

**HD KOREA SHIPBUILDING & OFFSHORE
ENGINEERING CO., LTD. AND ITS SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors and Stockholders of
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Opinion

We have audited the consolidated financial statements of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Group's Internal Control over Financial Reporting ("ICFR") as of December 31, 2024 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 14, 2025 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Overview

An overview of key audit matters described in this audit report is as follows:

As described in Note 4 to the consolidated financial statements, the Group produces the customized goods on orders from the customers and recognizes revenue over time by the input method when having the following characteristics.

- (i) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (ii) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.



The percentage-of-completion is calculated based on the ratio of contract costs incurred to date for work performed to estimated total contract costs except contract costs that do not reflect the progress of completion. The contract assets are presented for all contracts in which contract costs incurred to date plus recognized profits (less recognized losses) exceeded progress billings. The contract liabilities are presented for all contracts in which progress billings exceed contract costs incurred to date plus recognized profits (less recognized losses).

(2) Uncertainty of estimated total contract costs

As described in Note 35 to the consolidated financial statements, estimated total contract costs are calculated based on estimated costs of materials, labor costs and construction period, and uncertainty risk related to exchange rate fluctuation, changes of steel prices and changes in production hours exists. Accordingly, considering the impacts on profit or loss for the year ended December 31, 2024 and future periods, we identified uncertainty of estimated total contract costs as a significant risk.

We performed the following audit procedures regarding the impact of uncertainty of estimated total contract costs on the consolidated financial statements as of and for the year ended December 31, 2024:

- Testing certain internal controls over the Group's determination of revenue recognition accounting policies
- Testing certain internal controls over the Group's determination of the estimated total contract costs
- Obtaining the contract and verifying the appropriateness of the accounting policy applying revenue recognition based on input method
- Inquiries and analytical procedures on changes in major items of total contract costs in each reporting period
- Retrospective review of projects with significant changes in estimated total contract costs
- Identify the cause of difference for projects with significant changes in estimated total contract costs and if necessary, inspecting relevant documents
- Comparing estimated total contract costs among similar vessels
- Obtaining and inspecting the data of estimated total contract costs managed by production department for major projects
- Comparing details in purchase order issued by purchasing department by projects with estimated total material costs
- Assessment on whether estimated total contract costs were approved by proper authorized person
- Inquiries and analytical review procedures on the causes of increase or decrease in percentage-of-completion by each reporting period
- For selected major projects, comparing the progress of construction with the percentage-of-completion
- Inquiries on progress and significant changes in major projects
- Validation of progress rates and revenue recalculations by hull
- Visits of ship construction sites

(3) Assessment of the percentage-of-completion

As described in the Note 35 to the consolidated financial statements, the Group should include only contract costs incurred to date for work performed to estimated total contract costs in case the percentage-of-completion is calculated based on estimated total contract costs. There is a risk that the factors of change in contract costs incurred to date include construction inefficiency costs. Therefore, we identified assessment of the percentage-of-completion as a significant risk, considering the impact of uncertainty on earnings volatility.

We performed the following audit procedures with respect to the estimated total contract costs and accumulated costs which have effect on calculating the construction percentage-of-completion as of December 31, 2024:

- Inquiries and analytical review procedures on items of the contract costs incurred to date in each reporting period

- Inspecting the documents on existence of material costs incurred and appropriateness of aggregation of material cost by each project for selected samples
- Inspecting the documents on existence of labor costs and expenses incurred and appropriateness of aggregation of labor cost and expenses by each project for selected samples
- Inspecting the documents on time of recognition of material costs aggregated by each project for selected samples
- Involving our IT specialists to assist us in assessing the appropriateness of aggregation and allocation of overhead costs by each project
- Involving our IT specialists to assist us in testing risk scenarios including verification on whether the costs are allocated appropriately to each project

(4) Accounting for the variations in contract work

As described in Note 35 to the consolidated financial statements, although contract revenue is measured as the initial amount agreed in the contract, it could be increased by claims and incentive payments, and decreased by penalties due to delay of construction completion by reason attributable to the Group. Variations in contract work, such as specification or design change by clients, have been occurring frequently in the shipbuilding sector due to characteristics of the industry, and they cause a possibility of variations in contract revenue. Accordingly, we identified the accounting for the variations in contract work as a significant risk.

We performed the following audit procedures with respect to the accounting for the variations in contract work as of and for the year ended December 31, 2024:

- Testing certain internal controls over changes in terms of contracts
- Inquiries and analytical review procedures on projects in which significant changes in contract revenue were made
- Inspecting the documents (change order document, etc.) to confirm the appropriateness of the changes in construction contract amounts
- Inspecting the documents regarding completion of construction (Delivery protocol, etc.) for completion work to assess existence of contract revenue
- Comparing the contractual delivery date with expected delivery date as of December 31, 2024
- Assessing the appropriateness of liquidated damages and the estimated amount of compensation

(5) Assessment of recoverability of contract assets

As described in Note 35 to the consolidated financial statements, Heavy-Tail payment plan is a major collection terms of the Group. Since Heavy-Tail payment plan could result in significant losses if contract is cancelled, we identified the collectability of contract assets as a significant risk.

We performed the following audit procedures with respect to the assessment of collectability of contract assets as of and for the year ended December 31, 2024:

- Testing certain internal controls over identification and assessment of impairment indicators on contract assets
- For contracts with significant increases in contract assets, inquiries and inspection of documents on payment terms, liquidated damages, delivery time, and other obligations of contracts
- Inspection of the terms of the contracts for ongoing construction to assess the appropriateness of the Group's payment conditions
- Assessing management's estimate basis for the collectability of contract assets
- For selected major customers, obtaining external confirmation letters

Other Matter

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Jeon Won-Pyo.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 14, 2025

This report is effective as of March 14, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position, Continued
As of December 31, 2024 and 2023

(In thousands of won)

	Note	2024	2023
Assets			
Cash and cash equivalents	6,8,44,45	₩ 3,717,318,959	3,018,390,965
Short-term financial assets	7,8,44,45	1,922,179,180	1,595,618,678
Trade and other receivables	9,35,44,45,48	1,640,342,822	1,460,128,954
Contract assets	9,35,44,45	7,503,003,889	7,156,818,352
Inventories	10	2,232,067,007	2,005,664,722
Current derivative assets	29,44,45	1,162,386	143,267,305
Current firm commitment assets	29	1,192,312,019	286,127,701
Current tax assets		6,101,774	22,350,221
Assets held for sale	49	63,000,193	-
Other current assets	11	2,153,868,206	2,046,760,373
Total current assets		20,431,356,435	17,735,127,271
Investments in associates and joint ventures	12,13,48	256,615,052	308,959,157
Long-term financial assets	7,8,15,44,45	141,591,459	232,714,302
Long-term trade and other receivables	9,35,44,45,48	192,697,653	252,258,032
Investment property	16,36	216,566,150	218,330,341
Property, plant and equipment	17,21,36	11,110,889,882	10,503,503,219
Right-of-use assets	18,36	484,619,594	100,432,715
Intangible assets	19,34,36	374,650,945	190,793,079
Non-current derivative assets	29,44,45	64,055,704	250,805,046
Non-current firm commitment assets	29	1,702,190,498	178,402,603
Deferred tax assets	41	1,384,870,586	1,724,765,730
Other non-current assets	11,27	359,033,464	546,476,689
Total non-current assets		16,287,780,987	14,507,440,913
Total assets		₩ 36,719,137,422	32,242,568,184

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position, Continued
As of December 31, 2024 and 2023

(In thousands of won)

	Note	2024	2023
Liabilities			
Short-term financial liabilities	21,22,24,26,44,45	₩ 562,278,960	2,220,090,996
Current lease liabilities	18,26,44,45	30,537,728	31,249,553
Trade and other payables	23,24,44,45,48	3,883,696,728	3,203,614,517
Contract liabilities	35	12,715,929,767	11,074,793,385
Advances received		38,451,216	28,310,544
Current derivative liabilities	29,44,45	1,679,859,697	460,861,895
Current firm commitment liabilities	29	11,922,035	78,350,473
Current tax payables		19,321,106	777,728
Short-term provisions	28	382,454,505	399,721,727
Other current liabilities	25	606,649	96,687
Total current liabilities		19,325,058,391	17,497,867,505
Long-term financial liabilities	21,22,26,44,45	866,206,844	1,698,182,746
Non-current lease liabilities	18,26,44,45	452,815,922	66,972,171
Long-term trade and other payables	23,44,45,48	34,511,487	25,747,456
Long-term contract liabilities	35	20,200,985	21,179,181
Liabilities for defined benefit plans	27	58,441,449	55,801,682
Long-term provisions	28	102,619,024	84,658,166
Non-current derivative liabilities	29,44,45	1,702,190,498	181,327,743
Non-current firm commitment liabilities	29	86,993	239,249,830
Deferred tax liabilities	41	1,192,625	1,478,772
Total non-current liabilities		3,238,265,827	2,374,597,747
Total liabilities		22,563,324,218	19,872,465,252
Equity			
Common stock	30	353,865,580	353,865,580
Capital surplus	30	2,599,782,415	2,459,694,580
Capital adjustments	31	(8,609,021,440)	(8,609,897,214)
Accumulated other comprehensive income	29,32	1,670,921,039	1,325,567,794
Retained earnings	33	15,083,879,465	14,374,459,760
Equity attributable to owners of the Group	34	11,099,427,059	9,903,690,500
Non-controlling interests		3,056,386,145	2,466,412,432
Total equity		14,155,813,204	12,370,102,932
Total liabilities and equity		₩ 36,719,137,422	32,242,568,184

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2024 and 2023

(In thousands of won except earnings per share)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Sales	29,35,36,48	₩ 25,538,577,356	₩ 21,296,205,574
Cost of sales	29,38,48	22,943,209,928	20,248,178,434
Gross profit		2,595,367,428	1,048,027,140
Selling general and administrative expenses	37,38,44	1,161,276,936	765,766,421
Operating profit	36	1,434,090,492	282,260,719
Finance income	29,39,44	1,877,492,060	1,228,756,177
Finance costs	29,39,44	5,179,027,639	2,094,933,829
Other non-operating income	17,29,34,40,44	3,954,347,418	918,721,117
Other non-operating expenses	17,19,29,40,44	264,100,002	342,928,841
Share of income (loss) of associates and joint venture	12,13	(139,257)	78,973
Profit (loss) before income taxes		1,822,663,072	(8,045,684)
Income tax (benefit)	41	368,082,961	(152,975,968)
Profit for the year	36,43	1,454,580,111	144,930,284
Other comprehensive income	17,27,29,32,44		
Items that may be subsequently reclassified to profit or loss:			
Loss on valuation of cash flow hedges		(11,576,301)	(9,397,532)
Exchange differences on translation of foreign operations		16,076,871	(1,647,073)
Changes in equity of equity method investments		10,873,924	817,822
Total items that may be subsequently reclassified to profit or loss		15,374,494	(10,226,783)
Items that will not be subsequently reclassified to profit or loss:			
Gain (loss) on valuation of financial assets measured at FVOCI		(10,679,856)	16,443,275
Actuarial gains and losses		(183,405,027)	(169,411,894)
Gain (loss) on revaluation of property, plant and equipment		(883,553)	7,447,995
Changes in retained earnings of equity method investments		(150,434)	(250,932)
Total items that will not be subsequently reclassified to profit or loss		(195,118,870)	(145,771,556)
Other comprehensive income (loss) for the year, net of tax		(179,744,376)	(155,998,339)
Total comprehensive income (loss) for the year		₩ 1,274,835,735	₩ (11,068,055)
Profit (loss) attributable to:			
Owners of the Company		₩ 1,172,335,951	₩ 221,711,002
Non-controlling interests		282,244,160	(76,780,718)
		1,454,580,111	144,930,284
Total comprehensive income (loss) attributable to:			
Owners of the Company		1,054,772,950	103,218,375
Non-controlling interests		220,062,785	(114,286,430)
		₩ 1,274,835,735	₩ (11,068,055)
Earnings per share			
Basic Earnings per share (in won)	42	₩ 16,578	₩ 3,135

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2023	₩ 353,865,580	2,467,505,934	(8,703,261,531)	1,296,442,443	14,300,366,736	2,597,210,648	12,312,129,810
Total comprehensive income (loss) for the period:							
Profit for the year	-	-	-	-	221,711,002	(76,780,718)	144,930,284
Changes in fair value of financial assets measured at FVOCI	-	-	-	16,757,124	-	(313,849)	16,443,275
Effective portion of changes in fair value of cash flow hedges	-	-	-	(7,164,940)	-	(2,232,592)	(9,397,532)
Exchange differences on translating foreign operations	-	-	-	(2,030,655)	-	383,582	(1,647,073)
Land revaluation surplus	-	-	-	3,551,465	-	3,896,530	7,447,995
Changes in equity of equity method investments	-	-	-	827,071	-	(9,249)	817,822
Actuarial gains and losses	-	-	-	-	(130,181,760)	(39,230,134)	(169,411,894)
Changes in retained earnings of equity method investments	-	-	-	-	(250,932)	-	(250,932)
Transactions with owners of the Group, recognized directly in equity:							
Dividends of subsidiaries	-	-	-	-	-	(3,120,000)	(3,120,000)
Equity transaction within the Group	-	(7,811,354)	93,364,317	-	-	(13,391,786)	72,161,177
Reclassification of accumulated other comprehensive income	-	-	-	17,185,286	(17,185,286)	-	-
Balance at December 31, 2023	₩ 353,865,580	2,459,694,580	(8,609,897,214)	1,325,567,794	14,374,459,760	2,466,412,432	12,370,102,932
Balance at January 1, 2024	₩ 353,865,580	2,459,694,580	(8,609,897,214)	1,325,567,794	14,374,459,760	2,466,412,432	12,370,102,932
Total comprehensive income (loss) for the period:							
Profit for the year	-	-	-	-	1,172,335,951	282,244,160	1,454,580,111
Changes in fair value of financial assets measured at FVOCI	-	-	-	(10,416,044)	-	(263,812)	(10,679,856)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(6,536,415)	-	(5,039,886)	(11,576,301)
Exchange differences on translating foreign operations	-	-	-	5,939,621	-	10,137,250	16,076,871
Land revaluation surplus	-	-	-	15,061,087	-	(15,944,640)	(883,553)
Changes in equity of equity method investments	-	-	-	10,878,084	-	(4,160)	10,873,924
Actuarial gains and losses	-	-	-	-	(132,338,900)	(51,066,127)	(183,405,027)
Changes in retained earnings of equity method investments	-	-	-	-	(150,434)	-	(150,434)
Transactions with owners of the Group, recognized directly in equity:							
Dividends of subsidiaries	-	-	-	-	-	(1,039,285)	(1,039,285)
Equity transaction within the Group	-	140,087,835	875,774	-	-	370,950,213	511,913,822
Reclassification of accumulated other comprehensive income	-	-	-	330,426,912	(330,426,912)	-	-
Balance at December 31, 2024	₩ 353,865,580	2,599,782,415	(8,609,021,440)	1,670,921,039	15,083,879,465	3,056,386,145	14,155,813,204

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

<i>(In thousands of won)</i>	<i>Note</i>	2024	2023
Cash flows from operating activities	43		
Profit for the year	₩	1,454,580,111	₩ 144,930,284
Adjustments		2,753,926,201	1,943,850,140
Cash generated from operations		4,208,506,312	2,088,780,424
Interest received		216,070,139	188,429,376
Interest paid		(151,631,421)	(177,558,172)
Dividends received		31,612,665	6,958,287
Income taxes (paid)		(15,897,517)	(25,018,990)
Net cash provided by operating activities		4,288,660,178	2,081,590,925
Cash flows from investing activities			
Net decrease (increase) in short-term financial assets		(240,413,259)	(291,661,339)
Decrease in other receivables		6,272,297	8,005,636
Decrease in investments in associates and joint ventures		4,539,175	-
Decrease in long-term financial assets		90,096,993	9,090,234
Decrease in long-term other receivables		13,330,183	3,619,006
Proceeds from disposal of investment property		2,434,854	-
Proceeds from disposal of property, plant and equipment		24,496,126	23,661,829
Proceeds from disposal of intangible assets		500,000	-
Government grants received		3,044,438	2,785,096
Changes in scope of consolidation (acquisition of control)		(134,241,716)	818,673
Increase in other receivables		(2,792,249)	(7,570,232)
Increase in investments in associates and joint ventures		(20,724,983)	(88,163,929)
Increase in long-term financial assets		(69,461)	(21,636,426)
Increase in long-term other receivables		(14,679,469)	(23,789,717)
Acquisition of investment property		(88,944)	-
Acquisition of property, plant and equipment		(890,989,039)	(821,953,097)
Acquisition of intangible assets		(58,052,631)	(60,086,662)
Increase in other non-current assets		(15,463,721)	(8,627)
Net cash used in investing activities		(1,232,801,406)	(1,266,889,555)
Cash flows from financing activities	26		
Increase in short-term financial liabilities		1,028,073,180	2,200,828,991
Increase in long-term financial liabilities		368,332,000	1,622,610,000
Stock issue cost		-	(120,000)
Increase in non-controlling interests		352,274,267	-
Repayment of short-term financial liabilities		(3,252,879,124)	(3,757,090,133)
Repayment of long-term financial liabilities		(816,686,599)	(83,881,200)
Repayment of lease liabilities		(35,226,699)	(33,010,085)
Repayment of convertible preferred stock		-	(409,683,299)
Dividends on non-controlling interests		(1,039,285)	(3,120,000)
Decrease in non-controlling interests		(1,815,781)	(21,743,051)
Net cash used in financing activities		(2,358,968,041)	(485,208,777)
Effects of exchange rate changes on cash and cash equivalents		2,037,263	(8,324,494)
Net increase (decrease) in cash and cash equivalents		698,927,994	321,168,099
Cash and cash equivalents at January 1		3,018,390,965	2,697,222,866
Cash and cash equivalents at December 31	₩	3,717,318,959	₩ 3,018,390,965

See accompanying notes to the consolidated financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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For the years ended December 31, 2024 and 2023

1. Reporting Entity

(1) Description of the controlling company

HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (the “Controlling Company”) was incorporated in 1973, under the Commercial Code of the Republic of Korea. In August 1999, the Controlling Company was listed on the Korea Exchange. As a holding company under Article 8 of the Monopoly Regulation and Fair Trade Act, the controlling Company is engaged in the investment, R&D, and other projects. The Controlling Company’s head office is located in Seongnam, Republic of Korea. As of December 31, 2024, the Group’s major stockholders consist of HD Hyundai Co., Ltd. (35.05%) and National Pension Service (6.56%).

(2) Consolidated subsidiaries

Subsidiaries as of December 31, 2024 and 2023 are summarized as follows:

Company (*7)	Main business	Location	Fiscal year end	Ownership (%)	
				2024	2023
HD Hyundai Heavy Industries Co., Ltd. (*6)	Shipbuilding	Korea	December	75.02	78.02
HD Hyundai Samho Co., Ltd.	Shipbuilding	Korea	December	96.65	96.58
HD Hyundai Mipo Co., Ltd. (*2)	Shipbuilding	Korea	December	42.40	42.40
HD Hyundai E&T Co., Ltd. (*1)	Other engineering services	Korea	December	100.00	100.00
HD Ulsan Hyundai Football Club Co., Ltd.	Football club	Korea	December	100.00	100.00
HD Hyundai Heavy Industries Mos Co., Ltd. (*1,4)	Maintenance services of business facilities	Korea	December	-	100.00
HD Hyundai Energy Solutions Co., Ltd.	Solar photovoltaic and renewable energy	Korea	December	53.57	53.57
HD Hyundai Engine Company Ltd. (*1)	Manufacture of internal combustion engine	Korea	December	100.00	100.00
Seamarq Service Co., Ltd.	Hotel management services	Korea	December	100.00	100.00
HD Hyundai Marine Engine Co., Ltd. (*2,3)	Manufacture of marine engine	Korea	December	35.05	-
HD Hyundai Crankshaft Co., Ltd. (*1,3)	Manufacture of ship engine components	Korea	December	100.00	-
HD Hydrogen Co., Ltd. (*3)	Manufacture of storage batteries	Korea	December	100.00	-
AMC Sciences Co., Ltd (*3)	Research and development of medicine	Korea	December	84.38	-
HD Hyundai Vietnam Shipbuilding Co., Ltd. (*1)	Shipbuilding	Vietnam	December	65.00	65.00
Hyundai Heavy Industries Miraflores Power Plant Inc. (*5)	Manufacturing	Panama	December	100.00	100.00
HHI Mauritius Limited	Manufacturing	Mauritius	December	100.00	100.00
Hyundai Arabia Company L.L.C	Industrial plant construction	Saudi Arabia	December	100.00	100.00
Hyundai Samho Heavy Industries Panama, Inc. (*5)	Civil engineering	Panama	December	100.00	100.00
HD Hyundai Energy Solutions America, Inc. (*1)	Sale of solar photovoltaic module	USA	December	100.00	100.00
HD Hyundai Technology Center India Private Limited	Research and development	India	March	100.00	100.00
Pontos Investment LLC	Investing	USA	December	100.00	100.00
HD Hyundai Europe Research and Development Center GmbH	Research and development	Germany	December	100.00	100.00
Hyundai Heavy Industries Argentina S.R.L (*1)	Construction	Argentina	December	99.98	99.98
HD Hyundai Heavy Industries Philippines, Inc. (*3)	Manufacturing	Philippines	December	100.00	-
STX HI Malaysia Sdn. Bhd. (*1,3)	Industrial plant construction	Malaysia	December	100.00	-
Convion OY (*1,3)	Manufacture of generator	Finland	December	97.46	-

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1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

- (*1) The percentage of ownership includes indirect ownership.
(*2) Although the ownership interest was less than a majority, the remaining shareholders were widely dispersed into small shareholders, and in the past general meetings of shareholder, the majority of voting rights in the decision-making process were judged to be in control, considering the circumstances in which the controlling company's share alone was able to exercise the majority of voting rights in the decision-making process.
(*3) It was newly established and acquired for the year ended December 31, 2024.
(*4) It was merged with HD Hyundai Heavy Industries Co., Ltd. for the year ended December 31, 2024 (See Note 34).
(*5) Liquidation procedures are in progress as of December 31, 2024.
(*6) It was disposed partially for the year ended December 31, 2024.
(*7) A number of affiliates were renamed in 2024.

