

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

Consolidated Financial Statements

**December 31, 2025**

(With Independent Auditors' 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  
Hanwha TotalEnergies Petrochemical Co., Ltd.:

### **Opinion**

We have audited the consolidated financial statements of Hanwha TotalEnergies Petrochemical Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2025, the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, including material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### **Basis for Opinion**

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

### **Other Matters**

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.

The consolidated financial statements of the Group as of and for the year ended December 31, 2024 were audited by other auditors in accordance with KSAs, whose report thereon dated March 17, 2025, expressed an unqualified opinion.

### **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 the K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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.

*KPMG Samjory Accounting Corp.*

Seoul, Korea  
March 20, 2026

This report is effective as of March 20, 2026, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2025 and 2024**

<i>In won</i>	<b>Note</b>	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	₩ 559,337,005,244	516,939,873,774
Trade and other accounts receivable, net	5,6,16,24,26	959,125,731,450	909,764,299,590
Prepaid expenses		15,177,085,847	24,070,904,585
Current income tax assets		1,182,513,980	986,815,530
Other current assets	12	179,414,392,595	2,741,663,566
Inventories, net	7	1,144,250,700,930	1,436,321,471,124
		<u>2,858,487,430,046</u>	<u>2,890,825,028,169</u>
<b>Non-current assets</b>			
Long-term investment securities	5,8	12,037,410,952	8,063,159,220
Long-term loans, net	5	532,316,704	846,213,546
Long-term accounts receivable, net	5,16,26	45,135,797,441	34,125,430,801
Long-term prepaid expenses		36,598,174	58,695,052
Property, plant and equipment, net	9,10	4,253,985,977,564	4,500,353,971,463
Intangible assets, net	11	24,220,414,055	27,053,932,555
Defined benefit assets, net	15	-	17,148,548,189
Other non-current assets	5,12	14,500,000	14,500,000
Deferred tax assets	21	125,856,479,169	7,411,575
		<u>4,461,819,494,059</u>	<u>4,587,671,862,401</u>
<b>Total assets</b>		<u>₩ 7,320,306,924,105</u>	<u>7,478,496,890,570</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other accounts payable	5,16,17,24	₩ 1,512,565,073,072	1,383,526,182,568
Short-term borrowings	5,6,13,23,26	32,381,814,021	521,803,030,635
Current portion of bonds payable and long-term borrowings	5,10,13,23,26	469,335,001,880	711,037,518,500
Income tax payable		338,535,468	390,641,628
Other current liabilities	14	312,918,904,744	33,013,612,762
		<u>2,327,539,329,185</u>	<u>2,649,770,986,093</u>
<b>Non-current liabilities</b>			
Bonds payable, net	5,13,23,26	1,089,858,025,294	993,471,355,126
Long-term borrowings	5,10,13,23,26	408,108,538,753	357,271,045,130
Long-term accounts payable	5,16	7,090,016,346	11,747,347,976
Long-term provisions	14	1,200,000,000	-
Defined benefit liabilities, net	15	2,348,829,554	-
Deferred tax liabilities	21	-	16,333,197,462
Other non-current liabilities	14	17,765,664,894	13,039,484,011
		<u>1,526,371,074,841</u>	<u>1,391,862,429,705</u>
<b>Total liabilities</b>		<u>₩ 3,853,910,404,026</u>	<u>4,041,633,415,798</u>

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.  
 Consolidated Statements of Financial Position, Continued  
 As of December 31, 2025 and 2024

In won	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<b>Equity</b>			
Equity attributable to owners of the parent:			
Issued capital	19	₩ 95,826,580,000	95,826,580,000
Share premium	19	864,898,306,667	864,898,306,667
Hybrid bonds	19	496,959,880,000	-
Accumulated other comprehensive income	19	417,695,689,058	399,316,825,958
Retained earnings	19	<u>1,591,016,064,354</u>	<u>2,076,821,762,147</u>
		<u>3,466,396,520,079</u>	<u>3,436,863,474,772</u>
Non-controlling interests		<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>₩ 3,466,396,520,079</u>	<u>3,436,863,474,772</u>
<b>Total liabilities and equity</b>		<u>₩ 7,320,306,924,105</u>	<u>7,478,496,890,570</u>

See accompanying notes to the consolidated financial statements.

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.  
Consolidated Statements of Comprehensive Loss  
For the years ended December 31, 2025 and 2024

<i>In won</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Sales</b>	20,24,25	₩ 10,776,022,494,781	11,797,662,262,098
<b>Cost of sales</b>	20,24	<u>10,986,832,036,393</u>	<u>11,670,167,590,241</u>
<b>Gross profit (loss)</b>		<u>(210,809,541,612)</u>	<u>127,494,671,857</u>
Selling and administrative expenses	20	<u>320,461,139,657</u>	<u>332,206,121,077</u>
<b>Operating loss</b>		<u>(531,270,681,269)</u>	<u>(204,711,449,220)</u>
Other income	20	13,597,341,642	16,868,685,952
Other expenses	20	46,860,340,910	53,428,854,837
Finance income	5,16,20	257,097,978,618	297,264,868,573
Finance expenses	5,16,20	<u>337,820,418,434</u>	<u>405,468,707,082</u>
<b>Profit (loss) before tax</b>		<u>(645,256,120,353)</u>	<u>(349,475,456,614)</u>
Income tax expense (benefits)	21	<u>(154,577,264,135)</u>	<u>(78,173,023,857)</u>
<b>Profit (loss) for the period</b>		<u>₩ (490,678,856,218)</u>	<u>(271,302,432,757)</u>

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Consolidated Statements of Comprehensive Loss, Continued**  
**For the years ended December 31, 2025 and 2024**

<i>In won</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
<b>Other comprehensive income (loss)</b>			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Net gain (loss) on valuation of derivatives	16	₩ 20,831,590,080	(12,161,912,531)
Exchange differences on translation of foreign operations		487,210,864	3,224,335,800
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of net defined benefit plans	15	4,873,158,425	(11,705,226,459)
Net gain (loss) on valuation of financial instruments measured at fair value through other comprehensive income ("FVOCI")	8	3,066,679,900	(2,296,745,540)
Revaluation surplus at FVOCI	9	<u>(6,006,617,744)</u>	<u>6,063,500,731</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>23,252,021,525</u>	<u>(16,876,047,999)</u>
<b>Total comprehensive income for the year, net of tax</b>		<u>₩ (467,426,834,693)</u>	<u>(288,178,480,756)</u>
<b>Profit (loss) for the year attributable to:</b>			
Owners of the parent		(490,678,856,218)	(271,302,432,757)
Non-controlling interests		-	-
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent		(467,426,834,693)	(288,178,480,756)
Non-controlling interests		-	-
<b>Earnings (loss) per share:</b>			
Basic and diluted, earnings per share	22	₩ (25,602)	(14,156)

*See accompanying notes to the consolidated financial statements.*

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.  
Consolidated Statements of Changes in Equity  
For the years ended December 31, 2025 and 2024

<i>In won</i>		Issued capital	Share premium	Hybrid bonds	Accumulated other comprehensive income of equity	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total
<b>As of January 1, 2024</b>	₩	<b>95,826,580,000</b>	<b>864,898,306,667</b>	-	<b>404,703,113,359</b>	<b>2,359,613,955,502</b>	<b>3,725,041,955,528</b>	-	<b>3,725,041,955,528</b>
Loss for the period		-	-	-	-	(271,302,432,757)	(271,302,432,757)	-	(271,302,432,757)
Net gain (loss) on valuation of derivatives		-	-	-	(12,161,912,531)	-	(12,161,912,531)	-	(12,161,912,531)
Exchange differences on translation of foreign operations		-	-	-	3,224,335,800	-	3,224,335,800	-	3,224,335,800
Re-measurement gain on net defined benefit plans		-	-	-	-	(11,705,226,459)	(11,705,226,459)	-	(11,705,226,459)
Net gain (loss) on valuation of financial instruments measured at FVOCI		-	-	-	(2,296,745,540)	-	(2,296,745,540)	-	(2,296,745,540)
Revaluation surplus at FVOCI		-	-	-	6,063,500,731	-	6,063,500,731	-	6,063,500,731
Reclassification of revaluation surplus at FVOCI		-	-	-	(215,465,861)	215,465,861	-	-	-
<b>As of December 31, 2024</b>	₩	<b>95,826,580,000</b>	<b>864,898,306,667</b>	-	<b>399,316,825,958</b>	<b>2,076,821,762,147</b>	<b>3,436,863,474,772</b>	-	<b>3,436,863,474,772</b>
<b>As of January 1, 2025</b>	₩	<b>95,826,580,000</b>	<b>864,898,306,667</b>	-	<b>399,316,825,958</b>	<b>2,076,821,762,147</b>	<b>3,436,863,474,772</b>	-	<b>3,436,863,474,772</b>
Loss for the period		-	-	-	-	(490,678,856,218)	(490,678,856,218)	-	(490,678,856,218)
Net gain (loss) on valuation of derivatives		-	-	-	20,831,590,080	-	20,831,590,080	-	20,831,590,080
Exchange differences on translation of foreign operations		-	-	-	487,210,864	-	487,210,864	-	487,210,864
Re-measurement loss on net defined benefit plans		-	-	-	-	4,873,158,425	4,873,158,425	-	4,873,158,425
Net gain (loss) on valuation of financial instruments measured at FVOCI		-	-	-	3,066,679,900	-	3,066,679,900	-	3,066,679,900
Revaluation surplus at FVOCI		-	-	-	(6,006,617,744)	-	(6,006,617,744)	-	(6,006,617,744)
Issuance of hybrid bonds		-	-	496,959,880,000	-	-	496,959,880,000	-	496,959,880,000
<b>As of December 31, 2025</b>	₩	<b>95,826,580,000</b>	<b>864,898,306,667</b>	<b>496,959,880,000</b>	<b>417,695,689,058</b>	<b>1,591,016,064,354</b>	<b>3,466,396,520,079</b>	-	<b>3,466,396,520,079</b>

