Hyosung Corporation

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

Hyosung Corporation

Table of contents

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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 separate financial statements of Hyosung Corporation (the "Company"), which comprise the separate statement of financial position as of December 31, 2025 and 2024, and the separate statements of profit, separate statements of other comprehensive income, separate statements of changes in equity and separate statements of cash flows for each of the two years in the period ended December 31, 2025, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and its financial performance and its 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 Company'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 separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in 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 separate financial statements of the current period. The matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Accounting for the business combination

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

In accordance with KIFRS 1103, *Business Combinations*, the Company 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 value 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 the key audit matter as follows:

- 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 separate financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 separate financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 separate 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 separate financial statements and may result in modifications to this report.

Hyosung Corporation

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

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

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

Hyosung Corporation
Separate 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	4,6,34	₩ 2,001	₩ 4,170
Trade and other receivables	4,7,13,17,34,35	73,846	58,048
Other current financial assets	4,8,34,35	626	-
Other current assets	16	8,830	7,885
Inventories	9	11,770	12,424
Current tax assets	30	1,181	-
		98,254	82,527
Non-current assets:			
Long-term trade and other receivables	4,7,13,17,34	22,925	13,343
Property, plant and equipment	10,13,20,35	689,165	526,053
Investment properties	11,13	6,288	6,206
Intangible assets	12	153,157	27,752
Investments in subsidiaries	14	743,123	682,547
Investments in associates and joint ventures	15,35	1,095,548	933,698
Other non-current financial assets	4,8,34,35	470,338	294,494
Other non-current assets	16	24,904	24,841
		3,205,448	2,508,934
Total assets		**₩ 3,303,702**	**₩ 2,591,461**
Liabilities			
Current liabilities:			
Trade and other payables	4,17,18,34	₩ 72,925	₩ 48,230
Short-term borrowings and current portion of long-term borrowings	4,7,19,33,34,35	268,985	41,368
Other current financial liabilities	4,8,13,33,34	13,540	10,783
Current tax liabilities	30	-	650
Other current liabilities	7,22	1,919	10,449
		357,369	111,480
Non-current liabilities:			
Long-term trade and other payables	4,17,18,34	27,123	28,841
Long-term borrowings	4,19,33,34	140,000	219
Net defined benefit liabilities	21	1,362	898
Deferred tax liabilities	30	266,293	240,461
Other non-current financial liabilities	4,8,13,33,34	31,457	17,971
Other non-current liabilities	22	697	821
		466,932	289,211
Total liabilities		**824,301**	**400,691**
Equity			
Share capital	23,34	86,725	86,725
Share premium	34	369,049	369,049
Retained earnings	23,34	7,033,269	6,750,114
Other components of equity	23,34	(5,009,642)	(5,015,118)
Total equity		**2,479,401**	**2,190,770**
Total liabilities and equity		**₩ 3,303,702**	**₩ 2,591,461**

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

Hyosung Corporation
Separate 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	14,15,17,24,25	₩	552,308	₩	418,129
Cost of sales	17,27		220,910		222,913
Gross profit			331,398		195,216
Selling and administrative expenses	17,26,27		61,035		67,752
Operating profit			270,363		127,464
Other income	17,28		10,198		11,547
Other expenses	17,28		5,478		1,755
Finance income	4,17,29		94,343		17,655
Finance expenses	4,17,29		12,145		5,827
Profit before income tax			357,281		149,084
Income tax expenses	30		26,676		7,441
Profit from continuing operations			330,605		141,643
Profit from discontinued operations	36		-		315,432
Profit for the year		₩	330,605	₩	457,075
Earnings per share (in Korean won)	31		19,776		24,926
Basic earnings per share from continuing operations			19,776		7,724
Basic earnings per share from discontinued operations	31,36		-		17,202

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

Hyosung Corporation
Separate 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		₩	330,605	₩	457,075
Other comprehensive income (loss)			10,309		62,856
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")	4,8,30		(2,514)		4,784
Remeasurements of net defined benefit liabilities	21,30		2,242		(5,782)
Shares of remeasurements of subsidiaries, associates and joint ventures	14,15,30		461		(15,483)
Items that may be subsequently reclassified to profit or loss (net of tax):					
Valuation gains (losses) on investments in subsidiaries, associates and joint ventures	14,15,30		9,645		79,337
Valuation gains (losses) on derivatives			475		-
			10,309		62,856
Total comprehensive income for the year		₩	340,914	₩	519,931

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

Hyosung Corporation
Separate statements of changes in equity
for each of the two years in the period ended December 31, 2025

(Korean won in millions)

	Share capital	Share premium	Retained earnings	Other components of equity	Total
As of January 1, 2024	₩ 105,355	₩ 451,188	₩ 6,396,019	₩ (4,456,960)	₩ 2,495,602
Total comprehensive income:					
Profit for the year	-	-	457,075	-	457,075
Valuation gains on financial assets at FVOCI	-	-	-	4,784	4,784
Remeasurements of net defined benefit liabilities	-	-	(5,782)	-	(5,782)
Share of remeasurements of subsidiaries, associates and joint ventures	-	-	(15,483)	-	(15,483)
Valuation gains on investments in subsidiaries, associates and joint ventures	-	-	-	79,337	79,337
Transactions with owners of the Parent Company:					
Dividends (Note 32)	-	-	(59,728)	-	(59,728)
Disposal of treasury shares	-	-	-	30,898	30,898
Acquisition of treasury shares	-	-	-	(1,152)	(1,152)
Changes through spin-off (Note 36)	(18,630)	(82,139)	1,399	(695,212)	(794,582)
Others					
Transfer of valuation gains (losses) on financial assets at FVOCI	-	-	(1,461)	1,461	-
Retirement of treasury shares	-	-	(21,926)	21,926	-
As of December 31, 2024	₩ 86,725	₩ 369,049	₩ 6,750,114	₩ (5,015,118)	₩ 2,190,770
As of January 1, 2025	₩ 86,725	₩ 369,049	₩ 6,750,114	₩ (5,015,118)	₩ 2,190,770
Total comprehensive income:					
Profit for the year	-	-	330,605	-	330,605
Valuation gains (losses) on financial assets at FVOCI	-	-	-	(2,514)	(2,514)
Remeasurements of net defined benefit liabilities	-	-	2,242	-	2,242
Share of remeasurements of subsidiaries, associates and joint ventures	-	-	461	-	461
Valuation gains on investments in subsidiaries, associates and joint ventures	-	-	-	9,645	9,645
Valuation gains on derivatives	-	-	-	475	475
Transactions with owners of the Parent Company:					
Dividends (Note 32)	-	-	(50,153)	-	(50,153)
Others	-	-	-	(2,130)	(2,130)
As of December 31, 2025	₩ 86,725	₩ 369,049	₩ 7,033,269	₩ (5,009,642)	₩ 2,479,401

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

Hyosung Corporation
Separate 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		₩	330,605	₩	141,643
Profit from discontinued operations	36		-		315,432
Non-cash items adjustments	33		(287,055)		(429,572)
Working capital adjustments	33		(34,407)		116,591
Income taxes paid			(804)		(2,699)
Interest paid			(11,817)		(2,192)
Interest received			31,079		11,419
Dividends received			59,717		52,509
Net cash flows provided by operating activities:			87,318		203,131
Cash flows from investing activities:					
Disposal of financial assets at FVOCI			-		100
Disposal of financial assets at FVPL			471		2,448
Disposal of financial assets at amortized cost			-		20
Collection of short-term loans			6		4
Decrease in short-term guarantee deposits			156		296
Disposal of property, plant and equipment			8,680		5,711
Government grants received in relation with property, plant and equipment			1		2,302
Disposal of intangible assets			-		10,982
Disposal of investments in associates			-		1,200
Disposal of investments in subsidiaries			5,988		-
Decrease in long-term financial instruments			3		-
Acquisition of financial assets at FVOCI			(100,000)		(200,000)
Acquisition of financial assets at FVPL			(9,500)		(3,191)
Increase in short-term guarantee deposits			(80)		(233)
Increase in long-term guarantee deposits			(86)		(5)
Acquisition of property, plant and equipment			(128,003)		(12,133)
Acquisition of intangible assets			(2,142)		(2,834)
Acquisition of investments in subsidiaries			(214)		(192)
Acquisition of investments in associates			(19,668)		(25,996)
Acquisition of other investment assets			(30)		(249)
Business combination			(151,935)		-
Net cash flows used in investing activities			(396,353)		(221,770)
Cash flows from financing activities:					
Proceeds from short-term borrowings and current portion of borrowings			229,478		114,267
Proceeds from long-term borrowings			140,000		-
Government grants received			1,066		4,877
Disposal of treasury shares			-		33,473
Repayment of short-term borrowings			(1,930)		(73,513)
Repayment of current portion of long-term borrowings			(136)		(136)
Repayments of lease liabilities			(10,878)		(15,402)
Dividends paid			(50,153)		(59,728)
Repayment of government grants			(581)		(420)
Acquistion of treasury shares			-		(1,152)
Net cash flows provided by financing activities			306,866		2,266
Net decrease in cash and cash equivalents			(2,169)		(16,373)
Changes through spin-off	36		-		(17,440)
Cash and cash equivalents at the beginning of the year			4,170		37,983
Cash and cash equivalents at the end of the year		₩	2,001	₩	4,170

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

1. General information on the Company

Hyosung Corporation (the "Company") was established on November 3, 1966 to, primarily engage in manufactures 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 Company 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 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 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

2. Material accounting policies

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

2.1 Basis of financial statement preparation

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

2. Material accounting policies (cont'd)

2.2 Changes in accounting policy and disclosures

(1) New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for the annual period beginning on or after January 1, 2025. The Company 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 exchange ability 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 Company'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 Company'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 company'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 company 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 Changes in accounting policy and disclosures (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.

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

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.

(2) Standards issued but not yet effective (cont'd)

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 Company 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 Investments in subsidiaries, associates and joint ventures

A subsidiary is an entity over which the parent has control, and an associate is an entity 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 is not control or joint control over those policies.

A joint venture is s a joint arrangement whereby 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 Company's investments in subsidiaries, associates and joint ventures are accounted for using the equity method. They are initially recognized at cost and adjusted thereafter to recognize the Company's share of the changes in net assets of the subsidiaries, associates and joint ventures. Goodwill relating to the subsidiaries, associates and joint ventures is included in the carrying amount of the investment and is not amortized or separately tested for impairment

The separate statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the subsidiaries, associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the subsidiaries, associate or joint venture, the Company recognizes its share of any changes, when applicable, in the separate statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the subsidiaries, associate or joint venture are eliminated to the extent of the interest in the subsidiaries, associate or joint venture.

The aggregate of the Company's share of profit or loss of an subsidiaries, associate and a joint venture is shown on the face of the separate statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the subsidiaries, associate or joint venture.

The financial statements of the subsidiaries, associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss on its investment in its subsidiaries, associates and joint ventures. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiaries, associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries, associate or joint venture and its carrying value, and then recognizes the loss as "share of profit of an subsidiaries, associate and a joint venture" in the separate statement of profit or loss and other comprehensive income.

Upon the loss of significant influence over the associate, joint control over the joint venture or control over the subsidiary, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the subsidiaries, associate or joint venture upon loss of control, significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2. Material accounting policies (cont'd)

2.4 Current versus non-current classification

The Company presents assets and liabilities in the separate statement 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 Company classifies all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

2. Material accounting policies (cont'd)

2.5 Fair value measurement

The Company 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
· 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 Company.

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 Company 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 separate 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:

· 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 separate financial statements on a recurring basis, the Company 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 Company 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;
· Investment properties - Note 11; and
· Investments in associates and joint ventures - Note 15.

