6,500
Finance income	4,28		259,225		139,705
Finance expenses	4,28		211,456		191,353
Profit before income tax	5		530,772		181,880
Income tax expenses	29		108,651		13,274
Profit from continuing operations	5		422,121		168,606
Profit from discontinued operations	36		-		315,652
Profit for the year		₩	422,121	₩	484,258
Profit for the year attributable to:					
Owners of the Parent Company		₩	329,905	₩	453,157
Non-controlling interests			92,216		31,101
		₩	422,121	₩	484,258
Earnings per share attributable to the owners of the Parent Company (in Korean won):		₩	19,734	₩	24,712
Basic earnings per share from continuing operations	30		19,734		7,510
Basic earnings per share from discontinued operations	36		-		17,202

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

Hyosung Corporation and its subsidiaries
Consolidated statements of other comprehensive income
for each of the two years in the period ended December 31, 2025

(Korean won in millions)

	Notes		2025		2024
Profit for the year		₩	422,121	₩	484,258
Other comprehensive Income (loss)			(3,278)		87,872
Items that will not be subsequently reclassified to profit or loss (net of tax):					
Valuation gains (losses) on financial assets at fair value through other comprehensive income ("FVOCI")	29		(700)		5,676
Remeasurements of net defined benefit assets and liabilities	20,29		3,323		(11,192)
Shares of remeasurements of associates and joint ventures	29		(260)		(10,414)
Items that may be subsequently reclassified to profit (net of tax):					
Valuation gains (losses) on investments in associates and joint ventures	29		(5,223)		85,680
Gains (losses) on translation of foreign operations	29		(586)		18,122
Valuation gains (losses) on derivatives	29		168		-
			(3,278)		87,872
Total comprehensive income for the year		₩	418,843	₩	572,130
Total comprehensive income for the year attributable to:					
Owners of the Parent Company		₩	338,601	₩	515,785
Non-controlling interests			80,242		56,345
		₩	418,843	₩	572,130

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

Hyosung Corporation and its subsidiaries
Consolidated statements of changes in equity
for each of the two years in the period ended December 31, 2025

(Korean won in millions)

	Attributable to the owners of the Parent Company						
	Share capital	Share premium	Retained earnings	Other components of equity	Total	Non-controlling interests	Total Equity
As of January 1, 2024	₩ 105,355	₩ 451,188	₩ 6,319,077	₩ (4,410,958)	₩ 2,464,662	311,570	2,776,232
Total comprehensive income:							
Profit for the year	-	-	453,158	-	453,158	31,100	484,258
Valuation gains on financial assets at FVOCI	-	-	-	5,278	5,278	398	5,676
Remeasurements of net defined benefit assets and liabilities	-	-	(9,643)	-	(9,643)	(1,549)	(11,192)
Share of remeasurements of associates and joint ventures	-	-	(10,414)	-	(10,414)	-	(10,414)
Valuation gains (losses) on investments in associates and joint venture	-	-	(1,536)	64,275	62,739	22,941	85,680
Gains on translation of foreign operatoins	-	-	-	14,668	14,668	3,455	18,123
Transactions with the owners of the Parent Company:							
Dividends (Note 31)	-	-	(59,728)	-	(59,728)	(14,520)	(74,248)
Disposal of treasury shares	-	-	-	30,698	30,698	-	30,698
Acquistion of treasury shares	-	-	-	(1,152)	(1,152)	-	(1,152)
Changes through spin-off (Note 36)	(18,630)	(82,139)	1,399	(695,212)	(794,582)	(4,640)	(799,222)
Others							
Transfer of valuation gains (losses) on financial assets at FVOCI	-	-	(1,115)	1,115	-	-	-
Retirement of treasury shares	-	-	(21,926)	21,926	-	-	-
As of December 31, 2024	₩ 86,725	369,049	6,669,272	(4,969,362)	2,155,684	348,755	2,504,439
As of January 1, 2025	₩ 86,725	₩ 369,049	₩ 6,669,272	₩ (4,969,362)	₩ 2,155,684	348,755	2,504,439
Total comprehensive income:							
Profit for the year	-	-	329,905	-	329,905	92,216	422,121
Valuation gains (losses) on financial assets at FVOCI	-	-	-	(1,448)	(1,448)	748	(700)
Remeasurements of net defined benefit assets and liabilities	-	-	2,337	-	2,337	986	3,323
Share of remeasurements of associates and joint ventures	-	-	(260)	-	(260)	-	(260)
Valuation gains (losses) on investments in associates and joint venture	-	-	(19)	6,979	6,960	(12,183)	(5,223)
Gains (losses) on translation of foreign operatoins	-	-	-	939	939	(1,525)	(586)
Valuation gains on derivatives	-	-	-	168	168	-	168
Transactions with the owners of the Parent Company:							
Dividends (Note 31)	-	-	(50,153)	-	(50,153)	(16,500)	(66,653)
Others	-	-	614	(1,162)	(548)	1,112	564
As of December 31, 2025	₩ 86,725	₩ 369,049	₩ 6,951,696	₩ (4,963,886)	₩ 2,443,584	413,609	2,857,193

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

Hyosung Corporation and its subsidiaries
Consolidated statements of cash flows
for each of the two years in the period ended December 31, 2025

(Korean won in millions)

	Notes	2025	2024
Cash flows from operating activities:			
Profit from continuing operations		₩ 422,121	₩ 168,606
Profit from discontinued operations		-	315,652
Non-cash items adjustments	32	(92,263)	(234,602)
Working capital adjustments	32	75,774	245,762
Income taxes paid		(15,751)	(22,736)
Interest paid		(80,739)	(78,374)
Interest received		38,198	15,067
Dividends received		73,753	55,427
Net cash flows provided by operating activities:		421,093	464,802
Cash flows from investing activities:			
Disposal of other financial assets		11,639	44,538
Collection of short-term loans		121,154	3,268
Decrease in short-term guarantee deposits		194	1,461
Collection of long-term loans		417	613
Decrease in long-term guarantee deposits		2,257	5,964
Disposal of property, plant and equipment		9,600	9,922
Government grants received in relation with property, plant and equipment		91	2,302
Disposal of intangible assets		58	14,998
Cash inflows from change in scope of consolidation		4,326	-
Disposal of investments in associates		264,323	1,200
Others	11	4,240	-
Acquisition of other financial assets		(250,200)	(221,955)
Increase in short-term loans		(221,063)	(2,102)
Increase in short-term guarantee deposits		(162)	(618)
Increase in long-term loans		(271,154)	(1,087)
Increase in long-term guarantee deposits		(1,975)	(5,419)
Acquisition of property, plant and equipment		(158,921)	(49,270)
Acquisition of intangible assets		(8,861)	(4,452)
Acquisition of investments in associates		(31,434)	(26,376)
Acquisition of other non-current assets		(1,588)	(358)
Business combination		(151,935)	-
Net cash flows used in investing activities		(678,994)	(227,371)
Cash flows from financing activities:			
Proceeds from short-term borrowings and current portion of borrowings		2,046,717	1,661,080
Proceeds from long-term borrowings		549,600	190,408
Government grants received		1,066	4,877
Disposal of treasury shares		-	33,473
Repayment of short-term borrowings		(1,810,811)	(1,875,629)
Repayment of long-term borrowings		(10,000)	-
Repayment of current portion of long-term borrowings		(236,675)	(151,117)
Repayment of lease liabilities		(32,570)	(34,020)
Dividends paid		(66,653)	(74,248)
Repayment of government grants		(581)	(420)
Acquistion of treasury shares		-	(1,152)
Net cash flows provided by (used in) financing activities		440,093	(246,748)
Effects of exchange rate changes on cash and cash equivalents		9,277	(430)
Net increase (decrease) in cash and cash equivalents		191,469	(9,747)
Changes through spin-off	36	-	(29,040)
Cash and cash equivalents at the beginning of the year		108,875	147,662
Cash and cash equivalents at the end of the year		₩ 300,344	₩ 108,875

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

1. General information on the Group

Hyosung Corporation (the "Company" or the "Parent Company") and its subsidiaries (collectively, the "Group") was established on November 3, 1966 to primarily engage in manufacture and sales of synthetic fiber products and electronic products, along with construction, international trade and other related business activities.

As a result of the spin-off dated on June 1, 2018, the Company was separated into the surviving company; Hyosung Corporation that manages the equities and investments of the subsidiaries, and newly established companies; Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation that operate business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively.

The Group spun-off on July 1, 2024, with the company remaining as a business unit focused on managing and investing in subsidiaries. The new company, HS Hyosung Corporation, was created through the spin-off, which focuses on managing and investing in the shares of the spun-off subsidiaries as well as operating the transportation brokerage business.

As of December 31, 2025, the Group operates manufacturing facilities in Anyang and other locations, and also has overseas subsidiaries in the Americas, Europe and Asia.

As of December 31, 2025, the shareholders of the Company are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
Cho Hyun-Joon	6,866,655	41.02
Cho Hyun-Sang	2,277,760	13.61
Song Gwang-Ja	82,929	0.50
Cho Yang-Rae and others	125,242	0.75
Others	7,365,018	43.99
Treasury shares	22,803	0.13
Total	16,740,407	100.00

1. General information on the Group (cont'd)

A. Consolidated subsidiaries

Details of the consolidated subsidiaries as of December 31, 2025 are as follows:

Subsidiaries	Percentage of ownership (%)	Location	Closing month	Main business
HYOSUNG TNS INC.	54.02	Korea	December	ATM manufacturing
Hyosung GoodSprings, Inc.	100	Korea	December	Liquid pump manufacturing
Forza Motors Korea Corp. (*1)	100	Korea	December	Automobile sales and maintenance
Hyosung Investment & Development Corporation	58.75	Korea	December	Real estate rents
Gongdeok Gyeongwoo Development Corporation	73.33	Korea	December	Real estate rents
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	100	Korea	December	Real estate services
Hyosung ventures Co., Ltd.	100	Korea	December	Investments in new technology industry and management
NAUTILUS HYOSUNG CMS INC.	100	Korea	December	ATM cash transportation
NAUTILUS HYOSUNG TECH INC.	100	Korea	December	ATM machine maintenance, interior
HYOSUNG FMS INC.	100	Korea	December	Electronic payment agency
Hyosung Brasil Participacoes LTDA	100	Brazil	December	Production and sales of tire reinforcing materials
Hyosung Resource (Australia) PTY Ltd.	100	Australia	December	Mine development
Hyosung RUS	100	Russia	December	ATM machine maintenance
Hyosung Solutions S DE RL DE CV	100	Mexico	December	Manufacture and sales of financial automation equipment
Hyosung Financial System (Huizhou) Co., LTD	100	China	December	Manufacture and sales of financial automation equipment
HYOSUNG FINANCIAL SYSTEM VINA Co., Ltd	100	Vietnam	December	Manufacture and sales of financial automation equipment
Nautilus Hyosung America Inc.	100	USA	December	Sales and maintenance of ATM machines
HYOSUNG TNS RUS L.L.C	100	Russia	December	ATM sales
New Star Gongdeok 5th Co., Ltd. (*2)	-	Korea	December	Other finance business
New Star Gongdeok 6th Co., Ltd. (*2)	-	Korea	December	Other finance business
New Star H Chem 1st Co., Ltd. (*2)	-	Korea	December	Other finance business
Vista Square Co., Ltd. (*2)	-	Korea	December	Other finance business
New Star HS 1st Co., Ltd. (*2)	-	Korea	December	Other finance business

(*1) For the year ended December 31, 2025, through a spin-off, the surviving company changed its name to Ferrari Korea Co., Ltd. and lost control upon disposal of a portion of its equity interest, while the newly established company was incorporated as Forza Motors Korea Corp. (See Notes 14 and 37).

(*2) The Group's ownership is less than 50% of voting rights. However, considering the power to direct relevant activities of the investees, exposure to variable returns, and the ability to use its power over the investees to affect the amount of the Company's returns, the Group is considered to have control over the entities.

1. General information on the Group (cont'd)

B. Summarized financial information on consolidated subsidiaries

The summarized consolidated statements of financial position and comprehensive income of major subsidiaries as of and for the years ended December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025			2025		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
HYOSUNG TNS INC.(*1)	1,021,168	639,020	382,148	1,464,753	99,202	100,782
Hyosung GoodSprings, Inc.	229,219	142,759	86,460	230,089	15,565	15,535
Forza Motors Korea Corp. (*2)	153,099	134,392	18,707	48,656	(2,832)	(3,195)
Hyosung Investment & Development Corporation	767,222	65,720	701,502	462	87,295	59,587
Gongdeok Gyeongwoo Development Corporation	189,334	218,601	(29,267)	28,647	6,982	6,948
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	155,408	161,391	(5,983)	9,103	(1,821)	(1,821)

(*1) Consolidated financial information basis
(*2) Only the results of operations incurred after the spin-off are included.

	December 31, 2024			2024		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
HYOSUNG TNS INC.(*1)	1,073,748	792,180	281,568	1,387,191	18,799	23,591
Hyosung GoodSprings, Inc.	209,296	132,371	76,925	236,279	9,587	7,277
Ferrari Korea Co., Ltd. (formerly, Forza Motors Korea Corp)	174,355	141,887	32,468	218,738	(6,402)	(6,573)
Hyosung Investment & Development Corporation	692,400	6,819	685,581	446	54,667	110,532
Gongdeok Gyeongwoo Development Corporation	192,728	228,940	(36,212)	24,224	(1,678)	(1,727)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	158,538	161,726	(3,188)	10,290	(1,814)	(1,814)

(*1) Consolidated financial information basis

1. General information on the Group (cont'd)

C. Changes in scope for consolidation

(1) Subsidiaries newly included in the consolidation scope for the year ended December 31, 2025 are as follows:

Subsidiary	Description
New Star Gongdeok 5th Co., Ltd.	The Company has power over the relevant activities in the event of default and is exposed to significant variable returns through guarantees for supplemental funding or contingent debt acquisition arrangements.
New Star Gongdeok 6th Co., Ltd.	
New Star HS 1st Co., Ltd.	
New Star H Chem 1st Co., Ltd.	
Vista Square Co., Ltd.	
Prime Light Co., Ltd.	
Forza Motors Korea Corp. (*1)	Newly included due to spin-off

(*1) This entity is a newly established company resulting from the spin-off of a subsidiary for the year ended December 31, 2025 (See Note 37).

(2) Subsidiaries excluded from the consolidation scope for the year ended December 31, 2025 are as follows:

Subsidiary	Description
New Star Gongdeok 3rd Co.,Ltd	Termination of guarantees for supplemental funding or contingent debt acquisition arrangements
New Star Gongdeok 4th Co.,Ltd	
Prime Light Co., Ltd.	
Taeansolarfarm Corp.	Loss of control due to disposal of equity interest
Ferrari Korea Co., Ltd.	
Hyosung Germany GmbH (*1)	
Atmplus, Inc	Liquidation

(*1) It changed its name for the year ended December 31, 2025 (See Note 14).

2. Material accounting policies

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Group prepared its statutory financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") enacted based on the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from the Korean consolidated 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 consolidated financial statements have been prepared on a historical cost basis, except for certain assets that are measured at fair value. The consolidated financial statements are presented in Korean won (presented herein as "KRW") except when otherwise indicated.

2. Material accounting policies (cont'd)

2.2 New and amended standards and interpretations adopted by the Group

(1) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for the annual period beginning on or after January 1, 2025. The Group has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

Amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates – Lack of exchangeability*

The amendments clarify how an entity assesses whether a currency is exchangeable into another currency and how to determine the spot exchange rate when exchangeability is lacking. These amendments aim to require disclosures that enable users of financial statements to understand how a lack of exchangeability affects, or is expected to affect, an entity's financial performance, financial position, and cash flows. The application of these amendments has no material impact on the Group's financial position or operating results.

Amendments to KIFRS 1117 *Insurance Contracts*

The amendments require entities to disclose the information about differences between the estimation techniques used to measure insurance contracts and the principle-based estimation techniques required under insurance-related laws and regulations, when such differences are considered relevant and material to users of financial statements. These amendments are effective until the financial year that includes December 31, 2029. The application of these amendments has no material impact on the Group's financial position or operating results.

(2) 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.

Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and measurement of financial Instruments*

The amendments to KIFRS 1109 and KIFRS 1107 *Classification and Measurement of Financial Instruments* include:

- a clarification that a financial liability is derecognized on the "settlement date" and the introduction of an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date;
- additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- clarifications on what constitute "non-recourse features" and what are the characteristics of contractually linked instruments; and
- the introduction of 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 are effective for annual periods beginning on or after January 1, 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not plan to early adopt the amendments.
The amendments are effective for annual periods beginning on or after January 1, 2026, with early application permitted.

2. Material accounting policies (cont'd)

2.2 New and amended standards and interpretations adopted by the Group (cont'd)

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.

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

These amendments are effective for annual periods beginning on or after January 1, 2026, with early application permitted.

Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Contracts referencing nature-dependent electricity*

The amendments to KIFRS 1109 and KIFRS 1107 - *Contracts Referencing Nature-dependent Electricity* have been issued and include the followings:

- clarification of the application of the "own-use" requirements for in-scope contracts;
- amendments to the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts; and
- addition of new disclosure requirements to enable investors to understand the effect of these contracts on an entity's financial performance and cash flows.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted.

KIFRS 1118 *Presentation and Disclosure in Financial Statements*

KIFRS 1118 has been issued, which replaces KIFRS 1001 *Presentation of Financial Statements*. KIFRS 1118 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified "roles" of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to KIFRS 1007 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from "profit or loss" to "operating profit or loss" and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

KIFRS 1118, and the amendments to the other standards, are effective for annual reporting periods beginning on or after January 1, 2027, but earlier application is permitted.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

2. Material accounting policies (cont'd)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31 of each reporting year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Group's returns.

When the Group holds less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- Contractual arrangements with other holders of voting rights;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. The assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group assets, liabilities, equity, income, expenses, and cash flows relating to transactions between Group entities are eliminated in full on consolidation.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If the Group loses control of a subsidiary, the Group derecognizes, at the date control is lost, the assets (including goodwill), liabilities, non-controlling interests, and other components of equity relating to the former subsidiary, and recognizes any resulting gain or loss in profit or loss. Any retained investment in the former subsidiary is recognized at its fair value.

2. Material accounting policies (cont'd)

2.4 Investments in associates and joint ventures

Associates are entities over which the parent has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not constitute control or joint control over those policies.

Joint ventures are joint arrangements in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group accounts for investments in associates and joint ventures using the equity method. Investments in associates and joint ventures are initially recognized at cost, and the carrying amounts are subsequently adjusted to recognize the Group's share of the changes in the net assets of the associates or joint ventures after the acquisition date. Goodwill relating to associates and joint ventures is included in the carrying amount of the investment and is neither amortized nor tested separately for impairment.

The Group's share of the profit or loss of associates and joint ventures is recognized directly in the consolidated statement of profit or loss, and the Group's share of changes in other comprehensive income is recognized as part of the Group's other comprehensive income. Changes recognized directly in the equity of associates or joint ventures are recognized in the consolidated statement of changes in equity to the extent of the Group's interest. Unrealized gains or losses arising from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest.

The Group's share of profits from associates and joint ventures, after adjusting for tax effects and non-controlling interests of the associates or joint ventures, is presented in the consolidated statement of profit or loss.

The reporting periods of associates and joint ventures are the same as that of the Group. Where necessary, adjustments are made to their financial statements to align the accounting policies with those of the Group.

After applying the equity method, the Group determines whether it is necessary to recognize any additional impairment loss on its investments in associates and joint ventures. At the end of each reporting period, the Group assesses whether there is objective evidence that an investment in an associate or joint venture is impaired. If such evidence exists, the difference between the recoverable amount and the carrying amount of the investment is recognized as an impairment loss in the consolidated statement of profit or loss.

When the Group loses significant influence over an associate or joint control over a joint venture, any retained interest in the former associate or joint venture is measured at fair value. The difference between the carrying amount of the investment at the date significant influence or joint control is lost and the fair value of the retained interest plus the consideration received is recognized in profit or loss.

2. Material accounting policies (cont'd)

2.5 Classification of current/non-current

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

· expected to be realize or intended to be sold or consumed in the normal operating cycle;
· held primarily for the purpose of trading;
· expected to be realized within twelve months after the reporting period; or
· cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

· it is expected to be settled in the normal operating cycle;
· it is held primarily for the purpose of trading;
· it is due to be settled within twelve months after the reporting period; or
· There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities s as non-current.

Deferred tax liabilities are classified as non-current liabilities.

2.6 Fair value measurement

The Group measures financial instruments at their fair value as of the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

· in the principal market for the asset or liability; or
· in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

2. Material accounting policies (cont'd)

2.6 Fair value measurement (cont'd)

· Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
· Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
· Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purposes of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

· Quantitative disclosure of the fair value measurement hierarchy - Note 4; and
· Investment properties - Note 11.

2.7 Foreign currency translation

Items included in the consolidated financial statements of the Group are measured using Korean won (KRW), the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Korean won.

Transactions and balances

In preparing the consolidated financial statements, the Group records transactions denominated in currencies other than the functional currency by applying the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the end of the reporting period, and the resulting exchange differences are recognized in profit or loss.

Meanwhile, foreign currency-denominated non-monetary items measured at historical cost are recognized using the exchange rate at the date of the initial transaction, whereas foreign currency-denominated non-monetary items measured at fair value are recognized using the exchange rate at the date when the fair value is measured. Exchange differences arising from the translation of non-monetary items are recognized in other comprehensive income or profit or loss, consistent with the recognition of gains or losses arising from changes in the fair value of the related items.