See accompanying notes to the consolidated financial statements.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2025 and 2024**

<i>In won</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Operating activities:</b>			
Loss for the period		₩ (490,678,856,218)	(271,302,432,757)
Non-cash adjustments to reconcile profit for the years to net cash flows	23	496,153,942,407	527,536,460,413
Working capital adjustments	23	455,385,085,873	310,244,528,015
Interest received		7,994,475,200	6,678,039,029
Income tax refund (paid)		(1,303,916,623)	(1,322,782,642)
<b>Net cash flows provided by operating activities</b>		<b>467,550,730,639</b>	<b>571,833,812,058</b>
<b>Investing activities:</b>			
Decrease in long-term loans		318,896,842	117,414,696
Increase in long-term loans		(5,000,000)	(251,888,850)
Proceeds from disposal of long-term investment securities		4,825,000	-
Acquisition of long-term investment securities		(14,000)	(13,001)
Decrease in deposits		43,567,172	28,524,447
Increase in deposits		(3,720,042,611)	-
Proceeds from disposal of property, plant and equipment		2,174,391,672	2,917,336,442
Acquisition of property, plant and equipment		(241,846,276,636)	(259,427,118,151)
Proceeds from disposal of intangible assets		135,000,000	10,000,000,000
Acquisition of intangible assets		-	(7,221,452,000)
Government subsidiary received		4,253,059,717	-
Settlement of derivatives		6,988,007,717	11,855,494,109
Dividends received		917,589,455	863,745,575
<b>Net cash flows used in investing activities</b>		<b>(230,735,995,672)</b>	<b>(241,117,956,733)</b>
<b>Financing activities :</b>			
Increase in bonds payable	23	318,812,468,400	532,795,523,149
Net change in short-term borrowings		(488,844,754,433)	96,448,411,419
Repayment of current portion of long-term bonds payable and long-term borrowings		(564,085,996,331)	(928,832,440,039)
Increase in long-term borrowings		140,000,000,000	350,000,000,000
Issuance of hybrid bonds		496,959,880,000	-
Increase in deposits withheld		68,957,352	30,590,531
Settlement of derivatives		7,331,580,000	85,480,000,000
Interest paid		(104,835,963,727)	(96,064,629,363)
<b>Net cash flows used in financing activities</b>		<b>(194,593,828,739)</b>	<b>39,857,455,697</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>		<b>42,220,906,228</b>	<b>370,573,311,022</b>
Cash and cash equivalents as of January 1		516,939,873,774	144,980,560,156
Net foreign exchange difference		176,225,242	1,386,002,596
<b>Cash and cash equivalents as of December 31</b>		<b>₩ 559,337,005,244</b>	<b>516,939,873,774</b>

See accompanying notes to the consolidated financial statements.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 1. General information

#### Corporate information

Hanwha TotalEnergies Petrochemical Co., Ltd. (the "Company") was incorporated on August 1, 2003 under the laws of the Republic of Korea in accordance with a joint venture agreement entered into on June 10, 2003, between Total Holdings UK Limited (currently, TotalEnergies Holdings UK, "TotalEnergies Holdings", which is a subsidiary of TotalEnergies SE in France (formerly, Total SE)) of the United Kingdom and Samsung General Chemical Co., Ltd. ("SGC") of the Republic of Korea, and an in-kind contribution agreement entered into between the Company and SGC.

Upon the Company's incorporation on August 1, 2003, SGC sold 50% of its equity interest in the Company to Total Holdings in accordance with a share purchase agreement entered into with Total Holdings, SGC and SGC's two shareholders on June 10, 2003. At the time of establishment, the Company was named Samsung Atofina Co., Ltd. and changed to Samsung Total Petrochemical Co., Ltd. in October 2004.

On November 26, 2014, Hanwha Group and Samsung Group entered into a share transfer agreement of SGC. In accordance with a resolution at the shareholders' meeting on April 30, 2015, the name of the Company was changed from Samsung Total Petrochemical Co., Ltd. to Hanwha Total Petrochemical Co., Ltd.

As of December 31, 2025, the issued and outstanding shares of the Company are equally owned by TotalEnergies Holdings and Hanwha Impact Corporation. The Company changed its name from Hanwha Total Petrochemical Co., Ltd. to Hanwha TotalEnergies Petrochemical Co., Ltd. at the shareholders' meeting on March 31, 2022.

The Company acquired all of the equity interest of West Sea Utilities Investment Private Company in West Sea Power Co., Ltd. and West Sea Water Co., Ltd. (acquired companies) in January 2012 to enhance the stabilization and efficiency of operations and competitiveness through the integration of utility facilities. The acquired companies were merged into the Company as of March 28, 2012.

The primary business activity of the Company is the production and sale of various petrochemical and fuel products, including polyethylenes, polypropylenes, butadienes, styrene monomers, paraxylenes, jetoil and gasoline.

The Company's manufacturing plant is located in Seosan-si (the Seosan City), Choongchungnam-do.

The consolidated financial statements for the reporting period ended December 31, 2025 comprise the Company and its subsidiaries (collectively referred to as the "Group").

#### Information about consolidated subsidiaries

The consolidated subsidiaries as of December 31, 2025 and 2024 are as follows:

Subsidiary	Principal activities	Equity interest (%)	Country of domicile
Dongguan Hanwha TotalEnergies Engineering Plastic Co., Ltd.	Production and sale of synthetic resins and various plastics	100	China
Hanwha TotalEnergies Petrochemical (Shanghai) Co., Ltd.	Trading	100	China

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**1. General information (cont'd)**

The summarized financial information of the consolidated subsidiaries as of December 31, 2025 and 2024 and for each of the two years in the period ended December 31, 2025, which has been included in the accompanying consolidated financial statements, is as follows (Korean won in thousands):

Subsidiary	As of and for the year ended December 31, 2025					
	Assets	Liabilities	Equity	Revenue	Profit for the year	Total comprehensive income
Dongguan Hanwha TotalEnergies Engineering Plastic Co., Ltd.	₩ 33,891,544	4,630,194	29,261,350	58,088,908	1,832,227	2,285,458
Hanwha TotalEnergies Petrochemical (Shanghai) Co., Ltd.	4,586,259	2,292,138	2,294,121	6,912,186	346,388	380,367

  

Subsidiary	As of and for the year ended December 31, 2024					
	Assets	Liabilities	Equity	Revenue	Profit for the year	Total comprehensive income
Dongguan Hanwha TotalEnergies Engineering Plastic Co., Ltd.	₩ 32,793,740	3,641,465	29,152,275	57,080,400	2,903,904	5,871,986
Hanwha TotalEnergies Petrochemical Trading (Shanghai) Co., Ltd.	3,933,018	1,607,832	2,325,186	6,683,787	318,783	575,036

There were no changes in the scope of consolidation for each of the two years in the period ended December 31, 2025.

**2. Basis of preparation and summary of material accounting policies**

**Basis of preparation**

The Company and its subsidiaries (collectively, the “Group”) prepares its statutory consolidated financial statements in the Korean language in conformity with International Financial Reporting Standards as adopted by the Republic of Korea (“K-IFRS”) enacted by the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into the English language from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, the Korean version, which is used for regulatory reporting purpose, shall prevail. The consolidated financial statements are presented in Korean won, and all values are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements of the Group were approved by the Board of Directors on February 12, 2026 and are scheduled to be finally approved at the shareholders’ meeting on March 31, 2026.

(1) Basis of measurement

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

- Derivative instruments measured at fair value
- Financial instruments measured at fair value through other comprehensive income
- Defined benefit liabilities, which are measured as the present value of the defined benefit obligation less the fair value of plan assets
- Property, plant and equipment (land) measured at fair value

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 2. Basis of preparation and summary of material accounting policies(cont'd)

#### (2) Functional and presentation currency

The consolidated financial statements of the Group are presented in Korean won, which is the functional currency of the primary economic environment in which the Group operates, and also the presentation currency of the Group.