2. Material accounting policies (cont'd)

2.6 Foreign currency translation

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

Transactions in foreign currency are initially recorded by the Company at functional currency spot rates at the date the transaction first qualifies for recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions are from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

2. Material accounting policies (cont'd)

2.7 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company'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 Company 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)

2.7 Financial instruments (cont'd)

② Financial assets at FVOCI (debt instruments)

The Company 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 separate 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 Company 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 separate statement of profit or loss when the right of payment has been established, except when the Company 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 Company 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 separate statement of financial position at fair value with net changes in fair value recognized in the separate statement of profit or loss.

This category includes derivatives and listed equity instruments which the Company 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)

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

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company 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 Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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)

2.7 Financial instruments (cont'd)

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company 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 Company reassesses the internal credit rating of the debt instrument.

The Company 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 Company'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 Company 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 Company'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 Company classifies the liabilities as trade and other payables in its statements of financial position. The classification is allowed only if the Company'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 Company's 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 Company 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.

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

2. Material accounting policies (cont'd)

2.7 Financial instruments (cont'd)

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 Company 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 separate 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 separate 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.

2.8 Cash and cash equivalents

Cash and cash equivalents in the separate 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.

2.9 Derivative instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized in profit or loss within finance income (costs).

2. Material accounting policies (cont'd)

2.10 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 which are determined using the specific identification method.

2.11 Non-current assets held for sale (or disposal groups)

The Company classifies non-current assets or disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

2.12 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 Company 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 Company 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	20, 40 years
Structures	20, 40 years
Machinery	4, 8, 10 years
Vehicles	5 years
Tools and equipment	2, 5 years
Right-of-use assets	1 ~ 40 years

An item of property, plant and equipment and any significant part initially recognized 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 separate statement of profit or loss when the asset is derecognized.

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

2. Material accounting policies (cont'd)

2.13 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period 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.

2.14 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received, Government grants related to assets are presented in the separate statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and the government grants related to income are recognized as 'other income' at the time of recognition or deducted from expenses related to the purpose of the government grants.

2.15 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 the 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 separate statement of profit or loss and other comprehensive income 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 the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

	Useful life
Industrial rights	5~10 years
Other intangible assets – Customer Relationship	5~11 years
Other intangible assets	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 separate statement of profit or loss.

2. Material accounting policies (cont'd)

2.16 Investment properties

Investment properties are a property held to earn rentals or for capital appreciation or both. investment properties are measured initially at cost. After recognition as an asset, investment properties are carried at cost less accumulated depreciation and impairment losses. The Company depreciates investment properties, except for land, over their useful lives of 40 years and investment properties related to leases over the lease terms using the straight-line method.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The consideration (amount) to be included in the profit or loss arising from the disposal of investment properties is calculated in accordance with the requirements for the calculation of transaction prices in KIFRS 1115.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.17 Impairment of non-financial assets

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is higher of an assets 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

2. Material accounting policies (cont'd)

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

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Company assesses whether climate risks, including physical risks and transition risks could have a significant impact. If so, these risks are included in the cash-flow forecasts in assessing value-in-use amounts. See Note 2.26 for further discussion of the impact of climate-related risks on the value in use.

2.18 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result 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 separate statement of profit or loss and other comprehensive income net of any reimbursement. The expense relating to a provision is presented in the separate 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 the 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 Company 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 Company, or if an amount required to perform the current obligation cannot be reliably estimated, the Company recognizes a contingent liability and discloses such a liability in its separate financial statements.

Greenhouse gas emissions
The Company receives free emission rights as a result of emission trading schemes. The rights are received on an annual basis and, in return, the Company is required to remit rights equal to its actual emissions. The Company has adopted the net liability approach to the emission rights granted. The Company recognizes the received emission rights at the nominal amount (i.e., nil). The Company recognizes a provision as emissions are made. As the Company intends to keep the emission rights received to settle its emission liability, the Company takes into consideration the value of received emission rights when measuring a provision. Therefore, until the emission limit is exceeded, there is no impact on the provisions stated in the separate statements of financial position and the separate statements of profit or loss. The emission costs are recognized as cost of sales. Where emission rights are purchased from other parties, the cost of obtaining the allowances determine the measurement of the provision.

2. Material accounting policies (cont'd)

2.19 Income taxes

(1) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that enacted or substantively enacted by the reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in the separate statements of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference 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 the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2. Material accounting policies (cont'd)

2.19 Taxes (cont'd)

(2) Deferred tax (cont'd)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets 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 liabilities or assets are expected to be settled or recovered.

(3) Sales tax

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

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

2.20 Employee benefits

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

(1) Defined contribution plan

A defined contribution plan is a pension plan under which the Company 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 Company 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 that the Company recognizes related restructuring costs

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

2. Material accounting policies (cont'd)

2.21 Revenue from contracts with customers

(1) Identifying performance obligations

In accordance with KIFRS 1115, the Company 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 Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

(4) Incremental costs of obtaining a contract

In accordance with KIFRS 1115, the Company recognizes the incremental costs of obtaining a contract with customer as an asset if the Company 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.

(5) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company 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 Company does not expect to be entitled.

(6) Significant financing component

With implementation of KIFRS 1115, when calculating the transaction price, the Company 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 Company 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)

2.22 Leases

The Company 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) Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company 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 Company 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 2.17 Impairment of non-financial assets.

2) Lease liabilities

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 Company classifies lease liabilities as interest-bearing borrowings.

2. Material accounting policies (cont'd)

2.22 Leases (cont'd)

(1) Company as a lessee (cont'd)

3) Short-term and low-value leases

The Company 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) Company as a lessor

Leases in which the Company 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 separate 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.

2.23 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 Company's own equity instruments are not recognized in profit or loss and are accounted for as other components of equity.

2.24 Cash dividend

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

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

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

If all owners of the same class of equity instruments distribute non-cash assets at no cost, the Company shall measure the fair value of dividend payable at the time it is obligated to distribute the related assets and liabilities after it declares the distribution.

2. Material accounting policies (cont'd)

2.26 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 Company restates the prior period's statement of profit or loss as if the operation had been discontinued from the beginning of the comparative period.

2.27 Events after the reporting period

If the Company receives the information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its financial statements. The Company will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2.28 Earnings per share (EPS)

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the 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 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.

2.29 Approval of separate financial statements

The separate 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. Material accounting policies (cont'd)

2.30 Climate-related matters

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

Although the Company 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 Company 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 the assets, the Company considers climate-related matters, 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 2.12;

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

- greenhouse gas emissions. The Company receives free emission rights annually and is required to remit emission rights equivalent to its actual emissions. The Company has adopted the net liability approach for allocated emission rights. For more details, please refer to Note 2.18.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's separate 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 Company based its assumptions and estimates on parameters available when the separate 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 Company. Such changes are reflected in the assumptions when they occur.

(1) Impairment of non-financial assets

The Company assesses at each reporting date, whether there is an indication that non-financial assets may be impaired. The Company performs impairment tests for intangible assets with indefinite useful lives and goodwill every year or when there is an indication of impairment. The Company performs impairment tests for other non-financial assets if there is an indication that their book value is not recoverable. To calculate use value, 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) Retirements 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 Company's average salary increase rate. Details are described in note 21.

(3) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the separate 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. Significant accounting judgments, estimates and assumptions (cont'd)

(4) Calculation of incremental borrowing rate

The Company 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 Company 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 Company "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 Company shall pay an additional corporate tax calculated by the method prescribed by the tax law. Accordingly, as the Company considers the tax effects from surtax on undistributed corporate earnings when computing its income tax, the Company's income tax may change arising from changes in investment, wage growth, etc.

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

The Company estimates the amount of loss incurred by considering 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 lives and residual values of property, plant and equipment

The Company 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 Company considers the impact of health, safety, and environmental legislations. Additionally, climate-related matters, including physical risks and transition risks, are taken into account. Specifically, it determines whether climate-related legislations and regulations might impact the useful lives or residual values (e.g., by banning or restricting the use of the Company's fossil fuel-driven machinery and equipment or imposing additional energy efficiency requirements on is 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	-	-	2,001	-	2,001
Trade and other receivables (*1)	-	-	73,836	-	73,836
Other current financial assets	-	-	-	626	626
Long-term trade and other receivables	-	-	22,925	-	22,925
Other non-current financial assets	160,319	308,949	1,070	-	470,338
Total	160,319	308,949	99,832	626	569,726

(*1) Excluding contract assets of KRW 10 million.

December 31, 2024				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	4,170	4,170
Trade and other receivables (*1)	-	-	57,020	57,020
Long-term trade and other receivables	-	-	13,343	13,343
Other non-current financial assets	76,246	217,175	1,073	294,494
Total	76,246	217,175	75,606	369,027

(*1) Excluding contract assets of KRW 1,028 million.

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 amortized cost	Financial liabilities at FVPL	Total
Trade and other payables (*1)	64,181	-	64,181
Short-term borrowings and current portion of long-term borrowings	268,986	-	268,986
Other current financial liabilities	10,906	2,634	13,540
Long-term trade and other payables (*1)	26,559	-	26,559
Long-term borrowings	140,000	-	140,000
Other non-current financial liabilities	31,457	-	31,457
Total	542,089	2,634	544,723

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

December 31, 2024		
	Financial liabilities at amortized cost	Total
Trade and other payables (*1)	37,091	37,091
Short-term borrowings and current portion of long-term borrowings	41,368	41,368
Other current financial liabilities	10,783	10,783
Long-term trade and other payables (*1)	28,480	28,480
Long-term borrowings	219	219
Other non-current financial liabilities	17,971	17,971
Total	135,912	135,912

(*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	18,378	13,125
Gains on foreign currency transactions	4	2,826
Gains (losses) on foreign currency translations	(104)	1,265
Reversal of allowance for doubtful accounts (bad debt expenses)	(66)	456
Others	(99)	(55)
Financial assets at FVPL		
Gains on disposal of financial assets	178	2
Valuation gains on financial assets	74,867	798
Dividend income	148	1,359
Financial assets at FVOCI		
Valuation gains (losses) on financial assets (other comprehensive income)	(2,513)	4,785
Dividend income	123	122
Derivatives designated as hedging instruments		
Valuation gains on derivatives (other comprehensive income)	475	-
Financial liabilities at amortized cost		
Interest expenses	(8,517)	(2,114)
Gains (losses) on foreign currency transactions	55	(1,904)
Gains (losses) on foreign currency translation	70	(627)
Financial liabilities at FVPL (derivatives)		
Valuation losses on derivatives	(2,634)	-

(*1) Including the amounts presented as income (losses) 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)	146,015	146,015	73,225	73,225
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)	8,126	8,126	7,028	7,028
Financial assets at FVOCI (non-listed equity instruments)	2,940	2,940	3,551	3,551
Financial assets at FVOCI (debt instruments)	201	201	201	201
Derivative assets designated as hedging instruments	626	626	-	-
Financial liabilities				
Financial liabilities at FVPL (derivatives)	2,634	2,634	-	-

(*1) The Company recognized changes in its ownership interest in long-term equity investments in accordance with KIFRS 1028 (See Notes 8 and 15).

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)

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
Financial assets				
Equity instruments at FVPL	14,304	-	-	14,304
Debt instruments at FVPL	-	39,486	106,529	146,015
Hybrid securities at FVOCI	-	-	200,542	200,542
Perpetual convertible bonds at FVOCI	-	-	100,433	100,433
Equity instruments at FVOCI	8,126	-	2,940	11,066
Debt instruments at FVOCI	-	-	201	201
Derivative assets designated as hedging instruments	-	626	-	626
Total	22,430	40,112	410,645	473,187
Financial liabilities				
Financial liabilities at FVPL (Derivatives)	-	2,634	-	2,634

(*1) The Company uses the market approach as a valuation technique for debt instruments classified as Level 2 at fair value through profit or loss, and the input variables are based on measurements of underlying assets observed in the market as of the end of the reporting period. In addition, for derivative assets and liabilities classified as Level 2, the Company uses the market approach as a valuation technique, and the input variables include floating interest rates.

(*2) The Company 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 net asset.