The transaction date used to determine the exchange rate for the initial recognition of related assets, expenses, or income (or a portion thereof) is the date on which the Group initially recognizes a non-monetary asset or non-monetary liability arising from advance consideration paid or received. When advance payments or advance receipts are made or received in multiple installments, the Group determines the transaction date for each payment or receipt of consideration separately.

2. Material accounting policies (cont'd)

2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedients are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, the cash flows need be composed exclusively of solely payments of principal and interest (SPPI) This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets is related to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortized cost (debt instruments);
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at FVPL.

① Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets measured at amortized cost include trade and other receivables and other financial assets.

2. Material accounting policies (cont'd)

2.8 Financial instruments (cont'd)

② Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

③ Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under KIFRS 1032 *Financial Instruments: Presentation* and are not held for investment.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group may also elect to classify irrevocably its non-listed equity investments under this category.

④ Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated or required upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivatives and listed equity instruments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are recognized in profit or loss at the time the rights are established.

2. Material accounting policies (cont'd)

2.8 Financial instruments (cont'd)

3) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

When the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – Note 3; and
- Trade and other receivables – Note 7.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Material accounting policies (cont'd)

2.8 Financial instruments (cont'd)

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category by the credit rating agency to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from an independent credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

(2) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

When financial liabilities incurred from the supplier finance arrangements have similar nature and functions with trade payables, the Group classifies the liabilities as trade and other payables in its consolidated statements of financial position. The classification is allowed only if the Group's supplier finance arrangements are part of the working capital used in the normal operating cycle, the level of collateral provided is similar that of trade payables, and the conditions of the liabilities incurred from the arrangements are not substantially different from those of trade payables, not subject to supplier finance arrangements. The cashflows in relation with the liabilities being classified as trade and other payables are included in operating activities in the Group's consolidated statements of cash flows.

2) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

① Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as of FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. Material accounting policies (cont'd)

2.8 Financial instruments (cont'd)

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Group has not designated any financial liability as of FVPL.

② Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

4) Financial guarantee liabilities

A financial guarantee contract refers to the contract that requires the issuer to pay the specified amounts to reimburse the holder for a loss because the specified debtor fails to make payment when due under original or revised contractual terms of debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with KIFRS 1109 (see financial assets above); or
- the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with KIFRS 1115.

(3) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2. Material accounting policies (cont'd)

2.9 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position consist of ordinary deposits, small amounts of cash and short-term deposits with maturities of three months or less from the acquisition date.

2.10 Derivative instruments

Derivatives are initially recognized at fair value on the date the derivative contracts are entered into and are subsequently remeasured at fair value. Changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in finance income (costs) in the consolidated statement of profit or loss.

Meanwhile, the Group has entered into interest rate swap agreements on floating-rate borrowings to manage exposure to interest rate risk.

1) Hedge accounting
At the inception of each hedging relationship, the Group formally documents the risk management objective and strategy for undertaking the hedge, as well as the relationship between the hedging instrument and the hedged item. The Group also documents, both at hedge inception and on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk.

2) Cash flow hedges
For derivatives and other qualifying hedging instruments that are designated as hedging instruments and meet the criteria for cash flow hedge accounting, the effective portion of changes in fair value is recognized in other comprehensive income, limited to the cumulative change in the fair value of the hedged item attributable to the hedged risk from the inception of the hedge. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss.

Hedge accounting is discontinued only if the hedging relationship (or part of the hedging relationship), after taking into account any applicable rebalancing, fails to meet the qualifying criteria. This includes circumstances in which the hedging instrument expires, is sold, terminated, or exercised. Discontinuation is accounted for prospectively. At the time cash flow hedge accounting is discontinued, any cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income and accumulated in equity continues to be recognized in equity and is reclassified to profit or loss when the forecast transaction ultimately affects profit or loss. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss that had been recognized in equity is immediately reclassified to profit or loss.

2. Material accounting policies (cont'd)

2.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the moving-weighted average method except for in-transit inventories and some products which are determined using the specific identification method.

2.12 Non-current assets held for sale (or disposal group)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The costs to sell are incremental costs (excluding financial costs and income tax costs) that are directly attributable to the disposal of an asset (or disposal group).

This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. The measures required to complete the sale must show that the sale is unlikely to be significantly altered or withdrawn, and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

2. Material accounting policies (cont'd)

2.13 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at the fair value at the date on which control is obtained.

The Group does not depreciate land. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

	Useful Life
Buildings	10 ~ 40 years
Structures	5 ~ 40 years
Machinery	3 ~ 30 years
Vehicles	3 ~ 10 years
Tools and equipment	2 ~ 15 years
Right-of-use assets	1 ~ 40 years

When the residual value of an item of property, plant and equipment is equal to or exceeds its carrying amount, no depreciation is charged until such time as the residual value subsequently decreases to an amount below the carrying amount. Certain platinum assets included in the Group's tools and equipment fall into this category.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of the expected useful lives and residual values. Furthermore, the Group considers climate-related matters, including physical and transition risks. Specifically, the Group determines whether climate-related legislations and regulations might impact either the useful lives or residual values, e.g., by banning or restricting the use of the Group's fossil fuel-driven machinery and equipment or imposing additional energy efficiency requirements on the Group's buildings and office properties.

2. Material accounting policies (cont'd)

2.14 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.15 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to the grant. Grants related to assets are presented by deducting the grant from the carrying amount of the related asset, while grants related to income are recognized as other income at the time of recognition or deducted from the related expenses incurred to meet the objectives of the grants.

2.16 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Classification	Estimated useful life
Industrial property rights	5~10 years
Other intangible assets – Customer relationships	5~11 years
Other intangible assets – Others	5 years

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2. Material accounting policies (cont'd)

2.17 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost. After initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses. Buildings included in investment properties, except for land, are depreciated over an estimated useful life of 40 years using the straight-line method.

Investment properties are derecognized either upon disposal (i.e., at the date when control of the asset is transferred to the acquirer) or when they are permanently withdrawn from use and no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognized in profit or loss at the time of derecognition. The consideration (amount) to be included in the gain or loss arising from the disposal of investment properties is determined in accordance with the requirements for determining transaction prices under KIFRS 1115.

Transfers to or from investment properties are made only when there is a change in the use of the properties.

2.18 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting the estimated future cash flows expected to be derived from the asset using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value is determined by reference to recent market transactions. Where such transactions cannot be identified, appropriate valuation techniques are used. These valuation techniques include the use of valuation multiples, quoted market prices of publicly traded shares, or other available fair value indicators.

2. Material accounting policies (cont'd)

2.18 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculations on detailed budgets and forecasts prepared separately for each CGU to which the individual assets are allocated. These budgets and forecasts generally cover a period of five years. For periods beyond five years, a long-term growth rate is estimated and applied.

Impairment losses are recognized in profit or loss in expense categories consistent with the function of the impaired assets.

At each reporting date, the Group also assesses whether there is any indication that impairment losses recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior periods. Such reversals are recognized in profit or loss.

Goodwill and intangible assets with indefinite useful lives are not amortized and are tested annually for impairment.

Impairment testing for goodwill is performed by estimating the recoverable amount of each CGU, or group of CGUs, to which goodwill has been allocated. Where the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses recognized for goodwill are not reversed in subsequent periods.

The Group assesses whether climate-related risks, including physical risks and transition risks, could have a significant impact and includes such risks in cash flow forecasts when determining value in use. Further information on the impact of climate-related risks on value in use is disclosed in Note 2.31.

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement. The expense relating to a provision is presented in the consolidated statement of profit and loss net of any reimbursement.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In addition, if an event occurred in the past but the Group has a potential obligation of which the existence is identified when an uncertain future event occurs, or if the past event or transaction causes a current obligation but resources are not likely to flow out of the Group, or if an amount required to perform the current obligation cannot be reliably estimated, the Group recognizes a contingent liability and discloses such a liability in its consolidated financial statements.

2. Material accounting policies (cont'd)

2.19 Provisions (cont'd)

Greenhouse gas emissions
The Group has received emission allowances free of charge under the domestic greenhouse gas emissions trading scheme. The Group is required to submit emission allowances equivalent to its actual greenhouse gas emissions. The Group accounts for the emission allowances allocated free of charge using the net liability approach. The Group recognizes the allocated emission allowances at a nominal amount (i.e., zero). As emissions occur, the Group recognizes a provision for the emission obligation. As the Group intends to settle the emission obligation using the emission allowances received, the measurement of the provision considers the value of the allocated emission allowances. Accordingly, until the level of emissions exceeds the allocated emission cap, there is no impact on provisions recognized in the consolidated statement of financial position or on profit or loss. Emission costs are recognized as cost of sales. Where emission allowances are purchased from other parties, the acquisition cost of such allowances is taken into account in measuring the provision.

2.20 Income taxes

(1) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted as of the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized directly in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to the interpretation of relevant tax regulations and assesses the recoverability of income tax refunds. Where necessary, provisions are recognized.

(2) Deferred Tax

Deferred tax assets and liabilities are recognized for temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except in the following circumstances:

- when the deferred tax liability arises from the initial recognition of goodwill;
- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the Group is able to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not reverse in the foreseeable future.

2. Material accounting policies (cont'd)

2.20 Taxes (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and tax loss carryforwards, to the extent that it is probable that taxable income will be available against which they can be utilized, except in the following circumstances:

- when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, when it is not probable that the temporary differences will reverse in the foreseeable future or that taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and that are expected to apply in the period in which the asset is realized or the liability is settled.

Current income tax and deferred tax relating to items recognized outside profit or loss are recognized outside profit or loss. Deferred tax items are recognized either in other comprehensive income or directly in equity, in accordance with the underlying transaction.

Tax benefits acquired as part of a business combination that did not satisfy the criteria for separate recognition at the acquisition date are recognized during the measurement period if new information about facts and circumstances existing at the acquisition date becomes available. Such recognized deferred tax benefits are applied to reduce the carrying amount of goodwill. If the carrying amount of goodwill is zero, the remaining deferred tax benefit is recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities only when it has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(3) Sales tax

Revenue, expenses and assets are recognized net of sales tax. However, when sales tax incurred on the purchase of assets or services is not recoverable from the taxation authority, such sales tax is recognized as part of the cost of acquisition of the asset or as part of the related expense.

The net amount of sales tax recoverable from or payable to the taxation authority is included in receivables or payables in the consolidated statement of financial position.

2. Material accounting policies (cont'd)

2.21 Employee benefits

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

(1) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as an expense when an employee has rendered service.

(2) Defined benefit plan

The Group operates a defined benefit plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as years of service and compensation. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- · the date of the plan amendment or curtailment; or
- · the date when the Group recognizes related restructuring costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under cost of sales and 'selling and administrative expenses' in the consolidated statements of profit or loss.

2.22 Revenue from contracts with customers

(1) Identifying performance obligations

The Group engages in a variety of businesses, including facility rental, manufacturing and sales of financial automation equipment, and manufacturing and sales of tire reinforcement materials. In accordance with KIFRS 1115, the Group identifies distinct performance obligations in contracts with customers and differentiates the time of recognition of the revenue from contracts with customers depending on whether a performance obligation is fulfilled at a point in time or over a period of time.

(2) Performance obligations satisfied at a point in time

Revenue from the sale of goods is recognized when the assets are transferred and performance obligations are fulfilled, and performance obligations satisfied at a point in time are fulfilled at the point in time when the control of the goods or services is transferred to the customer.

(3) Performance obligations satisfied over time

In accordance with KIFRS 1115, the revenue is recognized over time by measuring progress only if the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. Material accounting policies (cont'd)

2.22 Revenue from contracts with customers (cont'd)

(4) Measurement of progress using the input method

The Group applies the input method to performance obligations fulfilled over a period of time as a progress measurement method. In the process of transferring control of goods or services to customers, the influence of inputs that do not indicate the progress of the Group towards complete satisfaction is excluded from the input method. In addition, if the output of the performance obligation cannot be measured reasonably but costs are expected to be recovered, revenue is recognized only in the range of costs incurred to the extent that the output can be measured reasonably. At contract inception, the Group recognizes the same amount of revenue as the goods used to fulfil the performance obligation if the goods are not distinct, the control of the goods is expected to be transferred to the customer significantly earlier than the time when the customer is provided with services related to the goods, the costs of the goods transferred are expected to be significant compared to the total costs expected to fully satisfy the performance obligation, and the Group expects to procure the goods from a third party and is not significantly involved in the design and production of the goods.

(5) Incremental costs of obtaining a contract

In accordance with KIFRS 1115, the Group recognizes the incremental costs of obtaining a contract with customer as an asset if the Group expects to recover those costs. Incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained is recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(6) Variable consideration

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

(7) Significant financing component

With implementation of KIFRS 1115, when calculating the transaction price, the Group should recognize the revenue as an amount that reflects the price of the good or the service customer paid in cash, if the customer or the Group has a significant financial benefit when the goods or services are transferred due to the agreed payment date between contracting parties.

2. Material accounting policies (cont'd)

2.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(1) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, refer to Note 2.18 Impairment of non-financial assets.

2) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including substance fixed payments less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group classifies lease liabilities as interest-bearing borrowings.

3) Short-term and low-value leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2. Material accounting policies (cont'd)

2.23 Leases (cont'd)

(2) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.24 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. Gains or losses on the purchase, sale, issue or cancellation of the Group's own equity instruments are not recognized in profit or loss. Any difference between the carrying amount and the consideration is accounted for as other components of equity.

2.25 Cash dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. Distributions to shareholders require approval by the shareholders. The corresponding amount is recognized directly in equity.

2.26 Cash dividends and distribution of non-cash assets to the owners of the Parent Company

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

When the Group distributes non-cash assets without consideration to all owners of the same class of equity instruments on an equal basis, the Group recognizes a liability by measuring the non-cash assets to be distributed at their fair value at the time the distribution is declared and the Group becomes obligated to distribute the related non-cash assets.

2.27 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations.
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively for trading purposes.

When there are discontinued operations, the Group restates the prior period's consolidated statement of profit or loss as if the operation had been discontinued from the beginning of the comparative period.

2. Material accounting policies (cont'd)

2.28 Events after the reporting period

The Group evaluates whether the information obtained after the reporting period, but before the approval date of the financial statements, affects the amounts recognized in the consolidated financial statements. If the event after the reporting period requires an adjustment, the Group revises the recognized amounts in the consolidated financial statements and adjusts the disclosures accordingly to reflect the new information. For events after the reporting period that do not require adjustments, the Group does not change the recognized amounts but discloses an estimate of the nature and financial impact of the event. If such an estimate cannot be made, the Group discloses an explanation of the event.

2.29 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shareholders of the Parent Company for the interest expense related to convertible preferred shares, if any, and dividing this by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of potential ordinary shares that would be issued if the dilutive potential ordinary shares were converted into ordinary shares.

2.30 Approval of consolidated financial statements

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on January 30, 2026 and are subject to change with approval of shareholders at their Annual General Meeting.

2.31 Climate-related matters

The Group considers climate-related risks in its estimates and assumptions. This assessment includes a wide range of potential impacts from both physical and transition risks that may affect the Group.

Although the Group believes its business model and products will remain viable after the transition to a low-carbon economy, climate-related risks increase the uncertainty in estimates and assumptions underlying several items in the financial statements. Even though climate-related risks may not have a significant impact on current measurements, the Group closely monitors relevant changes and developments, such as new climate-related legislations. The key items and considerations directly impacted by climate-related risks are as follows:

- useful lives of property, plant, and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related risks, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures. For more details, please refer to Note 2.13.

- impairment of non-financial assets. Transition risks, such as climate-related legislation and regulations and changes in demand for the Group's products, may affect the value-in-use in several ways; and

- greenhouse gas emissions. The Group receives free emission rights annually and is required to remit emission rights equivalent to its actual emissions. The Group has adopted the net liability approach for allocated emission rights. For more details, please refer to Note 2.19.

3. Material accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(1) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that non-financial assets may be impaired. The Group performs impairment tests for intangible assets with indefinite useful lives and goodwill every year or when there is an indication of impairment. The Group performs impairment tests for other nonfinancial assets if there is an indication that their book value is not recoverable. To calculate value in use, management estimates expected future cash flows arising from cash generating units (CGU) or assets and selects an appropriate discount rate to compute the present value of the expected future cash flows.

(2) Retirement benefits

The cost of the defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

To determine an appropriate discount rate, management refers to the interest rate of corporate bonds rated AA or higher. Mortality rates are based on publicly available tables, and future wage growth rates and future pension growth rates are based on the Group's average salary increase rate.

(3) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3. Material accounting judgments, estimates and assumptions (cont'd)

(4) Calculation of incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (i.e. leases that are not of the functional currency of subsidiaries).

(5) Deferred tax and income tax

Recognition and measurement of deferred tax assets and liabilities require the management's judgment, in particular, whether to recognize if the scope of deferred tax assets is affected by management's judgment and assumption in the future. In addition, in accordance with the Special Taxation for Investment and Promoting Win-win Cooperation. The Group shall pay an additional corporate tax calculated by the method prescribed by the tax law. Accordingly, as the Group considers the tax effects from surtax on undistributed corporate earnings when computing its income tax, the Group's income tax may change arising from changes in investment, wage growth, etc.

(6) Calculation of loss allowance for trade and other receivables

The Group estimates the amount of loss incurred by taking into account the age of the receivables, history of bad debt in the past, and other economic and industrial environment factors in order to calculate the loss allowance for trade and other receivables.

(7) Useful life and residual value of property, plant, and equipment

The Group reviews the estimated residual values and expected useful lives of property, plant, and equipment at least annually. In particular, when evaluating the expected useful lives and estimated residual values, the Group considers the impact of health, safety, and environmental legislations. Additionally, climate-related matters, including physical risks and transition risks, are taken into account. Specifically, the Group determines whether climate-related legislations and regulations may impact the useful lives and residual values (e.g., prohibiting or restricting the use of fossil fuel-powered machinery and equipment, or imposing additional energy efficiency requirements on buildings and office assets).

4. Financial instruments by category

A. Financial assets

Details of financial assets as of December 31, 2025 and 2024 are as follows (KRW in millions):

December 31, 2025					
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	-	-	300,344	-	300,344
Trade and other receivables (*1, *2)	-	-	412,719	-	412,719
Other current financial assets	1,406	-	134,243	626	136,275
Long-term trade and other receivables	-	-	294,676	-	294,676
Other non-current financial assets	184,366	322,458	80,470	-	587,294
Total	185,772	322,458	1,222,452	626	1,731,308

(*1) Excluding contract assets of KRW 17,733 million.
(*2) The tax-related assets that do not qualify as financial instruments have been excluded.

December 31, 2024				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	108,875	108,875
Trade and other receivables (*1, *2)	-	-	362,678	362,678
Other current financial assets	767	-	5,156	5,923
Long-term trade and other receivables	-	-	22,968	22,968
Other non-current financial assets	87,592	229,268	80,443	397,303
Total	88,359	229,268	580,120	897,747

(*1) Excluding contract assets of KRW 24,186 million.
(*2) The tax-related assets that do not qualify as financial instruments have been excluded.

4. Financial instruments by category (cont'd)

B. Financial liabilities

Details of financial liabilities as of December 31, 2025 and 2024 are as follows (KRW in millions):

December 31, 2025			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables (*1)	-	355,448	355,448
Short-term borrowings and current portion of long-term borrowings	-	621,978	621,978
Other current financial liabilities	5,463	42,830	48,293
Long-term trade and other payables (*1)	-	29,359	29,359
Long-term borrowings	-	737,502	737,502
Other non-current financial liabilities	-	118,191	118,191
Total	5,463	1,905,308	1,910,771

(*1) The employee and tax-related liabilities that do not qualify as financial instruments have been excluded.

December 31, 2024			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables (*1)	-	375,223	375,223
Short-term borrowings and current portion of long-term borrowings	-	780,230	780,230
Other current financial liabilities	3,526	39,165	42,691
Long-term trade and other payables (*1)	-	16,401	16,401
Long-term borrowings	-	54,609	54,609
Other non-current financial liabilities	-	105,654	105,654
Total	3,526	1,371,282	1,374,808

(*1) The employee and tax-related liabilities that do not qualify as financial instruments have been excluded.

4. Financial instruments by category (cont'd)

C. Net profit and loss by financial instrument category

Net profits and losses for financial instruments for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024(*1)
Financial assets at amortized cost		
Interest income	26,972	15,895
Gains on foreign currency transactions	31,411	21,497
Gains (losses) on foreign currency translations	(104)	1,163
Losses on disposal of trade receivables	(100)	(7,947)
Reversal of allowance for doubtful accounts (bad debt expenses)	1,373	(3,727)
Financial assets at FVPL		
Gains on disposal of financial assets	178	2
Valuation gains on financial assets	86,680	1,084
Dividend income	156	1,365
Financial assets at FVOCI		
Valuation gains (losses) on financial assets (other comprehensive income)	(700)	5,676
Valuation gains on financial assets (reclassification adjustment)	8	-
Dividend income	431	397
Derivatives designated as hedging instruments		
Valuation gains on derivatives (other comprehensive income)	168	-
Financial liabilities at amortized cost		
Interest expenses	(62,289)	(76,938)
Losses on foreign currency transactions	(40,413)	(19,874)
Gains on foreign currency translations	6,860	5,628
Financial assets and liabilities at FVPL (derivatives)		
Valuation losses on derivatives	(4,057)	(2,955)
Transaction gains (losses) on derivatives	2,622	(3,204)

(*1) Including the amounts presented as income (loss) from discontinued operations.