#### (3) Use of estimates and judgments

The preparation of financial statements in accordance with Korean International Financial Reporting Standards requires management to make estimates and assumptions based on its best judgment that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as of the end of the reporting period. Actual results may differ from these estimates if management's best judgments and assumptions differ from actual circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### 1) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in the following note:

	<u>Notes</u>
➤ Property, plant and equipment - Key assumptions applied in the impairment assessment of cash-generating units	9
➤ Measurement of defined benefit obligations – Key actuarial assumptions	15
➤ Income taxes - Recognition of deferred tax assets – assessment of deductible temporary differences and tax loss carryforwards	21

#### 2) Fair value measurement

The Group's accounting policies and disclosures require the measurement of fair values for a number of financial and non-financial assets and liabilities. The Group has established fair value measurement policies and procedures. These policies and procedures include the operation of a valuation department responsible for reviewing all significant fair value measurements, including those classified within Level 3 of the fair value hierarchy. The results are reported directly to the Chief Financial Officer.

The valuation department regularly reviews significant unobservable inputs and valuation adjustments. When third-party information, such as broker quotes or valuations from external appraisers, is used in fair value measurement, the valuation department assesses whether the valuation based on information obtained from third parties, including its classification within the fair value hierarchy, satisfies the requirements of the applicable standards.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 2. Basis of preparation and summary of material accounting policies(cont'd)

When measuring the fair value of an asset or liability, the Group uses observable market inputs to the maximum extent possible. Fair values are categorized within the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or liability are categorized into different levels of the fair value hierarchy, the Group categorizes the entire fair value measurement at the lowest level of 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 in which the change has occurred.

Detailed information about the assumptions used in measuring fair values is included in the following notes:

	Notes
➤ Financial instruments	5
➤ Long-term investments securities	8
➤ Property, plant and equipment	9

### 3. Changes in accounting polices

The Group adopted the following new and amended standards and interpretations for the first time for the annual period beginning on January 1, 2025.

- Amendments to K-IFRS 1021 The Effects of Changes in Foreign Exchange Rates

The amendments add requirements to assess the exchangeability between two currencies in order to clarify the accounting requirements for reporting foreign currency transactions in the functional currency and translating the functional currency of a foreign operation into the parent's presentation currency when the foreign exchange market is not functioning normally. In addition, the amendments add requirements for estimating the spot exchange rate to be applied where, after assessing whether the two currencies are exchangeable, it is determined that exchangeability is lacking. The amendments did not have a material impact on the Group's consolidated financial statements.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 4. Material accounting policies

The material accounting policies applied by the Group in the preparation of the consolidated financial statements in accordance with Korean International Financial Reporting Standards (“K-IFRS”) are described below. Except for the changes in accounting policies described in Note 3, the consolidated financial statements for the current period and the comparative prior period have been prepared using the same accounting policies.

#### (1) Cash and cash equivalents

The Group classifies investments with original maturities of three months or less from the date of acquisition as cash and cash equivalents.

#### (2) Inventories

The unit cost of inventories is determined using the moving-average method (materials-in-transit are determined using the specific identification method). Cost comprises purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and condition. Fixed production overheads included in the cost of finished goods and work in process are allocated based on the normal capacity of the production facilities.

#### (3) Non-derivative financial assets

##### 1) Recognition and initial measurement

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

##### 2) Classification and subsequent measurement

Financial assets: assessment of business model

The Group assesses the objective of the business model in which a portfolio of financial assets is held at a portfolio level because this best reflects the manner in which the business is managed and information is provided to management. For this purpose, transfers of financial assets to third parties in transactions that do not meet the derecognition criteria are not considered sales.

Financial assets: assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Group considers the contractual terms of the instrument. If a financial asset contains contractual terms that could change the timing or amount of contractual cash flows, the Group assesses whether the contractual cash flows that could arise over the life of the instrument represent solely payments of principal and interest.

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- contractual terms that limit the Group’s claim to cash flows from specified assets (e.g., non-recourse features).

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 4. Material accounting policies(cont'd)

#### (4) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, currency swaps, interest rate swaps and forward commodity contracts to hedge its exposure to foreign currency risk, interest rate risk and commodity price risk. Such derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recognized as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

For the purpose of hedge accounting, hedges are classified as follows:

- fair value hedges, which hedge the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or
- cash flow hedges, which hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as follows:

#### Fair value hedges

The change in the fair value of the hedging instrument is recognized in profit or loss. The change in the fair value of the hedged item attributable to the hedged risk is adjusted to the carrying amount of the hedged item and is also recognized in profit or loss.

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income ("OCI") within the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss.

The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

#### (5) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECLs") on the following assets:

- financial assets measured at amortized cost (e.g., cash and cash equivalents, trade and other receivables);
- debt instruments measured at fair value through OCI; and
- contract assets as defined in K-IFRS 1115 Revenue from Contracts with Customers.

For trade receivables and contract assets arising from transactions within the scope of K-IFRS 1115, the Group applies the simplified approach in measuring loss allowances at an amount equal to lifetime ECLs. Accordingly, the Group measures loss allowances at an amount equal to lifetime ECLs for all financial assets, except for the following financial assets measured at 12-month ECLs:

- debt securities determined to have low credit risk at the reporting date; and
- other debt securities and bank deposits for which credit risk (i.e., the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 4. Material accounting policies(cont'd)

#### (6) Property, plant and equipment

Land is measured at fair value based on valuations performed by independent external appraisers. Revaluations are performed with sufficient regularity at the end of the reporting period to ensure that the carrying amount does not differ materially from fair value. Other items of property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, reflecting the pattern in which the asset's future economic benefits are expected to be consumed, after deducting residual value from cost.

The estimated useful lives for the current and prior periods are as follows:

	Years
Buildings	10~55
Structures	4~40
Machinery and equipment	2~20
Vehicles and others	1~25

For subsequent measurement, the Group applies the cost model to all classes of property, plant and equipment except for land. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

#### (7) Intangible assets

Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis from the date they are available for use over the following estimated useful lives, assuming a residual value of nil. However, certain intangible assets are assessed as having indefinite useful lives because there is no foreseeable limit to the period over which they are expected to generate net cash inflows, and therefore are not amortized.

	Years
Patents	10
Software	4~5
Facility use right	contract term

#### (8) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the period required to prepare the asset for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

#### (9) Government subsidiary

Government subsidiary related to the acquisition or construction of non-current assets are deducted in calculating the carrying amount of the related asset and recognized in profit or loss over the useful life of the depreciable asset. Government subsidiary related to income are recognized by deducting the related costs in the period in which the costs that the grants are intended to compensate are recognized as expenses.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 4. Material accounting policies(cont'd)

#### (10) Leases

If a contract contains lease components and non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone price at the commencement date or modification date.

Lease liabilities are initially measured at the present value of lease payments not paid at the commencement date. The discount rate used is the interest rate implicit in the lease, if readily determinable; otherwise, the Group's incremental borrowing rate ("IBR") is applied. The IBR is determined by adjusting interest rates obtained from various external financing sources to reflect the terms of the lease and the characteristics of the leased asset.

Right-of-use assets that do not meet the definition of investment property are presented within property, plant and equipment, and lease liabilities are presented within current portion of long-term liabilities and long-term borrowings in the consolidated statement of financial position.

The Group has elected the practical expedient not to recognize right-of-use assets and lease liabilities for short-term lease payment (lease term of 12 months or less) and leases of low-value assets, including IT equipment.

Lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

#### (11) Emission allowances

In accordance with the Act on the Allocation and Trading of Greenhouse Gas Emission Permits, the Group accounts for emission allowances and emission liabilities as follows:

##### 1) Emission allowances

Emission allowances consist of allowances allocated free of charge by the government and allowances purchased. Free allowances are measured at nil on initial recognition, purchased allowances are measured at acquisition cost, which is directly attributable to the acquisition of the purchase cost and includes other costs incurred in the normal course of business.

Emission allowances are derecognized when delivered to the government, sold, or when no future economic benefits are expected.

##### 2) Emission liabilities

An emission liability is recognized as a present obligation to deliver emission allowances to the government and is measured as the sum of (i) the carrying amount of emission allowances to be delivered and (ii) the best estimate of expenditures required to settle emissions in excess of the allowances held. The emission liability is derecognized when the allowances are delivered to the government.

#### (12) Revenue from contracts with customers

The Group's accounting policies relating to revenue from contracts with customers are described in Note 20.

#### (13) Finance income and costs

Finance income and finance costs comprise:

- interest income;
- interest expense;
- foreign exchange gains and losses on financial assets and financial liabilities; and
- gains and losses on financial instruments measured at fair value through profit or loss.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 4. Material accounting policies(cont'd)

#### (14) Income taxes

In measuring deferred tax on temporary differences, the Group applies the average tax rate. However, if the difference between deferred tax calculated using the marginal tax rate expected to apply in the period of reversal and deferred tax calculated using the average tax rate is not material, the marginal tax rate is applied.

The global minimum tax payable under the Pillar Two legislation is income tax within the scope of K-IFRS 1012 Income Taxes. The Group applies the temporary exception to deferred tax accounting arising from the implementation of the global minimum tax and recognizes it as current income tax in the period in which it arises.