Former company name	New company name
Hyundai Samho Heavy Industries Co., Ltd.	HD Hyundai Samho Co., Ltd.
Hyundai Mipo Dockyard Co., Ltd.	HD Hyundai Mipo Co., Ltd.
Hyundai Vietnam Shipbuilding Co., Ltd.	HD Hyundai Vietnam Shipbuilding Co., Ltd.
Hyundai Heavy Industries Technology Center India Private Limited	HD Hyundai Technology Center India Private Limited

(3) Changes in scope of consolidation

- ① The subsidiaries newly included in the consolidated financial statements for the year ended December 31, 2024 are as follows:

The subsidiaries	Reasons
HD Hyundai Heavy Industries Philippines, Inc. HD Hydrogen Co., Ltd. AMC Sciences Co., Ltd.	New establishment
HD Hyundai Marine Engine Co., Ltd. HD Hyundai Crankshaft Co., Ltd. STX HI Malaysia Sdn. Bhd. Convion OY	New acquisition

- ② The current status of subsidiaries excluded from the preparation of consolidated financial statements for the year ended December 31, 2024 is as follows:

The subsidiaries	Reasons
HD Hyundai Heavy Industries Mos Co., Ltd.	Merge

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1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries

- ① Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2024 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit	Total comprehensive income (loss)
HD Hyundai Heavy Industries Co., Ltd.	₩ 19,401,294	13,698,694	5,702,600	14,476,390	618,335	494,809
HD Hyundai Samho Co., Ltd.	8,386,198	5,901,086	2,485,112	7,003,139	684,107	658,542
HD Hyundai Mipo Co., Ltd.	5,067,754	3,050,839	2,016,915	4,572,567	94,766	62,654
HD Hyundai Marine Engine Co., Ltd.	473,661	180,497	293,164	295,824	63,579	29,863
HD Hyundai Energy Solutions Co., Ltd.	440,750	82,080	358,670	404,895	(11,378)	(11,297)
HD Hyundai Vietnam Shipbuilding Co., Ltd.	721,071	591,598	129,473	850,540	17,153	32,235

- ② Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2023 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit	Total comprehensive income (loss)
HD Hyundai Heavy Industries Co., Ltd..	₩ 17,124,174	11,915,188	5,208,986	11,957,983	21,329	(83,445)
HD Hyundai Samho Co., Ltd.	7,457,336	5,625,561	1,831,775	5,958,697	211,165	176,016
HD Hyundai Mipo Co., Ltd.	4,932,725	2,978,465	1,954,260	4,001,292	(145,185)	(166,885)
HD Hyundai Energy Solutions Co., Ltd.	499,159	129,192	369,967	522,030	(7,954)	(8,388)
HD Hyundai Vietnam Shipbuilding Co., Ltd.	668,413	568,206	100,207	717,208	8,859	10,318

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1. Reporting Entity, Continued

(5) Non-controlling interests

- ① The information about non-controlling interests of significant consolidated subsidiaries as of and for the year ended December 31, 2024 is summarized as follows:

(In millions of won)

		2024	
		HD Hyundai Heavy Industries Co., Ltd.	HD Hyundai Mipo Co., Ltd.
Ownership of non-controlling interests(*)		24.98%	57.54%
Net assets	₩	5,702,600 ₩	2,016,915
Book value of non-controlling interests		1,475,151	1,160,451
Net income		618,335	94,766
The profit attributable to non-controlling interests		153,533	54,524
Cash flows from operating activities		2,886,381	278,218
Cash flows from investing activities		(489,244)	(132,534)
Cash flows from financing activities		(2,048,774)	(335,716)
Effects of changes in foreign exchange rates on cash and cash equivalents		(5,881)	-
Net increase (decrease) in cash and cash equivalents		342,482	(190,032)
Dividends paid to non-controlling interests		-	-

(*) Ownership of non-controlling interests considering the treasury stocks.

- ② The information about non-controlling interests of significant consolidated subsidiaries as of and for the year ended December 31, 2023 is summarized as follows:

(In millions of won)

		2023	
		HD Hyundai Heavy Industries Co., Ltd.	HD Hyundai Mipo Co., Ltd.
Ownership of non-controlling interests(*)		21.98%	57.54%
Net assets	₩	5,208,986 ₩	1,954,260
Book value of non-controlling interests		1,178,006	1,124,402
Net income		21,329	(145,185)
The profit attributable to non-controlling interests		4,688	(83,534)
Cash flows from operating activities		180,633	(493,496)
Cash flows from investing activities		(499,009)	(73,095)
Cash flows from financing activities		502,796	408,385
Effects of changes in foreign exchange rates on cash and cash equivalents		(7,475)	(106)
Net increase (decrease) in cash and cash equivalents		176,945	(158,312)
Dividends paid to non-controlling interests		-	-

(*) Ownership of non-controlling interests considering the treasury stocks.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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2. Basis of Preparation

The consolidated financial statements of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and its subsidiaries (the “Group”) have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audits of Stock Companies in the Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2025 and submitted for approval to the shareholders’ meeting to be held on March 26, 2025.

(1) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the consolidated statements of financial position:

- Derivative financial instruments measured at fair value;
- Financial assets measured at fair value through profit or loss (“FVTPL”);
- Financial assets measured at fair value through other comprehensive income (“FVOCI”);
- Land measured at fair value
- Liabilities for defined benefit plans recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(2) Functional and presentation currency

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

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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2. Basis of Preparation, Continued

(3) Use of estimates and judgments

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

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

(i) Judgments

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

- Note 1 – Scope of Consolidation: Whether the Group has de facto control over an investee;
- Note 12 – Investments in Associates: Whether the Group has significant influence over an associate
- Notes 13,14 – Classification of joint ventures
- Note 16 – Classification of investment property
- Note 18 – Lease term: whether the Group is reasonably certain to exercise extension options
- Note 35 – Revenue

The financial impact of the armed conflict in Ukraine, started in February 2022, and subsequent international sanctions against Russia cannot be estimated reasonably.

(ii) Uncertainties of assumptions and estimation

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 5 – Measurement of account receivable and contract asset's expected credit loss
- Notes 11, 17, 19 – Impairment test: key assumptions underlying recoverable amounts, including the recoverability of property, plant and equipment and intangible assets;
- Note 27 – Measurement of defined benefit obligations: key actual assumptions;
- Notes 28, 46, 47 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 35 – Revenue recognition in proportion to stage of completion, the estimates of total contract costs; and
- Note 41 – Measurement of deferred tax

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2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair value

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

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as explained note 45.

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

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

- Note 15 – Financial assets measured at fair value;
- Note 16 – Investment property;
- Note 17 – Property, plant, and equipment; and
- Note 45 – Financial instruments.

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3. Changes In Accounting Policies

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(1) Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

The Group has adopted Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (K-IFRS No.1001 'Presentation of financial statements') from 1 January 2024. This amendment is applied retrospectively.

This amendment clarifies specific requirements for the classification of liabilities as current or non-current and introduces new disclosure requirements applicable when a liability is classified as non-current despite the existence of covenants that must be complied with within twelve months after the reporting period. As a result, the Group has changed its accounting policy regarding the classification of liabilities that may be settled in the Group's own equity instruments such as convertible bonds issued by the Group. Previously, the Group did not consider the counterparty's conversion right when determining the classification of such liabilities. Under the new accounting policy, if the liability includes a conversion feature that allows settlement in the Group's own equity instruments at the option of the counterparty, and such instruments do not qualify as equity under K-IFRS No. 1032, the conversion right is taken into account in determining the classification of the host liability. This amendment does not affect any of the Group's other liabilities.

Despite the change in accounting policy, the Group did not restate the comparative statement of financial position as of December 31, 2023, as there were no convertible bonds outstanding as of December 31, 2023.

(2) Supplier Finance Arrangements

The Group has adopted Supplier Finance Arrangement (K-IFRS No.1007 'Statement of Cash Flows', K-IFRS No. 1107 'Financial Instrument: Disclosures') from 1 January 2024. This amendment requires disclosures about arrangements to help users of financial statements understand the effects on the Group's liabilities, cash flows, and exposure to liquidity risk.

The impact of this amendments is described in Note 24.

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4. Material Accounting Policies

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

(1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment operating results are reviewed regularly by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As discussed in Note 36 the Group has five reportable segments which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(2) Basis of consolidation

1) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets on the acquisition date.

2) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3) Acquisitions from entities under common control

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

(3) Cash and cash equivalents

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

(4) Inventories

The cost of inventories is based on the moving-average method with the exception of cost of materials-in-transit, which is determined on the specific identification method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

4. Material Accounting Policies, Continued

(5) Non-derivative financial assets

1) Recognition and initial measurement

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

2) Classification and subsequent measurement

(i) Financial assets – Business model assessment

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

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

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

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

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

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

In making this assessment, the Group considers:

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

3) Derecognition

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

4. Material Accounting Policies, Continued

(5) Non-derivative financial assets, continued

4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, product forward and other derivative contracts to manage interest rate risk, foreign exchange risk and oil price risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

(i) Fair value hedge

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

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

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

4. Material Accounting Policies, Continued

(6) Derivative financial instruments, continued

2) Embedded derivative

If an embedded derivative is not closely related to the economic characteristics and risks of the host contract and a separate instrument with the same terms would meet the definition of a derivative, the embedded derivative is accounted for separately from the host contract as long as the combined financial instrument is not measured at fair value through profit or loss. Changes in the fair value of the separated embedded derivative are recognized in profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expire, is terminated or is exercised, then hedge accounting is discontinued prospectively. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

3) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(7) Impairment of financial assets

1) Financial instruments and contract assets

The Group recognized loss allowances for expected credit losses ("ECL") on;

- Financial assets measured at amortized cost;
- Contract assets defined in K-IFRS No.1115; and
- Debt investments measured at FVOCI

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs;

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if an is held); or
- past due of the financial asset is significantly increased

4. Material Accounting Policies, Continued

(7) Impairment of financial assets, continued

2) Credit-impaired financial assets

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI. In view of the importance of impairment losses related to trade receivables and other receivables, including contract assets, they are presented in 'selling and administrative expenses' or 'other non-operating expenses'. In view of the importance of other financial assets, impairment losses are not presented separately in the consolidated statements of comprehensive income (loss) but are presented in 'finance costs'.

4) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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4. Material Accounting Policies, Continued

(8) Property, plant and equipment

Subsequent to initial recognition, an item of property, plant and equipment excluding land is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Subsequent to initial recognition land that fair value can be measured reliably is carried at its fair value at the date of revaluation less any accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

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

	Useful lives (years)
Buildings	25~50
Structures	20~45
Heavy machinery	8~19
Machinery	5~45
Ships	15,25
Vehicles	5~14
Tools, furniture and fixtures	3~20
Other property, plant and equipment	10

(9) Intangible assets

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

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

	Useful lives (years)
Capitalized development costs	5
Industrial property right	4~10
Other intangible assets	3~50
Membership, trademark right, goodwill	Indefinite

(10) Government grants

Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deferred and recognized as deduction to depreciation expense over the useful life of the asset.

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

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4. Material Accounting Policies, Continued

(11) Investment property

Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

The useful lives of property investment are as follows:

	<u>Useful lives (years)</u>
Buildings	25~50

(12) Lease

1) As a lessee

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

(i) Right-of-use assets

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

(ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

(iii) Short-term leases and leases of low-value assets

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

4. Material Accounting Policies, Continued

(12) Lease, continued

2) As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statements of comprehensive income (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.

(13) Contract assets and contract liabilities

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

If the customer pays before the Group transfers goods or services to the customer, or the Group has an unconditional right to receive consideration (i.e. the receivable), the Group presents the contract as a contract liability either when it is paid or when it is due to be paid (early both). A contract liability is the Group's obligation to transfer goods or services to the customer in accordance with the consideration received from the customer or the amount of consideration to which the Group has the right to receive the payment. The Group offsets the contract assets and contract liabilities arising from one contract and presents them in the consolidated statements of financial position on a net basis.

On the other hand, expected losses in contracts (i.e. onerous contracts) that exceed the economic benefits expected to be received by the contract are recognized as (liquidity) provisions.

(14) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In addition, since the contract for the construction of a ship under construction does not meet the definition of a qualifying asset, finance costs are treated as finance expenses. In addition, there are no capitalized borrowing costs that have been capitalized for the years ended December 31, 2024 and 2023.

4. Material Accounting Policies, Continued

(15) Non-derivative financial liabilities

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

(16) Employee benefits

1) Retirement benefits: defined benefit plans

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

2) Termination benefits

If the Group makes an explicit commitment, without the practicable possibility of withdrawal, to dismiss an employee before the normal retirement date, or if the Group offers an employee a termination benefit for honorable retirement and the employee voluntarily accepts the offer, the termination benefit is payable in the current term, being recognized as profit or loss. When the voluntary retirement is offered to employees, the termination benefits are measured and recognized in profit or loss based on the number of employees expected to accept the offer. If termination benefits are due 12 months after the reporting period, they are discounted to their present value.

(17) Provisions

1) Provision for construction warranty

The Group generally provides a warranty within the contract on rectification of defects after the contract's completion and accrues the rectification expense on defects based on actual claims history as provision for construction warranty.

2) Provision for product warranty

The Group generally provides a warranty relating to product defects for a specified period of time after sales and accrues estimated costs as provision for product warranty, which may occur due to product liability suits.

3) Provision for construction losses

A provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, if unavoidable costs arising from the contractual obligations exceed the benefits expected to arise from the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

4) Other provision

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognized.

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

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4. Material Accounting Policies, Continued

(18) Emissions rights

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and *Trading of Greenhouse Gas Emission*.

1) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as an intangible asset and are initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized through profit or loss in the respective reporting period.

The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

2) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at of the end of the reporting period.

(19) Foreign currency

1) Foreign currency transactions

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2) Foreign operations

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to the presentation currency using the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency using the exchange rates at the dates of the transaction. Foreign currency differences are recognized in other comprehensive income.

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers

Under K-IFRS No. 1115, revenue is measured on the basis of the consideration promised in the contract with the customer. The Group recognized revenue when a customer controls the goods or services. Control is transferred at a point in time or over time and it requires judgment.

- Determination of the transaction price

The Group considers if significant financial benefits are provided to the customer or the Group in relation to the prepayment received from the customer and reflects the effect of the time value of money to the transaction price. As a practical expedient, the Group does need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

- Identification of performance obligations

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

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

The Group has the shipbuilding segment, which builds merchant ships and special vessels, the offshore, industrial plant and engineering segment that manufactures and installs offshore oil and gas fields, the engine segment that produces ships' engines and power generation facilities, and the green energy segment, which manufactures, sells and installs renewable energy-related products such as solar power modules.

The shipbuilding segment builds and sells ships from the owner of the order and takes at least one year from the date of the contract to the completion of the construction. Due to the nature of the order industry being customized according to the terms presented to the customer, the Group itself has no alternative use, and if the contract is terminated for the customer or other party reasons, it can claim the cost and expected profit it has already entered into and may claim a shortfall after reselling the asset in accordance with the contractual process. Consequently, if the assets that are created by the Group are not for alternative use by the Group itself and the Group has an enforceable right to payment for performance completed to date, the Group recognizes revenue over time in accordance with K-IFRS No. 1115.

If the performance obligation is satisfied over time, the timing of the performance depends on how the Group measures its performance when control of the goods or services is transferred to the customer. If the performance is not measured rationally, the performance is measured within the scope of the incurred cost.

As the shipbuilding segment provides design, raw material purchase, production, and commissioning, it is difficult to obtain information for applying calculation method without incurring excessive cost due to the wide variety of shipbuilding processes. Therefore, the Group determines the timing of satisfaction of performance obligations when the timing of costs incurred because input methods, that recognize revenue on the basis of the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, can faithfully depict the Group's performance.

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

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

The offshore, industrial plant and engineering segment is similar to the shipbuilding segment, but the facility specifications required are complicated and extensive depending on the installation area and the production conditions of crude oil or gas, so the construction and construction period are long and the construction amount is very large. Because of the nature of the customized order industry under the conditions presented to the customer, the Group itself has no alternative use, and if it terminates the contract for reasons of the customer or other party, it can claim the costs and expected profits it has already entered into for the completion of the contract, and recognizes revenue over time in accordance with K-IFRS No. 1115.

If the performance obligation is satisfied over time, the timing of the performance depends on how the Group measures its performance when control of the goods or services is transferred to the customer. If the performance is not measured rationally, the performance is measured within the scope of the incurred cost. The offshore, industrial plant and engineering segment is a contract that provides design and raw materials purchase, production, and commissioning, and since the construction process is very diverse, it is difficult to obtain information to apply the calculation method without incurring excessive cost. Therefore, the timing of the cost injection is determined as the timing of implementation, as the input method can faithfully represent the performance of the Group.

The engine segment supplies the ship's propulsion/generation engines as its main products. For a typical contract, an entity recognizes revenue as it is satisfied at a point in time that is not a performance obligation satisfied over time.

The timing of satisfaction of performance obligations is when the assets held by the Group are transferred to and controlled by the customer, and the Group determines the point in time by indicators of the transfer of control, that include right to payment, legal title, physical possession, transfer of the significant risks and rewards, and the customer's acceptance of an asset. Generally, exports are transferred under the conditions like CIF, FOB and domestic sales are determined to satisfy performance obligations when the Group transfers physical possession of the asset to the customer.

The green energy segment manufactures and sells products such as solar modules, inverters, and ESS related to renewable energy. The type of sales in the sector is largely classified as a standard product supply agreement consisting of a single performance obligation and a composite component order contract that includes a number of distinct performance obligations that provide various products and services within a single contract.

Because of the nature of the contract being customized according to the terms presented to the customer, the Group recognizes revenue over time in accordance with K-IFRS No.1115 for contracts that state that there is no alternative use in the Group itself and that termination of the contract for the reason of the customer or another party can claim the cost and expected profit that has already been entered for the completion of the contract.

For a typical sales contract, revenue is recognized as a performance obligation satisfied at a point in time that is not a performance obligation satisfied over time, and for a contract that satisfies the performance obligation over time, the timing of the performance is determined in accordance with the method of measuring progress that indicates the performance of the segment when control of the goods or services is transferred to the customer. If the performance is not measured rationally, the performance is measured within the scope of the incurred cost.

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

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

The timing of performance obligation fulfillment is when the assets held by the sector are transferred to the customer and are controlled by the customer, and the timing of performance obligation is determined by indicators of the transfer of control of the right to payment, ownership, physical possession, transfer of significant risks and rewards. In general, we believe that exports have met performance obligations at a time when they are physically transferred to the customer, primarily on terms such as CIF, FOB and DDP.

Orders contracts are contracts that provide the delivery, installation, and commissioning of components, and the process is so diverse that it is difficult to obtain information to apply the calculation method without incurring excessive cost. Therefore, the timing of the cost injection is determined as the timing of implementation, as the input method can faithfully represent the performance of the Group.

2) Significant payment terms

The shipbuilding segment is collected by shipbuilding stage, and the collection time for general merchant ships is divided into contracts, Steel cutting, Keel Laying, Launching, Delivery, and in particular, the Heavy Tail method, which collects most of the contract price at the time of delivery of ships.

Special vessels will be charged up to 6 months for planned funds up to 180 days from the date of claim under the Rules for Start-up and Intermediate payments on the defense industry.

The offshore, industrial plant and engineering segment is charged according to the progress of the construction, including the advance payment, the achievement amount of Milestone, and the performance deposit, and the engine segment is collected separately by the advance payment, middle and balance according to the collection conditions stipulated in the contract.

The green energy segment typically receives payments within 60 to 180 days of the billing date for supply of standard goods, and in the case of installation contracts, the amount is collected according to progress, and in the case of multi-component order contracts, the amount is usually divided into advance payment, middle payment, and balance.

Depending on the terms of payment, a difference between when the Group receives the consideration for the goods or services from the customer and when it expects to transfer the promised goods or services to the customer may result in a significant financing component that adjusts the promised consideration to reflect the effect of the time value of money.

4. Material Accounting Policies, Continued

(20) Revenue from contracts with customers, continued

3) Nature and duration of warranty

The shipbuilding segment typically provides a warranty of 12 months or 24 months depending on type of ship. The offshore, industrial plant and engineering segment provides a separate warranty period based on the nature of each object and the terms of the contract. The engine segment typically provides a warranty period of 24 months after delivery or 12 months after delivery, and the green energy sector provides a warranty of about 12 years after delivery. This is similar to the normal warranty period of the peer group. Usually, the term of warranty granted over a period of time will be transferred to a paid-in AS. The warranty provided is intended to provide assurance that the product complies with the agreed-upon specifications and is not subject to a separate performance obligation.

4) Transaction price calculation method, estimation of variable cost, input variables, information

Although there is no need to estimate the stand-alone selling price for the distribution of the transaction price because there is a single performance obligation for the supply of standard goods in the shipbuilding, offshore, industrial plant and engineering segment and green energy segment, but in the engine machinery segment, separate services such as installation and supervision exist within the contract. And, in the case of contracts for multi-component contracts in the green energy segment, each includes a number of such performance obligation to supply of services within one contract.

If the transaction price is allocated on a stand-alone selling price basis and the stand-alone selling price does not exist in the market, the expected cost of satisfying the performance obligation is predicted and the total contract amount is allocated to the performance obligation separately separated by the expected cost-benefit calculation approach, which adds an appropriate profit to the transaction price.

The consideration receivable from customers may be variable by change order due to design changes and additional work caused by requests from owners of the shipbuilding and the offshore, industrial plant and engineering segment, and delayed compensation due to delay in delivery and fail to achieve specifications. In the case of change order, variable consideration is included in the transaction price only to the extent it is highly probable that a significant revenue reversal will not occur. In the case of delayed compensation, the Group recognizes revenue by deducting the estimated amount incurred by the contract terms from the contract price.

4. Material Accounting Policies, Continued

(21) Finance income and finance costs

The Group's finance income and finance costs are as follows;

- interest income
- interest expense;
- dividend income;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment loss (and reversals) on investments in debt securities carried at amortized cost or FVOCI; and
- re-measurement gains on the fair value of existing interests in the acquiree in a business combination;
- fair value loss on contingent consideration classified as a financial liability;
- hedge ineffectiveness recognized in profit or loss
- the reclassified net profit or loss previously recognized in other comprehensive income in the cash flow hedge accounting for borrowing liabilities (See Note 29).

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(22) Corporate income taxes

The Group applies the consolidated tax filing method, treating the controlling company, its 90% or more domestically controlled subsidiary (hereinafter referred to as the "consolidated subsidiary"), as a consolidated tax group unit for calculating a single tax base and tax amount. The Group assess the realization potential of temporary differences, considering the future taxable income of individual companies and the consolidated group separately. Changes in deferred tax assets (liabilities) are recognized as income tax expense (income), excluding amounts related to items directly debited or credited to equity accounts.

(23) Discontinued operations

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations;
- or
- is a subsidiary acquired exclusively with a view to resale

When an operation is classified as a discontinued operation, the comparative separate statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

4. Material Accounting Policies, Continued

(24) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are not mandatory for the Group for annual periods beginning on January 1, 2024, and the Group has not early adopted them. The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Lack of Exchangeability (K-IFRS No. 1021 'The Effects of Changes in Foreign Exchange Rates')
- Classification and Measurement of Financial Instruments (K-IFRS No. 1107 'Financial Instruments: Disclosures', K-IFRS No. 1109 'Financial Instrument')
- Annual Improvements (K-IFRS No. 1007 'Statement of Cash Flows', K-IFRS No. 1101 'First-time Adoption of International Financial Reporting Standards', K-IFRS No. 1107 'Financial Instrument: Disclosures', K-IFRS No. 1109 'Financial Instrument', K-IFRS No. 1110 'Consolidated Financial Statements')

5. Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

(1) Financial risk management

1) Risk management framework

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

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

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

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Most of the Group's customers are located in Korea, so the risk of bankruptcy in the country where the customer is located does not significantly affect credit risk.

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

The Group evaluates the impairment loss separately for receivables with significant receivable size and credit-impaired credit, taking into account the insurance purchase and creditworthiness.

5. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk, continued

(ii) Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, does not expect a significant risk that any counterparty fails to meet its obligations.

(iii) Guarantees

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

3) Liquidity risk

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

The Group has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Group does not generate sufficient cash flow from operations to meet its capital requirements, the Group may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities.

4) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

(i) Currency risk

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

The Group hedges trade receivables and trade payables denominated in a foreign currency in respect of forecasted sales and purchases. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than two years from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. Trade receivables denominated in a foreign currency have been hedged using forward contracts that mature on the same dates that the receivables are due for collection. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk

The Group hedges interest rate risk using interest rate swap for variable interest borrowings. As a result, the risk that changes in the value of variable interest-bearing bonds and loans will affect the Group's profit or loss is avoided.