4. Financial instruments by category (cont'd)

D. Fair value hierarchy

Details of the carrying amounts and fair values of financial instruments that are measured at fair value as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025		December 31, 2024	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets at FVPL (listed equity instruments)	14,304	14,304	2,827	2,827
Financial assets at FVPL (non-listed equity instruments)	-	-	194	194
Financial assets at FVPL (debt instruments)	170,062	170,062	84,571	84,571
Financial assets at FVOCI (hybrid securities) (*1)	197,249	200,542	206,395	206,395
Financial assets at FVOCI (perpetual convertible bonds)	100,433	100,433	-	-
Financial assets at FVOCI (listed equity instruments)	17,793	17,793	14,391	14,391
Financial assets at FVOCI (non-listed equity instruments)	6,782	6,782	7,393	7,393
Financial assets at FVOCI (debt instruments)	201	201	1,089	1,089
Financial assets at FVPL (derivatives)	1,406	1,406	767	767
Derivative assets designated as hedging instruments	626	626	-	-
Financial liabilities				
Financial liabilities at FVPL (derivatives)	5,463	5,463	3,526	3,526

(*1) The Group recognized changes in its ownership interest in long-term equity investments in accordance with KIFRS 1028 (See Notes 8 and 14).

There is no significant difference between the carrying amounts and fair values of financial instruments, except for financial assets measured at fair value at cost for which the fair values of equity instruments cannot be reliably measured due to the absence of quoted prices in an active market and hybrid securities.

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

4. Financial instruments by category (cont'd) as follows:

D. Fair value hierarchy (cont'd)

The classification of the fair value hierarchy for financial instruments which are measured at fair value or of which fair value is disclosed as of December 31, 2025 and 2024 is as follows (KRW in millions):

December 31, 2025				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
Assets				
Equity instruments at FVPL	14,304	-	-	14,304
Debt instruments at FVPL	-	39,486	130,576	170,062
Hybrid securities at FVOC	-	-	200,542	200,542
Perpetual convertible bonds at FVOCI	-	-	100,433	100,433
Equity instruments at FVOCI	17,793	-	6,782	24,575
Debt instruments at FVOCI	-	-	201	201
Financial assets at FVPL (Derivatives)	-	1,406	-	1,406
Derivative assets designated as hedging instruments	-	626	-	626
Total	32,097	41,518	438,534	512,149
Liabilities				
Financial liabilities at FVPL (Derivatives)	-	5,463	-	5,463

(*1) The Group uses the market approach model as the valuation technique for derivative liabilities classified as Level 2 in the fair value hierarchy, and exchange rates and others are used as the input variable. In addition, for derivative assets and liabilities classified as Level 2, the Group uses the market approach as a valuation technique, and the input variables include floating interest rates.

(*2) The Group uses the discounted cash flow method, the comparable company comparison method, and net asset value method model for financial assets classified as Level 3 in the fair value hierarchy, and the main input variables include the discount rate and growth rate.

4. Financial instruments by category (cont'd)

D. Fair value hierarchy (cont'd) (KRW in millions):

December 31, 2024				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
Assets				
Equity instruments at FVPL	2,827	-	194	3,021
Debt instruments at FVPL	-	24,146	60,425	84,571
Hybrid securities at FVOCI	-	-	206,395	206,395
Equity instruments at FVOCI	14,391	-	7,393	21,784
Debt instruments at FVOCI	-	-	1,089	1,089
Financial assets at FVPL (Derivatives)	-	767	-	767
Total	17,218	24,913	275,496	317,627
Liabilities				
Financial liabilities at FVPL (Derivatives)	-	3,526	-	3,526

(*1) The Group uses the market approach model as a valuation technique for derivative liabilities classified as Level 2 in the fair value hierarchy, and exchange rates and others are used as the input variable.
(*2) The Group uses the discounted cash flow method, the comparable company comparison method, and net asset value method model for financial assets classified as Level 3 in the fair value hierarchy, and the main input variables include the discount rate and growth rate.

There were no transfers between fair value hierarchy levels for the year ended December 31, 2025.

E. Valuation techniques and inputs

The Group uses the following valuation techniques and inputs for the fair values of financial instruments classified as Level 3 in the fair value hierarchy (KRW in millions).

	Fair value as of December 31, 2025	Level	Valuation techniques	Inputs
Debt instruments at FVPL	130,576	3	Net asset valuation method	Net assets, etc.
Hybrid securities at FVOCI	200,542	3	Discounted cash flow method	Future cash flows, discount rates, etc.
Perpetual convertible bonds at FVOCI	100,433	3	TF model	Stock price volatility, underlying asset prices, etc.
Equity instruments at FVOCI	6,782	3	Analysis over comparable transactions	Price-to-Sales (PSR) ratio, etc.
Debt instruments at FVOCI	201	3	Cost method (*1)	N/A

(*1) Since the investment amount was not significant in the consolidated financial statements, it was measured at cost.

4. Financial instruments by category (cont'd)

E. Valuation techniques and inputs (cont'd)

Meanwhile, the sensitivity analysis on financial assets (hybrid securities and perpetual convertible bonds) at FVOCI arising from changes in major assumptions is as follows (KRW in millions).

	Key assumptions	Change	Increase	Base	Decrease
Hybrid securities	Discount rates	0.50%	199,729	200,542	201,362
Perpetual convertible bonds	Stock price volatility	5.00%	103,056	100,433	96,741
	Underlying asset prices	5.00%	106,250	100,433	91,841

F. Restricted financial instruments

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

	Description	December 31, 2025	December 31, 2024
Cash and cash equivalents	Establishment of pledge related to borrowings	29	91
	Others	2,122	1,662
Other current financial assets	Others	543	543
Other non-current financial assets	Restricted for checking account and leasehold deposits	4,971	4,916
	Pledge for borrowings	1,996	1,987
Total		9,661	9,199

5. Segment information

Operating segments are determined by management who makes strategic decisions. The management assesses the performance of the operating segments and resources distributed to each segment based on operating income.

Segment (*1)	Details
Holdings	Managing subsidiaries and associates, production and sales of carpets and real estate rents, lease of tanks and pipelines etc.
Information communication	Manufacturing and maintaining ATM
Pump manufacturing	Manufacturing liquor and pumps
Imported car dealer	Selling and maintaining imported cars
Others	Real estate rend and maintenance etc.

(*1) For the year ended December 31, 2024, the results of operations related to the business segment subject to the spin-off were classified as discontinued operations as a result of the Group's spin-off.

The Group's operating segment information for each of the two years in the period ended December 31, 2025 is as follows (KRW in millions):

2025							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	504,776	1,466,339	230,089	225,725	41,425	(36,645)	2,431,709
Operating profit (loss)	222,830	149,690	20,937	(9,631)	17,433	(8,238)	393,021
Profit (loss) before tax	309,749	128,263	19,427	(11,059)	91,575	(7,183)	530,772
Profit (loss) from continuing operations	283,073	99,712	15,565	(9,934)	50,336	(16,631)	422,121
Total assets	3,303,702	1,024,847	229,219	153,099	1,043,967	(367,730)	5,387,104
Total liabilities	824,301	631,267	142,759	134,392	895,642	(98,450)	2,529,911

2024							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	431,768	1,388,499	236,279	218,738	36,501	(39,029)	2,272,756
Operating profit	141,103	59,989	14,151	(6,734)	14,624	(2,000)	221,133
Profit (loss) before tax	162,723	21,631	11,694	(8,087)	(11,574)	5,493	181,880
Profit (loss) from coninuitng operations	155,282	19,217	9,587	(6,401)	(14,124)	5,045	168,606
Total assets	2,591,461	1,069,550	209,296	174,355	458,515	(162,313)	4,340,864
Total liabilities	400,692	779,893	132,371	141,887	490,293	(108,710)	1,836,426

6. Cash and cash equivalents

A. Details of cash and cash equivalents as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Cash on hand	11,970	6,457
Bank deposits, etc.	288,374	102,418
Total	300,344	108,875

7. Trade and other receivables

A. Details of trade and other receivables as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025			December 31, 2024		
	Receivable amount	Allowance for doubtful accounts	Carrying amount	Receivable amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	321,896	(8,590)	313,306	390,614	(10,792)	379,822
Other receivables	150,832	(9,569)	141,263	40,818	(9,454)	31,364
Subtotal	472,728	(18,159)	454,569	431,432	(20,246)	411,186
Long-term trade receivables	-	-	-	1,895	-	1,895
Long-term other receivables	294,764	(88)	294,676	21,073	-	21,073
Subtotal	294,764	(88)	294,676	22,968	-	22,968
Total	767,492	(18,247)	749,245	454,400	(20,246)	434,154

The Group has transferred trade receivables to the financial institutions in exchange for cash. The outstanding balances that have not been collected as of December 31, 2025 is KRW 10,522 million (KRW 140,698 million in 2024). The Group may retain an obligation to compensate a bank for debtors' failure to make payments when they become due; therefore, the transaction has been accounted for as a collateralized borrowing (See Notes 18 and 34).

7. Trade and other receivables (cont'd)

B. Details of other receivables as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Other receivables		
Non-trade receivables	34,932	24,621
Short-term loans (*1)	101,865	1,133
Accrued income	2,210	1,280
Short-term guarantee deposits	1,316	3,260
Finance leases receivable	930	-
Due from customers for contract works	10	1,070
Subtotal	141,263	31,364
Long-term other receivables		
Long-term loans	271,379	1,542
Long-term guarantee deposits	22,654	19,531
Long-term finance leases receivable	643	-
Subtotal	294,676	21,073
Total	435,939	52,437

(*1) New Star H Chem 1st Co., Ltd., the Group's consolidated subsidiary, loaned a total of KRW 370,000 million to Hyosung Chemical Corporation, an associate of the Parent Company. As the Parent Company included the relevant special purpose entity within the scope of consolidation, the above loan amount has been reflected in the consolidated financial statements.

C. Contract assets and liabilities

Details of contract assets and liabilities as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Contract assets (*1)	17,733	24,186
Contract liabilities (*2)	133,194	109,650

(*1) They are recorded in accounts receivable, other bonds, and other assets in the consolidated statements of financial position.
(*2) They are recorded in other liabilities in the consolidated statements of financial position.

For each of the two years in the period ended December 31, 2025, profits or losses recognized by the Group from the balances of contract liabilities recorded at the beginning of the reporting year are as follows (KRW in millions)

	2025	2024
Balance of contract liabilities at the beginning of the year recognizing income	47,986	66,715

7. Trade and other receivables (cont'd)

D. The aging analysis on trade and other receivables as of December 31, 2025 and 2024 is as follows (KRW in millions)

		December 31, 2025		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Neither past due nor impaired			
	Individual assessment	19,416	-	-
	Collective assessment	254,702	0.097%	247
	Past due but not impaired			
	Up to 3 months	35,348	0.552%	195
	4 ~ 6 months	1,277	2.976%	38
	7 ~ 12 months	1,640	14.451%	237
	Over 12 months	2,418	30.356%	734
	Impaired receivables	7,139	100.000%	7,139
	Subtotal	321,940	-	8,590
Other receivables	Neither past due nor impaired	447,896	0.020%	88
	Past due but not impaired			
	Up to 3 months	194	-	-
	4 ~ 6 months	1,102	-	-
	7 ~ 12 months	231	-	-
	Over 12 months	94	-	-
	Impaired receivables	9,569	100.000%	9,569
	Subtotal	459,086	-	9,657
Total		781,026	-	18,247

		December 31, 2024		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Neither past due nor impaired	317,178	0.329%	1,045
	Past due but not impaired			
	Up to 3 months	46,163	0.108%	50
	4 ~ 6 months	14,758	0.298%	44
	7 ~ 12 months	4,079	4.609%	188
	Over 12 months	905	4.309%	39
	Impaired receivables	9,426	100.000%	9,426
	Subtotal	392,509	-	10,792
Other receivables	Neither past due nor impaired	52,195	-	-
	Past due but not impaired			
	Up to 3 months	115	-	-
	4 ~ 6 months	20	-	-
	7 ~ 12 months	36	-	-
	Over 12 months	71	-	-
	Impaired receivables	9,454	100.000%	9,454
	Subtotal	61,891	-	9,454
Total		454,400	-	20,246

The above amounts per age are based on the present value and before impairment evaluation.

7. Trade and other receivables (cont'd)

E. Individually impaired receivables mainly relate to customers that are experiencing unexpected economic difficulties.

F. Changes in allowance for doubtful accounts for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025		2024	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	10,792	9,454	8,690	9,454
Addition (reversal)	(1,373)	105	3,727	-
Removal	(108)	-	(2,039)	-
Spin-off	-	-	(269)	-
Business combination	154	-	-	-
Others (*1)	(875)	98	683	-
Ending	8,590	9,657	10,792	9,454

(*1) Including the effects of exchange rate fluctuations, etc.

The maximum exposure to credit risk as of December 31, 2025 presents the book value of each receivable mentioned above.

8. Other financial assets and liabilities

A. Details of other financial assets and liabilities as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025			December 31, 2024		
	Current	Non-current	Carrying amount	Current	Non-current	Carrying amount
Other financial assets						
Financial assets at amortized cost	134,243	80,470	214,713	5,156	80,443	85,599
Financial assets at FVPL	-	184,366	184,366	-	87,593	87,593
Financial assets at FVOCI	-	322,457	322,457	-	229,268	229,268
Derivative assets	2,032	-	2,032	767	-	767
Total	136,275	587,293	723,568	5,923	397,304	403,227
Other financial liabilities						
Lease liabilities	42,830	118,191	161,021	39,165	105,653	144,818
Derivative liabilities	5,463	-	5,463	3,526	-	3,526
Total	48,293	118,191	166,484	42,691	105,653	148,344

B. The carrying amounts of other financial assets by category as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Financial assets at amortized cost		
Short-term deposits	134,243	5,156
Debt securities	80,470	80,443
Subtotal	214,713	85,599
Financial assets at FVPL:		
Equity securities that are traded in an active market	14,304	2,828
Equity securities that are not traded in an active market	-	194
Capital investments, etc.	170,062	84,571
Subtotal	184,366	87,593
Financial assets at FVOCI		
Hybrid securities	197,249	206,395
Perpetual convertible bonds	100,433	-
Equity securities that are traded in an active market	17,793	14,391
Equity securities that are not traded in an active market	6,782	7,393
Capital investments, etc.	200	1,089
Subtotal	322,457	229,268
Derivative assets		
Financial assets at FVPL	1,406	767
Derivative assets designated as hedging instruments	626	-
Subtotal	2,032	767
Total	723,568	403,227

8. Other financial assets and liabilities (cont'd)

C. Details of equity securities as of December 31, 2025 and 2024 are as follows (KRW in millions):

		December 31, 2025	December 31, 2024
Hybrid securities			
Hyosung Chemical Corporation	FVOCI	197,249	206,395
Perpetual convertible bonds			
Hyosung Chemical Corporation	FVOCI	100,433	-
Equity securities that are traded in an active market			
NICE corporation	FVOCI	3,631	3,039
NICE Information Service Co., Ltd	FVOCI	6,035	4,324
Kumho Tire Co., Ltd.	FVOCI	2,604	2,122
Dong Anh EEMC (Vietnam transformer)	FVOCI	5,523	4,906
Hanjin KAL Co., Ltd.	FVPL	14,304	2,828
Subtotal		32,097	17,219
Equity securities that are not traded in an active market			
Channel A corporation	FVOCI	1,681	1,681
KMH Shilla Leisure Co., Ltd	FVOCI	261	261
DOT Incorporation	FVOCI	1,000	1,000
Folletto Robotics Co., Ltd.	FVOCI	900	900
Kyungnam Newspaper	FVOCI	5	5
KMA Consultants Inc.	FVOCI	180	180
Gangwon-do Min Daily	FVOCI	20	20
The Korea Economic Daily	FVOCI	1,713	1,778
Nam woo Ad	FVOCI	333	333
BERTIS Inc.	FVOCI	689	1,235
TransLink Capital	FVPL	-	194
Subtotal		6,782	7,587
Total		336,561	231,201

8. Other financial assets and liabilities (cont'd)

D. Changes in financial assets measured at FVPL excluding derivatives assets for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Beginning	87,592	210,905
Acquisition	9,500	3,191
Disposal	(294)	(2,446)
Transfer	888	-
Net change in beneficiary certificates	-	(123,642)
Valuation gains	86,680	1,084
Spin-off	-	(1,500)
Ending	184,366	87,592

E. Changes in financial assets measured at FVOCI for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Beginning	229,268	23,333
Acquisition	100,000	200,000
Disposal	-	(1,036)
Transfer	(888)	-
Valuation gains (losses)	(2,630)	7,181
Spin-off	-	(210)
Others (*1)	(3,293)	-
Ending	322,457	229,268

(*1) The Group recognized changes in its ownership interest in long-term equity investments in accordance with KIFRS 1028 (See Note 14).

F. Details of derivative assets and liabilities as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025		December 31, 2024	
	Assets	Liabilities	Assets	Liabilities
Current derivative assets and liabilities				
Currency forward exchange contracts	1,406	2,829	767	3,526
Interest rate swaps (*1)	626	-	-	-
Platinum futures	-	2,634	-	-
Total	2,032	5,463	767	3,526

(*1) The Group has entered into interest rate swap contracts on floating rate borrowings to manage its interest rate risk.

9. Inventories

A. Details of inventories as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025			December 31, 2024		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise (*1)	101,850	(1,156)	100,694	103,478	(1,238)	102,240
Finished goods	210,389	(28,847)	181,542	225,756	(18,140)	207,616
Semi-finished goods	23,951	(1,533)	22,418	22,837	(761)	22,076
Work in process	37,209	(3,227)	33,982	32,031	(2,570)	29,461
Raw materials	29,535	(5,041)	24,494	33,881	(3,115)	30,766
Sub-materials	2,120	(10)	2,110	2,333	(12)	2,321
Supplies	9	(5)	4	16	-	16
Packing	92	(3)	89	81	(2)	79
Goods in transit	4,615	-	4,615	45,645	-	45,645
Total	409,770	(39,822)	369,948	466,058	(25,838)	440,220

(*1) As of December 31, 2025, the Group is utilizing leases in relation to the purchase of used goods (used cars). Accordingly, the right-of-use assets included in the goods amount to KRW 3,424 million (KRW 9,390 million in 2024) (See Note 13).

Meanwhile, inventory valuation losses added to the cost of goods sold for the year ended December 31, 2025 amount to KRW 13,984 million (KRW 7,360 million in 2024).

10. Property, plant and equipment

A. Details of property, plant and equipment as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025			December 31, 2024		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	484,802	-	484,802	484,975	-	484,975
Buildings	186,004	(63,923)	122,081	183,739	(59,974)	123,765
Structures	66,979	(18,355)	48,624	37,361	(15,214)	22,147
Machinery	293,406	(262,202)	31,204	328,558	(294,910)	33,648
Vehicles	4,614	(3,613)	1,001	5,249	(3,467)	1,782
Tools and equipment	470,991	(303,917)	167,074	365,277	(290,481)	74,796
Construction in progress	47,273	-	47,273	21,679	-	21,679
Machinery in transit	20	-	20	27	-	27
Right-of-use assets	270,128	(96,269)	173,859	257,213	(98,810)	158,403
Total	1,824,217	(748,279)	1,075,938	1,684,078	(762,856)	921,222

(*1) Accumulated impairment losses are included.

B. Changes in property, plant and equipment for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025								
	Beginning	Acquisition	Disposal	Depreciation	Transfer (*1)	Others (*2)	Business combination	Ending
Land	484,975	-	-	-	(554)	12	369	484,802
Buildings	123,765	420	(35)	(4,362)	3,050	(1,197)	440	122,081
Structures	22,147	1,214	(459)	(3,324)	3,789	(436)	25,693	48,624
Machinery	37,429	1,738	(8,293)	(8,445)	7,445	(1,404)	2,885	31,355
Less: government grants	(3,781)	(91)	3,489	232	-	-	-	(151)
Vehicles	1,782	-	(464)	(369)	58	(6)	-	1,001
Tools and equipment	74,856	106,812	(1,104)	(30,278)	17,736	(987)	41	167,076
Less: government grants	(60)	-	46	12	-	-	-	(2)
Construction in progress (*3)	21,679	46,309	(16)	-	(38,485)	(61)	17,847	47,273
Machinery in transit	27	162	-	-	(169)	-	-	20
Right-of-use assets	158,403	52,317	(1,846)	(37,963)	(1,264)	4,212	-	173,859
Total	921,222	208,881	(8,682)	(84,497)	(8,394)	133	47,275	1,075,938

(*1) Including the amount transferred to intangible assets of KRW 12,627 million.
(*2) Including the effect of foreign exchange fluctuations, etc.
(*3) Borrowing costs capitalized for the year ended December 31, 2025 amounted to KRW 661 million.

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

B. Changes in property, plant and equipment for each of the two years in the period ended December 31, 2025 are as follows (cont'd) (KRW in millions):

2024								
	Beginning	Acquisition	Disposal	Depreciation	Transfer (*1)	Others (*2)	Spin-off	Ending
Land	495,045	-	(1,310)	-	-	222	(8,982)	484,975
Less: government grants	(4,593)	-	-	-	-	684	3,909	-
Buildings	151,532	30	(1,381)	(5,091)	914	3,590	(25,829)	123,765
Structures	18,476	662	(2)	(2,371)	4,508	1,217	(343)	22,147
Machinery	60,493	2,516	(7)	(12,498)	22,617	2,851	(38,543)	37,429
Less: government grants	(1,980)	(2,302)	-	501	-	-	-	(3,781)
Vehicles	4,488	1,040	(1,537)	(532)	95	(1,170)	(602)	1,782
Tools and equipment	79,749	9,835	(979)	(29,580)	13,747	4,328	(2,244)	74,856
Less: government grants	(101)	-	-	41	-	-	-	(60)
Construction in progress	39,966	33,422	(136)	-	(38,609)	1,630	(14,594)	21,679
Machinery in transit	3,844	3,479	-	-	(5,117)	166	(2,345)	27
Right-of-use assets	172,004	30,449	(1,533)	(40,836)	-	7,688	(9,369)	158,403
Total	1,018,923	79,131	(6,885)	(90,366)	(1,845)	21,206	(98,942)	921,222

(*1) Including the amount transferred to intangible assets of KRW 1,845 million.
(*2) Including the effect of foreign exchange fluctuations, etc.