#### (15) New and amended standards and interpretations not yet applied

The following new and amended standards and interpretations have been issued but are not yet effective for annual periods beginning on or after January 1, 2025. The Group has not early adopted these standards and interpretations and expects that they will not have a material impact on the consolidated financial statements:

- Classification and measurement requirements for financial instruments (K-IFRS 1107 Financial Instruments: Disclosures and K-IFRS 1109 Financial Instruments)
- Nature-dependent power purchase agreements (K-IFRS 1107 Financial Instruments: Disclosures and K-IFRS 1109 Financial Instruments)
- Annual Improvements (K-IFRS 1007 Statement of Cash Flows, K-IFRS 1101 First-time Adoption of Korean International Financial Reporting Standards, K-IFRS 1107 Financial Instruments: Disclosures, K-IFRS 1109 Financial Instruments, K-IFRS 1110 Consolidated Financial Statements)
- Presentation and disclosure in financial statements (K-IFRS 1118 Presentation and Disclosure in Financial Statements)

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 5. Financial instruments

Details of financial assets as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

As of December 31, 2025					
	Financial assets at FVTPL	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets designated as hedges	Total
Current assets:					
Cash and cash equivalents	₩ -	559,337,005	-	-	559,337,005
Trade and other accounts receivable:					
Trade accounts receivable	-	896,534,042	32,057,267	-	928,591,309
Other accounts receivable	415,431	18,927,749	-	7,351,463	26,694,643
Accrued income	-	346,840	-	-	346,840
Guarantee deposits	-	3,492,940	-	-	3,492,940
	415,431	1,478,638,576	32,057,267	7,351,463	1,518,462,737
Non-current assets:					
Long-term investment securities	-	-	12,037,411	-	12,037,411
Long-term loans	-	532,317	-	-	532,317
Long-term accounts receivable:					
Long-term other accounts receivable	-	-	-	40,967,479	40,967,479
Refundable deposits	-	4,168,318	-	-	4,168,318
Other non-current assets:					
Other non-current assets (Long-term financial instruments)	-	14,500	-	-	14,500
	-	4,715,135	12,037,411	40,967,479	57,720,025
₩	415,431	1,483,353,711	44,094,678	48,318,942	1,576,182,762

As of December 31, 2024					
	Financial assets at FVTPL	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets designated as hedges	Total
Current assets:					
Cash and cash equivalents	₩ -	516,939,874	-	-	516,939,874
Trade and other accounts receivable:					
Trade accounts receivable	-	745,816,780	-	-	745,816,780
Other accounts receivable	12,123,791	138,523,975	-	12,841,032	163,488,798
Accrued income	-	377,233	-	-	377,233
Guarantee deposits	-	81,488	-	-	81,488
	12,123,791	1,401,739,350	-	12,841,032	1,426,704,173
Non-current assets:					
Long-term investment securities	-	4,825	8,058,334	-	8,063,159
Long-term loans	-	846,214	-	-	846,214
Long-term accounts receivable:					
Long-term other accounts receivable	-	-	-	30,228,586	30,228,586
Refundable deposits	-	3,896,845	-	-	3,896,845
Other non-current assets:					
Other non-current assets (Long-term financial instruments)	-	14,500	-	-	14,500
	-	4,762,384	8,058,334	30,228,586	43,049,304
₩	12,123,791	1,406,501,734	8,058,334	43,069,618	1,469,753,477

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**5. Financial instruments (cont'd)**

Financial liabilities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025			Total
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Financial liabilities designated as hedges	
<b>Current liabilities:</b>				
Trade and other accounts payable:				
Trade accounts payable	₩ -	671,574,695	-	671,574,695
Other accounts payable(*)	3,638,547	733,377,376	922,603	737,938,526
Accrued expenses(*)	-	72,785,601	-	72,785,601
Deposits withheld	-	171,104	-	171,104
Short-term borrowings	-	32,381,814	-	32,381,814
Current portion of bonds payable and long-term borrowings	-	469,335,002	-	469,335,002
	<u>3,638,547</u>	<u>1,979,625,592</u>	<u>922,603</u>	<u>1,984,186,742</u>
<b>Non-current liabilities:</b>				
Bonds payable	-	1,089,858,025	-	1,089,858,025
Long-term borrowings	-	408,108,539	-	408,108,539
Long-term accounts payable(*)	-	207,757	61,624	269,381
	-	<u>1,498,174,321</u>	<u>61,624</u>	<u>1,498,235,945</u>
	<u>₩ 3,638,547</u>	<u>3,477,799,913</u>	<u>984,227</u>	<u>3,482,422,687</u>

(\*) Payables related to employee benefits are excluded.

	As of December 31, 2024			Total
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Financial liabilities designated as hedges	
<b>Current liabilities:</b>				
Trade and other accounts payable:				
Trade accounts payable	₩ -	707,373,663	-	707,373,663
Other accounts payable(*)	5,469,026	572,278,424	2,000,993	579,748,443
Accrued expenses(*)	-	65,502,993	-	65,502,993
Deposits withheld	-	99,534	-	99,534
Short-term borrowings	-	521,803,031	-	521,803,031
Current portion of bonds payable and long-term borrowings	-	711,037,518	-	711,037,518
	<u>5,469,026</u>	<u>2,578,095,163</u>	<u>2,000,993</u>	<u>2,585,565,182</u>
<b>Non-current liabilities:</b>				
Bonds payable	-	993,471,355	-	993,471,355
Long-term borrowings	-	357,271,045	-	357,271,045
Long-term accounts payable(*)	-	1,785,203	1,788,340	3,573,543
	-	<u>1,352,527,603</u>	<u>1,788,340</u>	<u>1,354,315,943</u>
	<u>₩ 5,469,026</u>	<u>3,930,622,766</u>	<u>3,789,333</u>	<u>3,939,881,125</u>

(\*) Payables related to employee benefits are excluded.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**5. Financial instruments (cont'd)**

Gains or losses by financial instrument for each of the two years in the period ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	For the year ended December 31, 2025							
	Financial assets				Financial liabilities			
	Financial assets at FVTPL	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets designated as hedges	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Financial liabilities designated as hedges	Total
Interest income	₩ -	7,964,082	-	-	-	-	-	7,964,082
Interest expenses	-	-	-	-	-	(109,270,456)	-	(109,270,456)
Gain on foreign exchange translation	-	321,462	-	-	-	8,211,393	-	8,532,855
Loss on foreign exchange translation	-	(11,340,635)	-	-	-	(3,187,674)	-	(14,528,309)
Gain (loss) on settlement of derivative instruments	71,014,453	-	-	-	(58,827,128)	-	-	12,187,325
Gain (loss) on valuation of derivative instruments	415,431	-	-	-	(3,638,547)	-	-	(3,223,116)
Dividend income	-	-	917,589	-	-	-	-	917,589
Bad debt expense	-	(70,958)	-	-	-	-	-	(70,958)
Loss on disposal of trade accounts receivable	-	-	(9,356,474)	-	-	-	-	(9,356,474)

  

	For the year ended December 31, 2024							
	Financial assets				Financial liabilities			
	Financial assets at FVTPL	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets designated as hedges	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Financial liabilities designated as hedges	Total
Interest income	₩ -	6,864,612	-	-	-	-	-	6,864,612
Interest expenses	-	-	-	-	-	(102,566,580)	-	(102,566,580)
Gain on foreign exchange translation	-	9,371,993	-	3,574,750	-	34,239	-	12,980,982
Loss on foreign exchange translation	-	(388,349)	-	-	-	(25,657,583)	-	(26,045,932)
Gain (loss) on settlement of derivative instruments	65,108,357	-	-	-	(61,736,697)	-	-	3,371,660
Gain (loss) on valuation of derivative instruments	12,123,791	-	-	-	(5,469,026)	-	-	6,654,765
Dividend income	-	-	863,746	-	-	-	-	863,746
Bad debt expense	-	(274,905)	-	-	-	-	-	(274,905)
Loss on disposal of trade accounts receivable	-	(14,141,392)	-	-	-	-	-	(14,141,392)

Above gains or losses include selling and administrative expenses and finance income (costs) arising from the financial assets and liabilities.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 5. Financial instruments (cont'd)

Set out below are the carrying amounts and fair value of the Group's each category of financial instruments (Korean won in thousands):

	As of December 31, 2025		As of December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	₩ 559,337,005	559,337,005	516,939,874	516,939,874
Trade and other accounts receivable:				
Trade accounts receivable	928,591,309	928,591,309	745,816,780	745,816,780
Other accounts receivable – derivative assets	7,766,894	7,766,894	24,964,823	24,964,823
Other accounts receivable	18,927,749	18,927,749	138,523,975	138,523,975
Accrued income	346,840	346,840	377,233	377,233
Guarantee deposits	3,492,940	3,492,940	81,488	81,488
Long-term investment securities	12,037,411	12,037,411	8,063,159	8,063,159
Long-term loans	532,317	532,317	846,214	846,214
Long-term accounts receivable:				
Long-term other accounts receivable – derivative assets	40,967,479	40,967,479	30,228,586	30,228,586
Refundable deposits	4,168,318	4,168,318	3,896,845	3,896,845
Other non-current assets:				
Long-term financial instruments	14,500	14,500	14,500	14,500
	₩ 1,576,182,762	1,576,182,762	1,469,753,477	1,469,753,477