4. Financial instruments by category (cont'd)

D. Fair value hierarchy (cont'd)

December 31, 2024				
	Level 1	Level 2(*1)	Level 3(*2)	Total
Equity instruments at FVPL	2,827	-	194	3,021
Debt instruments at FVPL	-	24,145	49,080	73,225
Hybrid securities at FVOCI	-	-	206,395	206,395
Equity instruments at FVOCI	7,028	-	3,551	10,579
Debt instruments at FVOCI	-	-	201	201
Total	9,855	24,145	259,421	293,421

(*1) The Company uses the market approach as a valuation technique for debt instruments classified as Level 2 at fair value through profit or loss, and input variables use measurements of underlying assets observed in the market as of the end of the current period.
(*2) The Company 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 net asset.

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

E. Valuation techniques and inputs

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

	Fair value as of December 31, 2025	Level	Valuation methods	Inputs
Debt instruments at FVPL	106,529	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	2,940	3	Analysis over comparable transactions	Price-to-Sales ratio(PSR), etc.
Debt instruments at FVOCI	201	3	Cost Method (*1)	N/A

(*1) Since the investment amount was not significant in the 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 are 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
Other non-current financial assets	Restricted for checking account and leasehold deposits	1,070	1,073

5. Segment information

In accordance with KIFRS 1108 Operating Segments, the Company discloses its operating segments in the consolidated financial statements, but not in the separate financial statements.

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	30	30
Bank deposits, etc.	1,971	4,140
Total	2,001	4,170

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	57,796	(194)	57,602	42,000	(80)	41,920
Other receivables	25,803	(9,559)	16,244	25,582	(9,454)	16,128
Subtotal	83,599	(9,753)	73,846	67,582	(9,534)	58,048
Long-term other receivables	22,925	-	22,925	13,343	-	13,343
Total	106,524	(9,753)	96,771	80,925	(9,534)	71,391

The Company 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 are KRW 167 million (KRW 432 million in 2024). The Company 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 19 and 35).

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	2,092	1,204
Short-term guarantee deposits	147	1,611
Accrued income	1,489	1,152
Finance leases receivable	12,506	11,133
Due from customers for contract works	10	1,028
Subtotal	16,244	16,128
Long-term other receivables		
Long-term loans	76	30
Long-term guarantee deposits	10,545	9,580
Long-term finance leases receivable	12,304	3,733
Subtotal	22,925	13,343
Total	39,169	29,471

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)	10	1,028
Contract liabilities (*2)	232	12

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

For each of the two years in the period ended December 31, 2025, profits or losses recognized by the Company 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	3	8

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	19,417	-	-
	Collective assessment	37,805	0.014%	5
	Past due but not impaired			
	Up to 3 months	342	1.457%	5
	4 ~ 6 months	43	8.231%	4
	7 ~ 12 months	10	12.451%	1
	Over 12 months	4	100.000%	4
	Impaired receivables	175	100.000%	175
	Subtotal	57,796		194
Other receivables	Neither past due nor impaired	39,169	-	-
	Impaired receivables	9,559	100.000%	9,559
	Subtotal	48,728		9,559
Total		106,524		9,753

		December 31, 2024		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Neither past due nor impaired	40,253	0.027%	12
	Past due but not impaired			
	Up to 3 months	1,338	0.274%	4
	4 ~ 6 months	320	2.263%	7
	7 ~ 12 months	21	1.990%	-
	Over 12 months	50	77.954%	39
	Impaired receivables	18	100.000%	18
	Subtotal	42,000		80
Other receivables	Neither past due nor impaired	29,471	-	-
	Impaired receivables	9,454	100.000%	9,454
	Subtotal	38,925		9,454
Total		80,925		9,534

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	80	9,454	823	9,454
Addition	(39)	105	(456)	-
Removal	-	-	(18)	-
Business combination	153	-	-	-
Spin-off	-	-	(269)	-
Ending	194	9,559	80	9,454

The maximum exposure to credit risk as of December 31, 2025presents 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	-	1,070	1,070	-	1,073	1,073
Financial assets at FVPL	-	160,319	160,319	-	76,246	76,246
Financial assets at FVOCI	-	308,949	308,949	-	217,175	217,175
Derivative assets	626	-	626	-	-	-
Total	626	470,338	470,964	-	294,494	294,494
Other financial liabilities						
Lease liabilities	10,906	31,457	42,362	10,783	17,971	28,754
Derivative liabilities	2,634	-	2,634	-	-	-
Total	13,540	31,457	44,996	10,783	17,971	28,754

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

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		
Long-term deposits	1,070	1,073
Financial assets at FVPL		
Equity securities that are traded in an active market	14,304	2,827
Equity securities that are not traded in an active market	-	194
Capital investments, etc.	146,015	73,225
Subtotal	160,319	76,246
Financial assets at FVOCI		
Hybrid securities	197,249	206,395
Perpetual convertible bonds	100,433	-
Equity securities that are traded in an active market	8,126	7,028
Equity securities that are not traded in an active market	2,940	3,551
Capital investments, etc.	201	201
Subtotal	308,949	217,175
Derivative assets		
Interest rate swaps	626	-
Total	470,964	294,494

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):

	Classification	Carrying amount	
		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			
Dong Anh EEMC (Vietnam Transformer)	FVOCI	5,523	4,906
Kumho Tire Co., Ltd.	FVOCI	2,603	2,122
Hanjin KAL Co., Ltd.	FVPL	14,304	2,827
Subtotal		22,430	9,855
Equity securities that are not traded in an active market			
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		2,940	3,745
Total		323,052	219,995

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	76,246	198,346
Acquisition	9,500	3,191
Disposal	(293)	(2,446)
Net change in beneficiary certificates	-	(123,643)
Valuation gains	74,866	798
Ending	160,319	76,246

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

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

	2025	2024
Beginning	217,175	11,053
Acquisition	100,000	200,000
Disposal	-	(100)
Valuation gains (losses)	(4,933)	6,222
Others (*1)	(3,293)	-
Ending	308,949	217,175

(*1) The Company recognized changes in its ownership interest in long-term equity investments in accordance with KIFRS 1028 (See Note 15).

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

	Assets	Liabilities
Current derivative assets and liabilities		
Interest rate swaps (*1)	626	-
Platinum futures	-	2,634

(*1) The Company 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
Finished goods	3,058	(274)	2,784	3,177	(247)	2,930
Semi-finished goods	6,509	(652)	5,857	6,071	(441)	5,630
Raw materials	849	(30)	819	1,093	(22)	1,071
Sub-materials	2,094	(12)	2,082	2,333	(12)	2,321
Others	235	(8)	227	474	(2)	472
Total	12,745	(976)	11,769	13,148	(724)	12,424

Meanwhile, inventory valuation losses added to the cost of goods sold for the year ended December 31, 2025 amount to KRW 252 million (KRW 321 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	Accumulated impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount
Land	438,613	-	-	438,613	438,227	-	-	438,227
Buildings	61,560	(36,49	-	25,062	60,024	(34,977)	-	25,047
Structures	45,445	(7,844)	(1)	37,600	16,437	(6,650)	(1)	9,786
Machinery	218,227	(191,017)	(3,425)	23,785	235,227	(206,682)	(3,425)	25,120
Vehicles	922	(736)	-	186	871	(666)	-	205
Tools and equipment	157,724	(53,294)	(26)	104,404	61,404	(51,480)	(26)	9,898
Construction in progress	44,754	-	-	44,754	11,404	-	-	11,404
Machinery in transit	19	-	-	19	26	-	-	26
Right-of-use assets	26,465	(2,382)	(9,341)	14,742	25,219	(9,538)	(9,341)	6,340
Total	993,729	(291,771)	(12,793)	689,165	848,839	(309,993)	(12,793)	526,053

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 (KRW in millions):

2025							
	Beginning	Acquisition	Disposal	Depreciation	Transfer (*2)	Business combination	Ending
Land	438,227	-	-	-	17	369	438,613
Buildings	25,046	-	(35)	(1,530)	1,141	440	25,062
Structures	9,786	-	(459)	(1,209)	3,789	25,693	37,600
Machinery	28,901	262	(8,236)	(5,477)	5,517	2,885	23,852
Less: government grants	(3,781)	(1)	3,490	225	-	-	(67)
Vehicles	205	-	-	(77)	58	-	186
Tools and equipment	9,959	93,951	(535)	(3,724)	4,714	41	104,406
Less: government grants	(60)	-	46	12	-	-	(2)
Construction in progress(*1)	11,404	30,837	-	-	(15,334)	17,847	44,754
Machinery in transit	26	162	-	-	(169)	-	19
Right-of-use assets	6,340	9,056	(118)	(2,721)	2,185	-	14,742
Total	526,053	134,267	(5,847)	(14,501)	1,918	47,275	689,165

(*1) Borrowing costs capitalized for the year ended December 31, 2025 amounted to KRW 661 million.
(*2) Including the amount transferred to intangible assets of KRW 287 million.

2024							
	Beginning	Acquisition	Disposal	Depreciation	Transfer(*1)	Spin-off	Ending
Land	439,536	-	(1,309)	-	-	-	438,227
Buildings	27,759	-	(1,380)	(1,550)	217	-	25,046
Structures	9,894	-	(2)	(579)	473	-	9,786
Machinery	27,703	1,993	-	(5,967)	5,172	-	28,901
Less: government grants	(1,980)	(2,302)	-	501	-	-	(3,781)
Vehicles	195	44	(18)	(72)	56	-	205
Tools and equipment	7,445	574	-	(3,435)	5,451	(76)	9,959
Less: government grants	(101)	-	-	41	-	-	(60)
Construction in progress	12,182	8,526	-	-	(9,304)	-	11,404
Machinery in transit	19	2,028	-	-	(2,021)	-	26
Right-of-use assets	10,332	4,638	(305)	(8,086)	180	(419)	6,340
Total	532,984	15,501	(3,014)	(19,147)	224	(495)	526,053

(*1) Including the amount transferred from intangible assets of KRW 44 million.

Some of land, buildings, machinery, and others are pledged as collateral to financial institutions in relation to the Company's borrowings, etc. (See Note 35).

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	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land	5,487	-	5,487	5,487	-	5,487
Buildings	1,004	(526)	478	1,004	(500)	504
Right-of-use assets	358	(35)	323	270	(55)	215
Total	6,849	(561)	6,288	6,761	(555)	6,206

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	Change of contract	Transfer (*1)	Ending
Land	5,487	-	-	-	5,487
Buildings	504	(26)	-	-	478
Right-of-use assets	215	(161)	14,286	(14,017)	323
Total	6,206	(187)	14,286	(14,017)	6,288

(*1) The amount transferred to finance lease receivables.

2024					
	Beginning	Depreciation	Change of contract	Transfer (*1)	Ending
Land	5,487	-	-	-	5,487
Buildings	529	(25)	-	-	504
Right-of-use assets	256	(175)	(592)	726	215
Total	6,272	(200)	(592)	726	6,206

(*1) The amount transferred from finance lease receivables.

C. Rental income from investment properties recognized in the Company's statement of profit or loss for the year ended December 31, 2025 is KRW 16,028 million (KRW 9,610 million in 2024) and rental expenses including depreciation expenses amount to KRW 4,465 million (KRW 4,115 million in 2024).

D. The fair value of investment properties as of December 31, 2025 is KRW 23,306 million (KRW 22,799 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	Amortization	Impairment	Transfer (*1)	Business combination	Ending
Industrial property rights	175	9	(101)	-	-	-	83
Others	7,086	2,132	(5,963)	-	287	74,470	78,012
Memberships	20,491	-	-	(177)	-	-	20,314
Goodwill	-	-	-	-	-	54,748	54,748
Total	27,752	2,141	(6,064)	(177)	287	129,218	153,157

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

2024							
	Beginning	Acquisition	Disposition	Amortization	Transfer (*1)	Spin-off	Ending
Industrial property rights	201	66	-	(92)	-	-	175
Others	9,244	2,815	-	(3,808)	(44)	(1,121)	7,086
Memberships	28,168	-	(7,677)	-	-	-	20,491
Total	37,613	2,881	(7,677)	(3,900)	(44)	(1,121)	27,752

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

B. Impairment test for goodwill

The Company 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 Company 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	Termination	Change of contract	Transfer (*1)	Ending
Buildings	5,260	7,892	(2,153)	-	2,183	-	13,182
Vehicles	1,040	324	(523)	(107)	2	-	736
Others	40	840	(45)	(11)	-	-	824
Investment properties	215	-	(161)	-	14,286	(14,017)	323
Total	6,555	9,056	(2,882)	(118)	16,471	(14,017)	15,065

(*1) Transfer to finance lease receivables.