Some of land, buildings, machinery, and others are pledged as collaterals to financial institutions in relation to the Group's borrowings, etc. (See Note 34).

11. Investment properties

A. Details of investment properties as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025			December 31, 2024		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	59,189	(80)	59,109	58,618	(72)	58,546
Buildings	264,850	(86,624)	178,226	267,720	(78,777)	188,943
Structures	197	(67)	130	-	-	-
Total	324,236	(86,771)	237,465	326,338	(78,849)	247,489

(*1) Accumulated impairment losses are included.

B. Changes in investment properties for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025				
	Beginning	Depreciation	Transfer(*1)	Others(*2)	Ending
Land	58,546	(8)	571	-	59,109
Buildings	188,943	(8,237)	840	(3,320)	178,226
Structures	-	(5)	-	135	130
Total	247,489	(8,250)	1,411	(3,185)	237,465

(*1) The amount transferred from property, plant and equipment.
(*2) Changed due to refunds of over-concentration charges and others..

	2024			
	Beginning	Depreciation	Others (*1)	Ending
Land	58,550	(8)	4	58,546
Buildings	194,754	(8,060)	2,249	188,943
Total	253,304	(8,068)	2,253	247,489

(*1) The amount transferred from property, plant and equipment.

C. Rental income from investment properties recognized in the Group's consolidated statement of profit or loss for the year ended December 31, 2025 is KRW 43,323 million (KRW 36,064 million in 2024) and rental expenses including depreciation expenses amount to KRW 5,220 million (KRW 4,579 million in 2024).

D. The fair value of investment properties as of December 31, 2025 is KRW 492,049 million (KRW 468,824 million in 2024). The fair value was estimated based on the Officially Assessed Land Price as determined by the Government of Republic of Korea for tax administration purposes (the "OALP").

12. Intangible assets

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

2025									
	Beginning	Acquisition	Disposal	Amortization	Impairment	Transfer (*1)	Others (*2)	Business combination	Ending
Industrial property right	1,385	9	-	(610)	-	523	-	-	1,307
Others	18,632	10,115	(70)	(11,034)	(4,910)	12,104	2,884	74,470	102,191
Memberships	26,939	-	-	-	-	-	(154)	-	26,785
Goodwill	-	-	-	-	-	-	-	54,748	54,748
Total	46,956	10,124	(70)	(11,644)	(4,910)	12,627	2,730	129,218	185,031

(*1) The amount transferred from property, plant and equipment.
(*2) Including the effect of exchange rate fluctuations, etc.

2024								
	Beginning	Acquisition	Disposal	Amortization	Transfer (*1)	Others (*2)	Spin-off	Ending
Industrial property right	1,328	67	-	(559)	549	-	-	1,385
Others	25,441	3,916	(2)	(9,328)	1,296	585	(3,276)	18,632
Memberships	37,305	518	(10,623)	(4)	-	2	(259)	26,939
Goodwill	2,341	-	-	-	-	-	(2,341)	-
Total	66,415	4,501	(10,625)	(9,891)	1,845	587	(5,876)	46,956

(*1) The amount transferred from property, plant and equipment.
(*2) Including the effect of exchange rate fluctuations, etc.

B. Impairment test for goodwill

The Group estimated the recoverable amount of the Onsan Tank Terminal business unit for the purpose of performing an impairment assessment of goodwill related to the business unit. The recoverable amount was determined based on value in use calculated using the discounted cash flow model. The key assumptions used in the value in use calculation reflect management's assessment and were determined based on both the external and internal information, including historical experience.

The key assumptions used in the goodwill impairment tests as of December 31, 2025 are as follows:

	Perpetual growth rate	Discount rate
Onsan Tank Terminal business unit	0.0%	8.4%

Based on the results of the goodwill impairment assessment, the Group determined that the recoverable amount of the Onsan Tank Terminal business unit did not fall below the carrying amounts of its net assets. Accordingly, no impairment losses were recognized for the year ended December 31, 2025.

The sensitivity analysis for the key assumptions is as follows (KRW in millions):

	Impact on the recoverable amount		
	Change in assumptions	Increase	Decrease
Growth rate	0.5%	4,845	(4,300)
Discount rate	0.5%	(10,296)	11,517

13. Leases

A. Changes in right-of-use assets for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025						
	Beginning	Increase	Depreciation	Decrease	Others (*1)	Ending
Buildings	73,339	29,322	(21,756)	(550)	7,624	87,979
Equipment	1,796	300	(577)	-	(45)	1,474
Vehicles	21,915	21,855	(13,200)	(1,261)	(3,800)	25,509
Others	61,353	840	(2,430)	(35)	(831)	58,897
Inventories	9,390	4,757	-	(14,109)	3,386	3,424
Total	167,793	57,074	(37,963)	(15,955)	6,334	177,283

(*1) Including the effect of exchange rate fluctuations, etc.

2024							
	Beginning	Increase	Depreciation	Decrease	Others (*1)	Spin-off	Ending
Buildings	88,842	4,873	(20,459)	(945)	8,489	(7,461)	73,339
Equipment	995	1,241	(655)	-	215	-	1,796
Vehicles	21,236	18,686	(12,182)	(588)	(3,329)	(1,908)	21,915
Others	60,931	5,649	(7,540)	-	2,313	-	61,353
Inventories	11,396	10,981	-	(18,905)	5,918	-	9,390
Total	183,400	41,430	(40,836)	(20,438)	(13,606)	(9,369)	167,793

(*1) Including the effect of exchange rate fluctuations, etc.

13. Leases (cont'd)

B. Changes in lease liabilities for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025							
	Beginning	Increase	Interest expenses	Principal repayments	Termination	Others (*1)	Ending
Lease liabilities	144,818	51,161	7,343	(39,913)	(8,446)	6,058	161,021

(*1) Including the effect of foreign currency translation, etc.

2024								
	Beginning	Increase	Interest expenses	Payment	Principal repayments	Spin-off	Others (*1)	Ending
Lease liabilities	161,279	37,556	7,558	(41,578)	(14,351)	(10,391)	4,745	144,818

(*1) Including the effect of foreign currency translation, etc.

C. The amounts recognized in profit or loss in relation to leases for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Depreciation of right-of-use assets	(37,963)	(40,836)
Interest expenses on lease liabilities	(7,343)	(7,558)
Short-term lease payments	(11,124)	(10,848)
Expense relating to leases of low-value assets that are not short-term leases	(1,671)	(1,912)
Variable lease income	268	278

The total cash outflow for leases for the year ended December 31, 2025 is KRW 52,708 million (KRW 54,338 million in 2024).

14. Investments in associates and joint ventures

A. The carrying amounts of investments in associates and joint ventures as of December 31, 2025 and 2024 are as follows (KRW in millions):

Associate / Joint venture	Ownership (%)	Location	Acquisition cost	December 31, 2025	December 31, 2024
Hyosung TNC Corporation (*1)	20.78	Korea	181,379	360,738	369,970
Hyosung Heavy Industries Corporation (*1)	32.47	Korea	161,041	650,195	500,227
Hyosung Chemical Corporation (*1)	32.84	Korea	147,688	-	-
Taebaek Wind Power Co., Ltd. (*2)	35.00	Korea	5,334	7,372	8,458
PyeongChang Wind Power Co., Ltd. (*2,3)	42.00	Korea	6,510	9,306	8,583
Hyosung ITX Co., Ltd. (*1)	35.26	Korea	7,676	27,644	25,972
Suncheon Eco Green (*4,5)	29.50	Korea	-	-	-
PT. GELORA MANDIRI MEMBANGUN (*6)	0.81	Indonesia	4,687	90	67
Epitone, Inc. (*15)	13.99	USA	15,011	8,637	8,506
Hyosung CVC Scaleup Fund Ⅰ	21.57	Korea	8,140	8,971	5,355
Startup Korea Hyosung Deep Tech Venture Fund (*7)	21.00	Korea	2,310	1,853	196
Cape-Tino K-beauty 1st New Technology Investment LP (*8,9)	69.44	Korea	12,500	12,001	-
Ferrari Korea Co., Ltd (*10)	49.00	Korea	1,394	1,237	-
Star Truck Korea Co., Ltd (*8,11,12)	51.00	Korea	15,164	16,311	-
Leo 9th Youth Startup Fund	38.71	Korea	4,800	7,097	5,492
Carbon Growth Fund (*13)	24.00	Korea	4,800	1,257	1,411
Hyosung Germany GmbH (*10,14)	20.00	Germany	84	81	-
HS Hyosung Vietnam Co., Ltd. (*14,16)	-	Vietnam	-	-	208,854
Hyosung Istanbul TEKSTIL LTD.STI (*17)	56.58	Turkey	12,731	475,789	459,119
Total			591,249	1,588,579	1,602,210

(*1) The effective percentage of ownership considering treasury stocks is 20.95% for Hyosung TNC Corporation, 32.52% for Hyosung Heavy Industries Corporation, 33.05% for Hyosung Chemical Corporation and 36.80% for Hyosung ITX Co., Ltd.
(*2) The Group and Korea Southern Power Co., Ltd have joint controls over the investee and, therefore, are classified as a joint venture.
(*3) The Group provides its interests in PyeongChang Wind Power Co., Ltd. as collateral for the borrowings of PyeongChang Wind Power Co., Ltd (See Note 34)
(*4) The Group provides its interests in Suncheon Eco Green as collateral for the borrowings of Suncheon Eco Green (See Note 34).
(*5) The application of equity method was discontinued as the book value of investments in the associate became less than zero ("0") due to accumulated equity method losses.
(*6) Although the percentage of ownership of the Group is less than 20%, it is classified as an associate because the Group is considered to have significant influence when considering the participation in the Board of Directors of the investee and mutual exchange of management.
(*7) It was newly acquired for the year ended December 31, 2024.
(*8) It was newly acquired for the year ended December 31, 2025.
(*9) Although the percentage of ownership is more than 50%, it is classified as a joint venture because the Group and Ensnet Co., Ltd. have joint control over the investee.
(*10) It was reclassified from investments in a subsidiary to investments in an associate due to the loss of control for the year ended December 31, 2025.
(*11) Although the percentage of ownership is more than 50%, it is classified as a joint because the Group and Daimler Truck AG have joint control over the investee.
(*12) The Group plans to acquire 100% of equity interests of Star Truck Korea Co., Ltd. in three tranches over five years, with
additional acquisitions of 19% and 30% equity interests scheduled on August 31, 2027 and August 31, 2030, respectively.
(*13) Liquidation is in progress as of December 31, 2025.
(*14) The entity changed its name for the year ended December 31, 2025.
(*15) The ownership percentage increased through the paid-in capital increase for the year ended December 31, 2025.
(*16) The entity was disposed of for the year ended December 31, 2025.
(*17) The Group assigned the voting right on Hyosung Istanbul TEKSTIL LTD. STI to Hyosung TNC Corporation in accordance with the shareholders' agreements. Therefore, it has been classified as an associate even with the percentage of ownership exceeding 50%.

14. Investments in associates and joint ventures (cont'd)

B. Details of valuations on investments in associates and joint ventures under the equity method for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025								
Associate / joint venture	Beginning	Acquisition	Investment income (losses) under equity method	Other comprehensive income (losses)	Others	Transfer	Impairment	Ending
Hyosung TNC Corporation	369,970	-	(1,632)	1,038	(8,638)	-	-	360,738
Hyosung Heavy Industries Corporation	500,227	-	166,361	(2,215)	(14,178)	-	-	650,195
Hyosung Chemical Corporation (*1)	-	-	(19,513)	21,051	(1,538)	-	-	-
Taebaek Wind Power Co., Ltd.	8,458	-	314	-	(1,400)	-	-	7,372
PyeongChang Wind Power Co., Ltd.	8,583	-	721	-	2	-	-	9,306
Hyosung ITX Co., Ltd.	25,972	-	5,686	21	(4,035)	-	-	27,644
PT. GELORA MANDIRI MEMBANGUN	67	-	27	(4)	-	-	-	90
Epitone, Inc.	8,506	3,068	(811)	(90)	38	-	(2,074)	8,637
Hyosung CVC Scaleup Fund Ⅰ	5,355	2,310	133	1,173	-	-	-	8,971
Startup Korea Hyosung Deep Tech Venture Fund	196	2,100	(443)	-	-	-	-	1,853
Cape-Tino K-beauty 1st New Technology Investment LP	-	12,500	(499)	-	-	-	-	12,001
Ferrari Korea Co., Ltd	-	-	(157)	-	-	1,394	-	1,237
Star Truck Korea Co., Ltd	-	15,164	1,147	-	-	-	-	16,311
Leo 9th Youth Startup Fund	5,492	-	1,605	-	-	-	-	7,097
Carbon Growth Fund	1,411	-	(154)	-	-	-	-	1,257
Hyosung Germany GmbH	-	-	(2)	(1)	-	84	-	81
HS Hyosung Vietnam Co., Ltd.	208,854	(198,401)	36,353	(2,182)	(44,624)	-	-	-
Hyosung Istanbul TEKSTIL LTD.STI	459,119	-	26,120	(9,450)	-	-	-	475,789
Total	1,602,210	(163,259)	215,256	9,341	(74,373)	1,478	(2,074)	1,588,579

(*1) In accordance with KIFRS 1028, changes in the Group's equity interest in long-term equity investments amounting to KRW (-)3,293 million are recognized (See Notes 4 and 8).

14. Investments in associates and joint ventures (cont'd)

2024							
Associate / joint venture	Beginning	Acquisition	Investment income (losses) under equity method	Other comprehen -sive income (losses)	Others	Spin-off	Ending
Hyosung TNC Corporation	329,499	4,896	25,430	21,387	(11,242)	-	369,970
Hyosung Heavy Industries Corporation	437,012	-	72,746	5,128	(14,659)	-	500,227
Hyosung Chemical Corporation	10,090	-	(10,090)	-	-	-	-
Taebaek Wind Power Co., Ltd.	8,127	-	331	-	-	-	8,458
PyeongChang Wind Power Co., Ltd.	8,855	-	(262)	-	(10)	-	8,583
Hyosung ITX Co., Ltd.	25,813	-	4,331	-	(4,172)	-	25,972
PT. GELORA MANDIRI MEMBANGUN	47	-	15	5	-	-	67
Epitone, Inc.	10,064	-	(1,627)	69	-	-	8,506
Hyosung CVC Scaleup Fund Ⅰ	1,557	4,070	(272)	-	-	-	5,355
Startup Korea Hyosung Deep Tech Venture Fund	-	210	(14)	-	-	-	196
Leo 9th Youth Startup Fund	5,663	(1,200)	1,029	-	-	-	5,492
Carbon Growth Fund	1,411	-	-	-	-	-	1,411
Hyosung Vietnam Co., Ltd.	169,034	-	29,617	10,203	-	-	208,854
Hyosung Istanbul TEKSTIL LTD.STI	402,501	-	28,335	58,617	(30,334)	-	459,119
HS Hyosung Advanced Materials Corporation	191,098	17,200	5,393	6,540	(7,283)	(212,948)	-
HS HYOSUNG INFORMATION SYSTEMS CO., LTD	57,558	-	3,374	-	(652)	(60,280)	-
THE KWANGJUILBO	1,380	-	(232)	-	(65)	(1,083)	-
Total	1,659,709	25,176	158,104	101,949	(68,417)	(274,311)	1,602,210

C. Details of unrecognized changes in equity in investments due to suspending the application of the equity method as of December 31, 2025 are as follows (KRW in millions):

Associate / joint venture	Beginning	Changes	Ending
Hyosung Chemical Corporation	(100,463)	100,463	-
Suncheon Eco Green	(10,426)	(44)	(10,470)

15. Investments in associates and joint ventures (cont'd)

D. Reconciliations of the financial information to the carrying amounts of its interests in the Group's associates and joint ventures as of December 31, 2025 are as follows (KRW in millions):

Associate / joint venture	Net assets	Ownership (%)	Share of net assets	Goodwill	Unamortized amount of fair value	Intercompany transactions, others	Carrying amount
Hyosung TNC Corporation	1,433,289	20.95	298,590	16,986	45,384	(222)	360,738
Hyosung Heavy Industries Corporation	1,743,112	32.52	566,789	-	83,638	(232)	650,195
Taebaek Wind Power Co., Ltd.	21,062	35.00	7,372	-	-	-	7,372
PyeongChang Wind Power Co., Ltd.	22,158	42.00	9,306	-	-	-	9,306
Hyosung ITX Co., Ltd.	75,111	36.80	27,641	576	-	(573)	27,644
PT. GELORA MANDIRI MEMBANGUN	11,046	0.81	90	-	-	-	90
Epitone, Inc. (*1)	8,685	31.04	2,696	5,941	-	-	8,637
Hyosung CVC Scaleup Fund Ⅰ	41,593	21.57	8,971	-	-	-	8,971
Startup Korea Hyosung Deep Tech Venture Fund	8,822	21.00	1,853	-	-	-	1,853
Cape-Tino K-beauty 1st New Technology Investment LP	17,282	69.44	12,001	-	-	-	12,001
Ferrari Korea Co., Ltd	3,257	49.00	1,596	-	-	(359)	1,237
Star Truck Korea Co., Ltd	21,637	51.00	11,035	4,980	296	-	16,311
Hyosung Istanbul TEKSTIL LTD.STI	771,953	56.58	436,800	27,444	7,786	3,759	475,789
Total	4,179,007	-	1,384,740	55,927	137,104	2,373	1,580,144

(*1) The investment differences decreased due to impairments for the year ended December 31, 2025.

14. Investments in associates and joint ventures (cont'd)

E. The summarized financial information on major associates and joint ventures and dividends received from them as of and for the year ended December 31, 2025 are as follows (KRW in millions):

Associate / joint venture	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Other comprehensive income (loss)	Dividends received
Hyosung TNC Corporation	1,980,890	3,758,199	2,569,416	1,212,762	7,694,844	38,196	147,160	8,991
Hyosung Heavy Industries Corporation	3,738,228	3,489,655	3,561,457	1,176,705	5,968,512	502,838	(29,636)	15,139
Hyosung Chemical Corporation	647,521	1,946,570	1,597,078	363,941	2,340,718	326,028	24,574	-
Taebaek Wind Power Co., Ltd.	6,127	18,631	549	3,147	6,274	895	-	1,400
PyeongChang Wind Power Co., Ltd.	7,156	44,645	5,875	23,769	10,502	1,717	6	-
Hyosung ITX Co., Ltd.	106,690	88,628	100,301	19,906	519,014	15,453	(1,964)	3,291
PT. GELORA MANDIRI MEMBANGUN	8,629	55,861	30,739	22,705	25,079	3,331	(543)	-
Epitone, Inc	7,791	982	88	-	3,893	(6,162)	(279)	-
Hyosung CVC Scaleup Fund Ⅰ	1,019	40,987	413	-	-	612	5,438	-
Startup Korea Hyosung Deep Tech Venture Fund	18	9,500	696	-	-	(2,109)	-	-
Cape-Tino K-beauty 1st New Technology Investment LP	371	17,000	89	-	-	(718)	-	-
Ferrari Korea Co., Ltd	38,649	3,633	38,961	64	23,609	217	-	-
Star Truck Korea Co., Ltd	92,030	13,111	62,090	20,925	187,025	4,637	-	-
HS Hyosung Vietnam Co., Ltd.(*1)	-	-	-	-	1,626,869	131,553	(83,681)	44,623
Hyosung Istanbul TEKSTIL LTD.STI	572,472	849,367	625,084	24,802	1,483,568	99,264	(16,706)	-

(*1) Only the profits or losses generated prior to the disposal of the equity interest are included.

F. The fair values of marketable investments in associates with the quoted market price as of December 31, 2025 and 2024 are as follows (KRW in millions):

Associate	December 31, 2025	December 31, 2024
Hyosung TNC Corporation	200,048	214,883
Hyosung Heavy Industries Corporation	5,392,514	1,189,926
Hyosung Chemical Corporation(*1)	48,437	49,309
Hyosung ITX Co., Ltd. (*2)	44,959	42,887

(*1) As of December 31, 2025, trading has been suspended pursuant to the listing rules of the Korea Exchange. The fair value has been calculated based on the closing price on the trading suspension date of February 28, 2025.
(*2) It shows the fair value only for common stocks.

G. The Group estimated the recoverable amount of its investments in associates and joint ventures for which indicators of impairment had been identified. In determining the recoverable amount, the Group considered both the fair value less costs to sell and the value-in-use. The fair value less costs to sell was estimated based on the best available information, reflecting the amount that could be received from the sale of the asset in a transaction between knowledgeable, willing, and independent parties at the end of the reporting period, minus disposal costs. The value-in-use was calculated by discounting the future cash flow expected from the investments in associates using an appropriate discount rate. Key assumptions used in the calculation of value-in-use reflect management's assessments, which were determined with consideration of both the external and internal information.

14. Investments in associates and joint ventures (cont'd)

The key assumptions used in the impairment testing of its investments in associates as of December 31, 2025 are as follows:

Associates	Method of determining the recoverable amount	Key assumptions
Hyosung TNC Corporation	Value-in-use	Perpetual growth rate: 0% Discount rate: 7.3%
Epitone, Inc.	Net fair value	Peer group multiples, etc.