	As of December 31, 2025		As of December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Trade and other accounts payable:				
Trade accounts payable	₩ 671,574,695	671,574,695	707,373,663	707,373,663
Other accounts payable – derivative liabilities	4,561,150	4,561,150	7,470,019	7,470,019
Other accounts payable(*)	733,377,376	733,377,376	572,278,424	572,278,424
Accrued expenses(*)	72,785,601	72,785,601	65,502,993	65,502,993
Deposits withheld	171,104	171,104	99,534	99,534
Short-term borrowings	32,381,814	32,381,814	521,803,031	521,803,031
Current portion of bonds payable and long-term borrowings	469,335,002	469,578,122	711,037,518	711,818,818
Bonds payable	1,089,858,025	1,095,031,755	993,471,355	999,252,935
Long-term borrowings	408,108,539	408,108,539	357,271,045	357,271,045
Long-term accounts payable – derivative liabilities	61,624	61,624	1,788,340	1,788,340
Long-term accounts payable(*)	207,757	207,757	1,785,203	1,785,203
	₩ 3,482,422,687	3,487,839,537	3,939,881,125	3,946,444,005

(\*) Employee benefit-related payables are excluded.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

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### 5. Financial instruments (cont'd)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying asset.
- The Group applied discount cash flow method, discounting future cash flows by appropriate discount rate to evaluate long-term investment securities.

Management assessed that the book value of financial instruments approximates their respective fair value except for derivative financial instruments.

The fair value hierarchy of financial instruments which are measured at fair value or of which fair value is disclosed as of December 31, 2025 and 2024 is as follows (Korean won in thousands):

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:				
Other accounts receivable – derivative assets	₩ -	7,766,894	-	7,766,894
Long-term other accounts receivable – derivative assets	-	40,967,479	-	40,967,479
Other accounts payable – derivative liabilities	-	4,561,150	-	4,561,150
Long-term other accounts payable – derivative liabilities	-	61,624	-	61,624
Long-term investment securities	-	-	12,037,411	12,037,411
	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:				
Other accounts receivable – derivative assets	₩ -	24,964,823	-	24,964,823
Long-term other accounts receivable – derivative assets	-	30,228,586	-	30,228,586
Other accounts payable – derivative liabilities	-	7,470,019	-	7,470,019
Long-term other accounts payable – derivative liabilities	-	1,788,340	-	1,788,340
Long-term investment securities	-	-	8,058,334	8,058,334

For each of the two years in the period ended December 31, 2025, there have been no transfers between level 1 and level 2 fair value measurements. Derivatives assets and liabilities that the Group holds are over-the-counter derivatives and are included in level 2 as all of the significant inputs used in the fair value measurement are directly or indirectly observable.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**5. Financial instruments (cont'd)**

Deposits with restriction on use as of December 31, 2025 and 2024 consist of the following (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024	Description
Other non-current assets (Long-term financial instruments)	₩ 14,500	14,500	Deposits to maintain the checking accounts

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 6. Trade and other accounts receivable

Details of trade and other accounts receivable as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025		
	Costs	Allowance for doubtful accounts	Net book value
Trade accounts receivable	₩ 929,609,997	(1,018,688)	928,591,309
Other accounts receivable	26,694,642	-	26,694,642
Accrued income	346,840	-	346,840
Guarantee deposits	3,492,940	-	3,492,940
	₩ 960,144,419	(1,018,688)	959,125,731

  

	As of December 31, 2024		
	Costs	Allowance for doubtful accounts	Net book value
Trade accounts receivable	₩ 746,764,510	(947,731)	745,816,779
Other accounts receivable	163,488,799	-	163,488,799
Accrued income	377,234	-	377,234
Guarantee deposits	81,488	-	81,488
	₩ 910,712,031	(947,731)	909,764,300

The Group has established a credit rating and credit limit system to estimate allowance for doubtful accounts by credit rating of domestic customers considering the rating resulted from the credit rating agency.

For bad debts, 20% ~ 100% of the balances of trade accounts receivable are established as an allowance for doubtful accounts by considering factors such as collaterals and the status of customers (court receivership, composition and default). Receivables for which credit enhancement has been made by commercial insurance, payment guarantees, and letters of credit are excluded from the allowance for doubtful accounts.

Bad debt expense included in selling and administrative expenses amounted to ₩ 70,958 thousand for the year then ended December 31, 2025 and bad debt expense included in selling and administrative expenses amounted to ₩ 274,905 thousand for the year then ended December 31, 2024

The aging analysis of trade and other accounts receivable as of December 31, 2025 and 2024 is as follows (Korean won in thousands):

	As of December 31, 2025				
	Neither past due nor impaired	Past due but not impaired			Total
		Within 90 days	91 – 180 days	Over 180 days	
Trade accounts receivable	₩ 925,697,989	3,790,332	-	121,676	929,609,997
Other accounts receivable(*)	18,927,749	-	-	-	18,927,749
Accrued income	346,840	-	-	-	346,840
Guarantee deposits	3,492,940	-	-	-	3,492,940
	₩ 948,465,518	3,790,332	-	121,676	952,377,526

(\*) Financial assets at FVTPL relating to derivative instruments, such as forward currency contracts, are excluded from other accounts receivables.

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2025 and 2024

6. Trade and other accounts receivable (cont'd)

	As of December 31, 2024				
	Neither past due nor impaired	Past due but not impaired			Total
		Within 90 days	91 – 180 days	Over 180 days	
Trade accounts receivable	₩ 741,008,798	5,634,035	-	121,677	746,764,510
Other accounts receivable(*)	138,523,976	-	-	-	138,523,976
Accrued income	377,234	-	-	-	377,234
Guarantee deposits	81,488	-	-	-	81,488
	₩ 879,991,496	5,634,035	-	121,677	885,747,208

(\*) Financial assets at FVTPL relating to derivative instruments, such as forward currency contracts, are excluded from other accounts receivables.

Trade receivables provided in discounting transactions have not been derecognized as they do not meet the criteria for derecognition of financial assets, since the Group retains substantially all risks and rewards of ownership such as recourse obligations upon debtor's default.

The financial liabilities arising from such transactions are presented as short-term borrowings within the consolidated statement of financial position. (See Note 13).

Discounted trade accounts receivable as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Book value of discounted trade accounts receivable	₩ 32,381,814	101,803,031
Book value of related short-term borrowings	32,381,814	101,803,031

There is no significant difference between the book value and fair value of discounted trade accounts receivable and related short-term borrowings, respectively.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
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**7. Inventories**

Details of inventories as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025		
	Acquisition Cost	Valuation allowance	Net book value
Merchandises	₩ 26,781	-	26,781
Finished goods	374,290,695	(14,495,284)	359,795,411
Semi-finished goods	127,479,116	(9,218,304)	118,260,812
Raw materials	231,981,501	-	231,981,501
Sub-materials	20,470,717	-	20,470,717
Supplies	88,370,940	-	88,370,940
By-products	65,268,253	(141)	65,268,112
Materials-in-transit	260,076,427	-	260,076,427
	₩ 1,167,964,430	(23,713,729)	1,144,250,701

  

	As of December 31, 2024		
	Acquisition Cost	Valuation allowance	Net book value
Merchandises	₩ -	-	-
Finished goods	471,608,849	(6,319,971)	465,288,878
Semi-finished goods	144,947,202	-	144,947,202
Raw materials	335,510,084	-	335,510,084
Sub-materials	22,084,000	-	22,084,000
Supplies	87,122,332	-	87,122,332
By-products	73,786,409	-	73,786,409
Materials-in-transit	307,582,566	-	307,582,566
	₩ 1,442,641,442	(6,319,971)	1,436,321,471

The loss of allowance for loss on valuation of inventories recognized within the cost of goods sold amounts to ₩17,393,758 thousand for the year then ended December 31, 2025, while the reversal of allowance for loss on valuation of inventories amounts to ₩18,676,773 thousand for the year then ended December 31, 2024.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 8. Long-term investments securities

Long-term investments securities of the Group as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025		As of December 31, 2024
	Acquisition cost	Book value	Book value
Financial assets at FVOCI:			
Non-listed equity investments, etc.	₩ 8,674,772	12,037,411	8,058,334
Financial assets at amortized cost:			
National bonds, etc.	-	-	4,825
	₩ 8,674,772	12,037,411	8,063,159

Financial assets at FVOCI of the Group as of December 31, 2025 and 2024 are as follows (Korean won in thousands, except for the number of shares and percentage):