2024							
	Beginning	Increase	Depreciation	Termination	Transfer (*1)	Change of contract	Spin-off	Ending
Buildings	7,839	-	(2,373)	-	-	178	(384)	5,260
Vehicles	1,253	688	(563)	(305)	-	2	(35)	1,040
Others	1,240	3,950	(5,150)	-	-	-	-	40
Investment properties	256	-	(175)	-	726	(592)	-	215
Total	10,588	4,638	(8,261)	(305)	726	(412)	(419)	6,555

(*1) Transfer from finance lease receivables.

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	Change of contract	Ending
Lease liabilities	28,754	8,905	1,466	(12,343)	(123)	15,703	42,362

2024								
	Beginning	Increase	Interest expenses	Principal repayments	Termination	Change of contract	Spin-off	Ending
Lease liabilities	40,365	4,638	1,370	(16,772)	(315)	(119)	(413)	28,754

13. Leases (cont'd)

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	(2,882)	(8,261)
Interest expenses on lease liabilities	(1,466)	(1,370)
Interest income relating to lease receivables	536	1,009
Short-term lease payments	(37)	(86)
Expenses relating to leases of low-value assets that are not short-term leases	(21)	(19)
Variable lease income not included in the measurement of the lease receivables	268	278

The total cash outflow for leases for the year ended December 31, 2025 is KRW 12,401 million (KRW 16,877 million in 2024).

D. The total investments of finance leases and the present value of the minimum lease payments as of December 31, 2025 and 2024 are as follows (KRW in millions):

	2025	2024
Within one year	10,316	10,681
1 ~ 2 years	9,439	3,623
2 ~ 3 years	2,127	-
Total lease payments	21,882	14,304
Deduction: Unrealized finance income	(799)	(358)
Present value of unguaranteed residual value	3,727	920
Net lease investments	24,810	14,866

E. The Company estimated the recoverable amount of right-of-use assets for which indicators of impairment had been identified. The recoverable amount of these right-of-use assets was determined based on their value in use. Value in use was calculated by discounting the future expected cash flows associated with the right-of-use assets at an appropriate discount rate. Key assumptions used in the value in use calculation reflect management's assessment and were determined based on both external and internal information, including historical experience.

The discount rate applied to calculate the present value of future cash flow was 11.66%, and the cash flow was estimated over the remaining lease term.

Based on the results of the impairment assessment of the right-of-use assets, the Company determined that their recoverable amount did not fall below the carrying amount. Accordingly, no impairment loss was recognized during the year.

14. Investments in subsidiaries

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

Subsidiary	Location	Ownership (%)	Acquisition cost	December 31, 2025	December 31, 2024
HYOSUNG TNS INC.	Korea	54.02	75,178	206,923	152,401
Hyosung GoodSprings, Inc.	Korea	100	74,361	86,459	76,925
Forza Motors Korea Corp.(*1)	Korea	100	21,902	18,707	-
Ferrari Korea Corp.(*2)	Korea	-	-	-	32,468
Gongdeok Gyeongwoo Development Corporation (*3)	Korea	73.33	4,400	-	-
Hyosung Investment & Development Corporation	Korea	58.75	34,798	412,132	402,778
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd. (*3,4)	Korea	100	32,000	-	-
Taeansolarfarm Corp.(*5)	Korea	-	-	-	2,603
Hyosung ventures Co., Ltd.	Korea	100	10,000	6,267	6,230
Hyosung Brasil Participacoes LTDA	Brazil	100	8,709	66	66
Hyosung Resource (Australia) PTY Ltd.	Australia	100	15,449	1,375	1,224
Hyosung RUS.	Russia	100	1,692	11,195	7,852
New Star Gongdeok 5th Co.,Ltd (*6,7)	Korea	-	-	-	-
New Star Gongdeok 6th Co.,Ltd (*6,7)	Korea	-	-	-	-
New Star H Chem 1st Co.,Ltd (*6,7)	Korea	-	-	-	-
Vistar Square Co.,Ltd (*6,7)	Korea	-	-	-	-
New Star HS 1st Co.,Ltd (*6,7)	Korea	-	-	-	-
Total			278,489	743,124	682,547

(*1) It was newly established through a spin-off of a subsidiary for the year ended December 31, 2025 (See Note 37).
(*2) It was reclassified as an investment in an associate due to loss of control for the year ended December 31, 2025 (See Note 37).
(*3) The application of equity method was discontinued as the book value of investments in subsidiaries became less than zero ("0") due to accumulated equity method losses.
(*4) The equity ratio that considers actual ownership according to the contract between shareholders.
(*5) It was disposed of for the year ended December 31, 2025.
(*6) As a structured company or investment trust for asset securitization, the ownership ratio is less than a majority, but the company is judged to have control because it has substantial power over the company and is exposed to variable profits.
(*7) It was newly acquired for the year ended December 31, 2025.

14. Investments in subsidiaries (cont'd)

B. Details of valuation of subsidiaries in equity method for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions):

2025								
Subsidiary	Beginning	Acquisition (disposal)	Investment income (losses) under equity method	Other comprehen-sive income (losses)	Others	Spin-off	Transfer(*1)	Ending
HYOSUNG TNS INC.	152,401	-	53,656	(829)	1,695	-	-	206,923
Hyosung GoodSprings, Inc.	76,925	-	15,565	-	(6,031)	-	-	86,459
Forza Motors Korea Corp.	-	-	(2,832)	-	(363)	21,902	-	18,707
Ferrari Korea Corp.	32,468	(1,451)	(7,102)	-	(619)	(21,902)	(1,394)	-
Hyosung Investment & Development Corporation	402,778	-	51,286	(18,528)	(23,404)	-	-	412,132
Taeansolarfarm Corp.	2,603	(2,537)	84	-	(150)	-	-	-
Hyosung ventures Co., Ltd.	6,230	-	108	-	(71)	-	-	6,267
Prime Light Co., Ltd	-	(14)	14	-	-	-	-	-
Hyosung Brasil Participacoes LTDA	66	48	(57)	9	-	-	-	66
Hyosung Resource (Australia) PTY Ltd.	1,224	166	(80)	65	-	-	-	1,375
Hyosung RUS.	7,852	-	509	2,834	-	-	-	11,195
Total	682,547	(3,788)	111,151	(16,449)	(28,943)	-	(1,394)	743,124

(*1) It was reclassified as an investment in an associate due to loss of control for the year ended December 31, 2025 (See Note 37).

14. Investments in subsidiaries (cont'd)

B. Details of valuation of subsidiaries in equity method for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions): (cont'd)

2024							
Subsidiary	Beginning	Acquisition	Investment income (losses) under equity method	Other comprehen -sive income (losses)	Others	Spin-off	Ending
HYOSUNG TNS INC.	139,935	-	9,878	4,112	(1,524)	-	152,401
Hyosung GoodSprings, Inc.	72,648	-	9,587	-	(5,310)	-	76,925
Forza Motors Korea Corp.	39,034	-	(6,401)	-	(165)	-	32,468
Hyosung Investment & Development Corporation	350,759	-	32,120	40,578	(20,679)	-	402,778
Taeansolarfarm Corp.	2,568	-	165	-	(130)	-	2,603
Hyosung ventures Co., Ltd.	7,638	-	(1,332)	-	(76)	-	6,230
Hyosung Brasil Participacoes LTDA	68	54	(47)	(9)	-	-	66
Hyosung Resource (Australia) PTY Ltd.	1,120	138	(75)	41	-	-	1,224
Hyosung RUS.	8,189	-	418	(755)	-	-	7,852
HS Hyosung USA Holdings, Inc.	176,195	-	(6,321)	12,880	-	(182,754)	-
HS Hyosung Global Logistics Vina Co., Ltd.	1,117	-	2,039	49	-	(3,205)	-
HS Hyosung Toyota Corporation	6,754	-	313	-	18	(7,085)	-
Total	806,025	192	40,344	56,896	(27,866)	(193,044)	682,547

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

Subsidiary	Beginning	Changes	Ending
Gongdeok Gyeongwoo Development Corporation	(26,557)	5,059	(21,498)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	(2,219)	(1,821)	(4,040)

14. Investments in subsidiaries (cont'd)

D. Reconciliations of the financial information to the carrying amounts of its interests in the subsidiaries, as of December 31, 2025 are as follows (KRW in millions):

Subsidiary	Net assets	Ownership (%)	Share of net assets	Unamortized amount of fair value	Intercompany transactions, others	Carrying amount
HYOSUNG TNS INC.	383,028	54.02	206,900	153	(130)	206,923
Hyosung GoodSprings, Inc.	86,459	100	86,459	-	-	86,459
Forza Motors Korea Corp.	18,707	100	18,707	-	-	18,707
Hyosung Investment & Development Corporation	701,502	58.75	412,132	-	-	412,132
Hyosung ventures Co., Ltd.	6,267	100	6,267	-	-	6,267
Hyosung Resource (Australia) PTY Ltd.	1,315	100	1,315	-	60	1,375
Hyosung RUS.	11,195	100	11,195	-	-	11,195
Total	1,208,473	-	742,975	153	(70)	743,058

E. The summarized financial information on major subsidiaries and dividends received from them as of December 31, 2025 are as follows (KRW in millions):

Subsidiary	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (losses) for the year	Other comprehen-sive income (losses)	Dividends received
HYOSUNG TNS INC.	602,561	418,607	549,030	89,990	1,464,753	99,202	1,580	-
Hyosung GoodSprings, Inc.	156,561	72,658	120,947	21,812	230,089	15,565	(30)	6,000
Forza Motors Korea Corp.	78,168	74,931	89,651	44,741	48,656	(2,832)	(363)	-
Hyosung Investment & Development Corporation	268,413	498,809	56,457	9,263	462	87,295	(27,708)	23,500
Hyosung ventures Co., Ltd.	5,582	1,490	496	310	3,011	108	(71)	-
Hyosung Resource (Australia) PTY Ltd.	16	1,547	76	-	1	(158)	235	-
Hyosung RUS.	12,487	395	1,275	413	1,585	509	2,834	-

15. 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. (*12)	31.04	USA	15,011	8,637	8,506
Hyosung CVC Scaleup Fund Ⅰ (*6,7)	19.61	Korea	7,400	8,231	4,826
Startup Korea Hyosung Deep Tech Venture Fund (*8,9)	20.00	Korea	2,200	1,743	186
Cape-Tino K-beauty 1st New Technology Investment LP (*10,11)	69.44	Korea	12,500	12,001	-
Ferrari Korea Co., Ltd (*13)	49.00	Korea	1,394	1,237	-
Leo 9th Youth Startup Fund	38.71	Korea	4,800	7,097	5,492
Carbon Growth Fund (*14)	24.00	Korea	4,800	1,257	1,411
Total			562,420	1,095,548	933,698

(*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, 36.8% for Hyosung ITX Co., Ltd.
(*2) The Company and Korea Southern Power Co., Ltd have joint controls over the investee and, therefore, are classified as a joint venture.
(*3) The Company provides its interests in PyeongChang Wind Power Co., Ltd. as collateral for the borrowings of PyeongChang Wind Power Co., Ltd. (See Note 35).
(*4) The Company provides its interests in Suncheon Eco Green as collateral for the borrowings of Suncheon Eco Green (See Note 35).
(*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 Company is less than 20%, it is classified as an associate because the Company is considered to have significant influence when considering the participation in the Board of Directors of the investee and mutual exchange of management.
(*7) The effective share ratio is 21.57%, considering the share held by our subsidiary, Hyosung ventures Co., Ltd.
(*8) The effective share ratio is 21.00%, considering the share held by our subsidiary, Hyosung ventures Co., Ltd.
(*9) The entity was newly acquired for the year ended December 31, 2024.
(*10) The entitiy was newly acquired for the year ended December 31, 2025.
(*11) Although the ownership ratio of the company is more than 50%, it is classified as a joint ventures because the company and Ensnet Co., Ltd. have joint control over the investee.
(*12) The ownership percentage increased through the paid-in capital increase for the year ended December 31, 2025.
(*13) It was reclassified from investments in a subsidiary investment to investments in an associate investment due to the loss of control for the year ended December 31, 2025. (See Note 37).
(*14) Liquidation is in progress as of December 31, 2025.