Details of impairment losses recognized on investments in associates for the year ended December 31, 2025 are as follows:

Associates	Carrying amounts before recognition of impairment losses	Recoverable amount	Impairment losses recognized
Hyosung TNC Corporation	360,738	667,941	-
Epitone, Inc.	10,711	8,637	2,074

15. Other assets

A. Details of other assets as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Other current assets		
Advance payments	22,118	24,488
Prepaid expenses	32,284	24,208
Subtotal	54,402	48,696
Other non-current assets		
Long-term advance payments	8,724	8,705
Long-term prepaid expenses	33	-
Other investment assets	26,246	26,140
Subtotal	35,003	34,845
Total	89,405	83,541

B. Details of other investment assets as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Mining rights	1,375	1,299
Work of art	24,871	24,841
Total	26,246	26,140

16. Related party transactions

A. Details of the Group's related parties as of December 31, 2025 are as follows:

(1) Associates and joint ventures

Region	Related party
Domestic	Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Chemical Corporation, Taebaek Wind Power Co., Ltd., PyeongChang Wind Power Co., Ltd., Hyosung ITX Co., Ltd., Suncheon Eco Green, Hyosung CVC Scaleup Fund Ⅰ, Startup Korea Hyosung Deep Tech venture Fund, Leo 9th Youth Startup Fund, Carbon Growth Fund, Cape-Tino K-beauty 1st New Technology Investment LP, Ferrari Korea Co., Ltd., Star Truck Korea Co., Ltd.
America	Epitone, Inc.
Asia	PT. GELORA MANDIRI MEMBANGUN
Europe	Hyosung Istanbul TEKSTIL LTD.STI, Hyosung Germany GmbH

(2) Other related parties (*1)

Region	Related party
Domestic	Galaxy Device Co., Ltd., Galaxy Electronics Co., Ltd., Gongdeok Development Co., Ltd., Dongryung Industrial Co., Ltd., Shindongjin Co., Ltd., Trinity Asset Management Co., Ltd., Happy Dudrimi Co., Ltd., ASC Co., Ltd., Galaxy SM Co., Ltd., Galaxia Moneytree Co., Ltd., Woojeon G&F Co., Ltd., Galaxia FN Co., Ltd., Shinhwa Intertek Co., Ltd., Shinsung Motors Co., Ltd., Jinheung Construction Co., Ltd., KB Wise Star Professional Private Real Estate Investment Trust No. 11, Star Truck Korea Co., Ltd., Hyosung GJ Solar Co., Ltd., Hyosung BA Solar Co., Ltd., Hyosung GS Solar Co., Ltd., Taeansolarfarm Corp., Barocube Energy Korea LLC, Hyosung Neochem Co., Ltd., Hyosung Neochem Holdings Co., Ltd., HS Hyosung Co., Ltd., HS Hyosung Advanced Materials Corporation, HS Hyosung Toyota Corporation, HS HYOSUNG INFORMATION SYSTEMS CO., LTD., HS Hyosung The Class Co., Ltd., HS Hyosung The Premium Co., Ltd., HS Hyosung Premier Motors Co., Ltd., HS Hyosung Autoworks Co., Ltd., THE KWANGJUILBO and others
America	Hyosung HICO, LTD., GST Automotive Safety Components International LLC., Aeterna Tristella, LLC., Hyosung Mexico S. de R.L. de C.V, GST Safety Textiles Mexico S. de R.L. de C.V, Hyosung USA INC., HS Hyosung USA Holdings, Inc., HS Hyosung USA Inc.
China	Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics., Co., Ltd., Galaxia Electronics (China Huizhou) CO., Ltd., Huizhou Galaxia Trading Co., LTD., Hyosung Spandex (Jiaxing) Co., Ltd., HS Hyosung Steelcord (Qingdao) Co., Ltd. and others
Other Asia	Hyosung Japan Co., Ltd., Hyosung DongNai Co., LTD., Hyosung Corporation India Private Limited., Hyosung Dong Nai Nylon Co., Ltd., Hyosung Vina Chemicals Co., Ltd., Hyosung Vina Industrial Machinery Co., Ltd., MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED., HS Hyosung Quang Nam Co., Ltd., HS HYOSUNG INDIA PRIVATE LIMITED, HS Hyosung Vietnam Co., Ltd., HS Hyosung Vina Core Materials Co., Ltd., HS HYOSUNG GLOBAL LOGISTICS VINA CO.,Ltd. and others
Europe	Hyosung Europe SRL, Hyosung Istanbul TEKSTIL LTD.STI, Hyosung Spain, S.L., Galaxia Asset Management SAS, Hyosung UK Limited, HS Hyosung Luxembourg S.A and others

(*1) Those entities that are not included in the scope of the related parties in accordance with KIFRS 1024 but belonging to a large-scale business group in accordance with the *Monopoly Regulation and Fair-Trade Act* are included.

16. Related party transactions (cont'd)

B. Major transactions with the Group's related parties

Details of major transactions the Group's related parties for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025							
	Related parties	Sales, etc. (*1)	Dividends	Purchases, etc. (*1)	Disposal of property, plant and equipment ("PPE") & intangible assets	Acquisition of PPE & intangible assets	Acquisition of right-of-use assets
Associates and joint ventures	Hyosung TNC Corporation	40,220	8,991	182	-	-	-
	Hyosung Heavy Industries Corporation	72,819	15,139	14,829	-	415	-
	Hyosung Chemical Corporation	27,065	-	23	-	245,551	53
	Taebaek Wind Power Co., Ltd.	-	1,400	-	-	-	-
	Hyosung ITX Co., Ltd.	2,333	3,291	5,369	-	827	-
	Hyosung CVC Scaleup Fund Ⅰ	911	-	-	-	-	-
	Startup Korea Hyosung Deep Tech venture Fund	2,100	-	-	-	-	-
	Ferrari Korea Co., Ltd.	287	-	33,695	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI	514	-	128	-	-	-
	Subtotal	146,249	28,821	54,226	-	246,793	53
Other related parties	Galaxia Device Co., Ltd.	1	-	8,167	-	-	-
	Gongdeok Development Co., Ltd.	-	-	432	-	-	4,720
	Shindongjin Co., Ltd.	-	-	2,782	-	-	4,916
	Galaxia Moneytree Co., Ltd.	1,407	-	4,876	-	-	-
	KB Wise Star Professional Private Real Estate Investment Trust No. 11	-	-	998	-	-	1,612
	HS Hyosung Co., Ltd.	5,574	-	8,196	8,865	7	-
	HS Hyosung Advanced Materials Corporation	282,650	-	12,450	-	-	-
	Huizhou Galaxia Device Electronics., Co.Ltd.	39	-	22,164	-	-	-
	Qingdao Galaxia Device Electronics., Co.Ltd.	-	-	1,657	-	76	-
	Hyosung Japan Co., Ltd.	1,790	-	34	-	-	-
	Hyosung Corporation India Private Limited.	5,835	-	2,433	-	-	-
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED	19,089	-	209,056	-	-	-
	HYOSUNG T&D INDIA Pvt Ltd	340	-	930	-	-	-
	Hyosung Europe SRL.	8,143	-	1,185	-	-	-
	Hyosung Spain, S.L.	3,780	-	1,318	-	-	-
	HS Hyosung Holdings USA, Inc.	301	-	121	-	-	-
	HS Hyosung USA Inc.	2,912	-	453	-	-	-
	HS Hyosung Steel Cord (Qingdao) Co., Ltd. (*2)	2,102	-	2,125	-	-	-
	HS Hyosung Vietnam Co., Ltd. (*2, 3)	1,224	44,623	254	-	-	-
	Others	12,838	150	2,439	-	2,552	-
	Subtotal	348,025	44,773	282,070	8,865	2,635	11,248
Total		494,274	494,274	73,594	336,296	8,865	11,301

(*1) Sales, rental income and interest income are included in sales and others. The purchase of raw materials, export expenses, commission fees, interest expenses, etc. are included in purchase and others.
(*2) The entity changed its name for the year ended December 31, 2025.
(*3) Includes transactions incurred before the reclassification from associates to other related parties for the year ended December 31, 2025.

16. Related party transactions (cont'd)

2024							
	Related parties	Sales, etc. (*1)	Dividends	Purchases, etc. (*1)	Disposal of PPE & intangible assets	Acquisition of PPE & intangible assets	Acquisition of right-of-use assets
Associates and joint ventures	Hyosung TNC Corporation	74,935	8,793	57,938	-	-	-
	Hyosung Heavy Industries Corporation	102,346	7,570	23,142	-	21	-
	Hyosung Chemical Corporation	68,737	-	6,921	3	-	36
	Hyosung ITX Co., Ltd.	2,760	3,291	5,152	-	220	-
	HS Hyosung Vietnam Co., Ltd.	22,770	-	228,959	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI.	474	30,334	95	-	-	-
	Others	1,299	-	-	-	-	-
	Subtotal	273,321	49,988	322,207	3	241	36
Other related parties	Galaxia Device Co., Ltd.	104	-	5,201	-	62	-
	Shindongjin Co., Ltd.	-	-	2,465	-	-	-
	Galaxia Moneytree Co., Ltd.	184	-	7,212	-	-	-
	HS Hyosung Co., Ltd.	1,111	-	6,300	7,281	5	-
	HS Hyosung Advanced Materials Corporation (*3)	31,841	6,480	87,951	7,335	-	-
	GST Automotive Safety Components International LLC.	54,312	-	832	-	-	-
	Huizhou Galaxia Device Electronics., Co.Ltd.	168	-	34,895	-	-	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	112	-	3,983	-	-	-
	Hyosung Japan Co., Ltd.	1,946	-	3,746	-	-	-
	Hyosung DongNai Co., LTD.	9,379	-	75,192	-	-	-
	Hyosung Corporation India Private Limited.	4,553	-	2,409	-	-	-
	Hyosung Vina Chemicals Co., Ltd.	5,867	-	22	-	-	-
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED.	46,360	-	216,499	-	-	-
	VINA ASC AUTOMOTIVE COMPANY LIMITED	2,065	-	-	-	-	-
	Hyosung Europe SRL.	14,846	-	1,637	-	-	-
	Hyosung Spain, S.L.	3,529	-	1,917	-	-	-
	Hyosung Luxembourg S.A	-	-	3,069	-	-	-
	HS Hyosung USA Inc. (*3)	5,018	-	211	-	-	-
	HS Hyosung Steel Cord (Qingdao) Co., Ltd.	3,684	-	1,394	-	-	-
	HS Hyosung Quang Nam., Ltd (*3)	267	-	13,727	-	-	-
	HS HYOSUNG GLOBAL LOGISTICS VINA COMPANY LIMITED(*3)	2,549	-	546	-	-	-
	Others	10,768	-	7,553	-	1,025	35
	Subtotal	198,663	6,480	476,761	14,616	1,092	35
Total (*2)		471,984	56,468	798,968	14,619	1,333	71

(*1) Sales, rental income and interest income is included in sales and others. The purchase of raw materials, export expenses, commission fees, interest expenses, etc. are included in purchase and others.
(*2) Includes the amounts presented as discontinued operations.
(*3) The entity changed its name for the year ended December 31, 2024.

16. Related party transactions (cont'd)

C. Details of outstanding balances with the Group's related parties as of December 31, 2025 and 2024 are as follows (KRW in millions):

December 31, 2025					
	Related parties	Trade receivables	Other receivables (*1)	Trade payables	Other payables (*1)
Associates and joint ventures	Hyosung TNC Corporation	3,833	66	16	117
	Hyosung Heavy Industries Corporation (*2)	12,735	18,870	2,977	17,066
	Hyosung Chemical Corporation	19,417	372,889	-	14,870
	Hyosung ITX Co., Ltd.	263	-	5	1,123
	Startup Korea Hyosung Deep Tech venture Fund	-	696	-	-
	Ferrari Korea Co., Ltd.	724	1,054	16,341	1,071
	Hyosung Istanbul TEKSTIL LTD.STI	-	23	-	-
	Subtotal	36,972	393,598	19,339	34,247
Other related parties	Galaxia Device Co., Ltd.	-	-	767	114
	Gongdeok Development Co., Ltd.	-	945	-	3,598
	Shindongjin Co., Ltd.	-	1,172	-	4,456
	Galaxia Moneytree Co., Ltd.	16	1,928	-	881
	KB Wise Star Professional Private Real Estate Investment Trust No. 11	-	970	-	1,961
	HS Hyosung Co., Ltd.	529	92	172	1,287
	HS Hyosung Advanced Materials Corporation	1,082	32	867	283
	THE KWANGJUILBO	-	7,853	-	-
	Huizhou Galaxia Device Electronics., Co.Ltd.	8	-	1,528	-
	Qingdao Galaxia Device Electronics., Co.Ltd.	-	-	181	45
	Hyosung Japan Co., Ltd.	165	-	12	-
	Hyosung Corporation India Private Limited.	2,365	31	-	165
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED.	2,106	135	16,174	29
	HYOSUNG T&D INDIA Pvt Ltd	30	4	176	-
	Hyosung Europe SRL.	5,213	228	-	341
	Hyosung Spain, S.L.	1,187	-	-	93
	HS Hyosung USA Inc.	80	-	-	35
	HS Hyosung Steel Cord (Qingdao) Co., Ltd. (*3)	498	-	342	-
	HS Hyosung Vietnam Co., Ltd. (*3)	91	-	-	-
	Others	1,539	57	3	2,798
	Subtotal	14,909	13,447	20,222	16,086
Total		51,881	407,045	39,561	50,333

(*1) Other receivables include accounts receivable, loans, leasehold deposits paid, and advances, while other payables include accounts payable and leasehold deposits received.
(*2) The Group recognizes membership rights amounting to KRW 19,200 million in Hyosung Heavy Industries Co., Ltd. as intangible assets.
(*3) The entity changed its name for the year ended December 31, 2025.

16. Related party transactions (cont'd)

December 31, 2024					
	Related parties	Trade receivables	Other receivables (*1)	Trade payables	Other payables (*1)
Associates and joint ventures	Hyosung TNC Corporation	3,629	99	118	142
	Hyosung Heavy Industries Corporation (*2)	10,481	20,211	10,973	22,282
	Hyosung Chemical Corporation	2,799	1,143	26	237
	Hyosung ITX Co., Ltd.	273	-	12	653
	Hyosung CVC Scaleup Fund Ⅰ	-	309	-	-
	HS Hyosung Vietnam Co., Ltd.	107	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI.	-	21	-	53
	Others	-	-	-	1
	Subtotal	17,289	21,783	11,129	23,368
Other related parties	Galaxia Device Co., Ltd.	-	-	442	246
	Gongdeok Development Co., Ltd.	-	928	-	487
	Shindongjin Co., Ltd.	-	1,187	-	59
	Galaxia Moneytree Co., Ltd.	14	1,064	-	820
	KB Wise Star Professional Private Real Estate Investment Trust No. 11	-	625	-	646
	HS Hyosung Co., Ltd.	177	47	225	1,089
	HS Hyosung Advanced Materials Corporation	3,504	27	675	5,256
	THE KWANGJUILBO	-	7,853	-	33
	Huizhou Galaxia Device Electronics., Co.Ltd.	-	487	1,973	-
	Qingdao Galaxia Device Electronics., Co.Ltd.	-	-	126	-
	Hyosung Japan Co., Ltd.	431	-	6	-
	Hyosung Corporation India Private Limited.	2,318	31	-	378
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED.	14,799	121	20,233	-
	HYOSUNG T&D INDIA Pvt Ltd	183	4	193	-
	PT.Hyosung Jakarta	-	-	-	218
	Hyosung Europe SRL.	6,681	-	-	171
	Hyosung Spain, S.L.	230	-	-	503
	HS Hyosung Holdings USA, Inc. (*3)	46	112	-	-
	HS Hyosung USA Inc. (*3)	938	18	83	-
	HS Hyosung Steel Cord (Qingdao) Co., Ltd.	2,140	-	158	-
	Others	4,426	50	1	160
	Subtotal	35,887	12,554	24,115	10,066
Total		53,176	34,337	35,244	33,434

(*1) Other receivables include accounts receivable, loans, leasehold deposits paid, and advances, while other payables include accounts payable and leasehold deposits received.
(*2) The Group recognizes membership rights amounting to KRW 19,200 million in Hyosung Heavy Industries Co., Ltd. as intangible assets.
(*3) The entity changed its name for the year ended December 31, 2024.

16. Related party transactions (cont'd)

D. Details of financial transactions with the Group's related parties for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025						
	Related parties	Financial transactions				Cash contribution
		Beginning	Loans	Collections	Ending	
Associates	Hyosung Chemical Corporation (*1, 2)	200,000	590,000	(120,000)	670,000	-
	Hyosung CVC Scaleup Fund Ⅰ (*3)	-	-	-	-	2,310
	Startup Korea Hyosung Deep Tech Venture Fund (*4)	-	-	-	-	2,100
	Cape-Tino K-beauty 1st New Technology Investment LP	-	-	-	-	12,500
	Epitone, Inc.	-	-	-	-	3,068
Other related parties	THE KWANGJUILBO (*5)	7,853	-	-	7,853	-

(*1) The Parent Company purchased perpetual convertible bonds issued by Hyosung Chemical Corporation for the year ended December 31, 2025 (See Note 8).
(*2) New Star H Chem 1st Co., Ltd., the Group's consolidated entity, loaned a total of KRW 370,000 million to Hyosung Chemical Corporation., an associate of the Parent Company. As the Parent Company included the relevant special purpose entity within the scope of consolidation, the above loan amount has been reflected in the consolidated financial statements. (See Note 7).
(*3) The Parent Company plans to pay the remaining committed amount of KRW 2,860 million in the future through a capital call method.
(*4) The Parent Company plans to pay the remaining committed amount of KRW 18,690 million in the future through a capital call method.
(*5) As of December 31, 2025, loss allowances are recognized for the loan to KWANGJUILBO in its entirety.

2024						
	Related parties	Financial transactions				Cash contribution
		Beginning	Loans	Spin-off	Ending	
Associates	Hyosung Chemical Corporation (*1)	-	200,000	-	200,000	-
	Hyosung TNC Corporation	-	-	-	-	4,896
	Hyosung CVC Scaleup Fund Ⅰ	-	-	-	-	4,070
	Startup Korea Hyosung Deep Tech Venture Fund	-	-	-	-	210
Other related parties	THE KWANGJUILBO (*2)	7,853	-	-	7,853	-
	HS Hyosung Advanced Materials Corporation	-	-	-	-	17,200
	HS Hyosung Premier Motors Co., Ltd.	660	-	(660)	-	-
	HS Hyosung Autoworks Co., Ltd.,	2,200	-	(2,200)	-	-

(*1) The Parent Company purchased hybrid securities issued by Hyosung Chemical Corporation for the year ended December 31, 2024 (See Note 8).
(*2) As of December 31, 2024, loss allowances were recognized for the loan to KWANGJUILBO in its entirety.

16. Related party transactions (cont'd)

E. Details of compensations paid to key management personnel for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Salaries and other short-term employee benefits	12,096	21,085
Retirement benefits	3,146	1,200
Total	15,242	22,285

F. Payment guarantees provided by the Group for the financial support to its related parties are described in Note 34.

G. The Group provides two pledged notes for the private investment business of Suncheon Eco Green.

17. Trade and other payables

A. Details of trade and other payables as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Trade payables	110,446	141,894
Other payables	266,832	252,231
Subtotal	377,278	394,125
Long-term other payables	31,150	17,140
Total	408,428	411,265

B. Details of other payables as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Other payables		
Non-trade payables	162,027	167,322
Accrued expenses	45,632	34,746
Withholdings	44,466	42,689
Deposits withheld	14,707	7,474
Subtotal	266,832	252,231
Long-term other payables		
Non-trade payables	9,036	4,153
Accrued expenses	1,791	739
Deposits withheld	20,323	12,248
Subtotal	31,150	17,140
Total	297,982	269,371

17. Trade and other payables (cont'd)

C. Supplier finance arrangements

The Group has established a supplier finance arrangement that is offered to some of the Group's key suppliers in the Republic of Korea. Participation in the arrangement is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangement will receive early payment on invoices sent to the Group from the Group's external finance provider.

If suppliers choose to receive early payment, they pay a fee to the finance provider, to which the Group is not party. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices approved by the Group.

Payments to suppliers ahead of the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date described above. Payment terms with suppliers have not been renegotiated in conjunction with the arrangement. The Group provides no security to the finance provider. All trade payables subject to the supplier finance arrangement are included in trade and other payables in the consolidated statement of financial position and within trade payables in the table above. From the perspective of the Group, the arrangement does not substantially extend the timing of the payment from the normal timing of the payment by other suppliers not participating in the supplier finance arrangement.

Details of supplier finance arrangements as of December 31, 2025 and 2024 are as follows (KRW in millions):

	Dec. 31, 2025	Dec. 31, 2024
The carrying amounts of financial liabilities		
Trade and other payables that are part of the supplier finance arrangements	**97,394**	**110,751**
Of which suppliers have received payments	**83,922**	**102,612**
Range of payment date		
Trade and other payables that are part of the supplier finance arrangements	10~90 days	10~90 days
Trade and other payables that are not part of the supplier finance arrangements	5~90 days	5~90 days

There were no significant non-cash changes in the carrying amounts of trade payables included in the Group's supplier finance arrangements.

18. Borrowings

A. Details of borrowings as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Current liabilities		
Short-term borrowings (*1)	621,759	480,043
Current portion of long-term borrowings	219	300,187
Subtotal	621,978	780,230
Non-current liabilities		
Long-term borrowings (*1)	737,502	54,609
Total	1,359,480	834,839

(*1) Includes borrowings of KRW 370,000 million raised by New Star H Chem 1st Co., Ltd., etc., the Group's consolidate entity, for which the Parent Company has entered into agreements to provide financial supports or conditional assumption of liabilities with New Star H Chem 1st Co., Ltd., etc. Accordingly, the Parent Company has included such special purpose entities in the consolidation scope and reflected the relevant borrowings in the consolidated financial statements (See Note 1).