	Number of shares owned	Percentage of ownership (%)	As of December 31, 2025		
			Acquisition cost	Book value	Fair value
Daehan Oil Pipeline Corp.	448,699	2.26	₩ 8,674,609	12,037,248	12,037,248
Others			163	163	163
			₩ 8,674,772	12,037,411	12,037,411
	Number of shares owned	Percentage of ownership (%)	As of December 31, 2024		
			Acquisition cost	Book value	Fair value
Daehan Oil Pipeline Corp.	448,699	2.26	₩ 8,674,609	8,058,185	8,058,185
Others			149	149	149
			₩ 8,674,758	8,058,334	8,058,334

Valuation method and inputs used for valuation are as follows (Korean won in thousands):

	Valuation method	Key operating activities	As of December	Inputs	Range
			31, 2025		
Financial assets at FVOCI	Discounted cash flow methods	Construction and operation of the pipeline	₩ 12,037,248	Cost of equity capital	12.32%

A sensitivity analysis on the effect of changes in primary assumptions used in the fair value measurements on the book value of financial assets at FVOCI is as follows (Korean won in thousands):

	Changes in book value	(-) 1% discount rate	(+) 1% discount rate
	Increase (decrease) in financial assets at FVOCI		
Changes in cost of equity capital		₩ 1,688,006	(1,315,137)

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 9. Property, plant and equipment

The acquisition cost and net book value of property, plant and equipment as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025		
	Acquisition Cost	Accumulated depreciation	Book value
Land	₩ 820,652,470	-	820,652,470
Buildings	425,934,246	(136,166,418)	289,767,828
Structures	1,056,685,259	(570,708,450)	485,976,809
Machinery and equipment	6,522,880,732	(4,385,819,186)	2,137,061,546
Vehicles	10,769,708	(10,011,141)	758,567
Vehicles – government subsidiary	(115,000)	102,542	(12,458)
Others	888,206,898	(464,332,322)	423,874,576
Others – government subsidiary	(4,253,060)	354,422	(3,898,638)
Construction-in-progress	99,805,278	-	99,805,278
	₩ 9,820,566,531	(5,566,580,553)	4,253,985,978

	As of December 31, 2024		
	Acquisition Cost	Accumulated depreciation	Book value
Land	₩ 820,652,470	-	820,652,470
Buildings	420,967,882	(123,371,313)	297,596,569
Structures	1,037,185,299	(539,899,904)	497,285,395
Machinery and equipment	6,366,308,691	(4,057,824,668)	2,308,484,023
Vehicles	13,858,727	(12,190,613)	1,668,114
Vehicles – government subsidiary	(115,000)	73,792	(41,208)
Others	810,990,302	(404,224,385)	406,765,917
Others – government subsidiary	-	-	-
Construction-in-progress	167,942,692	-	167,942,692
	₩ 9,637,791,063	(5,137,437,091)	4,500,353,972

Changes in the net book value of property, plant and equipment for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025					
	January 1	Acquisitions	Disposals	Transfers(*1)	Depreciation	December 31
Land	₩ 820,652,470	-	-	-	-	820,652,470
Buildings	297,596,569	2,928	-	4,932,875	(12,764,544)	289,767,828
Structures	497,285,395	109,227	-	19,540,967	(30,958,780)	485,976,809
Machinery and equipment	2,308,484,023	79,149	(373,593)	157,947,398	(329,075,431)	2,137,061,546
Vehicles	1,668,114	-	(164,080)	95,148	(840,615)	758,567
Vehicles – government subsidy	(41,208)	-	-	-	28,750	(12,458)
Others(*2)	406,765,917	76,902,700	(5,235,407)	69,792,931	(124,351,565)	423,874,576
Others – government subsidy	-	(4,253,060)	-	-	354,422	(3,898,638)
Construction-in-progress	167,942,692	187,329,713	(203,459)	(255,263,668)	-	99,805,278
	₩ 4,500,353,972	260,170,657	(5,976,539)	(2,954,349)	(497,607,763)	4,253,985,978

(\*1) They include the transfer of construction-in-progress to property, plant and equipment and intangible assets and the foreign exchange effect.

(\*2) Others include right-of-use assets (See Note 10).

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
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**9. Property, plant and equipment (Cont'd)**

For the year ended December 31, 2024

	January 1	Acquisitions	Disposals	Transfers(*1)	Depreciation	December 31
Land	₩ 820,965,670	-	(313,200)	-	-	820,652,470
Buildings	307,057,439	89,540	(878,305)	4,149,261	(12,821,366)	297,596,569
Structures	521,957,414	83,988	-	7,442,544	(32,198,551)	497,285,395
Machinery and equipment	2,471,936,091	160,768	(872,531)	160,123,752	(322,864,057)	2,308,484,023
Vehicles	2,997,648	-	-	327,082	(1,656,616)	1,668,114
Vehicles – government subsidy	(69,958)	-	-	-	28,750	(41,208)
Others (*2)	362,851,440	34,562,080	(3,489,524)	131,372,951	(118,531,030)	406,765,917
Construction-in-progress	247,744,582	231,919,744	(359,888)	(311,361,746)	-	167,942,692
	₩ 4,735,440,326	266,816,120	(5,913,448)	(7,946,156)	(488,042,870)	4,500,353,972

(\*1) They include the transfer of construction-in-progress to property, plant and equipment and intangible assets and the foreign exchange effect.

(\*2) Others include right-of-use assets (See Note 10).

**Capitalization of borrowing costs**

Borrowing costs capitalized as part of property, plant and equipment amounted to ₩ 3,579,729 thousand and ₩ 2,616,857 thousand for each of the two years in the period ended December 31, 2025, respectively.

Capitalization interest rate is 4.04% and 3.92% for each of the two years in the period ended December 31, 2025, respectively.

**Revaluation of land**

Management applied the revaluation model to land and revalued the land using the appraised price determined by an independent and qualified appraisal institution as of August 31, 2023

The fair value of the land held by the Group was determined using the Officially Assessed Land Price (OALP) Standard of the Republic of Korea. The valuation is based on proprietary databases of changes in prices of transactions for properties with similar nature for the period from the date of OALP announcement to the base date, location, shape, condition and use cases of the land, and other factors affecting value of the land. Meanwhile, the above OALP Standard was compared with the sales comparison approach, under which evaluates the value of the land shall be valued based on the actual comparable transaction cases of neighboring land, for the purposes of assessing whether the appraisal result is reasonable.

The book value of the land which might have been measured under the revaluation model and the cost model as of December 31, 2025 is as follows (Korean won in thousands):

	As of December 31, 2025	
Revaluation Model	₩	820,652,470
Cost Model		279,695,289

The levels of fair value measurements of the land as of December 31, 2025 are as follows (Korean won in thousands):

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Land	₩ -	-	820,652,470	820,652,470

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

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#### 9. Property, plant and equipment (Cont'd)

The Company engaged an independent external valuation specialist to perform an impairment test for the cash-generating unit ("CGU") for which impairment indicators were identified. The method used to estimate the recoverable amount of the CGU is as follows:

Valuation method	Basis for estimating recoverable amount
Discounted cash flow method	Value in use (*)

(\*) The recoverable amount of the CGU was estimated based on value in use. Value in use was calculated using projected cash flows for the next five years based on management's business plan, together with cash flows beyond that period applying a fixed terminal growth rate.

The key assumptions applied in measuring the recoverable amount are as follows:

Category	Key assumptions
Discount rate (*1)	7.7%
Terminal growth rate	1.0%
Revenue growth rate(*2)	4.3%
Operating profit margin(*3)	0.3%

(\*1) The discount rate was determined by considering industry beta, market interest rates and the risk-free rate.

(\*2) This represents the average annual revenue growth rate applied in estimating the projected cash flows for the forecast period.

(\*3) This represents the revenue-weighted average operating margin applied in estimating the projected cash flows for the forecast period.

As the value in use exceeded the carrying amount of the CGU, no impairment loss was recognized.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

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### 10. Leases

Changes in the net book value of right-of-use assets for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025					
	Right-of-use assets (*)					
	Buildings	Structures	Machinery and equipment	Vehicles	Others	Total
As of January 1	₩ 4,393,939	18,266,302	147,305	7,557,762	4,198,537	34,563,845
Additions	21,574,249	3,107,161	-	3,550,522	-	28,231,932
Depreciation expenses	(6,630,064)	(3,915,444)	(76,855)	(2,413,971)	(1,700,924)	(14,737,258)
Termination of contracts	(206,149)	(18,452)	-	(3,481,934)	-	(3,706,535)
Foreign currency translation	49,090	-	-	8,814	-	57,904
As of December 31	₩ 19,181,065	17,439,567	70,450	5,221,193	2,497,613	44,409,888

(\*) They are included in other property, plant and equipment (See Note 9)

	For the year ended December 31, 2024					
	Right-of-use assets (*)					
	Buildings	Structures	Machinery and equipment	Vehicles	Others	Total
As of January 1	₩ 5,213,889	18,933,131	224,160	5,958,841	5,296,227	35,626,248
Additions	4,767,791	3,888,627	-	6,454,869	603,233	15,714,520
Depreciation expenses	(5,704,008)	(4,333,763)	(76,855)	(3,095,078)	(1,700,923)	(14,910,627)
Termination of contracts	-	(221,693)	-	(1,791,767)	-	(2,013,460)
Foreign currency translation	116,267	-	-	30,897	-	147,164
As of December 31	₩ 4,393,939	18,266,302	147,305	7,557,762	4,198,537	34,563,845

(\*) They are included in other property, plant and equipment (See Note 9).