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

B. Details of equity method valuations on associates and joint ventures 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 comprehen-sive 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	4,826	2,100	132	1,173	-	-	-	8,231
Startup Korea Hyosung Deep Tech Venture Fund	186	2,000	(443)	-	-	-	-	1,743
Cape-Tino K-beauty 1st New Technology Investment LP	-	12,500	(499)	-	-	-	-	12,001
Ferrari Korea Co., Ltd.	-	-	(157)	-	-	1,394	-	1,237
Leo 9th Youth Startup Fund	5,492	-	1,605	-	-	-	-	7,097
Carbon Growth Fund	1,411	-	(154)	-	-	-	-	1,257
Total	933,698	19,668	151,637	20,974	(29,749)	1,394	(2,074)	1,095,548

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

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

B. Details of equity method valuation of associates and joint ventures for each of the two years in the period ended December 31, 2025 are as follows (KRW in millions): (cont'd)

2024							
Associate / joint venture	Beginning	Acquisition (disposal)	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	1,398	3,700	(272)	-	-	-	4,826
Startup Korea Hyosung Deep Tech Venture Fund	-	200	(14)	-	-	-	186
Leo 9th Youth Startup Fund	5,663	(1,200)	1,029	-	-	-	5,492
Carbon Growth Fund	1,411	-	-	-	-	-	1,411
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	1,088,015	24,796	100,152	33,129	(38,083)	(274,311)	933,698

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	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 company'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	Differences	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	-	-	(740)	8,231
Startup Korea Hyosung Deep Tech Venture Fund	8,822	21.00	1,853	-	-	(110)	1,743
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
Total	3,385,417	-	936,905	23,503	129,022	(2,236)	1,087,194

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

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 (losses) for the year	Other comprehen-sive income (losses)	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	196	-

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

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 fair value only for common stock.

G. The Company estimated the recoverable amount of its investments in associates for which indicators of impairment had been identified. In determining the recoverable amount, the Company considered both the fair value less costs to sell and the value-in-use and determined the recoverable amount as the higher of the two. 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.

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

16. Other assets

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	1,567	5,897
Prepaid expenses	7,263	1,988
Subtotal	8,830	7,885
Other non-current assets		
Long-term prepaid expenses	33	-
Other investment assets	24,871	24,841
Subtotal	24,904	24,841
Total	33,734	32,726

17. Related party transactions

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

(1) Subsidiaries

Region	Related party
Domestic	Hyosung TNS Inc., Hyosung Goodsprings Inc., Forza Motors Korea Corp., Gongdeok Gyeongwoo Development Corporation, Hyosung Investment & Development Corporation, Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd., Hyosung Ventures Co., Ltd., New Star Gongdeok 5th Co., Ltd., New Star Gongdeok 6th Co., Ltd., New Star H Chem 1st Co., Ltd., Vista Square Co., Ltd., New Star HS 1st Co., Ltd., NHCMS Co., Ltd., NH Tech Co., Ltd., Hyosung FMS Inc.
America	Hyosung Brasil Participacoes LTDA, Nautilus Hyosung America, Inc., Hyosung Solutions S DE RL DE CV
China	Hyosung Financial System (Huizhou) Co., LTD.
Asia	HYOSUNG FINANCIAL SYSTEM VINA Co., Ltd.
Europe	Hyosung RUS., HYOSUNG TNS RUS L.L.C
ETC.	Hyosung Resource (Australia) PTY Ltd.

(2) 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.
America	Epitone, Inc.
Asia	PT. GELORA MANDIRI MEMBANGUN
Europe	Hyosung Germany GmbH

17. Related party transactions (cont'd)

A. Details of the Company's related parties as of December 31, 2025 are as follows: (cont'd)

(3) 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.

17. Related party transactions (cont'd)

B. Major transactions with the Company's related parties

Details of major transactions the company'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	Disposal of property, plant and equipment ("PPE") & intangible assets	Purchases, etc. (*1)	Acquisition of PPE & intangibles assets	Acquisition of right-of-use assets
Subsidiaries	Hyosung TNS INC.	11,268	-	-	11,313	22	-
	Hyosung Good Springs	1,184	6,000	-	51	-	-
	Hyosung Investment & Development Corporation	-	23,500	-	-	-	-
	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	7	969	-	1,312	-	181
	Others	463	-	-	720	-	-
	Subtotal	12,922	30,469	-	13,396	22	181
Associates and joint ventures	Hyosung TNC Corporation	39,372	8,991	-	91	-	-
	Hyosung Heavy Industries Corporation	70,291	15,139	-	257	-	-
	Hyosung Chemical Corporation	19,707	-	-	22	245,452	53
	Taebaek Wind Power Co., Ltd.	-	1,400	-	-	-	-
	Hyosung ITX Co., Ltd.	1,882	3,291	-	1,879	630	-
	Ferrari Korea Co., Ltd.	2	-	-	-	-	-
	Subtotal	131,254	28,821	-	2,249	246,082	53
Other related parties	Gongdeok Development Corporation	-	-	-	137	-	3,602
	Shin Dong Jin Co., Ltd.	-	-	-	201	-	4,290
	Galaxia SM, INC.	-	-	-	36	-	-
	Galaxiamoneytree Co., Ltd.	1,222	-	-	68	-	-
	Hyosung Neochem Co., Ltd.	851	-	-	6	-	-
	HS Hyosung Corporation	3,105	-	8,865	1,283	7	-
	HS Hyosung Advanced Materials Corporation	17,941	-	-	11,862	-	-
	HS HYOSUNG INFORMATION SYSTEMS CO., LTD.	772	-	-	228	25	-
	Hyosung Japan Co., Ltd.	1,790	-	-	-	-	-
	Hyosung DongNai Co., LTD.	1,348	-	-	-	-	-
	Hyosung Vina Chemicals Co., Ltd.	372	-	-	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI.	514	-	-	-	-	-
	HS Hyosung USA Inc.	2,912	-	-	-	-	-
	HS Hyosung Steel Cord (Qingdao) Co., Ltd. (*2)	2,102	-	-	2,125	-	-
	HS Hyosung Vietnam Co., Ltd. (*2)	1,224	-	-	-	-	-
	Others	5,233	150	-	38	8	-
	Subtotal	39,386	150	8,865	15,984	40	7,892
Total		183,562	59,440	8,865	31,629	246,144	8,126

(*1) Sales, other income, interest income, etc. are included in sales and others. The purchase of raw materials, selling and administrative expenses, other expenses, etc. are included in purchase and others.
(*2) The entity changed its name for the year ended December 31, 2025.

17. Related party transactions (cont'd)

B. Major transactions with the Company's related parties (cont'd)

2024						
	Related parties	Sales, etc. (*1)	Dividends	Disposal of PPE & intangible assets	Purchases, etc. (*1)	Acquisition of right-of-use assets
Subsidiaries	Hyosung TNS INC.	16,094	-	-	11,821	443
	Hyosung Good Springs	1,659	3,000	-	-	-
	Hyosung Investment & Development Corporation	-	20,680	-	-	-
	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	517	969	-	862	-
	Others	506	130	-	256	-
	Subtotal	18,776	24,779	-	12,939	443
Associates and joint ventures	Hyosung TNC Corporation	74,077	8,793	-	311	-
	Hyosung Heavy Industries Corporation	100,604	7,570	-	308	-
	Hyosung Chemical Corporation	68,170	-	3	8	-
	Hyosung ITX Co., Ltd.	1,951	3,291	-	1,796	205
	Subtotal	244,802	19,654	3	2,423	205
Other related parties	Gongdeok Development Corporation	-	-	-	99	-
	Shin Dong Jin Co., Ltd.	-	-	-	23	-
	Galaxia SM, INC.	-	-	-	56	-
	Galaxiamoneytree Co., Ltd.	620	-	-	125	-
	Shinhwa Intertek Co., Ltd.	806	-	-	-	-
	HS Hyosung Corporation	636	-	5,731	648	5
	HS Hyosung Advanced Materials Corporation (*3)	31,652	6,480	7,335	11,057	-
	HS HYOSUNG INFORMATION SYSTEMS CO., LTD (*3)	727	-	-	169	-
	Hyosung Japan Co., Ltd.	1,861	-	-	15	-
	Hyosung DongNai Co., LTD.	1,160	-	-	-	-
	Hyosung Vina Chemicals Co., Ltd.	281	-	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI.	474	-	-	-	-
	HS Hyosung USA Inc.(*3)	5,018	-	-	-	-
	HS Hyosung Steel Cord (Qingdao) Co., Ltd.	3,684	-	-	1,313	-
	HS Hyosung Vietnam Co., Ltd.	1,244	-	-	2	-
	HS Hyosung Global Logistics Vina Co., Ltd.(*3)	2,549	-	-	546	-
	Others	5,669	-	-	165	15
	Subtotal	56,381	6,480	13,066	14,218	20
Total (*2)		319,959	50,913	13,069	29,580	668

(*1) Sales, other income and interest income are included in sales and others. The purchase of raw materials, selling and administrative expenses, other 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.

17. Related party transactions (cont'd)

C. Details of outstanding balances with the company'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)
Subsidiaries	Hyosung TNS INC.	684	8,459	-	21,183
	Gongdeok Gyeongwoo Development Corporation	-	771	-	15,272
	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	9,734	-	20,572
	Others	139	869	-	515
	Subtotal	823	19,833	-	57,542
Associates and joint ventures	Hyosung TNC Corporation	3,833	4	16	86
	Hyosung Heavy Industries Corporation (*2)	11,677	156	-	1,185
	Hyosung Chemical Corporation	19,417	2,850	-	217
	Others	190	-	-	618
	Subtotal	35,117	3,010	16	2,106
Other related parties	Gongdeok Development Corporation	-	625	-	2,735
	Shin Dong Jin Co., Ltd.	-	319	-	3,883
	Galaxia SM, INC.	-	-	3	-
	Galaxiamoneytree Co., Ltd.	-	1,894	-	789
	KB Wise Star Professional Private Real Estate Investment Trust No. 11	-	135	-	116
	HS Hyosung Corporation	287	92	100	621
	HS Hyosung Advanced Materials Corporation	1,081	15	867	283
	THE KWANGJUILBO	-	7,853	-	-
	Hyosung Japan Co., Ltd.	165	-	-	12
	Hyosung Istanbul TEKSTIL LTD.STI.	-	23	-	-
	HS Hyosung USA Inc.	80	-	-	-
	Hyosung Steel Cord (Qingdao) Co., Ltd. (*3)	498	-	342	-
	Others	1,081	50	-	54
	Subtotal	3,192	11,006	1,312	8,493
Total		39,132	33,849	1,328	68,141

(*1) Other receivables include accounts receivable, loans, accrued revenue, and advances, while other payables include accounts payable and leasehold deposits received.
(*2) The Company recognizes membership rights amounting to KRW 14,400 million in Hyosung Heavy Industries Co., Ltd. as intangible assets.
(*3) The entity changed its name for the year ended December 31, 2025.