(iii) Other market price risk

The Group is exposed to the price risk arising from available-for-sale equity securities.

The effect of 1% changes in price of marketable available-for-sale securities on the total comprehensive income for the years ended December 31, 2024 and 2023 are ₩14 million and ₩969 million.

(2) Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the liability to equity ratio and net borrowing to equity ratio, which the Group defines as total liabilities divided by total equity and net borrowing divided by total equity.

The Group's liability to-equity ratio and net borrowing to equity ratio as of December 31, 2024 and 2023 are as follows:

(In millions of won, except ratio)

		2024	2023
Total liabilities	₩	22,563,324	19,872,465
Total equity		14,155,813	12,370,103
Cash and deposits(*1)		5,647,219	4,614,300
Borrowings(*2)		1,416,030	3,915,734
Liability to-equity ratio		159.39%	160.65%
Net borrowing to equity ratio(*3)		(*4)	(*4)

(*1) Cash and deposits consist of cash, cash equivalents, short-term and long-term financial instruments.

(*2) Discount on debentures is deducted from the face value of debentures.

(*3) Net borrowing to equity ratio is calculated by dividing net of borrowings by total equity.

(*4) Net borrowing to equity ratio has not been calculated because it is a negative ratio.

The interest coverage ratio and basis of calculation for the years periods ended December 31, 2024 and 2023 are as follows:

(In millions of won, except ratio)

		2024	2023
1. Operating profit (loss)	₩	1,434,090	282,261
2. Interest expense		206,322	193,879
3. Interest coverage ratio (1÷2)		6.95	1.46

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6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Cash	₩	400	99
Demand deposits		81,524	46,064
Others (MMDA, and others)		3,635,395	2,972,228
	₩	<u>3,717,319</u>	<u>3,018,391</u>

7. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>		2024		2023	
		Current	Non-current	Current	Non-current
Financial instruments	₩	1,922,179	7,721	1,595,619	290
Financial assets measured at FVTPL		-	19,816	-	19,704
Financial assets measured at FVOCI		-	114,054	-	212,720
	₩	<u>1,922,179</u>	<u>141,591</u>	<u>1,595,619</u>	<u>232,714</u>

8. Restricted Deposits and Others

Deposits and others which are restricted in use as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>		2024	2023	Restrictions
Cash and cash equivalent	₩	3,418	-	Deductible business contributions
Long-term financial assets		7,425	48	Guarantee deposits for checking accounts
	₩	<u>10,843</u>	<u>48</u>	

The Group has deposited ₩181,122 million in financial institutions for the purpose of providing financial support to the Group's partners and Implementation of government project as of December 31, 2024.

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9. Trade and Other Receivables and Contract Assets

(1) Trade and other receivables as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

	2024		2023	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 2,173,169	238,640	1,920,128	338,414
Allowance for doubtful accounts	(908,867)	(85,639)	(870,967)	(138,770)
	<u>1,264,302</u>	<u>153,001</u>	<u>1,049,161</u>	<u>199,644</u>
Other receivables:				
Other accounts receivable	553,323	1,030	545,848	1,439
Allowance for doubtful accounts	(220,871)	(17)	(183,805)	-
Accrued income	35,990	-	37,545	-
Allowance for doubtful accounts	(3,768)	-	(1,346)	-
Loans	6,100	25,040	8,127	5,432
Allowance for doubtful accounts	-	(16,500)	-	(787)
Guarantee deposits	5,267	30,144	4,599	46,530
	<u>376,041</u>	<u>39,697</u>	<u>410,968</u>	<u>52,614</u>
	<u>₩ 1,640,343</u>	<u>192,698</u>	<u>1,460,129</u>	<u>252,258</u>

(2) Contract assets as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

	2024	2023
Contract assets	₩ 7,519,802	7,165,162
Allowance for doubtful accounts	(16,798)	(8,344)
	<u>₩ 7,503,004</u>	<u>7,156,818</u>

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10. Inventories

(1) Inventories as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)		2024			2023		
		Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩	8,961	(2,046)	6,915	33	-	33
Finished goods		97,464	(8,208)	89,256	163,856	(28,023)	135,833
Work-in-progress		811,764	(6,296)	805,468	536,521	(17,448)	519,073
Raw materials		783,151	(9,626)	773,525	909,596	(2,971)	906,625
Supplies		23,176	-	23,176	19,301	-	19,301
Materials-in-transit		533,727	-	533,727	424,800	-	424,800
	₩	<u>2,258,243</u>	<u>(26,176)</u>	<u>2,232,067</u>	<u>2,054,107</u>	<u>(48,442)</u>	<u>2,005,665</u>

(2) Loss (Reversal) on valuation of inventories for the years ended December 31, 2024 and 2023 are summarized as follows:

(In millions of won)		2024	2023
Loss(reversal) on valuation of inventories	₩	(36,188)	19,053

11. Other Assets

Other assets as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)		2024		2023	
		Current	Non-current	Current	Non-current
Advanced payments	₩	1,606,926	-	1,599,420	-
Accumulated impairment loss		(18,718)	-	(986)	-
Prepaid expenses		565,381	10,376	455,611	4,816
Accumulated impairment loss(*1)		(179)	-	(7,285)	-
Emission right		458	-	-	-
Others		-	259,791	-	241,296
Accumulated impairment loss		-	(63,307)	-	(63,307)
Net defined benefit assets(*2)		-	152,173	-	363,672
	₩	<u>2,153,868</u>	<u>359,033</u>	<u>2,046,760</u>	<u>546,477</u>

(*1) Prior to recognition of the provision for the onerous contract, the impairment loss on the related asset was recognized.

(*2) As of December 31, 2024, plan assets in excess of the present value of defined benefit obligations was recorded as other non-current assets (See Note 27).

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12. Investments in Associates

(1) Investments in associates as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)					2024		2023	
Associates	Location	Fiscal year end	Business		Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club		29.00	₩ 30,361	29.00	29,258
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education		49.00	-	49.00	-
KCLNG Tech Co., Ltd. (*1)	Korea	December	Other engineering service		16.60	-	16.60	-
Zvezda-Hyundai LLC	Russia	December	Shipbuilding		49.00	1,082	49.00	1,384
International Maritime Industries Company	Saudi Arabia	December	Shipbuilding		20.00	-	20.00	53,730
	United Kingdom	December	Manufacture of cell, stack, stack module		15.33	60,247	17.36	62,967
Elcogen Group PLC (*1)	China	December	Financial and operating leases		41.26	95,983	41.26	116,445
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD. (*3)			Sale and manufacture of machinery equipment for shipbuilding		20.91	48,681	25.00	39,766
Hyundai Hymys Co., Ltd.	Korea	December	Holding company		20.25	-	-	-
STX China Shipbuilding Holdings Co., Ltd. (*2)	Hongkong	December	Construction of residential buildings		30.00	-	-	-
STX Dalian Development Co., Ltd. (*2)	China	December						
						₩ 236,354		303,550

(*1) Although the controlling company owns less than 20% of the equity interests, the controlling company has determined that it has significant influence because the rest of shareholders are minority and widely spread, as result the controlling company has been able to participate in the board of directors.

(*2) For the year ended December 31, 2024, the Group have acquired shares of STX China Shipbuilding Holdings Co., Ltd. and STX Dalian Development Co., Ltd.

(*3) For the year ended December 31, 2024, it was renamed from Hyundai Financial Leasing Co., Ltd. to HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.

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12. Investments in Associates, Continued

(2) Condensed financial information of associates as of and for the years ended December 31, 2024 and 2023 is summarized as follows:

Associates	2024										Dividends received from investments in associates
	Condensed financial information of associates										
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating profit (loss)	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
New Korea Country Club	₩ 36,171	19,419	2,078	5,497	48,015	19,416	4,091	4,323	-	4,323	145
Hyundai Green Industries Co., W.L.L.	-	-	-	-	-	-	-	-	-	-	-
KC LNG Tech Co., Ltd.	2,559	5,784	13,461	369	(5,487)	72	(1,795)	(1,197)	-	(1,197)	-
Zvezda-Hyundai LLC	3,294	1,322	1,041	2	3,573	276	(224)	(931)	(330)	(1,261)	-
International Maritime Industries Company	232,974	1,474,161	309,268	1,474,532	(76,665)	30,790	(346,273)	(312,705)	6,095	(306,610)	-
Elcogen Group PLC	54,364	59,036	12,287	2,822	98,291	15,045	(26,745)	(25,453)	6,292	(19,161)	-
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	170,529	57,647	4,644	11,434	212,098	16,044	3,057	1,868	27,003	28,871	27,835
Hyundai Hymys Co., Ltd.(*)	72,623	253,707	40,792	52,709	232,829	223,243	21,628	15,850	(719)	15,131	-
STX China Shipbuilding Holdings Co., Ltd.	11,719	68,172	115,233	110,823	(146,165)	-	-	-	-	-	-
STX Dalian Development Co., Ltd.	21,114	1,770	24,385	6,985	(8,486)	-	-	-	-	-	-
₩ 605,347	1,941,018	523,189	1,665,173	358,003	304,886	(346,261)	(318,245)	38,341	(279,904)	27,980	

(*) It is financial information based on the consolidated financial statements of associate as of December 31, 2024.

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12. Investments in Associates, Continued

(2) Condensed financial information of associates as of and for the years ended December 31, 2024 and 2023 is summarized as follows, continued:

	Associates	2023										Dividends received from investments in associates
		Condensed financial information of associates										
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating profit (loss)	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
₩	New Korea Country Club	32,452	18,958	1,838	5,359	44,213	18,383	3,740	3,936	-	3,936	145
	Hyundai Green Industries Co., W.L.L.	-	-	-	-	-	-	-	-	-	-	-
	KC LNG Tech Co., Ltd.	2,666	6,313	12,893	376	(4,290)	2,062	(2,171)	(85)	-	(85)	-
	Zvezda-Hyundai LLC	3,436	1,963	565	1	4,833	1,165	277	161	(758)	(597)	-
	International Maritime Industries Company	356,506	997,389	159,634	993,296	200,965	91,338	(255,423)	(240,411)	8,032	(232,379)	-
	Elcogen Group PLC	71,822	26,978	13,572	18,435	66,793	1,174	(3,474)	(3,522)	(530)	(4,052)	-
	HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	236,059	42,061	6,765	9,667	261,688	35,339	3,728	1,796	(836)	960	773
	Hyundai Hymys Co., Ltd. (*)	46,026	205,346	34,901	39,870	176,601	189,188	14,493	9,883	(1,004)	8,879	-
₩		748,967	1,299,008	230,168	1,067,004	750,803	338,649	(238,830)	(228,242)	4,904	(223,338)	918

(*) It is financial information based on the consolidated financial statements of associate as of December 31, 2023.

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12. Investments in Associates, Continued

(3) Changes in equity-method accounted investees for the years ended December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Associates	2024						
	Beginning balance	Acquisitions (disposals)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Others	Ending balance
New Korea Country Club	₩ 29,258	-	1,248	-	(145)	-	30,361
Hyundai Green Industries Co., W.L.L.	-	-	-	-	-	-	-
KC LNG Tech Co., Ltd.(*)	-	-	-	-	-	-	-
Zvezda-Hyundai LLC	1,384	-	(139)	(163)	-	-	1,082
International Maritime Industries Company(*)	53,730	-	(54,267)	537	-	-	-
Elcogen Group PLC	62,967	48	(4,522)	1,869	-	(115)	60,247
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	116,445	(4,539)	771	11,141	(27,835)	-	95,983
Hyundai Hymas Co., Ltd.	39,766	-	3,397	(150)	-	5,668	48,681
STX China Shipbuilding Holdings Co., Ltd.(*)	-	-	-	-	-	-	-
STX Dalian Development Co., Ltd.(*)	-	-	-	-	-	-	-
	₩ 303,550	(4,491)	(53,512)	13,234	(27,980)	5,553	236,354

(*) Equity method accounting was suspended for KCLNG Tech Co., Ltd. and three other investees due to a cumulative deficit that resulted in a book value of zero, and the unrecognized equity in net income of these investees due to the suspension of equity method accounting amounted to ₩48,388 million.

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12. Investments in Associates, Continued

(3) Changes in equity-method accounted investees for the years ended December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Associates	2023					
	Beginning balance	Acquisitions (disposals)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 28,273	-	1,130	-	(145)	29,258
Hyundai Green Industries Co., W.L.L.	-	-	-	-	-	-
KC LNG Tech Co., Ltd.(*)	-	-	-	-	-	-
Zvezda-Hyundai LLC	1,676	-	79	(371)	-	1,384
International Maritime Industries Company	73,203	24,099	(45,178)	1,606	-	53,730
Elcogen Group PLC	-	64,065	(611)	(487)	-	62,967
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	116,822	-	741	(345)	(773)	116,445
Hyundai Hymys Co., Ltd.	39,477	-	527	(238)	-	39,766
	₩ 259,451	88,164	(43,312)	165	(918)	303,550

(*) Equity method accounting was suspended due to a cumulative deficit that resulted in a book value of zero, and the unrecognized equity in net income of the associate due to the suspension of equity method accounting amounted to ₩712 million.

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12. Investments in Associates, Continued

- (4) Reconciliation from net assets of the associates to the carrying amount of investments in associates in The Group's consolidated financial statements as of December 31, 2024 and 2023 is summarized as follows:

(In millions of won)

Associates	2024						
	Ending net assets	Percentage of the Group's ownership (%)	Net value	Corporate adjustments (i.e.: goodwill, etc.)	Elimination of intra-company transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 48,015	29.00	₩ 13,925	16,436	-	-	30,361
Hyundai Green Industries Co., W.L.L.	-	49.00	-	-	-	-	-
KC LNG Tech Co., Ltd.	(5,487)	16.60	(911)	-	-	911	-
Zvezda-Hyundai LLC	3,573	49.00	1,751	-	(669)	-	1,082
International Maritime Industries Company	(76,665)	20.00	(15,333)	-	-	15,333	-
Elcogen Group PLC	98,291	15.33	15,073	45,174	-	-	60,247
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	212,098	41.26	87,515	8,468	-	-	95,983
Hyundai Hymys Co., Ltd	232,829	20.91	48,681	-	-	-	48,681
STX China Shipbuilding Holdings Co., Ltd.	(146,165)	20.25	(29,598)	-	-	29,598	-
STX Dalian Development Co., Ltd.	(8,486)	30.00	(2,546)	-	-	2,546	-
	₩ 358,003		₩ 118,557	70,078	(669)	48,388	236,354

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12. Investments in Associates, Continued

- (4) Reconciliation from net assets of the associates to the carrying amount of investments in associates in The Group's consolidated financial statements as of December 31, 2024 and 2023 is summarized as follows, continued:

(In millions of won)

Associates	2023						
	Ending net assets	Percentage of the Group's ownership (%)	Net value	Corporate adjustments (i.e.: goodwill, etc.)	Elimination of intra-company transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 44,213	29.00	₩ 12,822	16,436	-	-	29,258
Hyundai Green Industries Co., W.L.L.	-	49.00	-	-	-	-	-
KC LNG Tech Co., Ltd.	(4,290)	16.60	(712)	-	-	712	-
Zvezda-Hyundai LLC	4,833	49.00	2,369	-	(985)	-	1,384
International Maritime Industries Company	200,965	20.00	40,192	13,538	-	-	53,730
Elcogen Group PLC	66,793	17.36	11,597	51,370	-	-	62,967
HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	261,688	41.26	107,977	8,468	-	-	116,445
Hyundai Hyms Co., Ltd (*)	176,601	25.00	44,150	-	-	(4,384)	39,766
	₩ 750,803		₩ 218,395	89,812	(985)	(3,672)	303,550

(*) Hyundai Hyms Co., Ltd. issued cumulative preferred shares classified as equity and, accordingly the shareholding of the Group have been calculated after accounting for the dividends received on the cumulative preferred shares.

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13. Investments in a Joint Ventures

(1) Investments in a joint venture as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Company	Location	Fiscal year	Main business	2024		2023	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Saudi Engines Manufacturing Company(*)	Saudi Arabia	December	Manufacture of marine engines	30.00	₩ 20,261	30.00	₩ 5,409

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

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13. Investments in Joint Ventures, Continued

(2) Condensed financial information of a joint venture as of and for the years ended December 31, 2024 and 2023 is summarized as follows:

(i) Summary of financial information

(In millions of won)

	Joint venture	2024										Dividends received from investments in joint ventures
		Condensed financial information of joint ventures										
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating loss	Loss for the period	Other comprehensive income	Total comprehensive loss	
(In millions of won)												
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating loss	Loss for the period	Other comprehensive income	Total comprehensive loss	
		₩ 71,567	24,010	27,338	703	67,536	5,460	(25,660)	(24,543)	5,112	(19,431)	
	Saudi Engines Manufacturing Company											

(ii) Additional financial information

(In millions of won)

Joint venture	2024						Income tax expense
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation	Interest income	Interest expense	
Saudi Engines Manufacturing Company	₩ 60,924	18,933	50	1,342	1,278	20	66

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13. Investments in Joint Ventures, Continued

(2) Condensed financial information of a joint venture as of and for the years ended December 31, 2024 and 2023 is summarized as follows, continued:

(i) Summary of financial information, continued

	2023									
	Condensed financial information of joint ventures									
Joint venture	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Sales	Operating loss	Loss for the period	Other comprehensive income	Total comprehensive loss
Saudi Engines Manufacturing Company	₩ 21,344	12,828	15,855	286	18,031	-	(17,719)	(16,994)	781	(16,213)
										-

(ii) Additional financial information

	2023						
	Condensed financial information of joint ventures						
Joint venture	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
Saudi Engines Manufacturing Company	₩ 14,837	485	38	1,052	824	51	47

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13. Investments in a Joint Ventures, Continued

- (3) Changes in an equity-method accounted joint venture as of and for the years ended December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Joint venture	2024				
	Beginning balance	Acquisitions	Share of loss of equity accounted investees	Changes in equity of equity accounted investees	Ending balance
Saudi Engines Manufacturing Company	₩ 5,409	20,677	(7,363)	1,538	20,261

(In millions of won)

Joint venture	2023				
	Beginning balance	Acquisitions	Share of loss of equity accounted investees	Changes in equity of equity accounted investees	Ending balance
Saudi Engines Manufacturing Company	₩ 10,273	-	(5,098)	234	5,409

- (4) Reconciliation from net assets of the joint ventures to the carrying amount of investments in joint ventures in the Group's consolidated financial statements as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Joint venture	2024			
	Ending net assets	Ownership (%)	Net value	Ending carrying amount
Saudi Engines Manufacturing Company	₩ 67,536	30.00	20,261	20,261

(In millions of won)

Joint venture	2023			
	Ending net assets	Ownership (%)	Net value	Ending carrying amount
Saudi Engines Manufacturing Company	₩ 18,031	30.00	5,409	5,409

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14. Joint Operation

The joint operation as of December 31, 2024 and 2023 is summarized as follows:

Joint operation	Main Office	Main business	Ownership (%)	
			2024	2023
FDH JV(*1)	Kuwait	Chemical plant	33.33	33.33
FDH JV(*2)	Kuwait	Chemical plant	20.00	20.00

(*1) The Group holds a significant joint operation 'FDH JV' as of December 31, 2024 and 2023. FDH JV is a joint operation that the main purpose of an arrangement is a construction of Clean Fuels Project MAB2 EPC PKG ordered by Kuwait National Petroleum Company. The Group recognizes assets and liabilities relating to its interest in the joint operation as well as revenues and expenses relating to its interest in the joint operation.

(*2) The Group holds a significant joint operation 'FDH JV' as of December 31, 2024 and 2023. FDH JV is a joint operation that the main purpose of an arrangement is a construction of Al Zour Refinery Project Package 2 & 3 EPC PKG ordered by Kuwait Integrated Petroleum Industries Company. The Group recognizes assets and liabilities relating to its interest in the joint operation as well as revenues and expenses relating to its interest in the joint operation.

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15. Financial assets measured at fair value

- (1) Financial assets measured at FVOCI as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	2024			2023		
	Ownership (%)	Acquisition cost	Carrying amount	Ownership (%)	Acquisition cost	Carrying amount
Listed equity securities:						
HMM Co., Ltd.(*1)	- ₩	-	-	0.71 ₩	314,455	95,502
KCC Corporation	0.06	1,071	1,203	0.06	1,071	1,167
KCC Glass Corporation	0.03	201	181	0.03	201	197
		<u>1,272</u>	<u>1,384</u>		<u>315,727</u>	<u>96,866</u>
Unlisted equity securities(*2):						
Hyundai Heavy Industries Power Systems Co., Ltd.(*3)	20.00	31,888	22,761	20.00	31,888	30,592
Bexco Co., Ltd.(*3)	7.96	9,460	5,254	7.96	9,460	4,773
Hyundai M Partners Co., Ltd.(*4)	9.93	13,145	18,430	9.93	13,145	19,704
OSX Construcão Naval S.A.	0.20	57,498	-	0.20	57,498	-
Other	-	68,973	66,225	-	63,545	60,785
		<u>180,964</u>	<u>112,670</u>		<u>175,536</u>	<u>115,854</u>
	₩	<u>182,236</u>	<u>114,054</u>	₩	<u>491,263</u>	<u>212,720</u>

(*1) HD Korea Shipbuilding & Offshore Engineering Co., Ltd. disposed of its entire shareholding in HMM Co., Ltd. for the purpose of asset securitization. The fair value at the time of disposal was ₩62,449 million, and the cumulative loss recognized amounted to ₩298,356 million. Similarly, HD Hyundai Samho Co., Ltd. disposed of its entire holding in HMM Co., Ltd., with a fair value of ₩27,655 million and a cumulative loss of ₩153,099 million.

(*2) Unless otherwise noted, the carrying amounts of unlisted equity securities were recorded at their acquisition cost since their fair values cannot be reliably estimated.

(*3) The fair value of Bexco Co., Ltd. and Hyundai Heavy Industries Power Systems Co., Ltd. were calculated by using the free cash flow to equity method and comparison method of similar listed companies.

(*4) The fair value of Hyundai M Partners Co., Ltd. was calculated by using the net asset value method.

Changes in the end of the current year compared to the prior year are attributable to disposals and fair value adjustments.

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15. Financial assets measured at fair value, Continued

(2) Financial assets measured at FVTPL as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	2024			2023		
	Ownership (%)	Acquisition cost	Carrying amount	Ownership (%)	Acquisition cost	Carrying amount
Debt investments(*1):						
KC Coexistence PEF(*2)	16.67	₩ 7,000	6,489	16.67	₩ 7,000	6,436
Beneficiary certificate and others	-	2,264	2,194	-	2,264	2,191
Construction Guarantee Cooperative (investment) and others	-	7,552	11,133	-	7,500	11,077
		<u>₩ 16,816</u>	<u>19,816</u>		<u>₩ 16,764</u>	<u>19,704</u>

(*1) If the fair value cannot be reliably measured due to the insufficient basic data or lack of objectivity, the fair value is evaluated at acquisition cost.

(*2) The Group calculated the fair value of KC Coexistence PEF shares using the net assets value model.

Changes in the end of the current year compared to the prior year are attributable to acquisitions and fair value adjustments.