Changes in the net book value of lease liabilities (included interest borrowings) for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
As of January 1	₩ 17,132,897	17,645,748
Additions	23,164,652	13,164,480
Interest expenses	594,945	636,568
Lease payments	(13,402,770)	(14,869,008)
Foreign currency translation	13,007	555,109
As of December 31	27,502,731	17,132,897

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 10. Leases (Cont'd)

The maturity analysis of lease liabilities as of December 31, 2025 and 2024 is as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Total lease liabilities:		
Within 1 year	₩ 9,394,192	9,861,852
1 year ~ 5 years	16,077,656	7,271,045
Over 5 years	2,030,883	-

The followings are the amounts recognized in profit or loss for each of the two years in the period ended December 31, 2025 (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Short-term lease payments	₩ (2,361,581)	(2,818,903)
Low-value lease payments	(778,756)	(1,009,434)
Depreciation of right-of-use assets	(14,737,258)	(14,910,627)
Interest expense of lease liabilities	(594,945)	(636,568)
Gain (loss) on foreign currency translation	13,007	(555,109)

Total cash outflows arising from leases during the current year amounted to ₩ 16,543,107 thousand.

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## Notes to the Consolidated Financial Statements

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### 11. Intangible assets

Changes in the net book value of intangible assets for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025					
	January 1	Acquisitions	Disposals	Transfer (*)	Amortization	December 31
Patents	₩ 1,329,825	-	(2,556)	409,680	(236,118)	1,500,831
Software	13,240,229	-	-	2,687,096	(5,538,610)	10,388,715
Facility use right	249,167	-	-	8,502	(177)	257,492
Land use right	1,155,400	-	-	18,853	(33,475)	1,140,778
Memberships	11,079,312	-	(150,000)	3,286	-	10,932,598
	₩ 27,053,933	-	(152,556)	3,127,417	(5,808,380)	24,220,414

(\*) They include the transfer from construction-in-progress to intangible assets and the foreign exchange rate effects.

	For the year ended December 31, 2024					
	January 1	Acquisitions	Disposals	Transfer (*)	Amortization	December 31
Patents	₩ 1,262,590	-	(16,598)	325,212	(241,379)	1,329,825
Software	10,195,704	-	-	8,399,542	(5,355,017)	13,240,229
Facility use right	249,167	-	-	-	-	249,167
Land use right	1,068,729	-	-	118,694	(32,023)	1,155,400
Memberships	13,970,625	7,221,452	(10,132,000)	19,235	-	11,079,312
	₩ 26,746,815	7,221,452	(10,148,598)	8,862,683	(5,628,419)	27,053,933

(\*) They include the transfer from construction-in-progress to intangible assets and the foreign exchange rate effects.

The Group has performed an impairment test on membership rights, which are intangible assets with an indefinite useful life, and no impairment loss has been recognized for each of the two years in the period ended December 31, 2025. The recoverable amount of the membership right is the higher of the fair value less costs to sell and the value in use. If it is not possible to measure the fair value less costs to sell reliably, the recoverable amount is measured using the value in use.

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.  
Notes to the Consolidated Financial Statements  
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12. Other assets

The following are the details of other assets as of December 31, 2025 and 2024 (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Current assets		
Advances	₩ 2,368,426	2,741,664
Prepaid value-added tax	177,045,967	-
	<u>179,414,393</u>	<u>2,741,664</u>
Non-current assets		
Long-term financial instruments	14,500	14,500
	<u>14,500</u>	<u>14,500</u>
	<u>₩ 179,428,893</u>	<u>2,756,164</u>

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

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### 13. Borrowings and bonds

Details of short-term borrowings as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	Financial institution	Annual interest rates (%)	As of December 31, 2025	As of December 31, 2024
Commercial paper	Shinhan Bank	-	₩ -	370,000,000
Commercial paper	Woori Investment Securities Co., Ltd.	-	-	50,000,000
Discounted trade accounts receivable(*)	Woori Bank and others	1.34 ~ 4.39	32,381,814	101,803,031
			₩ 32,381,814	521,803,031

(\*) The Group entered into factoring contracts with financial institutions such as Shinhan Bank, Woori Bank, KEB Hana Bank, and others, and the amounts of trade accounts receivable that have not yet matured but are factored to the financial institutions have been recognized as short-term borrowings in the consolidated statements of financial position (See Note 6).

Details of long-term bonds denominated in Korean won as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

Series	Issuance date	Maturity date	Annual interest rate (%)	As of December 31, 2025	As of December 31, 2024
21-3 <sup>rd</sup> public placement bonds	-	-	-	₩ -	100,000,000
24-3 <sup>rd</sup> public placement bonds	Oct. 16, 2019	Oct. 16, 2026	1.87	80,000,000	80,000,000
25-1 <sup>st</sup> public placement bonds	-	-	-	-	220,000,000
25-2 <sup>nd</sup> public placement bonds	Feb. 25, 2022	Feb. 25, 2027	3.19	70,000,000	70,000,000
27-1 <sup>st</sup> public placement bonds	-	-	-	-	50,000,000
27-2 <sup>nd</sup> public placement bonds	Feb. 23, 2023	Feb. 23, 2026	4.19	130,000,000	130,000,000
27-3 <sup>rd</sup> public placement bonds	Feb. 23, 2023	Feb. 23, 2028	4.53	130,000,000	130,000,000
29-1 <sup>st</sup> public placement bonds	Feb. 05, 2025	Feb. 05, 2027	3.26	180,000,000	-
29-2 <sup>nd</sup> public placement bonds	Feb. 05, 2025	Feb. 04, 2028	3.37	140,000,000	-
				730,000,000	780,000,000
Less: discount on bonds				(1,107,882)	(819,836)
Less: current portion				(209,940,810)	(369,899,957)
				₩ 518,951,308	409,280,207

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 13. Borrowings and bonds (cont'd)

As of December 31, 2025, in relation to the issued public placement bonds, the Group is subject to restrictions, including maintaining a debt-to-equity ratio under 300%, restrictions on the establishment of security interests, and limitations on the disposal of assets, until the fulfillment of obligations for principal and interest payments. There are no indications that the Group will have difficulty complying with these covenants.

Details of long-term bonds denominated in foreign currency as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

Series	Issuance date	Maturity date	Annual interest rate (%)	Currency	Amount in foreign currency	As of December 31, 2025	As of December 31, 2024
Foreign currency bonds	Jan. 18, 2024	Jul. 18, 2029	5.50	USD	\$ 400,000,000	₩ 573,960,000	588,000,000
						573,960,000	588,000,000
Less: discount on bonds						(3,053,283)	(3,808,852)
						₩ 570,906,717	584,191,148

Details of long-term borrowings as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

Series	Financial institution	Maturity date	Annual interest rates (%)	As of December 31, 2025	As of December 31, 2024
Facility loan	Credit Agricole CIB	-	-	₩ -	40,000,000
Commercial paper	Shinhan Bank London Branch	-	-	-	41,275,710
Facility loan	Mizuho Bank	-	-	-	100,000,000
Facility loan	Credit Agricole CIB	Feb. 6, 2026	4.62	150,000,000	150,000,000
Facility loan	Mizuho Bank	Oct. 15, 2026	3-month CD + additional rate	100,000,000	-
Facility loan	Mizuho Bank	Apr. 16, 2027	4.19	100,000,000	100,000,000
Facility loan	Shinhan Bank	Apr. 25, 2027	3-month CD + additional rate	100,000,000	100,000,000
Commercial paper	KDB Industrial Bank	Apr. 25, 2027	4.48	100,000,000	100,000,000
Facility loan	Credit Agricole CIB	Apr. 28, 2027	3.25	40,000,000	-
Facility loan	Mizuho Bank	Dec. 23, 2027	3.55	50,000,000	50,000,000
				640,000,000	681,275,710
Less: current portion				(250,000,000)	(331,275,710)
				₩ 390,000,000	350,000,000

As of December 31, 2025, in relation to the long-term borrowings from Crédit Agricole CIB, the Group is subject to certain restrictions under the agreement until the borrowings are fully repaid. Under the restrictions, the Group must maintain certain financial indexes as follows: the amount of tangible net worth recorded in the consolidated statement of financial position shall exceed ₩ 2trillion; the Net debt-to-net tangible assets ratio shall be lower than 1.2~1.5; and the EBITDA-to-interest expense ratio shall exceed 1.5~3. Plus, restrictions on the establishment of security interest and disposal of assets are applied as well. As of December 31, 2025, the Group is proceeding procedures related to the waiver for the non-compliance of the financial covenants.

In relation to the long-term borrowings from other institutions such as Mizuho Bank, the Group is subject to certain restrictions under the agreement until the borrowings are fully repaid, such as mandate to maintain the debt-to-equity ratio under 400% and restrictions on the establishment of security interests and disposal of assets. As of December 31, 2025, there are no indications that the Group will have difficulty complying with these covenants.