B. Details of short-term borrowings as of December 31, 2025 and 2024 are as follows (KRW in millions):

	Creditor	Final maturity date	Annual interest rate (%)	December 31, 2025	December 31, 2024
General loans	Woori Bank and others	Dec. 31, 2026	3.84 ~ 7.00	164,894	37,871
Collateralized borrowings (*1)	Woori Bank and others	Oct. 24, 2026	-	10,522	140,698
Short-term Bonds	KB securities	Feb. 26, 2026	4.70	38,000	89,000
Others	Woori Bank and others	Dec. 22, 2026	3.85 ~ 5.82	408,343	212,474
Total				621,759	798,300

(*1) The Group sold trade receivables denominated in foreign currencies to the financial institutions. The Group may retain an obligation to compensate a financial institution for debtors' failure to make payment when they become due, an obligation known as a "recourse obligation". Recourse obligations related to the sales of receivables with recourse are accounted for as collateralized borrowings (See Notes 7 and 34).

18. Borrowings (cont'd)

C. Details of long-term borrowings as of December 31, 2025 and 2024 are as follows (KRW in millions):

Creditor		Final maturity date	Annual interest rate (%)	December 31, 2025	December 31, 2024
<Hyosung Corporation>					
Long-term borrowings (KRW)	Korea Energy Co	Dec. 15, 2027	0.75	219	355
	Woori Bank and others	Sep. 18, 2028	3.90 ~ 4.37	140,000	-
Subtotal				140,219	355
<Subsidiaries>					
Long-term borrowings (KRW)	Suhyup Bank and others	Aug. 29, 2028	3.84 ~ 5.30	549,600	229,000
Long-term borrowings (foreign currency)	Wells Fargo	Sep. 29, 2028	5.41	47,902	125,441
Less: Current portion				(219)	(300,187)
Less: Subtotal				597,283	54,254
Total				737,502	54,609

The above long-term borrowings are repaid in principal installments or temporarily at maturity. In this regard, other financial assets, property, plant and equipment of the Group are provided as collateral (See Note 34).

19. Government grants

A. The Group has entered into development agreements with the Korea Evaluation Institute of Industrial Technology and other relevant counterparties in connection with multiple government-sponsored research projects, including the development of CR NY6 resin and yarn for closed-loop applications, and is currently conducting related research and development activities.

B. The balance of government grants related to assets as of December 31, 2025 is KRW 153 million (KRW 3,842 million in 2024), and the balance of government grants related to liabilities to be repaid is KRW 2,127 million (KRW 4,532 million in 2024).

20. Retirement benefits

A. Defined contribution plan

The expense recognized in relation to retirement benefit plans under defined contribution plans for the year ended December 31, 2025 is KRW 3,120 million (KRW 3,450 million in 2024).

B. Defined benefit plan

(1) Details of net defined benefit liabilities (assets) for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Present values of defined benefit obligations	199,777	202,514
Fair values of plan assets (*1)	(203,924)	(201,218)
Net defined benefit liabilities (assets)	(4,147)	1,296

(*1) The contributions to the National Pension Fund of KRW 68 million are included in the fair values of plan assets as of December 31, 2025 (KRW 77 million in 2024).

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

	2025	2024
Beginning	202,514	209,011
Current service costs	20,749	21,122
Interest expenses	5,012	5,570
Past service costs and settlement gains	590	2,277
Retirement benefits paid	(23,590)	(38,638)
Remeasurements:		
- Changes in demographic assumptions	(239)	(584)
- Changes in financial assumptions	(2,514)	7,521
- Experience adjustments	(2,368)	6,441
Net transfers to (from) associates	(2,041)	(1,927)
Spin-off	-	(8,279)
Business combination	1,794	-
Changes in consolidation scope	(130)	-
Ending	199,777	202,514

20. Retirement benefits (cont'd)

(3) Changes in the fair values of plan assets for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Beginning	201,218	223,264
Interest income	7,247	8,841
Contributions by the employer	18,231	19,960
Retirement benefits paid	(22,517)	(39,789)
Remeasurements	(570)	(1,667)
Net transfers to (from) associates	(1,479)	(1,624)
Spin-off	-	(7,767)
Business combination	1,794	-
Ending	203,924	201,218

(4) Details of plan assets as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Deposits	63,605	101,903
Debt instruments	131,974	92,364
Cash and cash equivalents	8,345	6,951
Total	203,924	201,218

(5) The significant actuarial assumptions as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Discount rate	3.10% ~ 4.56%	3.17% ~ 4.55%
Salary increase rate	2.00% ~ 4.78%	0.70% ~ 4.50%

(6) The sensitivity analysis on defined benefit liabilities to changes in the principal assumptions is as follows (KRW in millions):

	Changes in assumption	When increased	When decreased
Discount rate	1.0% increase/decrease	(9,583)	10,891
Salary increase rate	1.0% increase/decrease	10,908	(9,772)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statements of financial position.

(7) As of December 31, 2025, the weighted average maturity of defined benefit obligations is 1.29 years ~ 12.16 years.

21. Other liabilities

A. Details of other liabilities as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Other current liabilities		
Advances received	121,874	114,914
Unearned revenues	33,321	524
Provisions	18,120	8,705
Excess billings	2,987	99
Subtotal	176,302	124,242
Other non-current liabilities		
Long-term advances	9,729	8,771
Long-term unearned revenues	1,992	2,115
Provisions	2,796	3,111
Subtotal	14,517	13,997
Total	190,819	138,239

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

2025					
	Beginning	Additional provisions	Utilization	Others (*1)	Ending
Provisions for construction warranties	1,255	496	(447)	-	1,304
Provisions for product warranties	9,880	13,022	(4,014)	(100)	18,788
Other provisions	681	169	(28)	2	824
Total	11,816	13,687	(4,489)	(98)	20,916

(*1) Including the effect of exchange rate fluctuations, etc.

2024						
	Beginning	Additional provisions	Utilization	Spin-off	Others (*1)	Ending
Provisions for construction warranties	1,060	1,026	(831)	-	-	1,255
Provisions for product warranties	8,818	22,368	(20,430)	(154)	(722)	9,880
Provisions for litigations	3,868	-	(3,868)	-	-	-
Other provisions	681	7	-	(7)	-	681
Total	14,427	23,401	(25,129)	(161)	(722)	11,816

(*1) Including the effect of exchange rate fluctuations, etc.

22. Share capital

A. Details of share capital as of December 31, 2025 and 2024 are as follows:

Description	December 31, 2025	December 31, 2024
Type of shares	Common stock	Common stock
Total number of shares authorized	200,000,000	200,000,000
Par value (KRW)	5,000	5,000
Number of shares issued (*1)	16,740,407	16,740,407
Common stock capital (KRW in millions)	86,725	86,725

(*1) For the year ended December 31, 2024, the Parent company conducted a capital reduction through the retirement of treasury shares using retained earnings. As a result, the number of issued common shares multiplied by the par value per share does not match the common stock capital.

B. Details of retained earnings as of December 31, 2025 and 2024 are as follows (KRW in millions):

	Description	December 31, 2025	December 31, 2024
Legal reserve	Earned profit reserves (*1)	75,670	75,670
Voluntary reserve	Facility reserves	6,623,000	6,259,000
Unappropriated retained earnings		253,026	334,602
Total		6,951,696	6,669,272

(*1) The *Commercial Act* of the Republic of Korea requires the Group to appropriate for each financial period, as an earned profit reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its share capital. The reserve is not available for cash dividends payment but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

C. Details of other components of equity as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Other capital surplus	293,030	293,624
Treasury share	(1,152)	(1,152)
Gains on disposal of treasury shares	151,393	153,438
Losses on capital reduction (*1)	(5,425,833)	(5,425,833)
Other capital adjustments	(748)	(2,225)
Valuation losses on financial assets at FVOCI	(97,238)	(95,790)
Equity adjustment under the equity method	114,066	107,087
Valuation gains on derivatives	781	613
Gains on translation of foreign operations	1,815	876
Total	(4,963,886)	(4,969,362)

(*1) As the Group recognized the difference between the carrying amounts and fair values of non-cash assets to be distributed to the shareholders as a result of the spin-off as gains on disposal of discontinued operation, the decrease in other paid-in capital was included.

23. Revenue

Details of revenue for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Service sales	697,558	560,165
Sales of merchandise/ finished goods	1,348,050	1,399,691
Investment income under the equity method	208,235	149,569
Others	177,866	163,331
Total	2,431,709	2,272,756

24. Revenue from contracts with customers

A. Revenues generated from contracts with customers for each of the two years in the period ended December 31, 2025 are classified as follows (KRW in millions):

2025							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
1. By type of goods and services							
Service	97,945	614,159	-	-	-	(14,546)	697,558
Merchandise/ Finished goods	112,952	812,324	227,903	194,721	202	(52)	1,348,050
Others	65,133	39,856	2,186	29,501	3,680	(6,692)	133,664
Total (*1)	276,030	1,466,339	230,089	224,222	3,882	(21,290)	2,179,272
2. By geography							
Domestic	276,030	459,911	230,089	224,222	3,881	(21,083)	1,173,050
North and Central America	-	700,048	-	-	-	-	700,048
Asia	-	6,905	-	-	-	-	6,905
Europe	-	299,475	-	-	-	(207)	299,268
Others	-	-	-	-	1	-	1
Total (*1)	276,030	1,466,339	230,089	224,222	3,882	(21,290)	2,179,272
3. By timing of revenue recognition							
At a point in time	112,952	821,600	227,903	222,520	202	(51)	1,385,126
Over a period of Time	163,078	644,739	2,186	1,702	3,680	(21,239)	794,146
Total (*1)	276,030	1,466,339	230,089	224,222	3,882	(21,290)	2,179,272

(*1) Investment income under the equity method of KRW 208,235 million and operating lease income of KRW 44,202 million that are not covered by KIFRS 1115 are excluded from the revenue.

24. Revenue from contracts with customers (cont'd)

2024							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
1. By type of goods and services							
Service	101,330	473,734	-	-	-	(14,899)	560,165
Merchandise/ Finished goods	107,437	868,824	231,747	191,533	241	(91)	1,399,691
Others	61,513	45,941	4,532	26,849	2,106	(14,579)	126,362
Total (*1)	270,280	1,388,499	236,279	218,382	2,347	(29,569)	2,086,218
2. By geography							
Domestic	270,280	503,295	236,279	218,382	2,346	(29,478)	1,201,104
North and Central America	-	572,529	-	-	-	-	572,529
Asia	-	41,210	-	-	-	-	41,210
Europe	-	271,465	-	-	-	(91)	271,374
Others	-	-	-	-	1	-	1
Total (*1)	270,280	1,388,499	236,279	218,382	2,347	(29,569)	2,086,218
3. By timing of revenue recognition							
At a point in time	107,437	868,824	231,747	217,252	241	(91)	1,425,410
Over a period of Time	162,843	519,675	4,532	1,130	2,106	(29,478)	660,808
Total (*1)	270,280	1,388,499	236,279	218,382	2,347	(29,569)	2,086,218

(*1) Investment income under the equity method of KRW 149,569 million and operating lease income of KRW 36,969 million that are not covered by KIFRS 1115 are excluded from the revenue.

B. Information about major customers

The Group do not have any external customers, from whom the revenue accounts for 10% or more of the Group's total revenues for each of the two years in the period ended December 31, 2025

25. Selling and administrative expenses

Details of the selling and administrative expenses for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Salaries and wages	86,182	82,417
Bonus	19,520	23,173
Retirement benefits	11,437	18,482
Employee welfare	15,826	15,975
Depreciation	30,732	31,028
Amortization	2,364	1,700
Utilities	2,485	2,876
Export	7,659	8,861
Service	9,678	9,434
Commission	23,374	16,194
Travel	7,366	5,860
Vehicle maintenance	1,224	1,287
Taxes and dues	7,878	6,951
Rents	3,028	3,902
Bad debt expense (reversal of allowance for doubtful accounts)	(1,373)	2,199
Repairs	1,597	1,758
Supplies	965	1,264
Samples	930	475
Entertainment	6,569	5,500
Meetings	1,024	1,013
Sales promotion	4,492	3,258
Advertisement	8,222	10,864
Insurance premium	3,788	3,764
Post-service fee	6,669	18,192
Others	9,149	7,718
Total	270,785	284,145

26. Classification of expense by nature

The classification of cost of sales, selling and administrative and research and development expenses by nature for each of the two years in the period ended December 31, 2025 is as follows (KRW in millions):

	2025	2024
Changes in inventories of finished goods and work in process and others	(750,631)	(669,689)
Changes in merchandise	599,151	815,146
Raw materials and consumables used	1,137,753	904,787
Salaries and wages	352,627	342,006
Retirement benefits	24,343	35,108
Employee welfare	48,033	48,128
Depreciation and amortization	104,391	101,866
Utilities	18,738	18,711
Export	49,626	46,863
Service	55,193	34,088
Outsourcing	77,051	84,942
Commission	102,664	92,914
Advertisement	24,477	29,271
Shipping	22,567	4,123
Other	172,704	163,359
Total (*1)	2,038,687	2,051,623

(*1) The sum of cost of sales, selling and administrative and research and development expenses in the consolidated statements of profit or loss.

27. Other income and expenses

Details of other income and expenses for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Other income		
Rental income	314	213
Dividend income	587	1,762
Gains on disposal of property, plant and equipment	3,879	5,257
Gains on disposal of right-of-use assets	137	39
Gains on disposal of intangible assets	-	3,657
Gains on disposal of investments in associates	87,554	-
Gains on disposal of investments in subsidiaries	2,325	-
Miscellaneous income, etc.	9,966	7,967
Subtotal	104,762	18,895
Other expenses		
Donations	1,002	739
Losses on disposal of property, plant and equipment	1,495	66
Losses on disposal of intangible assets	12	95
Losses on right-of-use assets	4	20
Impairment losses on intangible assets	5,120	-
Other bad debt expenses	105	-
Impairment losses on investments in associates	2,074	-
Losses on disposal of investments in subsidiaries	15	-
Miscellaneous losses, etc.	4,954	5,580
Subtotal	14,781	6,500
Net other income	89,981	12,395

28. Finance income and expenses

Details of finance income and expenses for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Finance income		
Interest income	26,972	15,175
Gains on foreign currency transactions	79,916	46,237
Gains on foreign currency translations	57,837	73,035
Gains on disposal of financial assets	189	2
Valuation gains on financial assets	86,769	3,527
Gains on derivative transactions	6,136	962
Valuation gains on derivatives	1,406	767
Subtotal	259,225	139,705
Finance expenses		
Interest expenses	62,289	69,085
Losses on foreign currency transactions	88,917	44,222
Losses on foreign currency translations	51,080	65,643
Losses on disposal of financial assets	11	-
Valuation losses on financial assets	82	2,443
Losses on derivative transactions	3,514	4,166
Valuation losses on derivatives	5,463	3,722
Losses on disposal of trade receivables	100	2,072
Subtotal	211,456	191,353
Net finance income (expenses)	47,769	(51,648)

29. Income tax expense (income) and deferred tax

A. Details of income tax expenses for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Current tax on profit for the year	96,437	20,170
Adjustments in respect for the prior years	(3,625)	(2,523)
Changes in temporary differences	14,727	(3,635)
Income tax charged to equity	1,112	351
Income tax expenses	108,651	14,363
- Income tax expenses from continuing operations	108,651	13,274
- Income tax expenses from discontinued operations	-	1,089

B. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to its profits as follows (KRW in millions):

	2025	2024
Profit before income tax	530,772	498,621
Tax expenses calculated at the statutory tax rates for each jurisdiction	126,452	121,120
Tax effects:		
Non-taxable income	(677)	(2,699)
Non-deductible expenses	2,862	2,335
Adjustment in respect of prior years	(3,625)	(2,523)
Tax credits	(533)	(282)
Increase in unrecognized deferred tax	8,246	352
Impacts of changes in tax rates arising from temporary differences	(25,017)	(29,258)
Spin-off effect	-	(74,389)
Others	943	(293)
Income tax expenses	108,651	14,363
Effective tax rate	20.5%	2.9%
- Income tax expenses from continuing operations	108,651	13,274
- Income tax expenses from discontinued operations	-	1,089

29. Income tax expense (income) and deferred tax (cont'd)

C. The tax effects relating to components of other comprehensive income (losses) for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025			2024		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Valuation gains (losses) on financial assets FVOCI	(2,638)	1,938	(700)	7,181	(1,505)	5,676
Remeasurement of defined benefit obligations	4,525	(1,202)	3,323	(14,489)	3,297	(11,192)
Equity adjustments using the equity method	(7,814)	2,591	(5,223)	94,965	(9,285)	85,680
Retained earnings of the equity method	(294)	34	(260)	(10,935)	521	(10,414)
Gains (losses) on disposal of treasury shares	-	(2,045)	(2,045)	13,279	(2,775)	10,504
Capital surplus	-	(85)	(85)	-	-	-
Gains (losses) on translation of foreign operations	(619)	33	(586)	21,508	(3,386)	18,122
Valuation gains (losses) on derivatives	320	(152)	168	-	-	-
Spin-off	-	-	-	(808,066)	13,484	(794,582)
Total	(6,520)	1,112	(5,408)	(696,557)	351	(696,206)

29. Income tax expense (income) and deferred tax (cont'd)

D. Changes in deferred tax assets and liabilities for each of the two years in the period ended December 31, 2025, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows (KRW in millions):

2025					
	Beginning	Consolidated statement of profit or loss	Other comprehensive income (losses), etc.	Others	Ending
Revaluation surplus of land	(90,807)	(4,311)	-	-	(95,118)
Investments in subsidiaries and associates	(158,996)	(3,435)	2,625	-	(159,806)
Pension plan assets	(23,623)	(109)	(659)	127	(24,264)
Defined benefit obligations	23,802	2,925	(543)	(119)	26,065
Available-for-sale financial assets	703	(21,531)	1,938	-	(18,890)
Allowance for doubtful accounts	852	219	-	-	1,071
Government grants	1,046	(536)	-	-	510
Valuation losses on inventories	1,185	352	-	(2)	1,535
Losses on impairment of property, plant and equipment	3,460	38	-	(68)	3,430
Accrued expenses associated with annual leaves	1,948	227	-	(3)	2,172
Account payables to long-term service employees	156	139	-	-	295
Valuation losses on derivatives	-	-	(152)	-	(152)
Others	(7,823)	11,588	(2,097)	(92)	1,576
Subtotal	(248,097)	(14,434)	1,112	(157)	(261,576)
Unused taxable deficit	2,466	1,218	-	(2,466)	1,218
Total	(245,631)	(13,216)	1,112	(2,623)	(260,358)
Deferred tax assets	44,853				52,131
Deferred tax liabilities	(290,484)				(312,489)

2024					
	Beginning	Consolidated statement of profit or loss	Other comprehensive income (losses), etc.	Spin-off	Ending
Revaluation surplus of land	(90,955)	148	-	-	(90,807)
Investments in subsidiaries and associates	(150,473)	(13,332)	(8,764)	13,573	(158,996)
Pension plan assets	(26,637)	(399)	1,777	1,636	(23,623)
Defined benefit liabilities	25,871	(1,985)	1,520	(1,604)	23,802
Available-for-sale financial assets	871	1,337	(1,505)	-	703
Allowance for doubtful accounts	1,083	(214)	-	(17)	852
Government grants	723	323	-	-	1,046
Valuation losses on inventories	1,733	(548)	-	-	1,185
Losses on impairment of property, plant and equipment	3,632	(166)	-	(6)	3,460
Accrued expenses associated with annual leaves	1,857	136	-	(45)	1,948
Account payables to long-term service employees	143	25	-	(12)	156
Others	(10,585)	8,933	(6,161)	(10)	(7,823)
Subtotal	(242,737)	(5,742)	(13,133)	13,515	(248,097)
Unused taxable deficit	742	1,724	-	-	2,466
Total	(241,995)	(4,018)	(13,133)	13,515	(245,631)
Deferred tax assets	44,968				44,853
Deferred tax liabilities	(286,963)				(290,484)

29. Income tax expense (income) and deferred tax (cont'd)

E. Details of temporary differences without recognizing deferred tax assets as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Temporary difference	196,119	191,403
Unused tax deficit	25,696	45,884
Total	221,815	237,287

F. As of December 31, 2025 and 2024, there is no temporary difference to be added that is not recognized as deferred tax liabilities.

G. Global Minimum Tax (Pillar Two) legislation has been enacted or substantially enacted in some of the jurisdictions in which the Group's constituent companies operate. These Pillar Two legislations have been implemented for the Group's fiscal year beginning on January 1, 2024. The Group has assessed its potential exposure to Pillar Two income tax for the fiscal year ending on December 31, 2025, as it is within the scope of the Pillar Two legislations enacted or substantially enacted. The assessment of potential exposure to Pillar Two income tax is based on the most recent tax returns, country-by-country reports and financial statements of the Group's constituent companies.

As a result of the assessment, except for Vietnam, the effective tax rate in all jurisdictions in which the Group's constituent companies operate exceeds 15%, and therefore, there is no potential exposure to Pillar Two income tax. However, in Vietnam, following the introduction of the Qualified Domestic Minimum Top-up Tax (QDMTT), the additional tax amount of the entities located in Vietnam has been reflected by the local entities, and an amount of KRW 260 million has been recognized as current income tax expense.

In addition, the Group does not recognize deferred tax assets and liabilities and does not disclose information about them by applying the exception provisions for recognition and disclosure of deferred tax assets and liabilities related to Pillar Two.