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16. Investment Property

- (1) Changes in investment properties for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

	2024				2023		
	Land	Buildings	Others	Total	Land	Buildings	Total
Beginning balance	₩ 63,077	155,253	-	218,330	63,077	159,297	222,374
Acquisitions	-	89	-	89	-	-	-
Disposals	-	-	(2,435)	(2,435)	-	-	-
Effects of changes in scope of consolidation	77,015	7,317	1,480	85,812	-	-	-
Reclassification	(77,015)	(3,565)	955	(79,625)	-	961	961
Depreciation	-	(5,605)	-	(5,605)	-	(5,005)	(5,005)
Ending balance	₩ 63,077	153,489	-	216,566	63,077	155,253	218,330

- (2) Investment Properties as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

	2024			2023		
	Land	Buildings	Total	Land	Buildings	Total
Acquisition cost	₩ 63,077	228,494	291,571	63,077	225,119	288,196
Accumulated depreciation	-	(75,005)	(75,005)	-	(69,866)	(69,866)
Ending balance	₩ 63,077	153,489	216,566	63,077	155,253	218,330

- (3) Revenue and expense from investment property for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

	2024	2023
Rental income	₩ 11,346	10,116
Operating and maintenance expense arising from investment property that generated rental income	5,781	4,973

- (4) Fair values from investment property as of December 31, 2024 and 2023 is as follows:

(In millions of won)

	2024	2023
Land	₩ 90,222	90,435
Buildings	234,204	239,105
	₩ 324,426	329,540

The fair value of investment property was determined by external, independent appraiser, having appropriate recognized professional qualifications and experience in relation to the assessment of real estate in the Republic of Korea as of January 1, 2010 when the KIFRS was adopted. The valuation is achieved by using comparison methods to obtain the economic value based on marketability of the property. The Group calculated fair value considering the standard market price after transition date in order to estimate the fair value of investment property as of December 31, 2024.

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17. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024					
		Machinery and equipment					Total
		Land	Buildings	Structures	Construction in-progress	Others	
Beginning balance	₩	5,031,366	1,855,914	1,451,465	1,024,684	438,486	10,503,503
Acquisitions		16	9,700	17,297	244,302	196,100	902,342
Reclassification		(24,228)	94,416	182,217	126,101	(464,252)	(36,433)
Disposals		(7,104)	(3,103)	(251)	(17,307)	(79)	(31,030)
Depreciation		-	(71,369)	(63,869)	(185,914)	-	(461,856)
Impairment losses		-	(423)	(1,595)	(1,531)	(371)	(3,920)
Impairment reversals		-	-	-	-	15,038	15,038
Effect of changes in exchange rates		-	6,246	11,840	9,057	3,706	35,184
Effects of changes in scope of consolidation		129,819	21,692	11,241	20,643	2,175	188,062
Ending balance	₩	5,129,869	1,913,073	1,608,345	1,220,035	823,659	11,110,890

(In millions of won)

		2023					
		Machinery and equipment					Total
		Land	Buildings	Structures	Construction in-progress	Others	
Beginning balance	₩	5,032,116	1,829,636	1,436,354	893,962	364,846	10,143,113
Acquisitions		148	15,975	8,789	266,619	340,207	829,238
Reclassification		1,156	80,806	66,020	55,592	(258,644)	(12,387)
Disposals		(2,054)	(1,315)	(1,498)	(2,913)	(8,027)	(17,415)
Depreciation		-	(68,849)	(58,411)	(168,950)	-	(418,559)
Impairment losses		-	(1,183)	(1,314)	(20,743)	(1,140)	(24,380)
Effect of changes in exchange rates		-	844	1,525	1,117	303	3,893
Ending balance	₩	5,031,366	1,855,914	1,451,465	1,024,684	438,486	10,503,503

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17. Property, Plant and Equipment, Continued

(2) Property, plant and equipment as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

		2024					
		Machinery and Construction					Total
		Land	Buildings	Structures	equipment in-progress	Others	
Acquisition cost	₩	5,129,869	3,526,774	3,014,717	5,106,594	415,909	20,165,046
Government grants		-	(2,731)	(208)	(1,247)	(1,021)	(5,207)
Accumulated depreciation		-	(1,465,096)	(1,249,267)	(3,732,734)	(2,080,328)	(8,527,425)
Accumulated impairment		-	(145,874)	(156,897)	(152,578)	(66,175)	(521,524)
Ending balance	₩	<u>5,129,869</u>	<u>1,913,073</u>	<u>1,608,345</u>	<u>1,220,035</u>	<u>415,909</u>	<u>11,110,890</u>

(In millions of won)

		2023					
		Machinery and Construction					Total
		Land	Buildings	Structures	equipment in-progress	Others	
Acquisition cost	₩	5,031,366	3,318,107	2,734,374	4,665,981	438,486	18,958,506
Government grants		-	(2,748)	(94)	(885)	(795)	(4,522)
Accumulated depreciation		-	(1,355,018)	(1,141,968)	(3,514,455)	(1,987,660)	(7,999,101)
Accumulated impairment		-	(104,427)	(140,847)	(125,957)	(80,149)	(451,380)
Ending balance	₩	<u>5,031,366</u>	<u>1,855,914</u>	<u>1,451,465</u>	<u>1,024,684</u>	<u>438,486</u>	<u>10,503,503</u>

(3) Impairment losses

The Group assessed cash generating units (“CGUs”) for impairment where indications of impairment existed, as a result impairment loss was recognized in the amount of ₩3,920 million (₩5,887 million in 2023) for property, plant and equipment for the period ended December 31, 2024. In addition, a reversal of impairment losses amounting to ₩15,038 million was recognized for individual assets for which indicators of impairment reversal were identified. The estimated recoverable amount based on the impairment assessments is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU. The fair value less costs is the expected negotiated sales amount or appraised value. Appraised value corresponds to fair value, which is evaluated based on valuation methods, such as “publicly assessed land price”, “sales comparison approach”, and others.

In addition, the Group did not recognize any impairment losses for property, plant and equipment with no intended future use for the year ended December 31, 2024. Impairment losses totaling ₩18,493 million were recognized for such assets in the year ended December 31, 2023.

The Group tests for impairment on CGU annually. The Group, in principle, defines the business unit as CGU, and determines whether it is impaired by evaluating the value in use of the independent CGU. The recoverable amount of each business unit is reasonably estimated by the Group and is derived through DCF (Discounted Cash Flow) using estimated cash flow before tax based on the five-year business approved by management.

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17. Property, Plant and Equipment, Continued

(3) Impairment losses, continued

At the end of the current period, the recoverable amount was determined using the value in use of the CGU, which exceeds its carrying amount. Estimated cash flows have been updated to reflect increased demand for goods and services since the end of the prior period, and discount rate and terminal growth rate were calculated by taking into account the market environment, and applying the average value of the long-term observation period.

<i>(In percentage)</i>	<u>Discount rate</u>	<u>Terminal growth rate</u>
Inputs variables	9.60	1.00

(4) Construction-in-progress is related to the construction of Ihwa Industrial Park and others as of December 31, 2024.

(5) Land revaluation

The Group applied revaluation model on land and revalued land by using the value which independent and expertise appraisal institution appraised as of December 31, 2020. The appraisal institution valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraisal results with the estimated price based on recent market transactions among the independent third parties.

Book values of land assessed by revaluation model and cost model as of December 31, 2024 are as follows:

(In millions of won)		2024	
		Revaluation model	Cost model
Land	₩	5,129,869	3,093,371

The measured fair value of land is classified into level 3 fair value based on the input variables used in the valuation techniques. The valuation method and input variables which are used for measuring fair value of land are as follows:

<u>Valuation method</u>	<u>Significant but unobservable input variables</u>	<u>Correlation between the main unobservable variable and fair value</u>
Publicly assessed land price	Time adjustment (Rate of changes in land value)	If rate of changes in land value increases (decreases), then fair value increases (decreases).
	Regional contribution	If regional contribution increases (decreases), then fair value increases (decreases).
	Individual contribution	If the adjusted value of terms of residential lot and others increases (decreases), then fair value increases (decreases).
	Other contributions	If the adjusted value of the level of land value and others increases (decreases), then fair value increases (decreases).

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17. Property, Plant and Equipment, Continued

(6) Temporarily unused assets

As of December 31, 2024, there were no assets temporarily not in use. As of December 31, 2023, the carrying amount of assets temporarily not in use was ₩310 million.

18. Right-of-use assets and lease liabilities

(1) Changes in right-of-use assets for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024				
		Land	Buildings	Structures	Others	Total
Beginning balance	₩	35,413	50,277	2,322	12,421	100,433
Acquisitions		6,418	10,470	367,757	4,288	388,933
Termination		-	(128)	(105)	(116)	(349)
Transfers		434	736	-	(210)	960
Depreciation		(12,020)	(20,042)	(278)	(4,295)	(36,635)
Effects of changes in scope of consolidation		1,120	367	-	434	1,921
Effect of changes in exchange rates		722	45	28,585	5	29,357
Ending balance	₩	<u>32,087</u>	<u>41,725</u>	<u>398,281</u>	<u>12,527</u>	<u>484,620</u>

(In millions of won)

		2023				
		Land	Buildings	Structures	Others	Total
Beginning balance	₩	38,294	55,829	2,515	11,856	108,494
Acquisitions		9,336	14,096	-	3,652	27,084
Termination		(13)	(278)	-	(6)	(297)
Transfers		496	(781)	1	1,089	805
Depreciation		(12,798)	(18,590)	(194)	(4,170)	(35,752)
Effect of changes in exchange rates		98	1	-	-	99
Ending balance	₩	<u>35,413</u>	<u>50,277</u>	<u>2,322</u>	<u>12,421</u>	<u>100,433</u>

(2) Right-of-use assets as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

		2024				
		Land	Buildings	Structures	Others	Total
Acquisition cost	₩	49,491	71,879	398,989	19,899	540,258
Accumulated depreciation		(17,404)	(30,154)	(708)	(7,372)	(55,638)
Ending balance	₩	<u>32,087</u>	<u>41,725</u>	<u>398,281</u>	<u>12,527</u>	<u>484,620</u>

(In millions of won)

		2023				
		Land	Buildings	Structures	Others	Total
Acquisition cost	₩	50,846	71,686	2,752	19,454	144,738
Accumulated depreciation		(15,433)	(21,409)	(430)	(7,033)	(44,305)
Ending balance	₩	<u>35,413</u>	<u>50,277</u>	<u>2,322</u>	<u>12,421</u>	<u>100,433</u>

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18. Right-of-use assets and lease liabilities, Continued

(3) Lease liabilities

Lease liabilities as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>		2024	2023
Current lease liabilities	₩	30,538	31,250
Non-current lease liabilities		452,816	66,972
	₩	<u>483,354</u>	<u>98,222</u>

The details of the timing of the cash outflow of lease liabilities as of December 31, 2024 are summarized as follows:

<i>(In millions of won)</i>		Contractual cash flow	Within 1 years	1~3 years	More than 3 years
Lease liabilities	₩	875,995	31,819	114,533	729,643

(4) Profit (loss) and cash outflow from lease

Profit (loss) in lease for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Depreciation on right-of-use assets:	₩	36,635	35,752
Interest expenses on lease liabilities		3,563	3,573
Short-term lease payments(*)		60,124	51,255
Payment for leases of low-value assets(*)		2,547	1,728
Cash outflows related to leases		101,461	89,566

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

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19. Intangible Assets

- (1) Goodwill as of December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024	2023
HD Hyundai Samho Co., Ltd.	Shipbuilding	₩ 13,141	13,141
HD Hydrogen Co., Ltd.	Green Energy(*)	104,116	-
		117,257	13,141

(*) For the year ended December 31, 2024, the Company recognized goodwill arising from the acquisition of a 97.46% equity interest in Convion OY by its subsidiary, HD Hydrogen Co., Ltd.

- (2) Changes in intangible assets for years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024			
		Goodwill	Development costs	Other intangible assets	Total
Beginning balance	₩	13,141	97,907	79,745	190,793
Acquisitions		-	47,549	8,639	56,188
Transfers		-	(17)	321	304
Government grants received		-	(2,181)	-	(2,181)
Disposals		-	-	(771)	(771)
Amortization		-	(14,529)	(7,148)	(21,677)
Impairment loss		-	(720)	(73)	(793)
Effect of changes in exchange rates		-	204	142	346
Effects of changes in scope of consolidation		104,116	28,382	19,944	152,442
Ending balance	₩	117,257	156,595	100,799	374,651

(In millions of won)

		2023			
		Goodwill	Development costs	Other intangible assets	Total
Beginning balance	₩	13,141	73,788	76,768	163,697
Acquisitions		-	58,615	3,055	61,670
Transfers		-	118	1,648	1,766
Government grants received		-	(806)	-	(806)
Amortization		-	(10,885)	(1,743)	(12,628)
Impairment loss(*)		-	(22,923)	-	(22,923)
Effect of changes in exchange rates		-	-	17	17
Ending balance	₩	13,141	97,907	79,745	190,793

(*) For the year ended December 31, 2023, an impairment loss was recognized for the development costs associated with computer system development.

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19. Intangible Assets, Continued

(3) Intangible assets as of December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024		
		Goodwill	Development costs	Other intangible assets
				Total
Acquisition cost	₩	117,257	255,183	124,087
Accumulated amortization		-	(66,686)	(20,988)
Accumulated impairment		-	(26,501)	(2,300)
Government grants		-	(5,401)	-
Ending balance	₩	117,257	156,595	100,799

(In millions of won)

		2023		
		Goodwill	Development costs	Other intangible assets
				Total
Acquisition cost	₩	13,141	177,239	95,148
Accumulated amortization		-	(52,733)	(13,635)
Accumulated impairment		-	(24,331)	(1,768)
Government grants		-	(2,268)	-
Ending balance	₩	13,141	97,907	79,745

The carrying amount of intangible assets with indefinite useful lives is ₩60,739 million and ₩57,758 million as of December 31, 2024 and 2023, respectively.

(4) Details of research and development costs, ordinary development costs and development cost amortization included in intangible asset for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024	2023
Research and development costs	Selling, general and administrative expenses	₩ 21,126	12,617
	Government grants	(1,227)	(1,206)
		₩ 19,899	11,411
Ordinary development costs	Selling, general and administrative expenses	96,952	87,564
	Government grants	(1,441)	(972)
		₩ 95,511	86,592
Development cost amortization	Manufacturing costs	14,078	10,578
	Selling, general and administrative expenses	637	493
	Government grants	(186)	(186)
		₩ 14,529	10,885

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19. Intangible Assets, Continued

- (5) The Group tests goodwill for impairment annually and assesses the recoverable amount of each cash-generating unit (CGU). The recoverable amount of cash generating unit (CGU) is measured by the calculation of the value in use. The value in use is measured by applying discount rate to future cash flow to be derived from continuing use of the asset. Assumptions used in calculating the value in use as of December 31, 2024, are as follows:

	HD Hyundai Samho Co., Ltd.
Discount rate(*)	8.65%
Terminal growth rate	1.00%

(*) The discount rate was determined based on the market environment, using the average value over a long-term observation period.

20. Greenhouse Gas Emission Rights and Emission Liabilities

- (1) The estimated quantities of emission rights allocated free of charge for each performing period during the third planning period (from 2021 to 2025) as of December 31, 2024 are as follows:

(In ton)	2021	2022	2023	2024	2025	Total
Emission allowances allocated free of charge	933,899	953,099	1,020,185	930,746	930,746	4,768,675

- (2) The contents of emission permits and their carrying amount for the years ended December 31, 2024 and 2023, are as follows.

(In ton, In millions of won)

	2024									
	2021		2022		2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning balance and free of charge	1,190,153	₩ -	1,105,232	₩ -	1,106,726	₩ -	1,000,508	₩ 459	930,746	₩ -
Purchase (Sales)	(69,547)	-	(30,080)	-	73,992	-	-	-	-	-
Government submission	(968,473)	-	(988,611)	-	(1,110,956)	-	-	-	-	-
Borrowing (carry-over)	(152,133)	-	(86,541)	-	(69,762)	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-
Ending balance	-	₩ -	-	₩ -	-	₩ -	1,000,508	₩ 459	930,746	₩ -

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20. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

- (2) The contents of emission permits and their carrying amount for the years ended December 31, 2024 and 2023, are as follows, continued

(In ton, In millions of won)

	2021		2022		2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning balance										
and free of charge	1,190,153	₩ -	1,105,232	₩ -	1,027,918	₩ -	933,157	₩ -	933,157	₩ -
Purchases(Sales)	(69,547)	-	(30,080)	-	-	-	-	-	-	-
Government										
submission	(968,473)	-	(988,611)	-	-	-	-	-	-	-
Borrowing(Carry-over)	(152,133)	-	(86,541)	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-
Ending balance	-	₩ -	-	₩ -	1,027,918	₩ -	933,157	₩ -	933,157	₩ -

- (3) As of December 31, 2024, there are no emission rights provided as collateral.

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20. Greenhouse Gas Emission Rights and Emission Liabilities, Continued

- (4) The estimated quantity of greenhouse gas emission for the current performing period is 1,133,044 ton.
- (5) The changes in emission liabilities for the years ended December 31, 2024 and 2023 are as follows.

<i>(In millions of won)</i>		2024	2023
Beginning balance	₩	420	455
Increase		1,572	420
Reversal		(168)	(277)
Offset		(252)	(178)
Ending balance	₩	<u>1,572</u>	<u>420</u>

21. Pledged Assets

- (1) Assets pledged as collateral for the Group's borrowings as of December 31, 2024 are summarized as follows:

<i>(In millions of won)</i>					
Pledged assets	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Machinery and equipment and others	₩ 30,828	33,986	Facility financing and others	13,667	Korea Development bank and others

- (2) The Group receives payment guarantees from financial institutions for advances from customers on ships as of December 31, 2024. Regarding these guarantees, the Group provides its ships under construction and materials for shipbuilding as collateral (See Note 46).
- (3) The Group has pledged stand-by letter of credit issued by Hana Bank as collateral to Atlantic Specialty Insurance Company (See Note 46).
- (4) The Group provides ships under construction, raw materials for construction and export receivables as collateral in connection with VND3,800,000 million borrowing arrangements (See Note 46).

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22. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

		2024		2023	
		Current	Non-current	Current	Non-current
Borrowings	₩	249,666	202,145	1,464,516	985,700
Debentures		312,613	651,606	755,575	709,943
Financial liabilities measured at FVTPL		-	6,228	-	2,540
Other non-current financial liabilities		-	6,228	-	-
	₩	<u>562,279</u>	<u>866,207</u>	<u>2,220,091</u>	<u>1,698,183</u>

23. Trade and Other Payables

Trade and other payables as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

		2024		2023	
		Current	Non-current	Current	Non-current
Trade payables	₩	2,247,211	-	1,915,052	-
Other accounts payable		504,199	906	423,272	93
Accrued expense		1,132,284	11,405	865,288	4,464
Deposits received		3	22,200	3	21,190
	₩	<u>3,883,697</u>	<u>34,511</u>	<u>3,203,615</u>	<u>25,747</u>

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24. Supplier Finance Arrangements

The Group participates in a supplier financing arrangement whereby a financial institution settles the Group's payables to suppliers, and the Group subsequently reimburses the financial institution. This arrangement is intended to streamline the payment process and offer suppliers earlier settlement terms compared to the original payment schedule. As the Group remains legally obligated for the original payables, the related liabilities have not been derecognized.

The Group has entered into supplier financing arrangements with financial institutions in connection with accounts receivable-backed loans, banker's usance, and network loans. As of December 31, 2024, all liabilities arising from these supplier financing arrangements have been classified as current liabilities.

Supplier financing arrangements as of December 31, 2024 are summarized as follows:

<i>(In millions of won)</i>	Accounts payable and other payables(*)	Short-term borrowings
Carrying amount of financial liabilities under supplier financing arrangements	₩ 145,055	12,572
Carrying amount that the supplier has already received from the financial institution	7,568	12,572
Payment terms of financial liabilities under supplier financing arrangements	Within 1 years	Within 1 years

(*) Payment terms for comparable accounts payables not subject to supplier financing arrangements range from 60 to 90 days from the invoice date.

There were no material non-cash changes in the carrying amount of financial liabilities under supplier financing arrangements for the year ended December 31, 2024.

25. Other Liabilities

Other liabilities as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>	2024	2023
	Current	Current
Unearned revenues	₩ 476	32
Others	131	65
	₩ 607	97

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26. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2024
General loan in foreign currency	VCB and others	3.50~5.00	₩ 174,267
Usance L/C	Kookmin Bank	3.94~5.67	12,572
			186,839
Current portion of long-term borrowings			62,827
			₩ 249,666

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2023
General loan	The Korea Development Bank and others	5.13~5.40	₩ 300,000
General loan in foreign currency	VCB and others	3.70~5.00	177,983
Usance L/C	Hana Bank and others	3.58~6.38	318,188
Production finance	Korea Eximbank	5.10~5.42	130,000
			926,171
Current portion of long-term borrowings			538,345
			₩ 1,464,516

(2) Long-term borrowings as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2024
General loan	The Korea Development Bank and others	1.93~5.51	₩ 230,800
General loan in foreign currency	Valtiokonttori - State Treasury	1.00	1,161
Loan for petroleum development project (*1)	Korea Energy Agency	0.75	11,813
Facility financing(*2)	Shinhan Bank and others	1.93~5.89	21,198
			264,972
Current portion of long-term borrowings			(62,827)
Non-current portion of long-term borrowings			₩ 202,145

(*1) During 2013, the consortium that included the Group decided to withdraw from its oil development business in the 4 mining areas in Yemen. The amount borrowed from Korea Energy Agency was classified as liquidity according to the original repayment plan, but maturities of business loans from Korea Energy Agency are not readily determinable since the decision on the redemptions of these business loans are still being deliberated by the supervisory institution (See Note 46).

(*2) The Group has provided machinery and equipment as collateral in relation to facility financing (See Note 21).

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26. Borrowings and Debentures, Continued

(2) Long-term borrowings as of December 31, 2024 and 2023 are summarized as follows, continued:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2023
General loan	The Korea Development Bank and others	2.43~5.68	₩ 1,050,000
General loan in foreign currency	ICBC	7.15~7.53	322,350
Loan for petroleum development project (*1)	Korea Energy Agency	0.75~3.75	10,362
Facility financing(*2)	The Korea Development Bank and others	2.25~6.31	41,333
Production finance	The Korea Development Bank and others	5.16~5.18	100,000
			1,524,045
Current portion of long-term borrowings			(538,345)
Non-current portion of long-term borrowings			₩ 985,700

(*1) During 2013, the consortium that included the Group decided to withdraw from its oil development business in the 4 mining areas in Yemen. The amount borrowed from Korea Energy Agency was classified as liquidity according to the original repayment plan, but maturities of business loans from Korea Energy Agency are not readily determinable since the decision on the redemptions of these business loans are still being deliberated by the supervisory institution (See Note 46).

(*2) The Group has provided machinery and equipment as collateral in relation to facility financing (See Note 21).