17. Related party transactions (cont'd)

C. Significant outstanding balances to/from its related parties as of December 31, 2025 and 2024 are as follows (KRW in millions): (cont'd)

December 31, 2024					
	Related parties	Trade receivables	Other receivables (*1)	Trade payables	Other payables (*1)
Subsidiaries	Hyosung TNS INC.	598	5,621	-	21,207
	Gongdeok Gyeongwoo Development Corporation	-	721	-	13,463
	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	9,721	-	11,686
	Others	173	577	-	452
	Subtotal	771	16,640	-	46,808
Associates and joint ventures	Hyosung TNC Corporation	3,569	29	118	60
	Hyosung Heavy Industries Corporation (*2)	9,967	1,439	69	4,496
	Hyosung Chemical Corporation	2,689	1,108	26	204
	Others	195	1	5	248
	Subtotal	16,420	2,577	218	5,008
Other related parties	Gongdeok Development Corporation	-	619	-	302
	Shin Dong Jin Co., Ltd.	-	338	-	48
	Galaxia SM, INC.	-	-	-	3
	Galaxiamoneytree Co., Ltd.	-	1,064	-	762
	KB Wise Star Professional Private Real Estate Investment Trust No. 11	-	101	-	205
	HS Hyosung Corporation	124	39	152	52
	HS Hyosung Advanced Materials Corporation (*3)	3,485	8	675	5,256
	THE KWANGJUILBO	-	7,853	-	33
	Hyosung Japan Co., Ltd.	431	-	6	-
	Hyosung Istanbul TEKSTIL LTD.STI.	-	21	-	-
	HS Hyosung USA Inc. (*3)	938	18	-	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	2,140	-	158	-
	Others	888	161	1	54
	Subtotal	8,006	10,222	992	6,715
Total		25,197	29,439	1,210	58,531

(*1) Other receivables include accounts receivable, loans, accrued revenue, and advances, while other payables include accounts payable and leasehold deposits received.
(*2) The Company recognizes membership rights amounting to KRW 14,400 million in Hyosung Heavy Industries Co., Ltd. as intangible assets.
(*3) The entity changed its name for the year ended December 31, 2024.

17. Related party transactions (cont'd)

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

2025						
	Related parties	Financial transactions				Cash contribution
		Beginning	Loans	Collections	Ending	
Subsidiaries	Hyosung Brasil Participacoes LTDA	-	-	-	-	48
	Hyosung Resource (Australia) PTY Ltd.	-	-	-	-	166
Associates	Hyosung Chemical Corporation (*1)	200,000	100,000	-	300,000	-
	Hyosung CVC Scaleup Fund Ⅰ (*2)	-	-	-	-	2,100
	Startup Korea Hyosung Deep Tech Venture Fund (*3)	-	-	-	-	2,000
	Cape-Tino K-beauty 1st New Technology Investment LP	-	-	-	-	12,500
	Epitone, Inc.	-	-	-	-	3,068
Other related parties	THE KWANGJUILBO (*4)	7,853	-	-	7,853	-

(*1) The Company purchased perpetual convertible bonds issued by Hyosung Chemical Corporation for the year ended December 31, 2025(See Note 8).
(*2) The Company plans to pay the remaining committed amount of KRW 2,600 million in the future through a capital call method.
(*3) The Company plans to pay the remaining committed amount of KRW 17,800 million in the future through a capital call method.
(*4) 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	Collections	Ending	
Subsidiaries	Hyosung Brasil Participacoes LTDA	-	-	-	-	54
	Hyosung Resource (Australia) PTY Ltd.	-	-	-	-	138
Associates	Hyosung Chemical Corporation (*1)	-	200,000	-	200,000	-
	Hyosung TNC Corporation	-	-	-	-	4,896
	Hyosung CVC Scaleup Fund Ⅰ	-	-	-	-	3,700
	Startup Korea Hyosung Deep Tech Venture Fund	-	-	-	-	200
	HS Hyosung Advanced Materials Corporation	-	-	-	-	17,200
Other related parties	THE KWANGJUILBO (*2)	7,853	-	-	7,853	-

(*1) The 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.

17. 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	11,475	21,085
Retirement benefits	3,078	1,200
Total	14,553	22,285

F. Payment guarantees provided by the Company for the financial support to its related parties are described in Note 35.

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

18. 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	7,955	6,435
Other payables	64,970	41,795
Subtotal	72,925	48,230
Long-term other payables	27,123	28,841
Total	100,048	77,071

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	31,465	27,273
Accrued expenses	13,091	8,492
Withholdings	4,215	4,353
Deposits withheld	16,199	1,677
Subtotal	64,970	41,795
Long-term other payables		
Non-trade payables	17,012	18,948
Accrued expenses	564	360
Deposits withheld	9,547	9,533
Subtotal	27,123	28,841
Total	92,093	70,636

18. Trade and other payables (cont'd)

C. Supplier finance arrangements

The Company has established a supplier finance arrangement that is offered to some of the Company'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 Company from the Company's external finance provider.

If suppliers choose to receive early payment, they pay a fee to the finance provider, to which the Company 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 Company.

Payments to suppliers ahead of the invoice due date are processed by the finance provider and, in all cases, the Company 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 Company 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 statement of financial position and within trade payables in the table above. From the perspective of the company, 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	14,514	6,962
Of which suppliers have received payments	199	485
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 the trade payables included in the Company's supplier finance arrangements.

19. Borrowings

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

	Description	Creditor	Final Maturity date	Annual interest rate (%)	December 31, 2025	December 31, 2024
Short-term borrowings	Collateralized borrowings(*1)	Woori Bank	-	-	167	432
	Credit Line		Jan. 7, 2026	4.32	5,500	800
	Credit Line	KDB	Jan. 23, 2026	3.91	400	20,000
			Jan. 29, 2026	3.92	19,600	-
	Credit Line	KB Kookmin Bank	Jan. 5, 2026	4.12~4.20	9,400	-
			Jan. 7, 2026	4.20	3,600	-
	General loan		Apr. 25, 2026	4.34	40,000	-
			May. 28, 2026	4.30	10,000	-
			Nov. 28, 2026	4.27	20,000	-
	Credit Line	Hana Bank	Jan. 5, 2026	4.14	10,100	-
	General loan		Nov. 28, 2026	4.36	30,000	-
	Credit Line	China Everbright Bank	Jan. 23, 2026	4.05	20,000	-
	Facility Loan		Dec. 18, 2026	3.99	20,000	-
	Commercial Paper	Korea Investment & Securities Co., Ltd.	Mar. 27, 2026	3.85	20,000	20,000
			Jan. 12, 2026	3.90	50,000	-
		Hanwha Investment & Securities Co., Ltd.	Jan. 15, 2026	3.98	10,000	-
	Subtotal				268,767	41,232
Long-term borrowings	Long-term borrowings (KRW)	Korea Energy Co	Jun. 15, 2027	0.75	157	262
			Dec. 15, 2027	0.75	62	93
	General loan	Woori Bank	Jun. 25, 2027	4.37	60,000	-
		Shinhan Bank	Jul. 17, 2027	4.24	30,000	-
	Facility Loan	Bank of China	Sep. 18, 2028	3.90~4.09	50,000	-
	Less: Current portion				(219)	(136)
	Less: Subtotal				140,000	219
Total					408,986	41,587

(*1) The Company sold trade receivables denominated in foreign currencies to the financial institutions. The Company 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 35).

20. Government grants

A. The Company 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 69 million (KRW 3,842 million in 2024), and the balance of government grants related to liabilities to be repaid is KRW 1,944 million (KRW 4,495 million in 2024).

21. 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 846 million (KRW 848 million in 2024).

B. Defined benefit plan

(1) Details of net defined benefit liabilities(assets) as of December 31, 2025 and 2024 are as follows (KRW in millions):

	December 31, 2025	December 31, 2024
Present values of defined benefit obligations	82,512	86,244
Fair values of plan assets (*1)	(81,150)	(85,346)
Net defined benefit liabilities	1,362	898

(*1) The contributions to the National Pension Fund of KRW 61 million are included in the fair values of plan assets as of December 31, 2025 (KRW 63 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	86,244	97,848
Current service costs	8,341	9,030
Interest expenses	994	1,191
Past service costs and settlement gains	-	758
Retirement benefits paid	(10,144)	(20,933)
Remeasurements:		
- Changes in demographic assumptions	-	1
- Changes in financial assumptions	(177)	1,602
- Experience adjustments	(2,591)	5,551
Net transfers to (from) associates	(1,949)	(2,065)
Spin-off	-	(6,739)
Business combination	1,794	-
Ending	82,512	86,244

21. Retirement benefits(cont'd)

B. Defined benefit pension plan (cont'd)

(3) Changes in the fair value 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	85,346	101,549
Interest income	2,819	3,453
Contributions by the employer	2,500	9,000
Retirement benefits paid	(9,703)	(20,175)
Remeasurements	189	(366)
Net transfers to (from) associates	(1,795)	(1,740)
Spin-off	-	(6,375)
Business combination	1,794	-
Ending	81,150	85,346

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

	December 31, 2025		December 31, 2024	
	Amount	Portion (%)	Amount	Portion (%)
Deposits	61	0.08	13,665	16.01
Debt instruments, etc.	81,089	99.92	71,681	83.99
Total	81,150	100	85,346	100

(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	4.14%	3.86%
Salary increase rate	3.22%	3.00%

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

	Change in assumption	Increase	Decrease
Discount rate	1.0% increase/decrease	(1,517)	1,698
Salary increase rate	1.0% increase/decrease	1,700	(1,546)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligations 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 separate statement of financial position.

(7) As of December 31, 2025, the weighted average maturity of defined benefit obligations is 6.17 years.

22. Other liabilities

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	1,680	10,106
Unearned revenues	7	331
Excess billings	232	12
Subtotal	1,919	10,449
Other non-current liabilities		
Long-term unearned revenues	696	822
Total	2,615	11,271

23. 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 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,	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		334,599	(1,651)
Total		7,033,269	6,396,019

(*1) The *Commercial Act* of the Republic of Korea requires the Company 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).

23. Share capital (cont'd)

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

	December 31, 2025	December 31, 2024
Other capital surplus	248,920	249,005
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)
FVOCI valuation gains (losses)	(94,253)	(91,739)
Equity adjustment under the equity method	110,808	101,163
Gains (losses) on derivative instruments	475	-
Total	(5,009,642)	(5,015,118)

(*1) As the Company 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.

D. The appropriations of retained earnings for each of the two years ended December 31, 2025 are as follows (KRW in millions):

	2025		2024	
Retained earnings		334,598		415,444
Beginning	1,291		1,621	
Transfer of valuation gains (losses) on financial assets at FVOCI	-		(1,461)	
Remeasurements of net defined benefit liabilities	2,241		(5,782)	
Share of remeasurements of subsidiaries , associates and joint ventures	461		(15,483)	
Changes through spin-off	-		1,400	
Retirement of treasury shares	-		(21,926)	
Profit for the year	330,605		457,075	
Appropriation of retained earnings		333,588		414,153
Facility reserves	250,000		364,000	
Dividends (Cash dividend: Dividend per share(%)): Common stock (2025): 5,000 KRW (100%) Common stock (2024): 3,000 KRW (60%)	83,588		50,153	
Ending		1,010		1,291

24. 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	97,945	101,330
Sales of merchandise/ finished goods	112,952	107,437
Investment income	255,767	135,930
Others	85,644	73,432
Total	552,308	418,129

25. 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	Interior	Tank Terminal	Total (*1)
1. By type of goods and services				
Service sale	97,804	141	-	97,945
Merchandise/ Finished goods	-	104,641	8,311	112,952
Others	61,759	-	3,374	65,133
Total	159,563	104,782	11,685	276,030
2. By geography				
Domestic	151,716	96,745	11,685	260,146
Overseas	7,847	8,037	-	15,884
Total	159,563	104,782	11,685	276,030
3. By timing of revenue recognition				
At a point in time	-	104,641	8,311	112,952
Over a period of time	159,563	141	3,374	163,078
Total	159,563	104,782	11,685	276,030

(*1) Investment income under the equity method of KRW 255,767 million, dividend income of KRW 974 million and operating lease income of KRW 19,537 million that are not covered by KIFRS 1115 are excluded from the revenue.