30. Earnings per share

A. Basic earnings per share for each of the two years in the period ended December 31, 2025 are computed as follows (KRW in millions, except for number of shares and earnings per share):

	2025	2024
Profit for the year attributable to ordinary share	329,905	453,158
Profit from continuing operations	329,905	137,714
Profit from discontinued operations	-	315,444
Weighted average number of ordinary shares outstanding	16,717,604 shares	18,337,459 shares
Earnings per share (in KRW)		
Basic earnings per share	19,734	24,712
Earnings per share from continuing operations	19,734	7,510
Earnings per share from discontinued operations	-	17,202

B The weighed average number of ordinary shares for each of the two years in the period ended December 31, 2025 is as follows (in shares):

	2025			2024		
	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding
Beginning	16,717,604	365 days/ 365 days	16,717,604	19,909,404	366 days / 366 days	19,909,404
Disposal of treasury shares	-	-	-	556,930	204 days / 366 days	310,420
Changes through spin-off	-	-	-	(3,725,927)	184 days / 366 days	(1,873,144)
Purchase of Treasury shares	-	-	-	(22,803)	148 days / 366 days	(9,221)
Ending	16,717,604		16,717,604	16,717,604		18,337,459

The Group has no potential ordinary share, so diluted earnings per share are the same as basic earnings per share for the year ended December 31, 2025.

31. Dividends

Dividends paid for each of the two years in the period ended December 31, 2025 amount to KRW 50,153million (KRW 3,000 per share) and KRW 59,728 million (KRW 3,000 per share), respectively.

A dividend in respect for the year ended December 31, 2025, of KRW 5,000 per share, amounting to a total dividend of KRW 83,588 million, is to be proposed to shareholders at the annual general meeting to be held on March 20, 2026. These consolidated financial statements do not reflect this dividend payable.

32. Cash generated from operation

A. Details of the adjustment of non-cash items for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions)

	2025	2024
Income tax expenses	108,651	14,363
Dividend income	(587)	(1,762)
Gains on disposal of property, plant, equipment	(3,879)	(5,464)
Gains on disposal of intangible assets	-	(3,657)
Gains on disposal of investments in subsidiaries	(2,325)	-
Gains on disposal of investments in associates	(87,554)	-
Losses on disposal of property, plant, equipment	1,495	66
Losses on disposal of intangible assets	12	95
Impairment losses on intangible assets	5,120	-
Losses on disposal of investments in subsidiaries	15	-
Impairment losses on investments in associates	2,074	-
Interest income	(26,972)	(15,895)
Gaines on foreign currency translations	(57,837)	(76,562)
Gaines on disposal of financial assets	(189)	(2)
Valuation gains on financial assets	(86,769)	(3,527)
Valuation gains on derivatives	(1,406)	(767)
Interest expenses	62,289	76,938
Losses on foreign currency translations	51,080	69,771
Losses on disposal of financial assets	11	-
Valuation losses on financial assets	82	2,443
Losses on disposal of accounts receivable	100	7,702
Valuation losses on derivatives	5,463	3,722
Depreciation of property, plant, equipment	84,497	90,366
Amortization of intangible assets	11,644	9,890
Depreciation of investment properties	8,250	8,068
Bad debt expenses (reversal of allowance for doubtful accounts)	(1,373)	3,727
Other bad debt expenses	105	-
Additional provisions	13,687	23,401
Valuation losses on inventories	13,984	7,360
Retirement benefits	19,104	20,128
Investment income under the equity method	(208,235)	(158,104)
Gaines on disposal of discontinued operations	-	(307,737)
Others	(2,799)	835
Total	(92,262)	(234,602)

32. Cash generated from operation (cont'd)

B. Details of the working capital adjustments for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Trade receivables	59,136	26,164
Other receivables	(1,910)	11,104
Inventories	53,073	19,441
Other current financial assets	-	121,830
Other non-current financial assets	498	-
Other assets	(2,799)	(16,920)
Trade payables	(34,510)	36,345
Other payables	(4,861)	79,697
Other liabilities	27,453	13,530
Provisions	(1,002)	(26,619)
Contributions to plan assets	4,286	19,829
Retirement benefits paid	(23,590)	(38,638)
Total	75,774	245,763

C. Details of major transactions not involving cash inflows and outflows for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

	2025	2024
Transfer from construction-in-progress to related property, plant and equipment	38,654	43,726
Increase in right-of-use assets due to increase in lease liabilities	51,161	42,114
Decrease (Increase) in other payables related to acquisition of property, plant and equipment	(2,267)	(589)
Current portion of borrowings.	(143,293)	296,413
Write-off of accounts receivables	(108)	(2,039)
Retirement of treasury shares	-	21,926
Net assets succeeded to the newly established entity through the spin-off	-	462,445
Increase (decrease) in payables related to acquisition of investments in associates	3,707	-
Remeasurements of net defined benefit liabilities	4,551	15,045

32. Cash generated from operation (cont'd)

D. Changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025						
	Beginning	Cash flows	Transfer to current portion	New leases	Others (*1)	Ending
Short-term borrowings and current portion of long-term borrowings	780,229	(769)	(143,293)	-	(14,190)	621,977
Long-term borrowings	54,609	539,600	143,293	-	-	737,502
Lease liabilities	144,818	(32,570)	-	51,161	(2,388)	161,021
Total	979,656	506,261	-	51,161	(16,578)	1,520,500

(*1) Including the effects of exchange rate fluctuations, etc.

2024							
	Beginning	Cash flows	Transfer to current poretion	New leases	Others (*1)	Spin-off	Ending
Short-term borrowings and current portion of long-term borrowings	965,627	(365,666)	296,413	-	88,813	(204,958)	780,229
Long-term borrowings	158,672	190,408	(296,413)	-	1,942	-	54,609
Lease liabilities	161,279	(34,020)	-	37,556	(9,606)	(10,391)	144,818
Total	1,285,578	(209,278)	-	37,556	81,149	(215,349)	979,656

(*1) Including the effects of exchange rate fluctuations, etc.

33. Financial risk management

33.1 Financial risk management factor

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group. The Group uses derivatives to avoid certain risks.

Risk management is addressed in accordance with policies approved by the Executive Management Committee within the Board of Directors. The Executive Management Committee is responsible for reviewing the Group's documented policies in its comprehensive risk management as well as specified areas on foreign rate risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investments in excess of liquidity.

33.1.1 Market risk

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar, Euro and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Management has set up a policy to require operations to manage their foreign exchange risk against their functional currency.

Financial assets and financial liabilities, denominated in foreign currencies, are converted into KRW as of December 31, 2025 and 2024 as follows (KRW in millions):

Foreign Currencies	December 31, 2025		December 31, 2024	
	Financial assets in foreign currencies	Financial liabilities in foreign currencies	Financial assets in foreign currencies	Financial liabilities in foreign currencies
USD	264,077	356,801	308,178	180,558
EUR	26,211	12,839	40,793	27,193
JPY	124,354	694	54,751	1,044
Others	38,735	46,571	6,006	14,445
Total	453,377	416,905	400,370	223,240

33. Financial risk management (cont'd)

33.1 Financial risk management factor (cont'd)

33.1.1 Market risk (cont'd)

(1) Foreign exchange risk (cont'd)

The analysis is based on the assumption that KRW has increased/decreased by 10% with all other variables held constant. The impacts of increased/decreased KRW on the Group's pre-tax profits for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

Currency		Impact on pre-tax profit	
		2025	2024
USD	Strengthened	(9,272)	12,762
	Weakened	9,272	(12,762)
EUR	Strengthened	1,337	1,360
	Weakened	(1,337)	(1,360)
JPY	Strengthened	12,366	4,435
	Weakened	(12,366)	(4,435)
Others	Strengthened	(784)	(844)
	Weakened	784	844

(2) Price risk

The Group is exposed to equity securities price risk arising from investments held by the Group that are classified as financial assets at FVPL or FVOCI on the consolidated financial statement of the Group.

The Group's marketable equity investments are publicly traded and are included in the KOSPI index.

The analysis is based on the assumption that the stock price has increased/decreased by 30% with all other variables held constant. The table below summarizes the impact of increase/decrease of the stock price on the Group's equity as of December 31, 2025 (KRW in millions):

	2025	2024
Increase	7,469	4,021
Decrease	(7,469)	(4,021)

33. Financial risk management (cont'd)

33.1 Financial risk management factor (cont'd)

33.1.1 Market risk (cont'd)

(3) Interest risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

The Group is exposed to interest rate risk due to its borrowings in fixed and floating interest rates. The Group's policy is to review on interest rate fluctuation periodically so that they can manage whether to repay or renew the borrowings.

The table below summarizes the impact of increases/decreases of interest rate on the Group's pre-tax profit for each of the two years in the period ended December 31, 2025. The analysis is based on the assumption that the interest rate has increased/decreased by 100 basis points with all other variables held constant (KRW in millions).

	2025	2024
Increase	(6,381)	(6,998)
Decrease	6,381	6,998

33.1.2 Credit risk

Credit risk is managed on the Group entity level. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, etc. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit risk based on the credit quality of the customer, considering its financial position, past experience and other factors. The compliance with credit limits is monitored on a regular basis (See Note 7).

No credit limit was exceeded for each of the two years in the period ended December 31, 2025, and management does not expect any loss due to non-compliance with customers.

The maximum exposures to credit risk as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Cash and cash equivalents (*1)	288,374	102,417
Trade and other receivables	430,452	386,864
Other current financial assets	136,275	5,923
Long-term trade and other receivables	294,676	22,968
Other non-current financial assets	587,293	397,303
Financial guarantee contracts (*2)	844,990	687,078

(*1) The difference with 'cash and cash equivalents' in the consolidated financial statements are cash on hand.
(*2) The maximum amount of guarantee that the Group must pay when there is a request from the guarantor.

33. Financial risk management (cont'd)

33.1 Financial risk management factor (cont'd)

33.1.3 Liquidity risk

The Group monitors the forecasts on the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while always maintaining sufficient headroom on its undrawn committed borrowing limits so that the Group does not breach borrowing limits or covenants (where applicable). The Group considers short, mid and long-term financial plan, compliance on commitment and target financial ratio on liquidity forecast.

Details of the Group's liquidity risk analysis as of December 31, 2025 and 2024 are as follows (KRW in millions):

December 31, 2025				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	355,488	32,984	-	388,472
Borrowings (*2,3)	675,746	800,616	-	1,476,362
Lease liabilities (*3)	31,932	73,209	93,514	198,655
Derivative liabilities	5,463	-	-	5,463
Total	1,068,629	906,809	93,514	2,068,952

(*1) Long-term trade payables and other payables are included.
(*2) Long-term borrowings are included.
(*3) The expected future interest expenses are included and the amounts are before the present value discount.

December 31, 2024				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	375,670	18,731	-	394,401
Borrowings (*2,3)	801,829	55,314	-	857,143
Lease liabilities (*3)	39,973	49,132	87,103	176,208
Derivative liabilities	3,526	-	-	3,526
Total	1,220,998	123,177	87,103	1,431,278

(*1) Long-term trade payables and other payables are included.
(*2) Long-term borrowings are included.
(*3) The expected future interest expenses are included and the amounts are before the present value discount.

The Group's derivative financial liabilities held for trading have been included at their fair value of KRW 5,463 million (KRW 3,526 million in 2024) within the less than 1-year time bucket. This is because contractual maturities are not essential for an understanding of the timing of the cash flow. These contracts are managed on a net fair value basis rather than by maturity date.

Apart from the above contracts, the Group has entered payment guarantee contracts and supplementary fund contracts. Therefore, if the principal debtor fails to meet its obligation to pay, there may be an additional obligation to pay within one year (See Note 34).

33. Financial risk management (cont'd)

33.1 Financial risk management factor (cont'd)

33.1.3 Liquidity risk (cont'd)

The Group's supplier finance arrangements include a significant portion of the trade payables, and the trade payables are to a single counterparty, not to individual suppliers. Instead of paying a small amount to individual suppliers, the company must pay a large amount to a single counterparty. However, the terms and conditions for payment of the Group's purchase obligation covered by this Agreement are the same as those for other purchase obligations. The company does not believe the supplier financing arrangement will excessively increase liquidity risk.

The arrangement was made to reduce the burden of managing bills for many suppliers rather than raising funds. See Note 17 for more information.

The Group is required to be repaid immediately on certain borrowings and project financing guarantees if the Group's credit rating falls below a certain level. The Group believes that the possibility of such an event is unlikely.

33.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group is composed of net borrowings, which is borrowings less cash and cash equivalents, and equity, and the Group's comprehensive capital risk management is in line with that of the prior year,

Details of the Group's capital risk as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Total borrowings	1,359,480	834,839
Less: cash and cash equivalents	(300,344)	(108,875)
Net debt (A)	1,059,136	725,964
Total equity (B)	2,857,193	2,504,439
Gearing ratio (A/B)	37.07%	28.99%

34. Contingencies and commitments

A. Notes and others provided as collaterals

The Group provided 3 notes and 6 checks as collaterals to the customers and others for borrowings and transaction agreements as of December 31, 2025.

B. Commitment with financial institution

The Group entered into agreements such as bank overdrafts, trade bill discounts, open local L/C, general loans and others with financial institutions with a limit of KRW 993,869 million.

The Group entered into trade receivables discount agreements with a limit of KRW 413,744 million as of December 31, 2025.

In addition, the Group entered into the following agreements for the Gyeongui Line Gongdeok Station Complex Facility Development Project. (KRW in millions)

Borrower	Creditor	Details	Contract amount	Execution amount	Expiration date
Gongdeok Gyeongwoo Development Corporation	Suhyup Bank	Real estate mortgage loan	30,000	27,692	Feb. 26, 2027
	New Star Gongdeok 5th Co., Ltd.		100,000	92,308	Feb. 26, 2027
	New Star Gongdeok 6th Co., Ltd.	PF loan agreement	38,000	38,000	Feb. 26, 2026

C. Payment guarantees provided for others

Providing Entity	Beneficiary	Relationship with the Parent Company	Description	Currency	Limit Amount
Parent Company	Hyosung Chemical Co., Ltd. (*1)	Associate	Obligation on supplemental funding	KRW	64,500
				USD	220,500
	Hyosung Istanbul TEKSTIL LTD. ŞTİ	Associate	Payment guarantees	USD	64,200
	Hyosung DongNai Co., Ltd.	Other related party (*2)	Payment guarantees	USD	262,800
Hyosung TNS Co., Ltd.	CMS Infosys	Foreign sales customer	Payment guarantees	USD	5,100

(*1) In relation to borrowings of KRW 370,000 million raised by New Star H Chem 1st Co., Ltd., the Group's consolidated entity, the Parent Company has provided financial supports or conditional assumption of liabilities to New Star H Chem 1st Co., Ltd., etc., and the beneficiary of the substantive benefits arising from such arrangements is Hyosung Chemical Corporation.

34. Contingencies and commitments (cont'd) as follows:

The Group has provided a joint guarantee with the Export-Import Bank of Korea and Construction Guarantee Cooperative as follows in relation to the contract execution and defect repair responsibilities of the Group's associate Hyosung Heavy Industries Corporation. (KRW in millions, USD in Thousands, EUR in Thousands, INR in Thousands):

Content	Monetary unit	Guaranteed amount
Performance guarantee for contracts	KRW	18,609
	INR	810,720
	EUR	848
	USD	2,542
Defect repair	KRW	63

D. Other commitments

The Group entered into the agreements with Woori Bank in relation to the borrowings of Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd., one of the subsidiaries, amount to KRW 150,000 million for the year ended December 31, 2025 (KRW 150,000 million in 2024). The Group has an obligation against Woori Bank to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls of funds required to cover principal and interest expenses at maturity date.

In accordance with Article 530-9 (1) of Commercial Act of the Republic of Korea, the Company is jointly liable to pay the outstanding liabilities resulting from the liabilities as at the date of the spin-off for the newly established companies; Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation, Hyosung Chemical Corporation and HS Hyosung corporation. The Company is jointly responsible with the newly established companies for the payment guarantee, commitment on cash deficiency support, conditional acceptance on debts and completion of construction that existed before the date of the spin-off.

The Group sets and receives brand usage fees based on sales and advertising expenses, and the royalties Income generated for the year ended December 31, 2025 is KRW 55,014 million (KRW 54,989 million in 2024).

The Group, as an entity that constructs and manages complex facilities in accordance with the Gyeongui Line Gongdeok Station development project, entered into a business promotion agreement in February 2012 with the Korea Rail Network Authority. The business promotion method implemented is Build-Operate-Transfer (BOT) in which the business implementer holds the ownership of the facilities for the first 30 years following the completion of the construction before donating it to the country. In addition, the Group makes annual payment for the occupancy to the Korea Rail Network Authority during the occupancy permit period.

34. Contingencies and commitments (cont'd)

E. Payment guarantees provided by others

(1) Details of payment guarantees provided by others as of December 31, 2025 are as follows (KRW in millions):

Guarantor	Details of guarantees	Guaranteed amounts
Export-Import Bank of Korea, Woori Bank and others	Contract performance guarantees, etc.	72,032
Machinery Financial Cooperative	Deficiency guarantees for supply contracts, etc.	76,814
Seoul Guarantee Insurance	Deficiency guarantees for supply contracts, etc.	15,335
Korean Software Financial Cooperative	Contract performance guarantees, etc.	181,334
Construction Guarantee	Contract performance guarantees, etc.	74,875
Engineering Guarantee Insurance	Contract performance guarantees, etc.	350

(2) As of December 31, 2025, the Parent Company has provided payment guarantees for Hyosung Chemical Corporation, and details of the collateral provided by Hyosung Chemical Corporation are as follows (KRW in millions):

Guarantor	Collateral amount	Details of collateral
Hyosung Chemical Corporation	383,482	51% equity interest in Hyosung Vina Chemicals Co., Ltd. and the equity interest to be acquired through future capital contributions to Hyosung Vina Chemicals Co., Ltd.
	204,000	Property, plant and equipment (land and buildings, machinery) owned by Hyosung Chemical Corporation
	240,000	Property, plant and equipment (land and buildings, machinery) owned by Hyosung Chemical Corporation and loans to Hyosung Vina Chemicals Co., Ltd. provided by Hyosung Chemical Corporation

34. Contingencies and commitments (cont'd)

F. Assets pledged as collaterals

(1) Details of the Group's assets pledged as collaterals as of December 31, 2025 are as follows (KRW in millions, USD in thousands):

Pledged assets	Currency	Carrying amount	Amount of borrowing	Maximum pledge amount	Lien
Cash and cash equivalents	KRW	29	120,000	143,000	Suhyup Bank And others
Investment properties, etc.	KRW	127,905		156,000	
Trade receivables	KRW	10,522	10,522	10,522	Woori Bank and others
Other financial assets	KRW	3,447	-	3,447	Machinery Industry Credit Cooperative and others
Property, plant and equipment, etc.	KRW	447,578	-	518,723	KDB and others

(2) 1,302,000 shares of PyeongChang Wind Power Co., Ltd. owned by the Group were provided as collateral for the borrowings KRW 24,805 million of PyeongChang Wind Power Co., Ltd. As of December 31, 2025. 449,521 shares of Suncheon Eco Green Corporation owned by the Group were provided as collateral for the borrowings KRW 15,740 million of Suncheon Eco Green Corporation as of December 31, 2025.

G. Pending lawsuits

Details of pending lawsuits as of December 31, 2025 are as follows (KRW in millions):

	Number of lawsuits	Claim amount	Description
Lawsuit as a dependent	16	28,937	Claims for damages and others
Lawsuit as a plaintiff	5	5,836	Lawsuits for the return of unjust enrichment and others

The outcome of the above cases cannot yet be estimated as of December 31, 2025. Accordingly, no provisions for potential losses arising from the claims were reflected in the consolidated financial statements.

35. Information on non-controlling interests

A. Changes in accumulated non-controlling interests

The profits or losses allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025			
Subsidiaries	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
HYOSUNG TNS INC.	45.98%	45,702	175,647
Hyosung Investment & Development Corporation.	41.25%	44,817	245,339

Dividends paid to the non-controlling interests were KRW 16,500 million for the year ended December 31, 2025.

2024			
Subsidiaries	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
HYOSUNG TNS INC.	45.98%	8,842	129,588
Hyosung Investment & Development Corporation.	41.25%	22,898	228,384

Dividends paid to the non-controlling interests were KRW 14,520 million for the year ended December 31, 2024.

B. The summarized financial information on subsidiaries with non-controlling interests that are material to the Group before inter-company eliminations is as follows (KRW in millions):

2025		
	HYOSUNG TNS INC.	Hyosung Investment & Development Corporation.
<Summarized statements of financial position>		
Current assets	602,561	268,413
Non-current assets	418,607	498,809
Current liabilities	549,030	56,457
Non-current liabilities	89,990	9,263
<Summarized statements of comprehensive income>		
Revenues	1,464,753	462
Profit for the year	99,202	87,295
Total comprehensive income	100,782	59,587
<Summarized statements of cash flows>		
Cash flows from operating activities	229,656	40,479
Cash flows from investing activities	(26,418)	134,320
Cash flows from financing activities	(192,234)	(40,000)
Effects of exchange rate changes	8,699	-
Increase in cash and cash equivalents	19,703	134,799

35. Information on non-controlling interests(cont'd) as follows (KRW in millions):

2024		
	HYOSUNG TNS INC.	Hyosung Investment & Development Corporation.
<Summarized statements of financial position>		
Current assets	660,927	3,318
Non-current assets	412,821	689,082
Current liabilities	692,115	4,002
Non-current liabilities	100,065	2,817
<Summarized statements of comprehensive income>		
Revenues	1,387,191	446
Profit for the year	18,799	54,667
Total comprehensive income	23,591	110,532
<Summarized statements of cash flows>		
Cash flows from operating activities	256,224	25,931
Cash flows from investing activities	(7,693)	10,000
Cash flows from financing activities	(240,319)	(35,200)
Effects of exchange rate changes	(1,874)	-
Increase in cash and cash equivalents	6,338	731

36. Spin-off

A. Overview

On June 14, 2024, the Group resolved at the shareholders' meeting to carry out a spin-off with the effective date of spin-off set as July 1, 2024. As a result, a new company, HS Hyosung Corporation. (the "The new company through the spin-off "), was established, and the listing changes and re-listing were completed on July 29, 2024.