(3) Debentures as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)	2024
Guaranteed bond	2027-03-28	3.18	₩ 441,000
Non-Guaranteed bond	2027-01-29	4.27~5.38	524,000
			965,000
Discount on debentures			(781)
Current portion of debentures			(313,000)
Discount on current portion of debentures			387
			₩ 651,606

(In millions of won)

Description	Maturity	Annual interest rate (%)	2023
Guaranteed bond	2027-03-28	3.18~6.57	₩ 644,700
Non-Guaranteed bond	2026-04-27	2.50~5.38	822,000
			1,466,700
Discount on debentures			(1,182)
Current portion of debentures			(755,880)
Discount on current portion of debentures			305
			₩ 709,943

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26. Borrowings and Debentures, Continued

- (4) Aggregate repayment schedules of the Group's borrowings and debentures as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)		2024		
Periods		Borrowings	Debentures	Total
Within 1 year	₩	249,666	313,000	562,666
1~5 years		196,675	652,000	848,675
More than 5 years		5,470	-	5,470
	₩	<u>451,811</u>	<u>965,000</u>	<u>1,416,811</u>

(In millions of won)		2023		
Periods		Borrowings	Debentures	Total
Within 1 year	₩	1,464,516	755,880	2,220,396
1~5 years		985,700	710,820	1,696,520
	₩	<u>2,450,216</u>	<u>1,466,700</u>	<u>3,916,916</u>

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26. Borrowings and Debentures, Continued

(5) Changes in liabilities arising from financing activities for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024			
		Borrowings	Debentures	Lease liabilities	Total
Beginning balance		₩ 2,450,216	1,465,518	98,222	4,013,956
Cash flows	Borrowings	1,196,405	200,000	-	1,396,405
from financing	Repayments	(3,313,686)	(755,880)	(35,227)	(4,104,793)
activities	Effects of changes in foreign exchange rates	24,403	54,180	620	79,203
	Amortization of bond discounts	-	401	-	401
Non-cash flows	Effects of changes in scope of consolidation	94,867	-	2,683	97,550
	Others	(394)	-	420,619	420,225
Cash flows from operating activities(*)		-	-	(3,563)	(3,563)
Ending balance		₩ 451,811	964,219	483,354	1,899,384

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

(In millions of won)

(In millions of won)		2023				
		Borrowings	Debentures	Convertible preference shares	Lease liabilities	Total
Beginning balance		₩ 2,357,977	1,519,721	260,243	104,025	4,241,966
Cash flows	Borrowings	3,397,439	426,000	-	-	3,823,439
from financing	Repayments	(3,304,966)	(491,000)	(409,683)	(33,010)	(4,238,659)
activities(*1)	Effects of changes in foreign exchange rates	(234)	11,050	-	96	10,912
Non-cash flows	Amortization of bond discounts	-	(253)	-	-	(253)
	Others	-	-	-	30,684	30,684
Cash flows from operating activities(*2)		-	-	-	(3,573)	(3,573)
Loss on redemption of convertible preferred stock		-	-	149,440	-	149,440
Ending balance		₩ 2,450,216	1,465,518	-	98,222	4,013,956

(*1) In addition to the above financial activity cash flow, there is a cash flow (-) of ₩45,005 million due to the exercise of the parent's right to purchase common shares (1,260,558 shares) allocated to the financial investor of Hyundai Samho Heavy Industries Co., Ltd., a subsidiary.

(*2) Interest expense part of lease payments for the year ended December 31, 2023 is classified as cash flows from operating activities.

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27. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Present value of defined benefit obligations	₩ 1,813,304	1,512,840
Fair value of plan assets(*)	1,754,863	1,457,039
Recognition of liabilities of defined benefit plans	₩ 58,441	55,801

(*) Plan assets exceed the present value of defined benefit obligations in the amount of ₩152,173 million and ₩363,672 million as of December 31, 2024 and 2023, respectively. Such amounts were recognized as defined benefit assets (in other non-current assets). The fair value of the plan assets added to the surplus is ₩1,907,036 million and ₩1,820,711 million(See Note 11).

(2) Plan assets as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Retirement pension(*)	₩ 1,906,357	1,819,852
Transfer to National Pension Fund	679	859
	₩ 1,907,036	1,820,711

(*) As of December 31, 2024, retirement pension is fully invested in principal and interest guaranteed products and bond mixed fund products.

(3) Expenses recognized in profit or loss for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Current service costs	₩ 156,328	128,489
Past service costs	(692)	4,306
Interest cost	62,200	61,096
Interest income	(79,221)	(83,432)
Expense for defined contribution plans	3,990	2,809
	₩ 142,605	113,268

The Group introduced a voluntary retirement for the years ended December 31, 2024 and 2023 and recognized additional retirement benefits cost of ₩1,849 million and ₩1,783 million, respectively.

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27. Employee Benefits, Continued

(4) Changes in defined benefit obligations for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Beginning balance	₩	1,512,840	1,233,692
Current service costs		156,328	128,489
Past service costs		(692)	4,306
Interest cost		62,200	61,096
Changes in scope of consolidation		3,801	-
Benefits paid		(177,872)	(159,880)
Transfers from related parties		16,794	17,751
Effect of changes in exchange rates and others		365	53
Actuarial losses (gains) in other comprehensive income:			
Demographic assumptions		11	1
Financial assumptions		200,978	129,040
Experience adjustments		38,551	98,292
Ending balance	₩	<u>1,813,304</u>	<u>1,512,840</u>

(5) Changes in the plan assets for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Beginning balance	₩	1,820,711	1,588,813
Benefits paid		(129,360)	(107,773)
Contributions to plan assets		136,877	252,776
Interest income		79,221	83,432
Changes in scope of consolidation		3,051	-
Actuarial gains (losses) in other comprehensive income		(3,464)	3,463
Ending balance	₩	<u>1,907,036</u>	<u>1,820,711</u>

The Group reviews the level of the fund every year and takes the policy to preserve fund in the event of a loss to the fund. As of December 31, 2024, the estimated fund payment for the next year amounted to ₩ 166,020 million.

(6) Expected payment date of the defined benefit obligations as of December 31, 2024 is as follows:

<i>(In millions of won)</i>		Within 1 year	1 ~ 5 years	5 ~ 10 years	More than 10 years	Total
Expected payment	₩	58,626	519,620	861,888	4,471,245	5,911,379

(7) Principal actuarial assumptions as of December 31, 2024 and 2023 are as follows:

<i>(In percentage)</i>	2024	2023
Discount rate	3.42 ~ 4.35	4.02 ~ 4.68
Future salary growth	1.79 ~ 4.50	3.00 ~ 4.85
Future mortality (Males, at age 45)	0.02 ~ 0.18	0.18

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27. Employee Benefits, Continued

(8) Weighted average durations of defined benefit obligations as of December 31, 2024 and 2023 are as follows:

<i>(In years)</i>	2024	2023
Weighted average durations	10.20	9.82

(9) Reasonably possible changes as of December 31, 2024 and 2023 to each relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below.

<i>(In millions of won)</i>	2024		2023	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	₩ (153,636)	178,169	(122,087)	141,194
Future salary growth (1% movement)	159,232	(141,161)	128,508	(113,703)

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28. Provisions

(1) Changes in provisions for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024				
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision
Beginning balance	₩	185,039	420	187,822	103,142	7,957
Increase		8,450	1,572	121,145	199,570	4,137
Decrease		(102,379)	(168)	(41,652)	(35,585)	(1,083)
Offset		-	(252)	(124,402)	(43,665)	(3,354)
Changes in scope of consolidation		29	-	-	434	10,273
Other (*)		7,106	-	-	-	-
Effect of changes in exchange rates		20	-	280	19	199
Ending balance	₩	98,265	1,572	143,193	223,915	18,129
						485,074

(*) For the year ended December 31, 2024, this is effect of changes in impairment losses previously recognized for assets related to onerous contracts.

(In millions of won)

		2023				
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision
Beginning balance	₩	335,374	455	471,322	73,270	712,914
Increase		61,827	420	78,862	61,227	17,590
Decrease		(252,936)	(277)	(256,672)	(4,196)	(2,489)
Offset		-	(178)	(105,795)	(27,163)	(720,112)
Other (*)		40,778	-	-	-	-
Effect of changes in exchange rates		(4)	-	105	4	54
Ending balance	₩	185,039	420	187,822	103,142	7,957
						484,380

(*) For the year ended December 31, 2023, this is effect of changes in impairment losses previously recognized for assets related to onerous contracts.

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28. Provisions, Continued

(2) Provisions for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024				
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision
Current portion	₩	98,265	1,572	89,927	179,376	13,315
Non-current portion		-	-	53,266	44,539	4,814
Ending balance	₩	98,265	1,572	143,193	223,915	18,129

(In millions of won)

		2023				
		Provision for construction losses	Provision for carbon emission	Provision for construction warranty	Provision for product warranty	Other Provision
Current portion	₩	185,039	420	138,124	70,580	5,559
Non-current portion		-	-	49,698	32,562	2,398
Ending balance	₩	185,039	420	187,822	103,142	7,957

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29. Derivative Financial Instruments

The Group has entered into derivative instrument contracts with various banks, including Hana Bank and others to hedge the risk related to changes in foreign exchange rates, interest rate risk and others. Derivatives are measured at fair value by using the forward exchange rate presented by contract counterparty and others.

(1) The description of derivative instrument and hedge accounting is as follows:

Hedge accounting	Type	Description
Fair value hedge	Foreign currency forward	Hedges the risk of changes in foreign currency exchange rate for firm commitments.
Cash flow hedge	Foreign currency forward	Hedges the variability in cash flows attributable to foreign currency exposure in respect of forecasted sales and purchases
	Foreign currency swap	Hedges cash flow risk on interest rate fluctuation and changes in exchange rates of foreign currency liabilities

(2) Terms of derivative contracts as of December 31, 2024 are as follows:

(In millions of won)

Description	Type	Currency	Amount	Currency	Amount	Average Maturities	Number of Contracts
Fair value hedge	Foreign currency forward	USD	23,277,326	KRW	29,704,532	2026-06-09	8,973
	Foreign currency forward	EUR	393	KRW	522	2025-05-15	2
Cash flow hedge	Foreign currency forward	USD	20,600	GBP	16,637	2025-11-14	2
	Foreign currency forward	USD	80,843	KRW	108,482	2025-06-22	46
	Foreign currency swap	KRW	363,540	USD	300,000	2027-03-28	1

※ Terms of settlement: Netting the settlement or collecting total

※ The contract amount is denominated in the selling currency.

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29. Derivative Financial Instruments, Continued

(3) Book value related to derivatives as of December 31, 2024 is as follows:

(In millions of won)

Description	Type	Derivatives				Firm commitment			
		Assets		Liabilities		Assets		Liabilities	
		Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Fair value									
hedge	Foreign currency forward	₩ 844	87	1,670,553	1,702,190	1,192,312	1,702,190	11,922	87
Cash flow	Foreign currency forward	318	-	9,307	-	-	-	-	-
hedge	Foreign currency swap	-	63,969	-	-	-	-	-	-
		₩ 1,162	64,056	1,679,860	1,702,190	1,192,312	1,702,190	11,922	87

(4) Gains and losses on valuation and transaction of derivatives for the year ended December 31, 2024 are as follows:

(In millions of won)

Description	Type	Sales	Cost of sales	Finance income	Finance costs	Other non-operating income	Other non-operating expenses	Other comprehensive income (loss)
Fair value								
hedge	Foreign currency forward	₩ (950,230)	-	51,332	4,307,365	3,832,863	118,535	-
Cash flow	Foreign currency forward	-	174	-	468	-	-	(6,545)
hedge	Foreign currency swap	-	-	83,564	-	-	-	(7,361)
	Foreign currency forward	-	-	38	80	-	-	-
	Call option for							
For trading	convertible share	-	-	2,540	-	-	-	-
		₩ (950,230)	174	137,474	4,307,913	3,832,863	118,535	(13,906)

For the year ended December 31, 2024, the Group recognized a loss of ₩11,576 million in other comprehensive income (loss), net of a deferred tax adjustment of ₩2,330 million, on the valuation loss of ₩13,906 million on derivatives designated as cash flow hedges. This is comprised of ₩6,356 million attributable to equity holders of the controlling company.

The maximum expected period of exposure to cash flow risk, where the cash flow hedge accounting is applied, is approximately 27 months.

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30. Capital and Capital Surplus

(1) Common stock

The controlling company's common stock as of December 31, 2024 and 2023 are as follows:

<i>(In shares)</i>	2024	2023
Authorized shares	160,000,000	160,000,000
Issued shares	70,773,116	70,773,116
Par value (in won)	5,000	5,000

(2) Capital surplus

Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of controlling company. Other capital surplus of the controlling company is derived from various sources including gains arising from previous business combination, gains on disposal of treasury stocks, and others. Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock.

Capital surplus as of December 31, 2024 and 2023 is summarized as follows:

<i>(In millions of won)</i>		2024	2023
Paid-in-capital in excess of par value	₩	1,794,083	1,794,083
Gains on disposal of treasury stocks		442,353	442,353
Gains on merger		21,830	21,830
Other capital surplus		341,516	201,429
	₩	<u>2,599,782</u>	<u>2,459,695</u>

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31. Capital Adjustments

(1) Capital adjustments as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>		2024	2023
Treasury shares	₩	(10,532)	(10,532)
Capital adjustment of equity method securities		(1,457)	(2,333)
Loss on capital reduction		(7,036,683)	(7,036,683)
Other capital adjustments		(1,560,349)	(1,560,349)
	₩	<u>(8,609,021)</u>	<u>(8,609,897)</u>

(2) Treasury stocks as of December 31, 2024 and 2023 are as follow:

<i>(In millions of won, except share data)</i>		2024	2023
Number of shares (in shares)		58,486	58,486
Carrying amount	₩	10,532	10,532
Fair value		13,335	7,071

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32. Accumulated Other Comprehensive Income (loss)

(1) Accumulated other comprehensive income (loss) as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

		2024	2023
Net change in fair value of financial assets measured at FVOCI	₩	170,674	(159,541)
Effective portion of changes in fair value of cash flow hedges		(9,420)	(2,884)
Exchange differences on translating foreign operations		54,403	48,464
Changes in equity of equity method investments		27,822	16,944
Revaluation of property, plant and equipment		1,427,442	1,422,585
	₩	<u>1,670,921</u>	<u>1,325,568</u>

(2) Other comprehensive income (loss) for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024			2023		
		Other comprehensive Income (loss)	Owners of the controlling company	Non- controlling interests	Other comprehensive Income (loss)	Owners of the controlling company	Non-controlling interests
Net change in fair value of financial assets measured at FVOCI	₩	(10,680)	(10,416)	(264)	16,443	16,757	(314)
Effective portion of changes in fair value of cash flow hedges		(11,576)	(6,536)	(5,040)	(9,398)	(7,165)	(2,233)
Exchange differences on translating foreign operations		16,077	5,939	10,138	(1,646)	(2,030)	384
Changes in equity of equity method investments		10,874	10,878	(4)	818	827	(9)
Retained earnings of equity method investments		(150)	(150)	-	(251)	(251)	-
Actuarial gains and losses		(183,405)	(132,339)	(51,066)	(169,412)	(130,182)	(39,230)
Revaluation of property, plant and equipment		(884)	15,061	(15,945)	7,448	3,551	3,897
	₩	<u>(179,744)</u>	<u>(117,563)</u>	<u>(62,181)</u>	<u>(155,998)</u>	<u>(118,493)</u>	<u>(37,505)</u>

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33. Retained Earnings

(1) Retained earnings as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>	2024	2023
Legal reserves(*1,2)	₩ 2,020,414	2,020,414
Voluntary reserves	14,990,576	14,712,751
Unappropriated retained earnings	<u>(1,927,111)</u>	<u>(2,358,705)</u>
	₩ 15,083,879	14,374,460

(*1) The Korean Commercial Code requires the Group to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of capital. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to offset accumulated deficit, if any, through a resolution of shareholders.

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

(2) Dividends

There is no dividend that the controlling company decided to pay out through a resolution of the stockholders' general meeting for the years ended December 31, 2024 and 2023.

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34. Acquisitions of Subsidiary and Non-controlling Interests

(1) Business combinations

1) General information

- (i) For the year ended December 31, 2024, two subsidiaries within the Group, HD Hyundai Heavy Industries Co., Ltd. and HD Hyundai Heavy Industries MOS Co., Ltd., were merged (See Note 1).
- (ii) For the year ended December 31, 2024, the parent company acquired a 35.05% equity interest in HD Hyundai Marine Engine Co., Ltd., thereby obtaining control and including it in the consolidated group as a subsidiary.
- (iii) For the year ended December 31, 2024, the subsidiary HD Hydrogen Co., Ltd. acquired a 97.46% equity interest in Convion OY, thereby obtaining control and including it in the consolidated group as a subsidiary.

2) Transfer price

Transfer price on acquisition date is as follows:

<i>(In millions of won)</i>	HD Hyundai Marine Engine Co., Ltd. and its Subsidiaries	Convion OY
Cash and cash equivalents	₩ 81,956	122,214

3) Identifiable assets and liabilities acquired

The total fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date is as follows:

<i>(In millions of won)</i>	HD Hyundai Marine Engine Co., Ltd.	Convion OY
Assets:		
Cash and cash equivalents	₩ 45,738	14,405
Trade and other receivables	31,840	727
Inventories	85,159	1,717
Financial Assets	93,792	-
Property, plant and equipment	187,758	304
Right-of-use assets	1,921	-
Investment property	85,812	-
Intangible assets	19,612	28,714
Tax assets	-	-
Other assets	2,569	302
Total Assets:	554,201	46,169
Liabilities:		
Trade and other payables	40,310	1,363
Financial liabilities	92,412	19,684
Tax liabilities	29,571	5,676
Provisions	10,736	-
Defined benefit obligations	750	-
Other liabilities	64,619	1,348
Total Liabilities:	238,398	28,071
Net Assets:	315,803	18,098

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34. Acquisitions of Subsidiary and Non-controlling Interests, Continued

(1) Business combinations, continued

4) Gain bargain purchase and fair value adjustment

Bargain purchase gain and goodwill from business combinations are as follow:

(In millions of won)

		HD Hyundai Marine Engine Co., Ltd.	Convion OY
Total consideration transferred	₩	81,956	122,214
Fair values of identifiable net assets(*)		315,803	18,098
Non-controlling interest		205,106	-
Bargain purchase gain		28,741	-
Goodwill		-	104,116

(*) The fair values of the assets acquired and liabilities assumed in connection with the business combination of Convion OY as of the acquisition date are provisional. The measurement process is expected to be completed within one year from the acquisition date. Additional assets or liabilities may be recognized upon finalization of the measurement, which could result in changes to the amount of goodwill or the gain on bargain purchase.

(2) Changes in the parent company's ownership interest in subsidiaries that did not result in a loss of control during year ended December 31, 2024 and 2023 had the following impact on equity attributable to owners of the parent company:

1) Increase of ownership

(In millions of won)

2024						
Subsidiary	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non- controlling interest	Change of capital surplus, etc.
HD Hyundai Samho Co., Ltd.	96.58	96.65	Equity transaction within the Group and others	₩ 1,725	(1,499)	(226)

(In millions of won)

2023						
Subsidiary	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non- controlling interest	Change of capital surplus, etc.
HD Hyundai Samho Co., Ltd.	80.54	96.58	Equity transaction within the Group and others	₩ 21,743	(14,466)	(7,277)
Hyundai Heavy Industries Argentina S.R.L	95.00	99.98	Equity transaction within the Group and others	1,805	(30)	30

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34. Acquisitions of Subsidiary and Non-controlling Interests, Continued

- (2) Changes in the parent company's ownership interest in subsidiaries that did not result in a loss of control during year ended December 31, 2024 and 2023 had the following impact on equity attributable to owners of the parent company, continued

2) Decrease of ownership

<i>(In millions of won)</i>				2024		
Subsidiary	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non-controlling interest	Change of capital surplus, etc.
HD Hyundai Heavy Industries Co., Ltd.	78.02	75.02	Equity transaction within the Group and others ₩	(347,274)	162,592	184,682

<i>(In millions of won)</i>				2023		
Subsidiary	Ownership before transaction (%)	Ownership after transaction (%)	Changes in equity	Acquisition price (Sales proceeds)	Change of non-controlling interest	Change of capital surplus, etc.
HD Hyundai Heavy Industries Mos Co., Ltd. (*)	100.00	78.02	Equity transaction within the Group and others ₩	-	(67)	67

(*) Changes due to the transfer of the stake in HD Hyundai Heavy Industries Mos Co., Ltd. a subsidiary, to HD Hyundai Heavy Industries Co., Ltd., a subsidiary of the Group for year ended December 31, 2023.

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34. Acquisitions of Subsidiary and Non-controlling Interests, Continued

- (3) Gains (losses) on disposal upon loss of control of subsidiaries for the years ended December 31, 2024 and 2023 are as follow:

There was no case in which gains (losses) on disposal upon loss of control of subsidiaries for the year ended December 31, 2024.

(In millions of won)

2023

Subsidiary that have lost control		Hyundai Transformers And Engineering India Private Limited	
Loss on disposal upon loss of control(*)	₩		-

- (*) Gain or loss on disposal upon loss of control is presented in other non-operating income or expenses, which include exchange differences on translating foreign operations and others through reclassification adjustment.

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35. Revenue

(1) Changes in outstanding contracts for the year ended December 31, 2024 are as follows:

<i>(In millions of won)</i>		Shipbuilding	Offshore, Industrial Plant and Engineering	Other	Total
Beginning balance	₩	60,389,825	2,011,138	4,880,323	67,281,286
Increase during the period(*1)		33,849,719	2,277,052	5,699,715	41,826,486
Revenue recognized(*2)		(22,070,873)	(658,442)	(2,869,998)	(25,599,313)
Ending balance(*3)	₩	<u>72,168,671</u>	<u>3,629,748</u>	<u>7,710,040</u>	<u>83,508,459</u>

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

(*2) The share of profit (loss) of equity accounted investees in associates and joint ventures is not included.

(*3) The balance of contract related to joint operation (FDH JV) is not included.

As of December 31, 2024, the Group provides certain amounts to financial institutions as guarantee deposits or letters of guarantee from various financial institutions to the customers in connection with construction contracts.

As of December 31, 2024, the periods when the ending balance is expected to be recognized as revenue are as follows:

<i>(In millions of won)</i>		2025	2026	After 2027	Total
Expected amounts	₩	28,232,621	28,774,134	26,501,704	83,508,459

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35. Revenue, Continued

(2) Accumulated revenue and cost of construction and others related to construction-in-progress as of December 31, 2024 are as follows:

(In millions of won)

		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit (loss) of construction	Billed receivables on construction contracts (*1)	Unbilled receivables on construction contracts (*1)	Contract liabilities	Provision for construction losses
Shipbuilding	₩	16,964,693	15,557,835	1,406,858	355,079	7,090,781	10,768,733	90,646
Offshore, Industrial Plant and Engineering(*2)		2,532,033	2,479,225	52,808	349,331	406,227	604,321	7,619
Others		10,938	7,842	3,096	1,134	5,996	-	-
	₩	<u>19,507,664</u>	<u>18,044,902</u>	<u>1,462,762</u>	<u>705,544</u>	<u>7,503,004</u>	<u>11,373,054</u>	<u>98,265</u>

(*1) As of December 31, 2024, allowance for receivables on construction contracts and contract assets amounted to ₩15 million and ₩16,798 million, respectively. The receivables on construction contracts is the amount deducted from the allowance for bad debts.

(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

Heavy-tail payment plan is a major collection term in the Shipbuilding segment, and Offshore, Industrial Plant and Engineering segment mainly based on Progress and Milestone payment plan. Therefore, billed receivables on construction contracts and contract assets might be changed according to the progress of construction.