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

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): (cont'd)

2024			
	Holdings	Interior	Total (*1)
1. By type of goods and services			
Service sale	101,308	22	101,330
Finished goods	-	107,437	107,437
Others	61,513	-	61,513
Total	162,821	107,459	270,280
2. By geography			
Domestic	155,436	96,819	252,255
Overseas	7,385	10,640	18,025
Total	162,821	107,459	270,280
3. By timing of revenue recognition			
At a point in time	-	107,437	107,437
Over a period of time	162,821	22	162,843
Total	162,821	107,459	270,280

(*1) Investment income under the equity method of KRW 135,930 million, dividend income of KRW 969 million and operating lease income of KRW 10,950 million that are not covered by KIFRS 1115 are excluded from the revenue.

B. Information about major customers from whom the revenue accounts for 10% or more of the Company's total revenues for each of the two years in the period ended December 31, 2025 are classified as follows (KRW in millions):

	2025	2024
Major customer 1	65,038	52,265
Major customer 2	39,950	40,924
Major customer 3	39,370	37,435

26. 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	21,482	23,109
Bonus	7,480	14,658
Retirement benefits	5,773	3,892
Employee welfare	1,675	1,751
Depreciation	4,259	3,425
Amortization	424	384
Utilities	45	60
Export	42	21
Service	219	230
Commission	8,688	9,411
Travel	2,028	1,492
Vehicle maintenance	335	394
Taxes and dues	2,445	2,526
Rents	198	245
Bad debt expenses (reversal of allowance for doubtful accounts)	(39)	27
Repairs	273	644
Supplies	193	210
Samples	119	100
Entertainment	3,343	2,738
Meetings	665	566
Sales promotion	662	591
Others	726	1,278
Total	61,035	67,752

27. Classification of expenses by nature

The classification of cost of sales and selling and administrative 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	1,244	273
Changes in merchandise	5,408	-
Raw materials and consumables used	52,302	54,289
Salaries and wages	64,824	75,398
Retirement benefits	7,361	7,666
Employee welfare	5,085	5,499
Depreciation and amortization	20,752	22,853
Utilities	12,534	12,179
Service	16,168	18,253
Outsourcing	13,433	13,866
Commission	36,960	36,899
Advertisement	16,250	18,408
Shipping	1,633	2,311
Taxes and dues	6,110	6,058
Others	21,881	16,714
Total (*1)	281,945	290,666

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

28. Other income and expenses

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

	2025	2024
Other income		
Rental income	314	213
Dividend income	271	1,481
Gains on disposal of property, plant and equipment	3,533	2,982
Gains on disposal of intangible assets	-	3,360
Gains on disposal of right-of-use assets	63	52
Gains on disposal of investments in associates	66	-
Gains on disposal of investments in subsidiaries	2,307	-
Miscellaneous income, etc.	3,644	3,459
Subtotal	10,198	11,547
Other expenses		
Donations	722	511
Losses on disposal of property, plant and equipment	582	2
Losses on disposal of intangible assets	-	55
Losses on right-of-use assets	3	23
Impairment losses on intangible assets	177	-
Other bad debt expenses	105	-
Impairment losses on investments in associates	2,074	-
Losses on disposal of investments in subsidiaries	15	-
Miscellaneous losses, etc.	1,800	1,164
Subtotal	5,478	1,755
Net other income	4,720	9,792

29. 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	18,378	12,765
Gains on foreign currency transactions	597	991
Gains on foreign currency translations	231	657
Valuation gains on financial assets	74,948	3,240
Gains on disposal of financial assets	189	2
Subtotal	94,343	17,655
Finance expenses		
Interest expenses	8,517	2,098
Losses on foreign currency transactions	538	679
Losses on foreign currency translations	265	552
Valuation losses on financial assets	81	2,443
Losses on disposal of financial assets	11	-
Valuation losses on derivatives	2,634	-
Others	99	55
Subtotal	12,145	5,827
Net finance income	82,198	11,828

30. Income tax expenses 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	1,808	3,246
Adjustments in respect for the prior year	99	(116)
Income tax refund	(2,935)	(1,188)
Income tax charged to equity	1,870	842
Changes in temporary differences	25,833	5,446
Income tax expenses	26,675	8,230
- Income tax expenses from continuing operations	26,675	7,441
- Income tax expenses from discontinued operations	-	789

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

	2025	2024
Profit before income tax	357,281	465,306
Tax calculated at the statutory tax rates for each jurisdiction(*1)	83,960	112,479
Tax effects:		
Non-taxable income	(72)	(83)
Non-deductible expenses	1,908	1,637
Increase in unrecognized deferred tax	29	26
Impacts of changes in tax rates arising from temporary differences	(55,605)	(29,258)
Adjustment in respect of prior years	99	(116)
Corporate tax refund	(2,935)	(1,188)
Tax credit	(384)	(257)
Spin-off effect	-	(74,389)
Others	(325)	(621)
Income tax expenses	26,675	8,230
Effective tax rate	7.47%	1.77%
- Income tax expenses from continuing operations	26,675	7,441
- Income tax expenses from discontinued operations	-	789

(*1) The tax rate applied considers the corporate tax rate (9% below KRW 200 million, 19% above KRW 200 million, 21% above KRW 20 billion, 24% above KRW 300 billion) and local income tax (10% of corporate tax).

30. Income tax expenses 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
FVOCI valuation gains (losses)	(4,933)	2,420	(2,513)	6,221	(1,437)	4,784
Remeasurements of net defined benefit liabilities	2,957	(716)	2,241	(7,519)	1,737	(5,782)
Equity adjustments using the equity method	7,232	2,413	9,645	90,025	(10,688)	79,337
Retained earnings of the equity method	427	34	461	(16,004)	521	(15,483)
Gains (losses) on derivative instruments	626	(151)	475	-	-	-
Gains on disposal of treasury shares	-	(2,045)	(2,045)	13,279	(2,775)	10,504
Capital surplus	-	(85)	(85)	-	-	-
Spin-off	-	-	-	(808,066)	13,484	(794,582)
Total	6,309	1,870	8,179	(722,064)	842	(721,222)

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	Statement of profit or loss	Other comprehensive income (losses), etc.	Ending
Revaluation surplus of land	(90,807)	(4,324)	-	(95,131)
Investments in subsidiaries and associates	(158,865)	(3,613)	2,447	(160,031)
Pension plan assets	(16,789)	913	(716)	(16,592)
Defined benefit obligations	16,790	(540)	-	16,250
FVOCI valuation gains (losses)	2,294	(21,657)	2,420	(16,943)
Allowance for doubtful accounts	243	36	-	279
Government grants	1,038	(568)	-	470
Valuation losses on inventories	167	69	-	236
Losses on impairment of property, plant and equipment	2,912	139	-	3,051
Accrued expenses associated with annual leaves	470	(8)	-	462
Account payables to long-term service employees	83	53	-	136
Losses on derivative instruments	-	-	(151)	(151)
Others	2,004	1,797	(2,130)	1,671
Total deferred tax liabilities	(240,460)	(27,703)	1,870	(266,293)

30. Income tax expenses and deferred tax (cont'd)

D. The movements 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): (cont'd)

2024					
	Beginning	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	(150,342)	(11,929)	(10,167)	13,573	(158,865)
Pension plan assets	(20,006)	133	1,737	1,347	(16,789)
Defined benefit liabilities	19,357	(1,256)	-	(1,311)	16,790
Valuation gains (losses) on financial assets FVOCI	2,391	1,340	(1,437)	-	2,294
Allowance for doubtful accounts in excess of tax limit	319	(76)	-	-	243
Government grants	718	320	-	-	1,038
Valuation losses on inventories	93	74	-	-	167
Losses on impairment of property, plant and equipment	2,912	-	-	-	2,912
Accrued expenses associated with annual leaves	421	93	-	(44)	470
Account payables to long-term service employees	82	13	-	(12)	83
Others	(5)	4,853	(2,775)	(69)	2,004
Total deferred tax liabilities	(235,015)	(6,287)	(12,642)	13,484	(240,460)

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
Investment in subsidiaries, etc.	176,658	175,319
Allowance for doubtful accounts	7,853	7,853
Others	2,109	1,986
Total	186,620	185,158

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

31. 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 from continuing operations attributable to ordinary share (*1)	330,605	141,643
Profit for the year from discontinued operations attributable to ordinary share (*1)	-	315,433
Weighted average number of ordinary shares outstanding	16,717,604 shares	18,337,459 shares
Earnings per share for continuing operations (KRW)	19,776	7,724
Earnings per share for discontinued operations (KRW)	-	17,202

(*1) Net income of the ordinary shares is the same as net income.

B. The weighted average number of ordinary shares outstanding 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 Company 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.

32. Dividends

Dividends paid for each of the two years in the period ended December 31, 2025 amount to KRW 50,153 million (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 separate financial statements do not reflect this dividend payable.

33. Cash generated from operation

A. Details of the adjustments 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	26,675	8,230
Dividend income	(271)	(1,481)
Gains on disposal of property, plant, equipment	(3,533)	(3,004)
Gains on disposal of intangible assets	-	(3,360)
Gains on disposal of right-of-use assets	(63)	(52)
Gains on disposal of investments in subsidiaries	(66)	-
Gains on disposal of investments in associates	(2,307)	-
Losses on disposal of property, plant, equipment	582	2
Losses on disposal of intangible assets	-	55
Impairment losses on intangible assets	177	-
Losses on disposal of right-of-use assets	3	23
Impairment losses on investments in associates	2,074	-
Losses on disposal of investments in subsidiaries	15	-
Interest income	(18,378)	(13,125)
Gains on foreign currency translations	(231)	(1,745)
Valuation gains on financial assets	(74,948)	(3,240)
Gains on disposal of financial assets	(189)	(2)
Interest expenses	8,517	2,114
Losses on foreign currency translations	265	1,107
Valuation losses on financial assets	81	2,443
Losses on disposal of financial assets	11	-
Losses on disposal of accounts receivable	99	55
Amortization of property, plant, equipment	14,501	19,147
Amortization of intangible assets	6,064	3,900
Amortization of investment properties	187	200
Bad debt expenses (reversal of allowance for doubtful accounts)	(39)	(456)
Other bad debt expenses	105	-
Valuation losses on derivatives	2,634	-
Valuation losses on inventories	252	321
Retirement benefits	6,516	7,526
Investment income under the equity method	(255,767)	(140,496)
Gains on disposal of discontinued operations	-	(307,737)
Others	(21)	3
Total	(287,055)	(429,572)

33. 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	(14,733)	(5,541)
Other receivables	(10,982)	11,705
Inventories	403	278
Financial assets at FVPL	-	123,643
Other assets	1	(9,806)
Trade payables	(64)	7,722
Other payables	2,114	(12,818)
Other liabilities	(8,205)	11,166
Contributions to plan assets	7,203	11,175
Retirement benefits paid	(10,144)	(20,933)
Total	(34,407)	116,591

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 of construction-in-progress to related property, plant and equipment	15,217	11,325
Increase in right-of-use assets due to increased in lease liabilities	8,905	4,638
Transfer to current portion of lease receivables	8,572	8,758
Transfer to current portion of lease liabilities	4,580	12,616
Increase in outstanding payments related to acquisition of tangible assets	(2,792)	1,032
Remeasurements factor on net defined benefit liabilities	(2,241)	5,782
Retirement of treasury shares	-	21,926
Net assets succeeded to the entity established newly through the spin-off	-	469,405

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	New leases	Change in lease	Others (*1)	Ending
Short-term borrowings and current portion of long-term borrowings	41,368	227,412	-	-	206	268,986
Long-term borrowings	219	140,000	-	-	(219)	140,000
Lease liabilities	28,754	(10,877)	8,905	15,703	(123)	42,362
Total	70,341	356,535	8,905	15,703	(136)	451,348

(*1) Changes in foreign exchange rate and effects from reclassification to current portion are included.