Details of joint responsibility in accordance with the spin-off are as follows.

	Categories of business	
	Company name	Business section
The Surviving company	Hyosung Corporation	Other business divisions excluding spun-off business division
The new company through the spin-off	HS Hyosung Corporation	Managing and investing in the shares of the spun-off subsidiaries as well as operating the transportation brokerage business

The Group allocated new shares to shareholders who were registered in the shareholder register as of the record date for spin-off (June 28, 2024), based on the ratio shown in the table below for each share owned.

	Counterparties	
	Hyosung Corporation (the Surviving company)	HS Hyosung Corporation (the new company through the spin-off)
Common stock	0.8179485 share	0.1820515 share

36. Spin-off (cont'd)

B. Details of assets and liabilities transferred to the newly established entity through the spin-off

The value of assets and liabilities transferred to the new company through the spin-off is based on the list of assets and liabilities to be succeeded, as attached to the spin-off plan approved at the shareholders' meeting on June 14, 2024. Any changes in the property of the relevant business division occurring prior to spin-off date have been adjusted accordingly.

Details of assets and liabilities transferred to the new company are as follows (KRW in millions):

	December 31, 2024
Assets:	
Current assets	643,395
Cash and cash equivalents	29,040
Trade and other receivables	241,113
Other current financial assets	1,813
Other current assets	25,750
Inventories	332,326
Current tax assets	13,353
Non-current assets	400,927
Long-term trade and other receivables	3,796
Property, plant and equipment	98,942
Intangible assets	5,876
Investments in associates and joint ventures	274,311
Other non-current financial assets	1,711
Other non-current assets	197
Deferred tax assets	16,094
Total assets	1,044,322
Liabilities:	
Current liabilities	530,064
Trade and other payables	284,233
Short-term borrowings and current portion of long-term borrowings	204,958
Other current financial liabilities	1,858
Current tax liabilities	9,962
Other current liabilities	29,053
Non-current liabilities	22,773
Long-term trade and other payables	52
Net defined benefit liabilities	512
Deferred income tax liabilities	13,515
Other non-current financial liabilities	8,533
Other non-current liabilities	161
Total	552,837

36. Spin-off (cont'd)

C. Measurement of accrued dividends

In accordance with KIFRS 2117 *Distribution of Non-Cash Assets to Owners*, the Group distributes non-cash assets to owners exercising their rights as shareholders free of charge, ensuring that all owners holding the same class of equity instruments are treated equally. If, before and after the distribution, the assets are not ultimately controlled by the same party or parties, the Group recognizes the accrued dividends at fair value at the point when the distribution is declared, and the obligation to distribute the relevant non-cash assets is incurred.

The hierarchy for measuring the fair values of accrued dividends is as follows (KRW in millions):

	Level 1	Level 3	Total
Accrued dividends	395,080	399,502	794,582

The Group used the quoted price in an active market that is accessible at the measurement date to measure the accrued dividends for business divisions subject to the spin-off where such a market exists. These measurements are classified as Level 1.

On the other hand, for business divisions subject to the demerger where no active market exists, the fair value was estimated based on the expert judgment of an independent external appraisal organization and the valuation model. These measurements are classified as Level 3. The key inputs used for measuring the fair value of the business divisions classified as Level 3 are as follows:

	Perpetual Growth rate (*1)	Discount rate
Business segments subject to spin-off	1.0%	10.3%~13.6%

(*1) To estimate the fair value, the future cash flows for the next five years were projected based on the historical performance data, plans, and market conditions. A perpetual growth rate of 1.0% was applied to estimate the fair value beyond the projection period.

The sensitive analysis for the key assumptions is as follows (KRW in millions):

	Actuarial assumptions		
	Change in assumption	Increase	Decrease
Growth rate	0.5%	3,295	(3,011)
Discount rate	0.5%	(11,060)	12,191

D. Profit from discontinued operation and gain from disposal of discontinued operation

The Group completed spin-off on July 1, 2024, and classified the profit and loss from the business divisions subject to spin-off up to the demerger date as discontinued operations. Meanwhile, the difference between the non-cash assets to be distributed at the distribution date and the accrued dividends recognized at fair value was recognized as gains on disposal of discontinued operations (KRW in millions):

	December 31, 2024
Fairs value of spun-off business division (A)	794,582
Book values of spun-off business division (B)	491,485
Non-controlling interests of demerged business division (C)	4,640
Gain on disposal of discontinued operations (A-B+C)	307,737

Gains on disposal of discontinued operations do not involve any cash inflows, and the corresponding account resulting from the fair value assessment of non-cash assets is a reduction in capital (capital reduction). Therefore, gains on disposal do not result in an increase in capital.

36. Spin-off (cont'd)

E. Obligations from the spin-off

In accordance with the provisions of Articles 530-3, Paragraphs 1 and 2 of the *Commercial Act*, the spin-off is carried out by a special resolution of the shareholders' meeting. Furthermore, in accordance with the provisions of Article 530-9, Paragraph 1 of the Act, both the Company and the new company through the spin-off are jointly liable for the debts (including obligations) of the company prior to spin-off.

F. Discontinued operation

(1) Details of profit or loss from discontinued operations included in the consolidated statement of profit or loss for the year ended December 31, 2024, as well as the earnings per share for discontinued operations, are as follows (KRW in millions):

	2024
Revenue	849,358
Cost of sales	797,026
Gross profit	52,332
Selling and administrative expenses	29,481
Operating profit	22,851
Other income	422
Other expenses	268
Finance income	7,204
Finance expenses	21,204
Profit before income tax	9,005
Income tax expenses	1,090
Profit from disposal of discontinued operation (*1)	307,737
Profit from discontinued operation	315,652
Earnings per share on discontinued operating income	17,202

(*1) The differences between the non-cash assets to be distributed at the distribution date and the accrued dividends recognized at fair value were recognized as gains on disposal of discontinued operations.

(2) The cash flows from discontinued operations for the year ended December 31, 2024 are as follows (KRW in millions):

	2024
Cash flows from operating activities	815
Cash flows from investing activities	(24,167)
Cash flows from financing activities	30,513

37. Spin-off of a subsidiary

A. General Information on the spin-off

Ferrari Korea Co., Ltd. (formerly Forza Motors Korea Corp.; hereinafter the "Spun-off Company"), a subsidiary of the Parent Company, carried out a spin-off in accordance with Articles 530-2 through 530-11 of the *Commercial Act*, with the effective date of the spin-off being midnight on September 30, 2025, pursuant to a resolution of the shareholders' meeting held on July 2, 2025.

Details of joint responsibilities in accordance with the spin-off are as follows.

	Categories of business	
	Company name	Business section
The surviving company	Ferrari Korea Co., Ltd	Business division importing Ferrari S.p.A.-manufactured automobiles into Korea
The new company through the spin-off	Forza Motors Korea Corp.	Business division selling domestically the automobiles manufactured by Ferrari S.p.A. and imported by the surviving company, business division selling domestically the automobiles manufactured by Maserati S.p.A., warranty service division for automobile maintenance, etc. (business segments subject to spin-off)

The spun-off company allocated new shares to shareholders who were registered in the shareholder register as of the record date of the spin-off (September 30, 2025), based on the ratio shown in the table below for each share owned.

	Counterparties	
	Ferrari Korea Co., Ltd (the Surviving company)	Forza Motors Korea Corp (the new company through the spin-off)
Common stock	0.0885178 share	0.9114822 share

37. Spin-off of a subsidiary (cont'd)

B. Details of assets and liabilities transferred to the newly established entity through the spin-off

The value of assets and liabilities transferred to the new company through spin-off is based on the list of assets and liabilities to be succeeded, as attached to spin-off plan approved at the shareholders' meeting on July 2, 2025. Any changes in the property of the relevant business division occurring prior to spin-off date have been adjusted accordingly.

Details of assets and liabilities transferred to the new company are as follows (KRW in millions):

	Amount
Assets:	
Current assets	93,697
Cash and cash equivalents	1,826
Trade and other receivables	7,969
Other current assets	17,261
Inventories	66,636
Current tax assets	5
Non-current assets	66,252
Long-term trade and other receivables	6,826
Property, plant and equipment	35,207
Intangible assets	33
Investment in joint ventures	15,172
Other non-current assets	8,282
Deferred tax assets	732
Total	159,949
Liabilities:	
Current liabilities	99,805
Trade and other payables	25,761
Short-term borrowings and current portion of long-term borrowings	16,181
Other current financial liabilities	18,924
Other current liabilities	38,939
Non-current liabilities	38,242
Long-term trade and other payables	3,707
Long-term borrowings	9,600
Net defined benefit liabilities	374
Other non-current financial liabilities	14,347
Other non-current liabilities	10,214
Total	138,047

C. Obligations from the spin-off

In accordance with the provisions of Article 530-9, Paragraph 1 of the *Commercial Act*, the surviving company and the newly established spin-off company are jointly liable for the debts (including obligations) of the spun-off company prior to the spin-off.

37. Spin-off of a subsidiary (cont'd)

D. Sales of the surviving company

(1) Sales of shares in surviving company

The Parent Company sold 51% of the shares in Ferrari Korea Co., Ltd., the surviving company, to Ferrari S.p.A. on October 2, 2025.

(2) Other option agreements related to the share purchase agreement

Pursuant to the share purchase agreement entered into between the Parent Company and Ferrari S.p.A., each party to the agreement holds the following option agreements:

	Details
Hyosung corporation ("Minority shareholders")	The minority shareholders hold a put option to sell the shares of Ferrari Korea Co., Ltd. held by them to the majority shareholders starting from 2029, and tag-along rights to participate in the sale of their shares together when the majority shareholders sell their shares to a third party.
Ferrari S.p.A. ("Majority shareholders")	The majority shareholders hold a call option to gradually purchase the shares of Ferrari Korea Co., Ltd. held by minority shareholders from 2026 to 2028, and drag-along rights to compel the sale of shares held by minority shareholders when the majority shareholders sell their shares to a third party.

38. Business combination

A. To expand its business area and generate stable cash flows, the Group acquired all production facilities and operations of the Onsan Tank Terminal from Hyosung Chemical Corporation effective on April 18, 2025.

B. The consideration transferred for the business combination is as follows (KRW in millions):

	Principal business activities	Acquisition date	Consideration transferred
Hyosung Chemical Corporation Onsan Tank Terminal	Leasing of liquid cargo and ethylene tanks and pipelines, and sales of ethylene	April 18, 2025	151,935

C. Details of assets acquired and liabilities assumed by the Group through the business combination are as follows (KRW in millions):

	amount
Fair values of identifiable assets acquired	122,956
Trade and other receivables	1,178
Property, plant and equipment	47,275
Intangible assets	74,470
Other assets	33
Fair values of identifiable liabilities assumed	25,769
Trade and other payables	25,769
Fair values of identifiable net assets acquired	97,187
Goodwill (*1)	54,748
Consideration transferred	151,935
Cash	151,935

(*1) The goodwill of KRW 54,748 million arising from the acquisition is attributable to the expected synergy effects from the business combination and other future economic benefits.

D. Revenues and net profits generated from Hyosung Chemical Corporation's Onsan Tank Terminal business since the acquisition date reflected in the consolidated statement of profit or loss arising from business combination are as follows and revenues and profits to be additionally recognized in the consolidated statement of profit or loss, if Hyosung Chemical Corporation's Onsan Tank Terminal business is acquired as of December 31, 2025, would have been as follows (KRW in millions):

	Revenue	Profit from operations
After acquisition date	12,563	808
As of December 31, 2025	19,339	1,577

39. Uncertainty of the impact of the Ukraine crisis

The armed conflict in Ukraine, which began in February 2022, and related international sanctions against Russia affect not only the companies subject to the sanctions, but also those directly or indirectly doing business with Ukraine or Russia, and directly or indirectly to the industry or economy of Ukraine or Russia. It may indirectly affect exposed businesses.

As of December 31, 2025, Hyosung RUS, a subsidiary of the Group, and one other company are in Russia, and the consolidated financial statements were prepared by reasonably estimating the impact of the Ukraine crisis as of December 31, 2025. However, there are uncertainties in estimating the impact of the Ukraine crisis on the Group.

40. Uncertainty related to U.S. reciprocal tariffs

The U.S. government announced in early April 2025 its intention to impose reciprocal tariffs and subsequently reached agreements with certain countries to adjust the tariff rates through negotiations. As a result, some of the tariff-related uncertainties faced by the jurisdictions in which the Group operates have been partially alleviated.

However, significant uncertainty remains regarding the Group's financial position, as potential future changes in U.S. government policies and the outcomes of negotiations with certain jurisdictions related to the Group's operations have not yet been finalized. Accordingly, there remains uncertainty in estimating the impact of the U.S. reciprocal tariffs and related measures on the Group.

41. Event after the reporting period

A. As a subsequent event after the reporting period, the Group entered into an agreement to dispose of the Togara JV mining rights on February 6, 2026, and received a portion of the consideration. The remaining balance is expected to be received on March 31, 2026. In connection with the above transaction, the Parent Company early repaid the long-term borrowings from the Korea Energy Agency on January 15, 2026, which had been obtained for the purpose of overseas resource development financing.

Auditor's report 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 Hyosung Corporation (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 한영
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with confidence

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Independent auditor's report on internal control over financial reporting

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors
Hyosung Corporation

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting ("ICFR") of Hyosung Corporation (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 designed and is operating effectively, in all material respects, as of December 31, 2025, in accordance with the Conceptual Framework for Design and Operation of ICFR.

We have also audited, in accordance with the Korean Standards on Auditing ("KSA"), the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, of the Group, and our report dated March 12, 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.

Responsibilities 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 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.

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 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 operating effectiveness of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

An 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 the 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 the 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 Hyung-beom Kim.

Ernst & Young Han Young

March 12, 2026

This audit report is effective as of March 12, 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.

연결내부회계관리제도 운영실태보고서

주식회사 효성 주주, 이사회 및 감사위원회 귀중

본 대표이사 및 내부회계관리자는 2025년 12월 31일 현재 동일자로 종료하는 회계연도에 대한 당사의 연결내부회계관리제도의 설계 및 운영실태를 평가하였습니다. 연결내부회계관리제도의 설계 및 운영에 대한 책임은 본 대표이사 및 내부회계관리자를 포함한 회사의 경영진에 있습니다.

본 대표이사 및 내부회계관리자는 회사의 연결내부회계관리제도가 신뢰할 수 있는 재무제표의 작성 및 공시를 위하여 재무제표의 왜곡을 초래할 수 있는 오류나 부정행위를 예방하고 적발할 수 있도록 효과적으로 설계 및 운영되고 있는지의 여부에 대하여 평가하였습니다.

본 대표이사 및 내부회계관리자는 연결내부회계관리제도의 설계 및 운영을 위해 내부회계관리제도운영위원회에서 발표한 '내부회계관리제도 설계 및 운영 개념체계'를 준거기준으로 사용하였습니다. 또한 연결내부회계관리제도의 설계 및 운영실태를 평가함에 있어 「외부감사 및 회계 등에 관한 규정 시행세칙」 별표6 '내부회계관리제도 평가 및 보고 기준'을 평가기준으로 사용하였습니다.

본 대표이사 및 내부회계관리자의 연결내부회계관리제도 운영실태 평가결과, 2025년 12월 31일 현재 당사의 연결내부회계관리제도는 '내부회계관리제도 설계 및 운영 개념체계'에 근거하여 볼 때, 중요성의 관점에서 효과적으로 설계되어 운영되고 있다고 판단됩니다.

본 대표이사 및 내부회계관리자는 보고내용이 거짓으로 기재되거나 표시되지 아니하였고, 기재하거나 표시하여야 할 사항을 빠뜨리고 있지 아니함을 확인하였습니다. 또한 본 대표이사 및 내부회계관리자는 보고내용에 중대한 오해를 일으키는 내용이 기재되거나 표시되지 아니하였다는 사실을 확인하였으며, 충분한 주의를 다하여 직접 확인·검토하였습니다.

(붙임)

ㅇ 횡령 등 자금 관련 부정위험에 대응하기 위해 회사가 수행한 내부통제 활동

2026년 1월 30일

대 표 이 사 황 윤 언 (서 명)

내부회계관리자 김 광 오 (서 명)

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 Hyosung Corporation

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting Officer of Hyosung Corporation and its subsidiaries (collectively referred to as 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 ICFR officer.

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

We used, as the basis for the design and operation of the Groups'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 Standards 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 performed by the Company in response to treasury risks such as embezzlements

January 30, 2026

Yun Eun Hwang
Chief Executive Officer

Kwang Oh KIM
ICFR Officer

(Attachment)
Internal control activities performed by the Company in response to treasury risks such as embezzlements

Category	Control activities performed by the Company	Target entities	Resign and operation effectiveness assessment results
Entity-level control	[Operation of the system for detecting violations of ethical (compliance) management] Management operates a whistleblower program to prevent frauds such as embezzlements. Management regularly communicates its commitment to compliance with the program to all employees through company-wide announcements and training.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Identification and assessment of fraud risks] Management annually identifies fraud risks by considering the frequency and impact of risk occurrences and reflects these in the internal accounting control system for evaluation.	Hyosung	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, July 2025, January 2026).
	[Management of segregation of duties according to regulations] Standards for incompatible duties (Segregation of Duties) are established for financial reporting tasks that should not be performed by the same individual, and the appropriateness of the segregation of duties related to financial reporting is reviewed.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Monitoring] Management operates an abnormal transaction monitoring system that automatically reviews abnormal cash transactions when the amounts exceed a certain threshold or when the withdrawals are made to unusual counterparties.	Hyosung	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, July 2025, January 2026).
	[Review of account balances for special purpose entities] The accounting team leader of the Parent Company reviews the balances for cash and cash equivalents for significant special purpose entities (subsidiaries) and approves the review reports on cash and financial assets.	Hyosung Investment & Development and 1 other company	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, January 2026).
	[Review of cash flows for special purpose entities] The accounting team leader of the Parent Company approves the review reports on cash flows of significant special purpose entities (subsidiaries).	Hyosung Investment & Development and 1 other company	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, January 2026).
Treasury control	[Registration/modification of accounts] The treasury team leader reviews and approves the purpose of new account openings and regularly reviews changes to the account information.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).

Treasury Control	[Management of bank accounts] The treasury team leader reconciles the complete list of all company bank accounts with the account lists confirmed by the banks to ensure completeness and reviews the purpose, closure, or dormancy status of accounts.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Controls over the usage of corporate seals] The administration team leader and treasury team leader each review and approve applications for corporate seal stamping and usage seal stamping, respectively.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the tests (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Restriction on payment execution – designation of authorized withdrawal accounts] Withdrawals and transfers are only permitted through the designated accounts.	Hyosung	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, July 2025, January 2026).
	[Restriction on fund execution – review of withdrawal accounts] The treasury team leader reviews whether the account number requested for the payment execution matches the separately managed list of supplier account numbers before approving the fund execution request.	Hyosung TNS and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Restriction on fund execution – limited access to seals and other devices] Only authorized personnel have access to physical devices required for seal stamping and transfer execution.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Review of payment execution] The treasury team leader periodically reviews the treasury plan, reconciles payment details and daily cash flow records, and approves payment details.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Separation of payment data creator and approver] The creator of payment data and the approver of fund execution are separated.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Management of withdrawal and deposit records (daily basis)] Bank transaction details are linked to the ERP system in real time, and the cashier reconciles the inflow and outflow details with the bank transaction records.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).

Treasury control	[Regular/Irregular balance reconciliation] The accounting team member reconciles the account balances in ERP with the balances obtained via internet banking during quarterly closings and performs ad hoc cash balance reconciliations as needed.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Review of financing] The treasury team leader reviews and approves the appropriateness of the key requirements, including purposes, amounts and interest rates, in borrowings and bond issuance proposals. If the Board of Director's resolution is required, the proposal if submitted to the Board of Directors.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Review on the creation and modification of supplier vendor master data] The treasury team leader verifies the required supplier documents (internal contracts, business registration certificates, bankbook copies, seal certificates) and approves supplier registration applications and modifications on the relevant information.	Hyosung, Hyosung TNS, and 5 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 4 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Management of access to creation and modification of supplier vendor master data] The access to creation and modification of supplier vendor master data is restricted to the supplier master administrator and the treasury team leader.	Hyosung, Hyosung TNS, and 3 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 2 other companies' Internal Accounting Management Teams, July 2025, January 2026).
Others	[Review of on the creation and modification of customer master data] The customer master administrator verifies the attachment of business registration certificates for new customers and modifications in customer's information, reconciles the key information on the request form with the supporting documents, and approves the requests.	Hyosung, Hyosung TNS, and 6 other companies	No significant vulnerabilities were found as a result of the assessment (Hyosung Internal Accounting Management Team, Hyosung TNS and 5 other companies' Internal Accounting Management Teams, July 2025, January 2026).
	[Confirmation of quantity of inventories through physical count] The financial management team leader reviews and approves the inventory count result reports, including the adequacy of approvals, existence of procedural defects, and reasons for discrepancies between the counted quantities and quantities recorded in ERP before the count.	FMK	No significant vulnerabilities were found as a result of the assessment (FMK Finance Management Team, July 2025, January 2026).
	[Restriction on sales inventory release] The sales planning management team leader reviews the consistency between the contracts and customer information, as well as the match between the shipped vehicles and chassis numbers, and approves the shipment requests.	FMK	No significant vulnerabilities were found as a result of the assessment (FMK Finance Management Team, July 2025, January 2026).