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35. Revenue, Continued

(3) As of December 31, 2024, information of significant construction contracts is as follows:

(In millions of won)

Name	Date of contract	Construction deadline(*)	Stage of completion (%)	Contract assets		Trade receivables	
				Total amount	Allowance for doubtful accounts	Total amount	Allowance for doubtful accounts
CFP	2014.04.13	2018.10.18	98.45	₩ -	-	988	-
ZOR	2015.10.13	2019.07.27	96.90	578	-	23,443	-
FPSO Petrobras							
78 Project	2021.05.08	2025.11.07	96.37	296,077	-	-	-
Shenandoah FPS							
Project	2021.08.05	2025.02.24	94.50	93,773	-	85,163	-
FPU Project	2023.07.01	2027.04.01	14.20	-	-	163,090	-
RUYA BATCH							
1 PROJECT	2024.01.30	2028.04.15	1.55	-	-	76,392	-
NASR 2	2014.07.08	2024.10.02	100.00	-	-	-	-

(*) For projects where the construction deadline has elapsed, some remaining work is still ongoing after the final deliverable was transferred, or a discussion with the client to extend the construction period is still under negotiation.

As there are contractual confidentiality obligations and the clients disagree with disclosing this information, the Group omitted the related disclosures after reporting it to the audit committee. As of December 31, 2024, the Group omitted the related disclosures for one contract.

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35. Revenue, Continued

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

(i) Effect of changes in total contract costs and total contract revenue

For the year ended December 31, 2024, the estimated total contract costs and total contract revenue for contracts in progress as of December 31, 2023 have changed. Effects on profit or loss for the current period and the future period, the impact on contract assets and contract liabilities are as follows:

<i>(In millions of won)</i>	Changes in total contract revenue (*1)	Changes in total estimated contract cost	Effect on profit or loss of contract			Change of contract assets	Change of contract liabilities
			Current period	Future period	Total		
Shipbuilding	₩ 2,558,595	2,692,032	(562,870)	429,433	(133,437)	102,592	14,671
Offshore, Industrial Plant and Engineering(*2)	495,795	490,734	19,634	(14,573)	5,061	15,755	24,155
	₩ 3,054,390	3,182,766	(543,236)	414,860	(128,376)	118,347	38,826

(*1) Changes in entire contract revenue (including foreign currency fluctuation) are reflected because it is unable to distinguish total contract revenue changed directly by changes in total contract costs.

(*2) The accumulated revenue and cost of construction related to joint operation (FDH JV) are not included.

Effects on profit or loss for the current period and future period is calculated based on the total contract cost and total contract revenue estimated on the basis of situations generated in current period, and these estimations could be changed by variation of situations in the future.

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35. Revenue, Continued

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

(ii) Sensitivity analysis of changes in estimated total contract costs

The amount of contract assets and contract liabilities affected by progress which is determined by accumulated cost incurred divided by estimated total contract cost. An estimated total contract cost is calculated based on an estimated material cost, labor cost and construction period, and has a variance risk related to exchange rate fluctuations, changes in steel prices and changes in production hours.

The Group has entered foreign currency forward contracts to hedge the risk related to exchange rate fluctuations, and hedges the risk related to changes of steel price in short period of time by entering steel purchase agreement by period. The risk and uncertainty related to production hours has been managed by department which is responsible for managing production hours. Effects on profit or loss of current period and future periods, contract assets and contract liabilities in case production hour changes 10% are as follows:

(iii) Sensitivity analysis of changes in estimated total contract costs

(In millions of won)	Effect on profit or loss in current period		Effect on profit or loss in future period		Change of contract assets		Change of contract liabilities	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
Shipbuilding	₩ (135,151)	128,712	(1,084,124)	1,090,563	(91,156)	95,308	32,083	(31,097)
Offshore, Industrial Plant and Engineering(*)	(3,342)	3,394	(24,982)	24,929	(493)	493	2,773	(2,824)
	₩ (138,493)	132,106	(1,109,106)	1,115,492	(91,649)	95,801	34,856	(33,921)

(*) The accumulated revenue and cost of construction related to joint operation (FDH JV) is not included.

(5) Source of revenue

(In millions of won)	2024	2023
Revenue from contracts with customers	₩ 26,549,542	22,129,416
Share of profit (loss) of equity accounted investees	(60,735)	(48,489)
Hedging gains and losses	(950,230)	(784,721)
	₩ 25,538,577	21,296,206

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35. Revenue, Continued

(6) Disaggregation of revenue

Disaggregation of revenue from contracts with customers for the years ended December 31, 2024 and 2023, is as follows:

(In millions of won)

	2024	2023
Major products/service lines:		
Shipbuilding	₩ 22,890,545	18,337,245
Offshore, Industrial Plant and Engineering	659,485	1,330,286
Engine & Machinery	2,342,016	1,713,154
Others	657,496	748,731
	₩ <u>26,549,542</u>	<u>22,129,416</u>
Primary geographical markets:		
Korea	₩ 6,439,984	6,893,676
North America	705,897	521,068
Asia	6,749,842	5,818,800
Europe	11,874,629	8,507,860
Others	779,190	388,012
	₩ <u>26,549,542</u>	<u>22,129,416</u>
Duration of contract:		
Short-term contract	₩ 1,290,095	1,295,882
Long-term contract	25,259,447	20,833,534
	₩ <u>26,549,542</u>	<u>22,129,416</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	₩ 2,944,905	2,336,739
Goods and services transferred over time	23,604,637	19,792,677
	₩ <u>26,549,542</u>	<u>22,129,416</u>

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35. Revenue, Continued

(7) Contract balance

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of December 31, 2024 and 2023.

(In millions of won)

	2024		2023	
	Current	Non-current	Current	Non-current
Receivables	₩ 2,173,169	238,640	1,920,128	338,414
Allowance for doubtful accounts	(908,867)	(85,639)	(870,967)	(138,770)
	<u>₩ 1,264,302</u>	<u>153,001</u>	<u>1,049,161</u>	<u>199,644</u>
Contract assets	₩ 7,519,802	-	7,165,162	-
Allowance for doubtful accounts	(16,798)	-	(8,344)	-
	<u>₩ 7,503,004</u>	<u>-</u>	<u>7,156,818</u>	<u>-</u>
Contract liabilities(*)	12,715,930	20,201	11,074,793	21,179

(*) The amount of ₩6,601,641 million included in contract liabilities recognized as of December 31, 2023, has been recognized as revenue for the year ended December 31, 2024.

(8) Cost to fulfill a contract recognized as an asset

The Group pays commission fees in relation to the contract, in accordance with K-IFRS No.1115, which is the incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Commission fees that are expected to be recovered from the customers are recognized as costs to fulfill contract assets and amortized to reflect the progress of the construction.

(In millions of won)

	2024	2023
Beginning balance	₩ 311,888	258,978
Increase	243,112	161,776
Depreciation(*)	(126,367)	(150,615)
Reversals (Impairment)	7,132	41,749
Ending balance	<u>₩ 435,765</u>	<u>311,888</u>

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

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36. Operating Segments

The Group has five reportable segments, as described below, which are its strategic business units. The policies of reportable segments are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2023.

- (i) Shipbuilding: Manufacturing and sale of VLCCs, containerships, P/C ships, LNG carriers, warships and others.
- (ii) Offshore, Industrial Plant and Engineering: Manufacturing and installation of offshore facilities, floating units, co-generating power plants, and processing equipment
- (iii) Engine and Machinery: Manufacturing and sale of engines for ships, diesel power plants, industrial and marine pumps and hydraulic machinery
- (iv) Green Energy: Services related to solar power systems and new and renewable energy systems
- (v) Others: Gas/ eco-friendly system and others

The financial performance of each reportable segments for the years ended December 31, 2024 and 2023 are as follows:

(1) The financial performance of each segment

(In millions of won)

	2024				
	Sales	Inter-segment sales	Operating profit (loss)	Profit (loss) for the period	Depreciation and amortization (*)
Shipbuilding	₩ 23,192,072	(1,121,199)	1,507,455	1,651,401	341,427
Offshore and Industrial Plant Engineering	659,715	(1,273)	(99,154)	(56,728)	26,914
Engine and Machinery	3,303,587	(1,092,239)	372,055	347,821	72,500
Green Energy	452,413	(29,411)	(12,476)	(13,851)	11,418
Others	661,624	(486,712)	(241,001)	(327,146)	69,119
Consolidation adjustments	(2,730,834)	2,730,834	(92,789)	(146,917)	4,395
	₩ 25,538,577	-	1,434,090	1,454,580	525,773

(*) Depreciation on the right-of-use assets for the year ended December 31, 2024 is included.

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36. Operating Segments, Continued

(1) The financial performance of each segment , continued

(In millions of won)

		2023				
		Sales	Inter-segment sales	Operating profit (loss)	Profit (loss) for the period	Depreciation and amortization (*)
Shipbuilding	₩	18,700,059	(1,005,684)	302,232	232,342	306,964
Offshore and Industrial Plant Engineering		1,269,740	(1,443)	(37,455)	(23,801)	23,237
Engine and Machinery		2,739,542	(1,098,636)	286,310	248,860	66,657
Green Energy		556,089	(9,967)	11,240	(7,524)	13,952
Others		552,698	(406,192)	(230,142)	(62,111)	64,250
Consolidation adjustments		(2,521,922)	2,521,922	(49,924)	(242,836)	(3,116)
	₩	<u>21,296,206</u>	<u>-</u>	<u>282,261</u>	<u>144,930</u>	<u>471,944</u>

(*) Depreciation on the right-of-use assets for the year ended December 31, 2023 is included.

Consolidation adjustments are made by eliminating inter-segment transactions, unrealized profits and losses and profit (loss) of equity accounted investees in associates and joint ventures.

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36. Operating Segments, Continued

(2) Assets and liabilities of each segment

(In millions of won)

		2024		2023	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	24,197,046	18,623,774	19,589,854	15,532,462
Offshore and Industrial Plant					
Engineering		1,155,744	1,480,021	638,752	890,440
Engine and Machinery		3,658,726	2,996,033	2,164,932	1,863,824
Green Energy		635,032	122,239	530,001	156,872
Others		17,870,005	1,507,945	19,770,174	3,355,526
Consolidation adjustments		(10,797,416)	(2,166,688)	(10,451,145)	(1,926,659)
	₩	<u>36,719,137</u>	<u>22,563,324</u>	<u>32,242,568</u>	<u>19,872,465</u>

Consolidation adjustments are made by eliminating inter-segment transactions, unrealized profits and losses and profit (loss) of equity accounted investees in associates and joint ventures.

(3) Geographical information

(In millions of won)

		2024			
		Korea	North America	Asia-others	Consolidation adjustment
Sales	₩	27,357,473	46,888	865,050	(2,730,834)
Inter-segment sales		(1,911,567)	(1,280)	(817,987)	2,730,834

(In millions of won)

		2023			
		Korea	North America	Asia-others	Consolidation adjustment
Sales	₩	23,059,145	34,059	724,924	(2,521,922)
Inter-segment sales		(1,806,382)	(207)	(715,333)	2,521,922

(4) Non-current assets by subsidiary location

(In millions of won)

		2024	2023
Korea	₩	11,325,619	10,820,055
North America		864	105
Asia		709,620	231,812
Others		6,857	194
Consolidation adjustments(*1,2)		143,767	(39,107)
Total(*3)	₩	<u>12,186,727</u>	<u>11,013,059</u>

(*1) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses.

(*2) The acquisition cost of goodwill related to Convia OY includes ₩104,116 million offset against investment capital (See Note 34).

(*3) It represents the sum of investment property, property, plant and equipment, intangible assets, and right-of-use assets.

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37. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Salaries	₩	216,455	196,863
Bonus		62,848	41,341
Post-employment benefit costs		28,114	19,236
Employee welfare		81,177	75,832
Depreciation		36,347	28,137
Depreciation on right-of-use assets		15,950	14,924
Bad debt expenses (reversal of bad debt expenses)		576	(30,966)
Ordinary development costs		95,511	86,592
Advertising		10,044	11,949
Printing		1,725	1,175
Power cost		4,029	2,254
Warranty expenses (reversal of warranty expenses)		140,347	(50,067)
Insurance		4,066	3,704
Supplies		1,425	1,339
Consumable expenses		2,345	2,848
Water, light and heating expenses		1,684	1,239
Repairs		3,504	2,573
Travel		10,524	10,538
Research		19,899	11,411
Training		6,377	3,612
Service contract expenses		97,474	79,644
Transportation		22,363	21,818
Ceremonial expenses		935	936
Rent		5,756	4,329
Data processing		21,710	18,755
Entertainment		2,681	2,730
Taxes and dues		7,979	7,252
Service charges		238,377	180,001
Automobile maintenance		4,767	4,534
Sales commissions		134	897
Others		16,154	10,336
	₩	<u>1,161,277</u>	<u>765,766</u>

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38. Nature of Expenses

The classification of expenses by nature for the years ended December 31, 2024 and 2023 is as follows:

<i>(In millions of won)</i>		2024	2023
Changes in inventories	₩	(127,266)	198,879
Purchase of inventories		13,805,529	12,159,293
Depreciation		467,461	423,564
Depreciation on right-of-use assets		36,635	35,752
Amortization		21,677	12,628
Labor costs		2,421,658	2,095,471
Other expenses		7,478,793	6,088,358
Total(*)	₩	24,104,487	21,013,945

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

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39. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

	2024	2023
Finance income:		
Interest income	₩ 213,074	201,958
Gain on valuation of financial instruments measured at FVTPL	1,543	16
Gain on disposal of financial instruments measured at FVTPL	1,111	2,393
Dividend income	3,632	6,040
Gain on foreign currency translations	576,005	31,710
Gain on foreign currency transactions	946,909	719,563
Gain on valuation of derivatives	55,546	136,916
Gain on derivatives transactions	79,350	129,772
Others	322	388
	₩ 1,877,492	1,228,756
Finance costs:		
Interest expense	₩ 206,322	193,879
Loss on valuation of financial instruments measured at FVTPL	223	1,446
Loss on disposal of financial instruments measured at FVTPL	80	4,140
Loss on foreign currency translations	183,763	164,973
Loss on foreign currency transactions	480,673	536,892
Loss on valuation of derivatives	3,439,846	481,666
Loss on derivatives transactions	867,987	562,497
Others	134	149,441
	₩ 5,179,028	2,094,934

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40. Other Non-operating Income and Other Non-operating Expenses

Other non-operating income and other non-operating expenses for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

	<u>2024</u>	<u>2023</u>
Other non-operating income:		
Gain on disposal of investments in associates	₩ 6,060	-
Gain on disposal of property, plant and equipment	11,489	9,963
Gain on disposal of right-of-use assets	1,382	960
Impairment reversal on property, plant and equipment	15,038	-
Gain on valuation of firm commitments	3,832,863	869,888
Reversal of other allowance for doubtful accounts	1,785	1,024
Others	85,730	36,886
	<u>₩ 3,954,347</u>	<u>918,721</u>
Other non-operating expenses:		
Service charges	₩ 6,875	8,328
Loss on disposal of property, plant and equipment	17,996	4,917
Loss on disposal of intangible assets	271	-
Loss on disposal of right-of-use assets	21	117
Impairment loss on property, plant and equipment	3,920	24,380
Impairment loss on assets held for sale	23,690	-
Impairment loss on intangible assets	793	22,923
Loss on valuation of firm commitments	118,535	200,111
Other bad debt expenses	11,551	2,092
Donation	54,838	17,105
Others	25,610	62,956
	<u>₩ 264,100</u>	<u>342,929</u>

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41. Income Tax Expense (Benefit)

(1) Components of income tax expense (benefit) for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Current tax expense	₩ 52,167	8,275
Adjustment for prior periods	(23)	880
Origination and reversal of temporary differences	338,879	(223,432)
Income tax recognized in other comprehensive income (loss)	62,447	62,233
Others	(85,387)	(932)
Income tax expense (benefit)	₩ <u>368,083</u>	<u>(152,976)</u>

(2) Income taxes recognized directly other than profit or loss for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Changes in fair value of financial assets measured at FVOCI	₩ 2,917	(3,037)
Effective portion of changes in fair value of cash flow hedges	2,330	3,190
Actuarial gains and losses	59,599	54,458
Revaluation of property, plant and equipment	266	7,456
Others	(2,665)	166
Total income tax expense (benefit)	₩ <u>62,447</u>	<u>62,233</u>

Income taxes related to changes in fair value of financial assets measured at FVOCI, effective portion of changes in fair value of cash flow hedges, actuarial gains and losses, revaluation of property, plant and equipment and others are recognized in other comprehensive income (loss).

(3) Reconciliation of the effective tax rates for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Profit(loss) before income tax	₩ 1,822,663	(8,046)
Income tax using each component's statutory tax rate	488,855	58,913
Adjustment for:		
-Change in tax rates	(5,004)	27,464
-Tax effect of non-deductible expenses	3,158	3,227
-Tax effect of tax-exempt income	(16,626)	(20,163)
-Tax incentives	(9,997)	(4,574)
- Change in unrecognized temporary difference	(42,782)	3,926
- Current adjustments for prior periods	162	437
- Impairment (reversal)	(15,791)	(243,778)
-Others	(33,892)	21,572
Income tax expense (benefit)	₩ <u>368,083</u>	<u>(152,976)</u>
Effective tax rate	20.19%	(*)

(*) As loss before income tax or income tax benefit is occurred, the Group did not calculate the effective tax rate.

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41. Income Tax Expense (Benefit), Continued

- (4) Deferred tax assets and deferred tax effects by origination and reversal of temporary differences for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Deferred assets at the end of the year	₩ 1,383,678	1,723,287
Deferred assets at the beginning of the year	1,723,287	1,499,817
Others	<u>(730)</u>	<u>38</u>
Deferred tax effects by origination and reversal of temporary differences	₩ <u>338,879</u>	<u>(223,432)</u>

- (5) As of December 31, 2024, the tax effects of temporary difference were calculated using the enacted statutory tax rate for the fiscal period when the temporary differences are expected to be reversed
- (6) Deferred tax assets and liabilities are offset and presented in the separate statements of financial position, only if there are a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

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41. Income Tax Expense (Benefit), Continued

(7) Changes in deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024		
		Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩	(26,006)	(31,343)	(57,349)
Financial assets measured at fair value		118,737	(103,927)	14,810
Trade and other receivables		321,042	(737)	320,305
Asset revaluation		(263,076)	(18,760)	(281,836)
Property, plant and equipment		38,808	(18,270)	20,538
Derivatives		9,487	72,693	82,180
Accrued expenses		38,517	(2,918)	35,599
Provisions		90,503	(32,157)	58,346
Others		(279,564)	(44,062)	(323,626)
		48,448	(179,481)	(131,033)
Tax loss carryforward		1,631,041	(129,246)	1,501,795
Carryforward tax credit		43,798	(30,882)	12,916
	₩	<u>1,723,287</u>	<u>(339,609)</u>	<u>1,383,678</u>

(In millions of won)

		2023		
		Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩	(28,343)	2,337	(26,006)
Financial assets measured at fair value		127,481	(8,744)	118,737
Trade and other receivables		334,016	(12,974)	321,042
Asset revaluation		(265,186)	2,110	(263,076)
Property, plant and equipment		34,778	4,030	38,808
Derivatives		(6,641)	16,128	9,487
Accrued expenses		34,512	4,005	38,517
Provisions		210,885	(120,382)	90,503
Others		(76,948)	(202,616)	(279,564)
		364,554	(316,106)	48,448
Tax loss carryforward		1,094,997	536,044	1,631,041
Carryforward tax credit		40,266	3,532	43,798
	₩	<u>1,499,817</u>	<u>223,470</u>	<u>1,723,287</u>

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41. Income Tax Expense (Benefit), Continued

(8) The details of temporary differences not recognized as deferred tax assets (liabilities) as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023	Reason
Investments in subsidiaries and associates(*)	₩	(150,292)	779,044	Remote to be reversed
Impairment losses on property, plant, and equipment, etc.		196,346	31,857	Remote to be utilized
	₩	<u>46,054</u>	<u>810,901</u>	

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

(9) The details of deferred tax assets (liabilities) for unrecognized accumulated deficits and temporary differences to be deducted as of December 31, 2024 and 2023 are as follows.

<i>(In millions of won)</i>		2024	2023	Reason
Tax loss carryforward	₩	171,519	66,629	Remote to be utilized
Carryforward tax credit		8,579	19,498	Remote to be utilized

(10) Expiration schedule of unused deficit as of December 31, 2024 and 2023 is as follows

<i>(In millions of won)</i>		2024	2023
2026	₩	114,340	-
2028		-	66,629
After 2031		57,179	-
	₩	<u>171,519</u>	<u>66,629</u>

(11) The classification of deferred tax assets (liabilities) between current and non-current as of December 31, 2024 and 2023 are as follows.

<i>(In millions of won)</i>		2024	2023
Deferred tax assets (liabilities) payment due in 12 months	₩	133,049	179,807
Deferred tax assets (liabilities) payment due after 12 months		1,250,629	1,543,480
	₩	<u>1,383,678</u>	<u>1,723,287</u>

(12) The controlling Company believes that there is a likelihood of realization for deferred tax assets related to deficit carried forward, which exceed the expected average income after the next accounting year, excluding deferred tax assets associated with deficit carried forward not recognized due to remote realization.

41. Income Tax Expense (Benefit), Continued

(13) Global Minimum Tax

The Group has applied the temporary exception under Korean International Financial Reporting Standards (K-IFRS) No. 1012 Income Taxes and, accordingly, has not recognized deferred tax assets or liabilities related to Pillar Two legislation, nor disclosed related deferred tax information.

Under the global minimum tax rules, the parent company is required to pay a top-up tax in Korea on profits of subsidiaries that are subject to an effective tax rate of less than 15%. Based on the current financial statements, the Group assessed whether the jurisdictions in which its subsidiaries operate satisfy the transitional safe harbour criteria under Article 80 of the Korean Law for Coordination of International Tax Affairs. As a result, it was determined that the jurisdictions in which permanent establishments of the Group's subsidiaries are located — namely, the United Arab Emirates, Myanmar, and Singapore — do not meet the exemption criteria.

However, it was calculated that no additional top-up tax is due on profits generated in those jurisdictions, and therefore, no current income tax expense related to Pillar Two is included in the Group's tax expense for the period.

The estimated annual effective tax rate is subject to change due to various factors, including tax incentives granted to subsidiaries and accounting adjustments required for calculating global minimum taxable income under the applicable legislation in subsequent interim periods. As such, the current income tax expense related to Pillar Two remains exposed to estimation uncertainty until the end of subsequent interim and annual reporting periods.

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42. Earnings per Share

(1) Basic earnings per share for the years ended December 31, 2024 and 2023 are as follows:

<i>(In thousands of won, In thousands of shares)</i>		2024	2023
Profit attributable to owners of the Company	₩	1,172,335,951	221,711,002
Weighted average number of ordinary shares outstanding(*)		70,715	70,715
Earnings per share <i>(in won)</i>	₩	16,578	3,135

(*) Weighted-average number of ordinary shares for years ended December 31, 2024 and 2023 are as follows:

<i>(In shares)</i>		2024		
		Number of shares outstanding	Weighted average (In days)	Weighted average number of shares outstanding
Beginning balance		70,714,630	366/366	70,714,630
Weighted average number of ordinary shares outstanding		70,714,630		70,714,630

<i>(In shares)</i>		2023		
		Number of shares outstanding	Weighted average (In days)	Weighted average number of shares outstanding
Beginning balance		70,714,630	365/365	70,714,630
Weighted average number of ordinary shares outstanding		70,714,630		70,714,630

(2) Since there are no potentially dilutive common shares for years ended December 31, 2024 and 2023, diluted earnings per share have not been calculated.