33. Cash generated from operation (cont'd)

	2024						
	Beginning	Cash flows	New leases	Change in lease	Others (*1)	Spin-off	Ending
Short-term borrowings and current portion of long-term borrowings	605	40,618	-	-	145	-	41,368
Long-term borrowings	355	-	-	-	(136)	-	219
Lease liabilities	40,365	(15,402)	4,638	(119)	(315)	(413)	28,754
Total	41,325	25,216	4,638	(119)	(306)	(413)	70,341

(*1) Changes in foreign exchange rate and effects from reclassification to current portion are included.

34. Financial risk management

34. 1 Financial risk management factor

The Company'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 Company'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 Company. The Company 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 Company'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.

34.1.1 Market risk

(1) Foreign exchange risk

The Company 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	6,897	2,253	6,068	1,897
EUR	436	195	115	198
JPY	103,635	694	45,331	917
Others	97	25	102	25
Total	111,065	3,167	51,616	3,037

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.1 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 Company'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	464	417
	Weakened	(464)	(417)
EUR	Strengthened	24	(8)
	Weakened	(24)	8
JPY	Strengthened	10,294	4,441
	Weakened	(10,294)	(4,441)
Others	Strengthened	7	8
	Weakened	(7)	(8)

(2) Price risk

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

The Company'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 Company's equity as of December 31, 2025 (KRW in millions):

	2025	2024
Increase	5,101	2,274
Decrease	(5,101)	(2,274)

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.1 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 Company is exposed to interest rate risk due to its borrowings in fixed and floating interest rates. The Company'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 Company'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	(2,288)	(206)
Decrease	2,288	206

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.2 Credit risk

Credit risk is managed on the Company 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 Company 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)	1,971	4,140
Trade and other receivables	73,846	58,048
Other current financial assets	626	-
Long-term trade and other receivables	22,925	13,343
Other non-current financial assets	470,338	294,494
Financial guarantee contract (*2)	1,387,754	847,581

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

34.1.3 Liquidity risk

The Company monitors the forecasts on the Company'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 Company does not breach borrowing limits or covenants (where applicable). The Company considers short, mid and long-term financial plan, compliance on commitment and target financial ratio on liquidity forecast.

Details of the Company'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)	64,189	27,255	-	91,444
Borrowings (*2,3)	278,720	145,369	-	424,089
Lease liabilities (*3)	11,172	18,472	27,718	57,362
Derivative liabilities	2,634	-	-	2,634
Total	356,715	191,096	27,718	575,529

(*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.

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.3 Liquidity risk (cont'd)

December 31, 2024				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	37,422	29,302	-	66,724
Borrowings (*2,3)	41,369	221	-	41,590
Lease liabilities (*3)	11,000	6,201	12,834	30,035
Total	89,791	35,724	12,834	138,349

(*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 Company's derivative financial liabilities held for trading have been included at their fair value of KRW 2,634 million 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 flows. These contracts are managed on a net fair value basis rather than by maturity date.

Except above contracts, the Company has entered into payment guarantee contracts and supplementary fund contracts with subsidiaries. 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 35).

The Company'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 Company'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 18 for more information.

34.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company 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 Company 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 Company is composed of net borrowings, which is borrowings less cash and cash equivalents, and equity, and the Company's comprehensive capital risk management is in line with that of the prior year,

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

	2025	2024
Total borrowings	408,986	41,587
Less: cash and cash equivalents	(2,001)	(4,170)
Net debt (A)	406,985	37,417
Total equity (B)	2,479,401	2,190,769
Gearing ratio (A/B)	16.41%	1.71%

35. Contingencies and commitments

A. Notes and others provided as collaterals

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

B. Commitment with financial institution

The Company entered into agreements such as open local L/C, general loans and others with financial institutions with a limit of KRW 386,958 million. Also, the Company entered into secured loan of credit sales agreements with a limit of KRW 83,000 million as of December 31, 2025.

C. Payment guarantees provided for others and others

The Company has provided fund support amounting to KRW 434,500 million and USD 220,500 thousand to Hyosung Chemical Corporation. (*1)

The Company has an obligation to provide a supplementary of KRW 158,000 million for its subsidiary, Gongdeok Gyeongwoo Development Corporation.

The Company has provided payment guarantees of EUR 13,100 thousand for its subsidiary, Forza Motors Korea Corp.

The Company has provided payment guarantees of $64,200 thousand for its associate, Hyosung Istanbul TEKSTIL LTD.STI. (*2)

The Company has provided payment guarantees of $262,800 thousand for Hyosung DongNai Co., LTD. (*3)

(*1) The Company provides supplementary funding or conditional debt assumption agreements to its subsidiaries, such as New Star H-Chem 1st Co., Ltd. The actual beneficiary of the economic interests arising from these agreements is Hyosung Chemical Corporation.
(*2) This entity is an associate of Hyosung Investment & Development Co., Ltd., which is a subsidiary of the Company.
(*3) This entity is a subsidiary of its associate, Hyosung Istanbul TEKSTIL LTD.STI.

The Company 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 Company'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

In addition, the Company provides a performance guarantee regarding disposal obligations in connection with the contract entered by its subsidiary, Hyosung Resource (Australia) PTY Ltd., on February 6, 2026, for the sale of its Togara JV mining rights.

35. Contingencies and commitments (cont'd)

D. Other commitments

The Company entered into the agreements with Woori bank in relation to the borrowings of its subsidiary, Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd., amount to KRW 150,000 million as of December 31, 2025(KRW 150,000 million in 2024). The Company 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 Company sets and receives brand usage fees based on sales and advertising expenses, and the brand usage revenue generated for the year ended December 31, 2025 is KRW 61,618 million (KRW 61,378 million in 2024).

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	Guaranteed amounts	Details of guarantees
Seoul Guarantee Insurance	5,348	Deficiency guarantees for supply contracts, etc.

(2) As of December 31, 2025the , the Company has provided payment guarantees for Hyosung Chemical Corporation, an associate, 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

35. Contingencies and commitments (cont'd)

F. Assets pledged as collaterals

(1) Details of assets pledged as collaterals for the Company's borrowings and others as of December 31, 2025 are as follows (KRW in millions):

Pledged assets	Carrying amount	Borrowings	Maximum pledge amount	Lien
Other financial assets	411	-	411	Machinery Industry Credit Cooperative and others
Trade receivables	167	167	167	Woori bank
Property, plant and equipment	428,895	-	483,723	KDB

(2) 1,302,000 shares of PyeongChang Wind Power Co., Ltd. owned by the Company were provided as collateral for the borrowings of KRW 24,805 million of PyeongChang Wind Power Co, Ltd. as of December 31, 2025. 449,521 shares of Suncheon Eco Green owned by the Company were provided as collateral for the borrowings of KRW 15,740 million of Suncheon Eco Green 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	15	27,437	Claims for damages and others
Lawsuit as a plaintiff	2	67	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 separate financial statements.

36. Spin-off

A. Overview

On June 14, 2024, the Company 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 Company 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 entity established newly 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 spin-off plan approved at the company's 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	82,743
Cash and cash equivalents	17,440
Trade and other receivables	46,650
Other current assets	18,653
Non-current assets	468,971
Property, plant and equipment	495
Intangible assets	1,121
Investment in subsidiaries	193,044
Investments in associates and joint ventures	274,311
Total	551,714
Liabilities:	
Current liabilities	50,945
Investments in associates and joint ventures	30,880
Other current financial liabilities	391
Other current liabilities	19,674
Non-current liabilities	13,924
Long-term trade and other payables	52
Net defined benefit liabilities	364
Deferred income tax liabilities	13,484
Other non-current financial liabilities	24
Total	64,869

36. Spin-off (cont'd)

C. Measurement of accrued dividends

In accordance with KIFRS 2117 *Distribution of Non-Cash Assets to Owners*, the Company 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 Company 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 Company 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 spin-off where such a market exists. These measurements are classified as Level 1.

On the other hand, for business divisions subject to spin-off 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 the discontinued operation and gains from disposal of the discontinued operation

The Company completed spin-off on July 1, 2024, and classified the profit and loss from the business divisions subject to spin-off up to the spin-off 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 were recognized as gains on disposal of discontinued operations (KRW in millions).

	December 31, 2024
Fair values of spun-off business division (A)	794,582
Book values of spun-off business division (B)	486,845
Gains on disposal of discontinued operations (A-B)	307,737

36. Spin-off (cont'd)

D. Profit from the discontinued operation and gains from disposal of the discontinued operation (cont'd)

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.

E. 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 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	159,588
Cost of sales	145,027
Gross profit	14,561
Selling and administrative expenses	7,839
Operating profit	6,722
Other income	278
Other expenses	2
Finance income	3,983
Finance expenses	2,496
Profit before income tax	8,485
Income tax expenses	789
Profit from disposal of discontinued operation (*1)	307,737
Discontinued operating income	315,433
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	30,930
Cash flows from investing activities	(17,255)
Cash flows from financing activities	(334)

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 company, carried out a spin-off in accordance with Articles 530-2 through 530-11 of the Korean 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 entity established newly 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 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 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 Company acquired all production facilities and operations of the Onsan Tank Terminal from Hyosung Chemical Corporation effective 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 company 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 acquired	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 separate statement of profit or loss arising from business combination are as follows and revenues and profits to be additionally recognized in the separate 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 and related international sanctions against Russia, which began in February 2022, may affect companies subject to sanctions, as well as companies directly or indirectly engaged in business with Ukraine or Russia, directly or indirectly exposed to the industry or economy of Ukraine or Russia.

As of December 31, 2025, our subsidiary, Hyosung RUS, is in Russia, and we prepared financial statements by reasonably estimating the impact of the Ukraine crisis as of December 31, 2025. However, there is uncertainty in estimating the impact of the Ukraine crisis on the company.

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, certain tariff-related uncertainties faced by the jurisdictions in which the Company operates have been partially alleviated.

However, significant uncertainty remains regarding the Company's financial position, as potential future changes in U.S. government policies and the outcomes of negotiations with certain countries related to the Company'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 Company.

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 auditing the separate financial statements of the Company 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

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Shape the future
with confidence

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") 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 Company'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 designing and operating ICFR.

We also have audited, in accordance with the Korean Standards on Auditing ("KSA"), the separate statement of financial position as of December 31, 2025, and the separate statement of profit or loss, separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statement, including material accounting policy information, 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 Company 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 Company's ICFR process.

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Company'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

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

Because of its inherent limitations, ICFR may not prevent or detect misstatements of the separate 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 independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Company's ICFR and may result in modifications to this report.

내부회계관리제도 운영실태보고서

주식회사 효성 주주, 이사회 및 감사위원회 귀중

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

본 대표이사 및 내부회계관리자는 회사의 내부회계관리제도가 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 내부회계관리제도의 설계 및 운영을 위해 내부회계관리제도 운영위원회에서 발표한 '내부회계관리제도 설계 및 운영 개념체계'를 준거기준으로 사용하였습니다. 또한 내부회계관리제도의 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 내부회계관리제도 운영실태 평가결과, 2025년 12월 31일 현재 당사의 내부회계관리제도는 '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)

- 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)

<u>Management's report on the effectiveness of internal control over financial reporting</u>

(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 (the "Company"), assessed the effectiveness of the design and operation of internal control over financial reporting ("ICFR") for the year ended December 31, 2025.

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

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

We used, as the basis for the design and operation of the Company's ICFR, the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR. In assessing the design and operation of 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 Company's ICFR is effectively designed and operated as of December 31, 2025, in all material respects, in accordance with the Conceptual Framework for Design and Operation of ICFR.

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

(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	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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and January 2026).
	[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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and January 2026).
	[Restriction on payment execution – designation of authorized withdrawal accounts] Withdrawals and transfers are only permitted through the designated accounts.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and January 2026).

Treasury control	[Separation of payment data creator and approver] The creator of payment data and the approver of fund execution are separated.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and January 2026).
	[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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and 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.	No significant vulnerabilities were found as a result of the assessment (Internal Accounting Control Team, July 2025 and January 2026).