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43. Cash Generated from Operations

(1) Cash generated from operations for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Profit for the year	₩	1,454,580	144,930
Adjustments for:		2,753,926	1,943,850
Retirement benefits		138,615	110,459
Depreciation		467,461	423,564
Depreciation on right-of-use assets		36,635	35,752
Amortization		21,677	12,628
Bad debt expenses (Reversal of bad debt expenses)		576	(30,966)
Finance income		(849,800)	(378,129)
Finance costs		3,830,155	992,798
Other non-operating income		(3,897,650)	(882,618)
Other non-operating expenses		208,544	255,059
Share of profit of equity accounted investees (sales)		60,735	48,489
Share of profit of equity accounted investees		139	(79)
Income tax expense (benefit)		368,083	(152,976)
Trade receivables		(7,817)	(369,274)
Other receivables		65,314	(41,730)
Contract assets		139,483	(788,596)
Inventories		(126,459)	198,973
Derivative assets		(333,098)	(395,699)
Firm commitments		978,765	742,915
Other current assets		(115,890)	(429,747)
Long-term trade receivables		5,119	(3,616)
Other non-current assets		(7,744)	(22,184)
Trade payables		264,742	332,461
Other payables		223,776	76,110
Advances received		45,822	(274)
Contract liabilities		1,415,043	3,608,479
Other current liabilities		81	(711)
Long-term other payables		9,099	17,025
Retirement benefits paid		(177,872)	(159,880)
Succession of retirement benefits		16,794	17,751
Plan assets		(7,517)	(145,003)
Provisions		(17,666)	(1,127,131)
Other non-current liabilities		(1,219)	-

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43. Cash Generated from Operations, Continued

- (2) Significant transactions that do not involve cash inflows and outflows for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>	2024	2023
Reclassification of construction-in-progress	₩ 464,252	258,644
Increase and decrease in accounts payable about acquisition amount of property, plant and equipment	11,357	7,285
Reclassification to current portion of debentures and borrowings	455,683	1,292,035
Net changes of financial assets measured at FVOCI	(10,680)	16,443
Increase in right-of-use assets and lease liabilities	388,933	27,084
Substitution of other capital adjustments and accounts payable	-	139,757

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44. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

	2024					
	Fair value – hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Total	Fair values
Financial assets						
measured at						
fair value:						
Financial instruments						
measured at						
FVTPL(*1)	₩ -	19,816	-	-	19,816	19,816
Equity investments						
measured at						
FVOCI(*2)	-	-	114,054	-	114,054	114,054
Derivative assets	65,218	-	-	-	65,218	65,218
Financial assets						
not measured at						
fair value:						
Cash and						
cash equivalents	-	-	-	3,717,319	3,717,319	-
Financial assets	-	-	-	1,929,900	1,929,900	-
Trade and other						
receivables	-	-	-	1,833,041	1,833,041	-
Contract assets	-	-	-	7,503,004	7,503,004	-
	₩ 65,218	19,816	114,054	14,983,264	15,182,352	199,088
Financial liabilities						
measured at						
fair value:						
Financial liabilities						
measured at FVTPL	₩ -	6,228	-	-	6,228	6,228
Derivative liabilities	3,382,050	-	-	-	3,382,050	3,382,050
Financial liabilities						
not measured at						
fair value:						
Borrowings	-	-	-	451,811	451,811	-
Bonds	-	-	-	964,219	964,219	-
Other long-term financial						
liabilities	-	-	-	6,228	6,228	-
Lease liabilities	-	-	-	483,354	483,354	-
Trade and other						
payables	-	-	-	3,918,208	3,918,208	-
	₩ 3,382,050	6,228	-	5,823,820	9,212,098	3,388,278

(*1) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2024 are ₩2,106 million.

(*2) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2024 are ₩46,748 million.

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44. Categories of Financial Instruments and Income and Costs by Categories, Continued

(1) Categories of financial instruments as of December 31, 2024 and 2023 are summarized as follows, continued:

(In millions of won)

	2023					
	Fair value – hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortized cost	Total	Fair values
Financial assets measured at fair value:						
Financial instruments measured at FVTPL(*1)	₩ -	19,704	-	-	19,704	19,704
Equity investments measured at FVOCI(*2)	-	-	212,720	-	212,720	212,720
Derivative assets	394,072	-	-	-	394,072	394,072
Financial assets not measured at fair value:						
Cash and cash equivalents	-	-	-	3,018,391	3,018,391	-
Financial assets	-	-	-	1,595,909	1,595,909	-
Trade and other receivables	-	-	-	1,712,387	1,712,387	-
Contract assets	-	-	-	7,156,818	7,156,818	-
	₩ 394,072	19,704	212,720	13,483,505	14,110,001	626,496
Financial liabilities measured at fair value:						
Financial liabilities measured at FVTPL	₩ -	2,540	-	-	2,540	2,540
Derivative liabilities	642,190	-	-	-	642,190	642,190
Financial liabilities not measured at fair value:						
Borrowings	-	-	-	2,450,216	2,450,216	-
Bonds	-	-	-	1,465,518	1,465,518	-
Lease liabilities	-	-	-	98,222	98,222	-
Trade and other payables	-	-	-	3,229,362	3,229,362	-
	₩ 642,190	2,540	-	7,243,318	7,888,048	644,730

(*1) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2023 are ₩2,006 million.

(*2) The amounts of financial assets that were recorded at their acquisition cost because the fair values cannot be measured reliably as of December 31, 2023 are ₩41,221 million.

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44. Categories of Financial Instruments and Income and Costs by Categories, Continued

(2) Financial instruments income and costs by categories for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

	2024				
	Fair value- hedging instruments	Financial instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost	Total
Selling, general and Administrative Expenses:					
Bad debt expenses	₩ -	-	-	(576)	(576)
Finance income:					
Interest income(*)	₩ -	-	-	213,074	213,074
Gain on valuation of financial instruments measured at FVTPL	-	1,543	-	-	1,543
Gain on disposal of financial instruments measured at FVTPL	-	1,111	-	-	1,111
Dividend income	-	46	3,586	-	3,632
Gain on foreign currency translation	-	-	-	576,005	576,005
Gain on foreign currency transactions	-	-	-	946,909	946,909
Gain on valuation of derivatives	55,546	-	-	-	55,546
Gain on derivatives transactions	79,350	-	-	-	79,350
Others	-	-	-	322	322
	₩ 134,896	2,700	3,586	1,736,310	1,877,492
Finance costs:					
Interest expense(*)	₩ -	-	-	(206,322)	(206,322)
Loss on valuation of financial instruments measured at FVTPL	-	(223)	-	-	(223)
Loss on disposal of financial instruments measured at FVOCI	-	(80)	-	-	(80)
Loss on foreign currency translation	-	-	-	(183,763)	(183,763)
Loss on foreign currency transactions	-	-	-	(480,673)	(480,673)
Loss on valuation of derivatives	(3,439,846)	-	-	-	(3,439,846)
Loss on derivatives transactions	(867,987)	-	-	-	(867,987)
Others	-	-	-	(134)	(134)
	₩ (4,307,833)	(303)	-	(870,892)	(5,179,028)
Other non-operating income:					
Reversal of other allowance for doubtful Accounts	₩ -	-	-	1,785	1,785
Other non-operating expenses:					
Other bad debt expenses	₩ -	-	-	(11,551)	(11,551)
Other comprehensive income (loss) (net of tax):					
Changes in fair value of financial assets measured at FVOCI	₩ -	-	(10,680)	-	(10,680)
Effective portion of changes in fair value of cash flow hedges	(11,576)	-	-	-	(11,576)
	₩ (11,576)	-	(10,680)	-	(22,256)
	₩ (4,184,513)	2,397	(7,094)	855,076	(3,334,134)

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

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44. Categories of Financial Instruments and Income and Costs by Categories, Continued

- (2) Financial instruments income and costs by categories for the years ended December 31, 2024 and 2023 are as follows, continued:

(In millions of won)

	2023				
	Fair value- hedging instruments	Financial instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost	Total
Selling, general and Administrative Expenses:					
Reversal of allowance for doubtful accounts ₩	-	-	-	30,966	30,966
Finance income:					
Interest income(*) ₩	-	-	-	201,958	201,958
Gain on valuation of financial instruments measured at FVTPL	-	16	-	-	16
Gain on disposal of financial instruments measured at FVTPL	-	2,393	-	-	2,393
Dividend income	-	49	5,991	-	6,040
Gain on foreign currency translation	-	-	-	31,710	31,710
Gain on foreign currency transactions	-	-	-	719,563	719,563
Gain on valuation of derivatives	136,916	-	-	-	136,916
Gain on derivatives transactions	129,772	-	-	-	129,772
Others	-	-	-	388	388
₩	266,688	2,458	5,991	953,619	1,228,756
Finance costs:					
Interest expense(*) ₩	-	-	-	(193,879)	(193,879)
Loss on valuation of financial instruments measured at FVTPL	-	(1,446)	-	-	(1,446)
Loss on disposal of financial instruments measured at FVOCI	-	(4,140)	-	-	(4,140)
Loss on foreign currency translation	-	-	-	(164,973)	(164,973)
Loss on foreign currency transactions	-	-	-	(536,892)	(536,892)
Loss on valuation of derivatives	(481,666)	-	-	-	(481,666)
Loss on derivatives transactions	(562,497)	-	-	-	(562,497)
Others	-	-	-	(149,441)	(149,441)
₩	(1,044,163)	(5,586)	-	(1,045,185)	(2,094,934)
Other non-operating income:					
Reversal of other allowance for doubtful Accounts ₩	-	-	-	1,024	1,024
Other non-operating expenses:					
Other bad debt expenses ₩	-	-	-	(2,092)	(2,092)
Other comprehensive income (loss) (net of tax):					
Changes in fair value of financial assets measured at FVOCI ₩	-	-	16,443	-	16,443
Effective portion of changes in fair value of cash flow hedges	(9,398)	-	-	-	(9,398)
₩	(9,398)	-	16,443	-	7,045
₩	(786,873)	(3,128)	22,434	(61,668)	(829,235)

(*) Interest income and expense arising from effective interest rate amortization are included.

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45. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Cash and cash equivalents(*1)	₩	3,716,919	3,018,292
Fair value –hedging instruments		65,218	394,072
Financial assets measured at fair value		19,816	19,704
Amortized cost(*2)		11,265,945	10,465,114
	₩	<u>15,067,898</u>	<u>13,897,182</u>

(*1) Cash held as of December 31, 2024 and 2023 is excluded.

(*2) The carrying amounts of contract assets as of December 31, 2024 and 2023 are included.

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

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Korea	₩	3,670,425	4,085,478
North America		264,681	16,223
Asia		2,576,442	2,429,048
Europe		4,276,103	3,718,955
Others		478,294	215,410
	₩	<u>11,265,945</u>	<u>10,465,114</u>

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45. Financial Instruments, Continued

(1) Credit risk, continued

(ii) Impairment loss

- ① The aging of financial assets at amortized cost (including contract asset) and the related allowance for impairment as of December 31, 2024 and 2023 are as follows:

(In millions of won)	2024		2023	
	Gross	Impairment	Gross	Impairment
Not past due	₩ 9,417,755	(164,584)	8,938,591	(191,946)
Past due up to 6 months	80,356	(8,066)	94,884	(8,703)
Past due 6~12 months	15,366	(8,623)	42,229	(6,710)
Past due 1~3 years	39,553	(33,667)	61,562	(59,313)
More than 3 years	1,037,904	(1,037,520)	937,782	(937,347)
	₩ 10,590,934	(1,252,460)	10,075,048	(1,204,019)

- ② The movement in the allowance for impairment in respect of financial assets at amortized cost (including contract asset) for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)	2024	2023
Beginning balance	₩ 1,204,019	1,247,868
Impairment loss recognized	69,123	6,913
Reversal of allowance for doubtful accounts	(58,781)	(37,796)
Changes in scope of consolidation	57,932	-
Write-offs	(19,833)	(12,966)
Ending balance	₩ 1,252,460	1,204,019

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

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45. Financial Instruments, Continued

(2) Liquidity risk

- (i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements for the years ended December 31, 2024 are summarized as follows:

(In millions of won)

		2024				
		Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
Non-derivative financial liabilities:						
Financial assets measured at FVTPL	₩	6,228	-	-	-	6,228
Borrowings		464,715	214,553	42,456	187,524	20,182
Debentures		1,028,040	152,860	195,731	679,449	-
Other financial liabilities		6,228	-	-	-	6,228
Lease liabilities		875,995	15,243	16,576	114,533	729,643
Trade and other payables		3,918,208	3,878,662	5,035	21,254	13,257
Derivative financial liabilities:						
Derivative contracts used for hedging		3,519,857	989,868	716,195	1,671,343	142,451
	₩	<u>9,819,271</u>	<u>5,251,186</u>	<u>975,993</u>	<u>2,674,103</u>	<u>917,989</u>

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

The Group is a party to a supplier financing arrangement, under which financial liabilities owed to individual suppliers are concentrated with a financial institution (see Note 24).

- (ii) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements for the years ended December 31, 2023 are summarized as follows:

(In millions of won)

		2023				
		Contractual cash flow	6 months or less	6~12 months	1~3 years	More than 3 years
Non-derivative financial liabilities:						
Borrowings	₩	2,590,620	804,284	760,743	1,014,221	11,372
Debentures		1,560,213	616,087	186,664	364,493	392,969
Lease liabilities		112,191	17,537	14,234	44,915	35,505
Trade and other payables		3,229,362	3,203,615	-	18,358	7,389
Derivative financial liabilities:						
Derivative contracts used for hedging		658,750	274,038	193,766	190,816	130
	₩	<u>8,151,136</u>	<u>4,915,561</u>	<u>1,155,407</u>	<u>1,632,803</u>	<u>447,365</u>

As of December 31, 2023, the Group did not include payment amounting to ₩2,540 million, which are recognized as financial liabilities measured at FVTPL due to uncertainty of estimated payment time.

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

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45. Financial Instruments, Continued

(2) Liquidity risk, continued

(iii) The periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2024 and 2023 are summarized as follows:

(In millions of won)

		2024			
		Contractual cash flow	6 months or less	6~12 months	1~3 years
Currency forward:					
Assets	₩	333	-	333	-
Liabilities		(9,307)	(5,074)	(4,233)	-
Currency swaps:					
Assets		85,559	1,654	1,567	82,338
Liabilities		-	-	-	-
	₩	<u>76,585</u>	<u>(3,420)</u>	<u>(2,333)</u>	<u>82,338</u>

(In millions of won)

		2023			
		Contractual cash flow	6 months or less	6~12 months	1~3 years
Currency forward:					
Assets	₩	833	-	-	833
Liabilities		-	-	-	-
Currency swaps:					
Assets		86,448	58,668	706	27,074
Liabilities		(2,104)	(1,288)	(816)	-
	₩	<u>85,177</u>	<u>57,380</u>	<u>(110)</u>	<u>27,907</u>

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45. Financial Instruments, Continued

(3) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024				
		USD	EUR	CNY	JPY	Others
Assets:						
Cash and cash equivalents	₩	1,354,622	9,138	164	157	13,717
Trade and other receivables		1,374,715	26,445	206	225	68,099
Contract assets		7,411,499	10,809	-	-	578
		<u>10,140,836</u>	<u>46,392</u>	<u>370</u>	<u>382</u>	<u>82,394</u>
						<u>10,270,374</u>
Liabilities:						
Trade and other payables		(1,364,199)	(222,190)	(1,140)	(6,537)	(161,208)
Borrowings and debentures		(458,691)	(12,085)	-	-	(9,677)
		<u>(1,822,890)</u>	<u>(234,275)</u>	<u>(1,140)</u>	<u>(6,537)</u>	<u>(170,885)</u>
						<u>(2,235,727)</u>
Net statement of financial position exposure		8,317,946	(187,883)	(770)	(6,155)	(88,491)
Derivative contracts		(3,317,100)	(50)	-	-	318
Net exposure	₩	<u>5,000,846</u>	<u>(187,933)</u>	<u>(770)</u>	<u>(6,155)</u>	<u>(88,173)</u>
						<u>4,717,815</u>

(In millions of won)

		2023				
		USD	EUR	CNY	JPY	Others
Assets:						
Cash and cash equivalents	₩	883,910	1,158	276	199	29,830
Trade and other receivables		1,396,554	58,096	177	212	82,664
Contract assets		7,028,595	14,043	-	-	2,024
		<u>9,309,059</u>	<u>73,297</u>	<u>453</u>	<u>411</u>	<u>114,518</u>
						<u>9,497,738</u>
Liabilities:						
Trade and other payables		(1,279,896)	(129,337)	(775)	(3,210)	(171,398)
Borrowings and debentures		(1,205,256)	(94,394)	-	-	(9,700)
		<u>(2,485,152)</u>	<u>(223,731)</u>	<u>(775)</u>	<u>(3,210)</u>	<u>(181,098)</u>
						<u>(2,893,966)</u>
Net statement of financial position exposure		6,823,907	(150,434)	(322)	(2,799)	(66,580)
Derivative contracts		(248,864)	-	-	-	747
Net exposure	₩	<u>6,575,043</u>	<u>(150,434)</u>	<u>(322)</u>	<u>(2,799)</u>	<u>(65,833)</u>
						<u>6,355,655</u>

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45. Financial Instruments, Continued

(3) Currency risk, continued

(i) Exposure to currency risk, continued

Foreign currency risk is based on financial instruments presented in currencies other than the functional currency of the individual company in the Group. Derivative contracts, which contain derivative contracts to hedge the risk of exchange rate fluctuation, are the amount of exposure to currency risk before considering effectiveness of hedge.

Significant exchange rates applied for the years ended December 31, 2024 and 2023 are as follow:

(In won)		Average rate		Spot rate	
		2024	2023	2024	2023
USD	₩	1,363.98	1,305.41	1,470.00	1,289.40
EUR		1,475.05	1,412.36	1,528.73	1,426.59
CNY		189.20	184.22	201.27	180.84
JPY (100)		900.36	931.24	936.48	912.66

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the USD, EUR, CNY, JPY and other currencies as of December 31, 2024 and 2023 would have increased (decreased) profit or loss by the amounts shown below.

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

The changes in profit or loss are as follows:

(In millions of won)		Profit or loss	
		2024	2023
USD (3 percent strengthening)	₩	150,025	197,251
EUR (3 percent strengthening)		(5,638)	(4,513)
CNY (3 percent strengthening)		(23)	(10)
JPY (3 percent strengthening)		(185)	(84)
Others (3 percent strengthening)		(2,645)	(1,975)

A strengthening of the won against the above currencies as of December 31, 2024 would have had the equal but opposite effect on the above currencies to the amounts shown above assuming all other variables remain constant.

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45. Financial Instruments, Continued

(4) Interest rate risk

- (i) The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Fixed rate instruments:			
Financial assets	₩	5,302,091	3,995,773
Financial liabilities		(1,271,437)	(2,951,672)
	₩	4,030,654	1,044,101
Variable rate instruments:			
Financial assets	₩	528,876	833,841
Financial liabilities		(145,374)	(967,251)
	₩	383,502	(133,410)

- (ii) Interest rate risk arises from savings and borrowings with floating interest rates. The Group properly hedges the risk borrowings with floating interest rates through interest rate swaps. Interest rate swap contracts as of December 31, 2024 are as follows:

<i>(In thousands US dollar)</i>				
Counterparties	Amount	Interest rate		Expiration date
The Korea Development Bank and others	450,000	Receives floating interest rate	3M Term Sofr+1.21%~2.18%	2024-05-21
		Pays fixed interest rate	1.47%~4.55%	

- (iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2024 and 2023 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The changes in equity and profit or loss are as follows:

<i>(In millions of won)</i>		Profit or loss	
		100 bp increase	100 bp decrease
2024:			
Variable rate instruments	₩	3,835	(3,835)
Interest rate swaps		-	-
Net cash flow sensitivity	₩	3,835	(3,835)
2023:			
Variable rate instruments	₩	(1,334)	1,334
Interest rate swaps		5,802	(5,802)
Net cash flow sensitivity	₩	4,468	(4,468)

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45. Financial Instruments, Continued

(5) Fair values

Fair value hierarchy

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

The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments carried at fair value, by fair value hierarchy as of December 31, 2024 and 2023 are as follows:

(In millions of won)

		Level 1	Level 2	Level 3	Total
2024:					
Financial assets measured at FVTPL	₩	-	1,992	15,718	17,710
Financial assets measured at FVOCI		1,384	-	65,922	67,306
Derivative assets		-	65,218	-	65,218
Financial liabilities measured at FVTPL		-	-	6,228	6,228
Derivative liabilities		-	3,382,050	-	3,382,050
2023:					
Financial assets measured at FVTPL		-	2,089	15,609	17,698
Financial assets measured at FVOCI	₩	96,866	-	74,633	171,499
Derivative assets		-	394,072	-	394,072
Financial liabilities measured at FVTPL		-	-	2,540	2,540
Derivative liabilities		-	642,190	-	642,190

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45. Financial Instruments, Continued

(5) Fair values, continued

Fair value hierarchy, continued

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are included in level 1. Instruments included in level 1 are comprised primarily of listed equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

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

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

The valuation techniques and input variables used in measuring Level 2 fair values rates as of December 31, 2024 and 2023 are as follows:

(In millions of won)		2024	2023	Valuation techniques	Input variables
Financial assets measured at FVPL :					
Beneficiary certificates	₩	1,992	2,089	Market Approach, Net Asset Value Method, Discounted Cash Flow Model and others	CER future price, discount rate and others
Financial assets measured at FVOCI:					
Equity securities		-	-	Market approach	Market multiple and others
Derivative Assets:					
Derivatives		65,218	394,072	Discounted Cash Flow Model and others	Currency forward price, discount rate and others
Derivative liabilities:					
Derivatives		3,382,050	642,190	Discounted Cash Flow Model and others	Currency forward price, discount rate and others

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45. Financial Instruments, Continued

(7) Level 3 fair values

(i) Changes in assets and liabilities which are classified as Level 3 fair values among assets and liabilities measured at fair value for the years ended December 31, 2024 and 2023 are as follows:

(In millions of won)

		2024			2023		
		Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial liabilities measured at FVTPL	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial liabilities measured at FVTPL
Beginning Balance	₩	15,609	74,633	2,540	15,263	64,125	1,793
Acquisitions		3	-	-	1,001	-	-
Disposals		(1)	-	(1,072)	-	-	-
Changes in scope of consolidation		52	-	6,228	-	-	-
Valuation		55	(8,611)	(1,468)	(655)	10,331	747
Reclassification		-	(100)	-	-	177	-
Ending Balance	₩	15,718	65,922	6,228	15,609	74,633	2,540

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45. Financial Instruments, Continued

(7) Level 3 fair values, continued

(ii) The valuation techniques and input of assets and liabilities classified as level 3 in the fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2024 and 2023 are as follows:

2024				
	Valuation techniques	Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Financial assets measured at FVOCI:				
	Net Asset Value Method	-	-	-
	Discounted Cash Flow Model,	Discount rate	Discount rate	0.11
		PBR	PBR	0.76 ~ 1.47
Equity securities	Discounted Free Cash Flow to Equity Method, Comparable Company Method	EV/Sales	EV/Sales	0.91
Financial assets measured at FVTPL:				
	Net Asset Value Method	-	-	-
Equity securities and others	Comparable Company Method	PBR	PBR	0.52
2023				
	Valuation techniques	Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Financial assets measured at FVOCI:				
	Net Asset Value Method	-	-	-
	Discounted Cash Flow Model,	Discount rate	Discount rate	0.12
Equity securities	Discounted Free Cash Flow to Equity Method, Comparable Company Method	PBR	PBR	0.39 ~ 1.45
Financial assets measured at FVTPL:				
	Net Asset Value Method	-	-	-
Equity securities and others	Comparable Company Method	PBR	PBR	0.52
Financial liabilities measured at FVTPL:				
Call option for share	Binominal model	Volatility	Volatility	0.23

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45. Financial Instruments, Continued

(7) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 2024 and 2023 are as follows:

(In millions of won)		2024					
				Effects of changes in fair value			
				Profit (loss) for the year		Other comprehensive income (loss)	
	Unobservable input variables	Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets measured at FVOCI:							
	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1%P discount rate increase or decrease	₩ -	-	445	(363)
Equity securities	Share price multiple	Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	-	-	292	(292)
	Valuation multiple	Fair value increase by valuation multiple increase	Measuring fair value changes by 1P valuation multiple increase or decrease	-	-	541	(541)
Financial assets measured at FVTPL:							
Investments in capital	Share price multiple	Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	69	(69)	-	-

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

45. Financial Instruments, Continued

(7) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 2024 and 2023 are as follows, continued:

(In millions of won)		2023					
		Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Effects of changes in fair value			
Unobservable input variables				Profit (loss) for the year		Other comprehensive income (loss)	
				Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets measured at FVOCI:							
Equity securities	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1%P discount rate increase or decrease	₩ -	-	283	(241)
	Share price multiple	Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	-	-	408	(408)
Financial assets measured at FVTPL:							
Investments in capital	Share price multiple	Fair value increase by share price multiple increase	Measuring fair value changes by 1P share price multiple increase or decrease	69	(69)	-	-
Financial liabilities measured at FVTPL:							
Call option for share	Underlying asset price	Fair value increase by underlying asset price increase	Measuring fair value changes by 10% underlying asset price increase or decrease	895	(1,115)	-	-

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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45. Financial Instruments, Continued

(8) Transfers of financial assets

There is no financial assets and financial liabilities netting arrangements as of December 31, 2024 and 2023.

(9) Offsetting of financial assets and financial liabilities

- (i) Carrying amounts of recognized financial assets and financial liabilities subject to offsetting arrangements as of December 31, 2024 are as follows:

(In millions of won)

(In millions of won)		2024				
		Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the statement of financial position	Related amount: won't be setoff in the statement of financial position	
					Financial instruments	Received cash security
						Net amount
Financial assets:						
Trade and other receivables	₩	291	(276)	15	-	-
Financial liabilities:						
Financial liabilities measured at amortized cost		5,269	(276)	4,993	-	-
						4,993

- (ii) Carrying amounts of recognized financial assets and financial liabilities subject to offsetting arrangements as of December 31, 2023 are as follows:

(In millions of won)

(In millions of won)		2023					
		Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the statement of financial position	Related amount: won't be setoff in the statement of financial position		
Financial instruments	Received cash security				Net amount		
Financial assets:							
Trade and other receivables	₩	119	(95)	24	-	-	24
Financial liabilities:							
Trade and other payables		3,566	(95)	3,471	-	-	3,471

The 'related amount that won't be setoff in the statement of financial position' is recognized up to the amount of 'Net financial assets presented in the consolidated statements of financial position.'

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
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46. Commitments and Contingencies

- (1) As December 31, 2024, the Group's agreements with financial institutions are as follows:

(In millions of won)

Financial institution	Description	Commitment limits(*1, 2)
The Korea Development Bank and others	General loan	₩ 803,460
	Import letters of credit	3,560,203
	Production finance and others	99,057
	Advance payment guarantees and others	50,495,968

(*1) For foreign currency commitments, the limit amounts have been translated using the exchange rates prevailing as of December 31, 2024.

(*2) The Group has provided collateral in the form of a letter of credit in the amount of USD 2,700 thousand, issued by Hana Bank, in favor of Atlantic Specialty Insurance Company.

- (2) As of December 31, 2024, the Group has provided three blank notes as collateral to counterparties in relation to its long-term borrowings.
- (3) The Group participated in a consortium, including Korea National Oil Corporation and others, to invest in a resource development project. In 2013, the consortium in which the Group was involved decided to withdraw from the project. As of December 31, 2024, the Group continues to have borrowings related to the project from the Korea Energy Agency (See Note 26).
- (4) The parent company was spun off on April 1, 2017, through a (physical) spin-off. As a result, HD Hyundai Heavy Industries Co., Ltd. became the surviving entity, continuing the shipbuilding and related businesses, while newly established entities — HD Hyundai Electric Co., Ltd., HD Hyundai Construction Equipment Co., Ltd., and HD Hyundai Co., Ltd. — took over the electric and electronic business, construction equipment business, and robotics/investment business, respectively. In accordance with Article 530-9(1) of the Korean Commercial Act, the parent company and the newly established entities are jointly and severally liable for obligations incurred prior to the spin-off.
- (5) In April 2019, the parent company sold its equity interest in Hyundai Hymys Co., Ltd. to Hercules Holdings for ₩97,500 million. The shareholders' agreement related to the transaction includes the parent company's tag-along right and Hercules Holdings' drag-along right. The shareholder agreement related to this divestiture includes the controlling Company's tag-along participation rights and Hercules Holdings' drag-along rights.
- (6) On June 1, 2019, the parent company underwent a spin-off. As a result, HD Korea Shipbuilding & Offshore Engineering Co., Ltd. remained as the surviving entity, continuing to engage in investment and related businesses, while HD Hyundai Heavy Industries Co., Ltd. was established as the new entity to take over the shipbuilding and related businesses. In accordance with Article 530-9(1) of the Korean Commercial Act, both the parent company and the newly established entity, HD Hyundai Heavy Industries Co., Ltd., are jointly and severally liable for the obligations of HD Hyundai Heavy Industries Co., Ltd. incurred prior to the spin-off.

In addition, on December 1, 2018, the parent company completed a merger with the spin-off division of HD Hyundai Samho Co., Ltd., which had been separated through a physical spin-off. In accordance with Article 530-9(1) of the Korean Commercial Act, both the parent company and HD Hyundai Samho Co., Ltd. are jointly and severally liable for obligations incurred by HD Hyundai Samho Co., Ltd. prior to the spin-off and merger.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

46. Commitments and Contingencies, Continued

- (7) In July 2021, the controlling company sold 800,000 shares of Hyundai Heavy Industries Power systems Co., Ltd. to H Asset Management Co., Ltd. for ₩144,000 million. In this regard, the seller shall be liable for damages within 5% limit of the sales amount in the event of damage exceeding 1% of the sales amount caused by the violation of the seller's statement, guarantee, and other obligations. In addition, the shareholder's agreement includes drag-along and call options for remaining equity securities of Hyundai Heavy Industries Power Systems Co., Ltd.

	Content
Buying company	The Company
Issue date	July 30, 2021
Type of shares to buy(*)	Non-voting convertible shares of Hyundai Heavy Industries Power Systems Co., Ltd.
Number of shares	200,000 shares
When to exercise	From the next day of the day 3 years have elapsed from the closing date of transaction
Exercise price	Adding 5% of annual compound interest based on IRR to the purchasing price from the closing date of the transaction to the payment date of the exercise of option

(*) In January 2022, ordinary shares of Hyundai Heavy Industries Power Systems Co., Ltd. held by the Group was changed to non-voting convertible stocks. The shares can be converted into ordinary shares with voting rights before the exercise of the largest shareholder's right to sell, Hyundai Heavy Industries Power Systems Co., Ltd.'s approval for listing preliminary screening, and the sale of shares involving changes in management rights to third parties.

For the year ended December 31, 2024, H Asset Management Co., Ltd. disposed of a portion of its equity interest in Hyundai Heavy Industries Power Systems Co., Ltd., resulting in the loss of its status as the largest shareholder. As a result, the Group's indemnification obligation and the drag-along and call options related to the remaining equity securities in Hyundai Heavy Industries Power Systems Co., Ltd. were extinguished.

- (8) The Group has granted put options to employees of its subsidiary, Convion OY, with a maximum exercise amount of EUR 8,148 thousand.

47. Litigations

As of December 31, 2024, the Group is currently a defendant in fifty four lawsuits involving claims amounted to ₩67,200 million. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

48. Related Parties

- (1) Transactions between the controlling Company and its subsidiaries are eliminated in the preparation of the consolidated financial statements and the related parties as of December 31, 2024 are as follows:

	Company(*1)	Main business
Parent company	HD Hyundai Co., Ltd.	Holding company
Associates and joint ventures(*1)	Hyundai Hymas Co., Ltd.	Sale and manufacture of machinery equipment for shipbuilding
	HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD.	Financial and operating leases
	International Maritime Industries Company	Shipbuilding
	Saudi Engines Manufacturing Company and 7 other companies(*2)	Manufacture of marine engines and others
Others (large-scale corporate conglomerates)	HD Hyundai Electric Co., Ltd.	Sale and manufacture of industrial electric equipment
	HD Hyundai Robotics Co., Ltd.	Manufacture of Industrial and LCD Robots
	HD Hyundai Construction Equipment Co., Ltd.	Sale and manufacture of machinery equipment for construction
	HD Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products
	HD Hyundai Marine Solution Co., Ltd.	Engineering services
	HD Hyundai Infracore Co., Ltd.	Sale and manufacture of machinery equipment for construction
	HD Hyundai Xite Solution Co., Ltd.	Manufacture of construction and mining machinery and equipment
	Other related parties of HD Hyundai Co., Ltd.	Other business
	Other related parties of HD Hyundai Electric Co., Ltd.	Other business
	Other related parties of HD Hyundai Robotics Co., Ltd.	Other business
	Other related parties of HD Hyundai Construction Equipment Co., Ltd.	Other business
	Other related parties of HD Hyundai Oilbank Co., Ltd.	Other business
	Other related parties of HD Hyundai Marine Solution Co., Ltd.	Other business
	Other related parties of HD Hyundai Infracore Co., Ltd.	Other business
	Other related parties of HD Hyundai Xite Solution Co., Ltd.	Other business
	Other related parties	Other business

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

(*2) As a result of the acquisition of HD Hyundai Marine Engine Co., Ltd., STX China Shipbuilding Holdings Co., Ltd. and STX Dalian Development Co., Ltd. were included in the scope of consolidation.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

48. Related Parties, Continued

(2) Significant transactions for the years ended December 31, 2024 and 2023 with related parties are as follows:

(In millions of won)

	2024			
	Sales and other		Purchases and other	
	Sales(*1)	Dividends income	Purchase of raw materials	Others purchase(*2)
Parent company:				
HD Hyundai Co., Ltd.	₩ 31,298	-	8,499	33,505
Associates and joint ventures(*3):				
Hyundai Hymys Co., Ltd.	7,229	-	207,734	647
International Maritime Industries Company	17,039	-	-	-
Others	7,750	27,980	-	653
	<u>32,018</u>	<u>27,980</u>	<u>207,734</u>	<u>1,300</u>
Other related parties				
(large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	54,992	-	251,326	8,119
HD Hyundai Robotics Co., Ltd.	2,463	-	127	8,944
HD Hyundai Construction Equipment Co., Ltd.	23,842	-	559	4,679
HD Hyundai Oilbank Co., Ltd.	19,256	-	132,240	1,923
HD Hyundai Marine Solution Co., Ltd.	45,836	-	76,904	74,837
HD Hyundai Xite Solution Co., Ltd.	13,935	-	1,080	6,873
HD Hyundai Infracore Co., Ltd.	11,728	-	-	1,230
Others	3,037	-	5,823	11,991
	<u>175,089</u>	<u>-</u>	<u>468,059</u>	<u>118,596</u>
	<u>₩ 238,405</u>	<u>27,980</u>	<u>684,292</u>	<u>153,401</u>

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

(*2) Including acquisitions of property, plant and equipment and payments of lease (₩14,512 million) and others.

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

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

For the year ended December 31, 2024, the Group received ₩32,374 million from the capital reduction of its associate, HD HYUNDAI (SHANGHAI) FINANCIAL LEASING CO., LTD., of which ₩27,835 million was recognized as dividend income.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

48. Related Parties, Continued

(2) Significant transactions for the years ended December 31, 2024 and 2023 with related parties are as follows, continued:

(In millions of won)

	2023			
	Sales and other		Purchases and other	
	Sales(*1)	Dividends income	Purchase of raw materials	Others purchase(*2)
Parent company:				
HD Hyundai Co., Ltd.	₩ 21,883	-	4,049	33,847
Associates and joint ventures(*3):				
Hyundai Hymys Co., Ltd.	7,174	-	178,251	46
International Maritime Industries Company	15,717	-	-	-
Others	7,294	918	71	678
	30,185	918	178,322	724
Other related parties				
(large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	51,608	-	193,747	6,082
HD Hyundai Robotics Co., Ltd.	2,262	-	10	1,522
HD Hyundai Construction Equipment Co., Ltd.	26,546	-	781	4,201
HD Hyundai Oilbank Co., Ltd.	26,348	-	127,008	1,677
HD Hyundai Marine Solution Co., Ltd.	28,290	-	48,100	64,981
HD Hyundai Xite Solution Co., Ltd.	11,058	-	1,026	6,410
HD Hyundai Infracore Co., Ltd.	10,236	-	-	-
Others	3,817	-	3,534	15,137
	160,165	-	374,206	100,010
₩	212,233	918	556,577	134,581

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

(*2) Including acquisitions of property, plant and equipment and payments of lease (₩15,830 million) and others.

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

In addition to the above transactions, the controlling company participated in the paid-in capital increase of the International Maritime Industries Company and paid SAR 68,100 thousand and acquired ₩64.1 billion worth of investment shares in Elcogen Group PLC.

HD Hyundai Heavy Industries Co., Ltd. paid the full amount of unpaid allowances in advance in relation to ordinary wage lawsuits under payment procedures for the year ended December 31, 2023 and received the burden of affiliates and paid withholding tax from each affiliate. There are ₩117,358 million deposit and ₩8,445 million payment from HD Hyundai Electric Co., Ltd., ₩32,462 million deposit and ₩2,439 million payment, ₩4,768 million deposit and ₩333 million payment from HD Hyundai Robotics Co., Ltd., ₩116 million deposit and ₩22 million payment details.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

48. Related Parties, Continued

(3) Outstanding balances as of December 31, 2024 and 2023 with related parties are as follows:

(In millions of won)

	2024			
	Trade and other receivables		Trade and other payables	
	Trade receivable	Other receivables	Trade payables	Other Payables(*2)
Parent company:				
HD Hyundai Co., Ltd.	₩ 2,662	15,855	341	27,254
Associates and joint ventures(*1):				
Hyundai Hymys Co., Ltd.	619	1,512	10,284	-
International Maritime Industries Company	7,936	-	-	-
Others	2,175	-	718	-
	<u>10,730</u>	<u>1,512</u>	<u>11,002</u>	<u>-</u>
Other related parties				
(large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	4,200	2,989	70,205	3,883
HD Hyundai Robotics Co., Ltd.	441	3,503	2,212	520
HD Hyundai Construction Equipment Co., Ltd.	1,738	1,778	111	421
HD Hyundai Oilbank Co., Ltd.	1,638	52	43,208	979
HD Hyundai Global Service Co., Ltd.	6,213	4,229	24,908	1,799
HD Hyundai XiteSolution Co., Ltd.	2,120	235	1,438	1,879
HD Hyundai Infracore Co., Ltd.	1,079	61	12	215
Others	400	3,534	4,659	166
	<u>17,829</u>	<u>16,381</u>	<u>146,753</u>	<u>9,862</u>
₩	<u>31,221</u>	<u>33,748</u>	<u>158,096</u>	<u>37,116</u>

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

(*2) Including lease liabilities (₩30,298 million).

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
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48. Related Parties, Continued

(3) Outstanding balances as of December 31, 2024 and 2023 with related parties are as follows, continued:

(In millions of won)

	2023			
	Trade and other receivables		Trade and other payables	
	Trade receivable	Other receivables	Trade payables	Other Payables(*2)
Parent company:				
HD Hyundai Co., Ltd.	₩ 9,777	14,028	1,613	38,193
Associates and joint ventures(*1):				
Hyundai Hymis Co., Ltd.	610	3,677	13,551	-
International Maritime Industries Company	6,830	-	-	-
Others	1,684	1	746	-
	<u>9,124</u>	<u>3,678</u>	<u>14,297</u>	<u>-</u>
Other related parties				
(large-scale corporate conglomerates):				
HD Hyundai Electric Co., Ltd.	4,224	2,532	65,806	3,643
HD Hyundai Robotics Co., Ltd.	433	3,942	45	40
HD Hyundai Construction Equipment Co., Ltd.	2,626	1,521	759	325
HD Hyundai Oilbank Co., Ltd.	2,040	153	47,266	1,053
HD Hyundai Global Service Co., Ltd.	4,548	3,570	33,952	1,516
HD Hyundai XiteSolution Co., Ltd.	1,364	443	1,709	455
HD Hyundai Infracore Co., Ltd.	1,104	404	-	138
Others	317	925	2,080	245
	<u>16,656</u>	<u>13,490</u>	<u>151,617</u>	<u>7,415</u>
₩	<u>35,557</u>	<u>31,196</u>	<u>167,527</u>	<u>45,608</u>

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

(*2) Including lease liabilities (₩40,815 million).

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
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48. Related Parties, Continued

- (4) There is no guarantee that provided for related parties or provided by related parties as of December 31, 2024.
- (5) There is no guarantee provided to or received from related parties as of December 31, 2024.
- (6) Compensation for key management of the Group for the years ended December 31, 2024 and 2023 are as follows:

<i>(In millions of won)</i>		2024	2023
Short-term employee benefits	₩	12,427	9,815
Post-employment benefit		1,985	2,056
Other long-term benefits		853	379
	₩	<u>15,265</u>	<u>12,250</u>

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

49. Assets held for sale

Assets held for sale as of December 31, 2024 and 2023 are summarized as follows:

<i>(In millions of won)</i>		2024	2023
Property, Plant and Equipment(*)	₩	63,000	-

(*) Property, plant and equipment that are determined to be sold are classified as non-current assets held for sale.

The change at the end of the current year compared to the prior year-end is attributable to the sale agreement of the Naedong plant by HD Hyundai Marine Engine Co., Ltd.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
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50. Subsequent Events

- (1) On February 25, 2025, the Board of Directors resolved to issue exchangeable bonds in the amount of ~~₩~~600,000 million, with 1,730,576 common shares of HD Hyundai Heavy Industries Co., Ltd. held by the parent company designated as the underlying shares for exchange.
- (2) HD Hyundai Heavy Industries Co., Ltd., a subsidiary of the Group, participated in a capital increase of Hyundai Heavy Industries Argentina S.R.L. in January and March 2025, with a total investment amounting to USD 1,700 thousand.
- (3) In February 2025, the subsidiary HD Hyundai Heavy Industries Co., Ltd. established HD Hyundai M&S Co., Ltd. through a capital contribution of ~~₩~~95,000 million. Pursuant to a resolution of the board of directors on February 25, the subsidiary transferred its entire contractual position under an asset transfer agreement (transaction amount: ~~₩~~67,226 million) previously entered into with an unrelated party to HD Hyundai M&S Co., Ltd.

Independent Auditors' Report on Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Stockholders and Board of Directors of
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited HD Korea Shipbuilding & Offshore Engineering Co., Ltd. And its subsidiaries (the "Group") internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2024 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting for consolidation purposes as of December 31, 2024, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the consolidated financial statements of the Group, which comprise the consolidated statements of financial position as of December 31, 2024, the consolidated statements loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 14, 2025 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

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

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

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

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

Our audit of internal control over financial reporting for consolidation purposes included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.



Definition and Limitations of Internal Control over Financial Reporting

A Group's internal control over financial reporting for consolidation purposes is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A Group's internal control over financial reporting for consolidation purposes 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 Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with K-IFRS, and that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the consolidated financial statements.

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

The engagement partner on the audit resulting in this independent auditors' report is Jeon Won-Pyo.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 14, 2025

<p>This report is effective as of March 14, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>
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Report on the Operations of Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Shareholders, Board of Directors, and Audit Committee of HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

We, as the CEO and ICFR officer of HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD. (the “Company”), assessed the effectiveness of the design and operation of internal control over financial reporting (“ICFR”) for consolidation purposes for the year ended December 31, 2024.

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

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

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

Based on our assessment, we concluded that the Company’s ICFR for consolidation purposes is effectively designed and operated as of December 31, 2024, in all material respects, in accordance with the Conceptual Framework for Design and Operation of ICFR.

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

(Attachments) Internal control activities performed by the Company in response to fund-related fraud risks such as embezzlements.

Kim, Sung Joon
Chief Executive Officer

Lee, Tae hong
Internal Accounting Control Officer

February 6, 2025

(Attachment)

Internal Control Activities Conducted by the Company in response to Fund-related Fraud Risks such as Embezzlements, etc.

Classification	Control Activities Conducted by the Company	Assessment Results of Design· Operation Status
Entity level controls	<Fraud Prevention System Operation> The Company operates an internal whistle-blower system (anonymous reporting channel) to prevent fraud such as embezzlement incidents.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2024, January 2025)
	<Fraud Risk Assessment> The ICFR Department conducts change management and appropriately reflects these changes in internal controls considering changes in business processes.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2024, January 2025)
	<Separation of Duties> The Company defines standards for incompatible duties and periodically reviews whether the corresponding responsibilities are appropriately separated based on the organization or individual in charge.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2024, January 2025)
	<Effectiveness Evaluation of the ICFR> The Company conducts ongoing monitoring as part of routine business procedures and periodically assesses the effectiveness of key control activities through independent evaluations.	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2024, January 2025)

Classification	Control Activities Conducted by the Company	Assessment Results of Design- Operation Status
Cash Management Controls	<p><Management of Accounts Status></p> <p>The head of the Cash Management Team reviews any changes in the status of accounts.</p>	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024)
	<p><Opening and Closing of Accounts></p> <p>The head of the Cash Management Team reviews and approves appropriate internal reports related to the opening and closing of bank accounts.</p>	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024)
	<p><Seal Management></p> <p>The department head in charge of corporate and user seals restricts physical access to the seals.</p>	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024)
	<p><Seal Usage></p> <p>The department head in charge of corporate and user seals verifies the approval and supporting documents from the requesting department head before affixing the seal.</p>	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024)
	<p><Restriction on Transactions with Unregistered Vendors></p> <p>The ERP system is configured to restrict financial transactions with vendors that are not registered in the system.</p>	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024, January 2025)
	<p><Separation of Duties in Payment Processing></p> <p>The person requesting the payment and the person approving the payment are separated.</p>	As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, June 2024, December 2024)

Classification	Control Activities Conducted by the Company	Assessment Results of Design- Operation Status
Cash Management Controls	<p><Preparation and Approval of Daily Cash Plans></p> <p>The head of the Cash Management Team reviews and approves daily cash reports, including planned inflows and outflows for the day and the actual performance of the previous day.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024)</p>
	<p><Approval and Execution of Borrowing Transactions></p> <p>The head of the Cash Management Team approves the borrowing details, and the borrowing officer executes the transaction based on the borrowing proposal approved by the authorized signatory.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, December 2024, January 2025)</p>
	<p><Separation of Vendor Registration and Confirmation></p> <p>The individuals responsible for registering vendors and confirming vendor information in the ERP system are separated.</p>	<p>As a result of the test, no significant vulnerabilities have been identified. (ICFR Department, May 2024, January 2025)</p>