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 13. Borrowings and bonds (cont'd)

Details of lease liabilities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Lease liabilities	₩ 27,502,731	17,132,897
Less: current portion	(9,394,192)	(9,861,852)
Non-current lease liabilities	₩ 18,108,539	7,271,045

#### 14. Other liabilities

Other liabilities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Current liabilities:		
Advance receipts	₩ 25,280,415	26,413,639
Withholdings	91,102,054	6,599,974
Other current liabilities	196,536,436	-
	312,918,905	33,013,613
Non-current liabilities:		
Long-term employee benefit liabilities	17,765,665	13,039,484
Long-term provisions	1,200,000	-
	18,965,665	13,039,484
	₩ 331,884,570	46,053,097

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 15. Net defined benefit obligations (assets)

The components of defined benefit obligations (assets) as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Present value of defined benefit obligations	₩ 190,658,364	188,589,139
Fair value of plan assets	(188,309,534)	(205,737,687)
	<u>₩ 2,348,830</u>	<u>(17,148,548)</u>

Gains and losses related to retirement benefit plans for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Defined benefit plans:		
Current service cost	₩ 15,525,645	14,810,123
Past service cost	10,912,720	-
Interest cost	8,704,417	9,214,998
Expected return on plan assets	(9,452,877)	(11,054,504)
	<u>25,689,905</u>	<u>12,970,617</u>
Defined contribution plans:		
Retirement pension benefit	2,615,315	2,469,718
Other plans:	925,139	-
	<u>₩ 29,230,359</u>	<u>15,440,335</u>

Expenses recognized related to the retirement benefit plans for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Cost of goods sold	₩ 19,466,037	10,472,312
Selling and administrative expenses (including research and development)	9,764,322	4,968,023
	<u>₩ 29,230,359</u>	<u>15,440,335</u>

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 15. Net defined benefit obligations (assets) (cont'd)

Changes in the present value of defined benefit obligations for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
As of January 1	₩ 188,589,139	178,122,743
Current service cost	15,525,645	14,810,123
Past service cost	10,912,720	-
Interest cost	8,704,417	9,214,998
Benefits paid	(23,313,926)	(24,189,825)
Re-measurement gain (loss) in OCI:		
Actuarial gain (loss) arising from changes in demographic assumptions	-	(257,813)
Actuarial gain (loss) arising from changes in financial assumptions	(5,505,731)	7,477,177
Experience adjustments	(2,284,301)	4,674,406
Others (transfer from/to affiliates)	(1,969,599)	(1,262,670)
As of December 31	₩ 190,658,364	188,589,139

Changes in the fair value of plan assets for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
As of January 1	₩ 205,737,687	216,003,559
Contribution by employer	-	5,000,000
Expected returns	9,452,877	11,054,504
Benefits paid	(22,553,517)	(23,389,983)
Re-measurement loss in OCI	(2,415,260)	(1,596,083)
Others (transfer from/to affiliates)	(1,912,253)	(1,334,310)
As of December 31	₩ 188,309,534	205,737,687

#### Composition of plan assets

Plan assets as of December 31, 2025 are composed of interest-bearing and principal-guaranteed financial assets.

The principal assumptions used in actuarial calculation as of December 31, 2025 and 2024 are as follows:

	As of December 31, 2025	As of December 31, 2024
Discount rate (%)	5.28	4.87
Future salary increase rate (%)	4.27	4.28

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 15. Net defined benefit obligations (assets) (cont'd)

#### Sensitivity analyses of defined benefit obligations

The result of sensitivity analyses, which are determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring as of December 31, 2025 and 2024, is as follows (Korean won in thousand):

	As of December 31, 2025	
	Increase by 1% point	Decrease by 1% point
Discount rate	₩ (13,331,380)	15,500,320
Future salary increase rate	15,884,818	(13,863,831)

	As of December 31, 2024	
	Increase by 1% point	Decrease by 1% point
Discount rate	₩ (12,735,180)	14,782,668
Future salary increase rate	15,078,619	(13,191,750)

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 16. Derivative financial instruments

The Group entered into forward currency contracts to hedge the risk of volatility in US dollar exchange rates. Details of outstanding forward currency contracts as of December 31, 2025 and 2024 are presented as follows (Korean won in thousands and US dollar, except for contract exchange rate):

As of December 31, 2025						
Financial institution	Maturity date	Contract exchange rate	Contract amount	Fair value		
				Assets	Liabilities	
Kookmin Bank	Feb. 2, 2026	1,433.50	USD 10,000,000	₩ 546	-	
DBS	Jan. 2, 2026	1,462.53	USD 10,000,000	-	233,429	
Mizuho Bank	Jan. 2, 2026~Feb. 2, 2026	1,433.38~1,461.55	USD 60,000,000	26,955	777,603	
KDB Industrial Bank	Feb. 2, 2026	1,433.48	USD 10,000,000	751	-	
Shinhan Bank	Feb. 2, 2026	1,433.53	USD 10,000,000	1,651	-	
JP Morgan	Jan. 2, 2026~Feb. 2, 2026	1,433.56~1,462.40	USD 24,000,000	-	386,356	
Credit Agricole CIB	Feb. 2, 2026	1,433.48	USD 10,000,000	117,919	-	
Woori Bank	Jan. 2, 2026	1,462.38	USD 10,000,000	-	273,495	
				₩ 147,822	1,670,883	

As of December 31, 2024						
Financial institution	Maturity date	Contract exchange rate	Contract amount	Fair value		
				Assets	Liabilities	
Kookmin Bank	Jan. 2, 2025	1,431.75	USD 10,000,000	₩ -	382,397	
MUFG Bank	Jan. 2, 2025~Jan. 24, 2025	1,394.10~1,450.05	USD 55,000,000	3,202,109	-	
DBS	Jan. 2, 2025	1,393.53~1,435.58	USD 30,000,000	1,175,280	544,631	
Mizuho Bank	Jan. 2, 2025~Jan. 31, 2025	1,393.25~1,462.65	USD 27,000,000	1,714,405	-	
KDB Industrial Bank	Jan. 2, 2025	1,393.40~1,431.75	USD 20,000,000	765,810	382,405	
Shinhan Bank	Jan. 2, 2025	1,431.75	USD 10,000,000	-	383,864	
JP Morgan	Jan. 24, 2025	1,449.65	USD 15,000,000	291,420	-	
ICBC	Jan. 2, 2025	1,393.53	USD 10,000,000	764,700	-	
Credit Agricole CIB	Jan. 2, 2025~Jan. 24, 2025	1,393.53~1,448.80	USD 65,000,000	3,438,436	-	
SC Bank	Jan. 3, 2025	1,392.98	USD 10,000,000	768,691	-	
HSBC	Jan. 2, 2025	1,434.37	USD 14,000,000	-	499,616	
				₩ 12,120,851	2,192,913	

Valuation gains (losses) on derivative instruments are recognized as finance income (costs) and derivative assets (liabilities) are included in other accounts receivable (payable).

Although the Group does not apply hedge accounting, the Group entered into commodity swaps for crude oil and petroleum products to hedge the exposure to variability in the future cash flows associated with price changes in petroleum products. As of December 31, 2025, the Group entered into three commodity swaps for 18,000 barrels and for 42,000 tons. In relation to the contracts, for the year then ended December 31, 2025, ₩ 267,609 thousand (₩ 2,940 thousand for the year ended December 31, 2024) and ₩ 1,967,664 thousand (₩ 3,276,113 thousand for the year ended December 31, 2024) are recognized as gain and loss on valuation of derivative financial instruments, respectively. As of December 31, 2025, ₩ 267,609 thousand (₩ 2,940 thousand as of December 31, 2024) and ₩ 1,967,664 thousand (₩ 3,276,113 thousand as of December 31, 2024) are recorded as other accounts receivable and other accounts payable, respectively.

Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2025 and 2024

16. Derivative financial instruments (cont'd)

Details of currency swap contracts entered into to hedge the risk of volatility in foreign currency exchange rates on borrowings and bonds denominated in foreign currencies to which the Group applies fair value hedge as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

Financial institution	Contract date	Maturity date	Contract amount		Interest rate		As of December 31, 2025	
			Notional amount	Swapped amount (KRW)	Received – fixed rate	Paid – fixed rate	Valuation gain	Receivables (payables)
Shinhan Bank	-	-	-	-	-	-	₩ -	-
							₩ -	-

  

Financial institution	Contract date	Maturity date	Contract amount		Interest rate		As of December 31, 2024	
			Notional amount	Swapped amount (KRW)	Received – fixed rate	Paid – fixed rate	Valuation gain	Receivables (payables)
Shinhan Bank	-	-	-	-	-	-	₩ 3,574,750	4,762,995
							₩ 3,574,750	4,762,995

Details of the interest rate swap contracts entered into to hedge the risk of volatility in interest rates on borrowings to which the Group applies cash flow hedge as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

Financial institution	Contract date	Maturity	Contract amount	Received – variable interest rate	Paid – swap interest rate	As of December 31, 2025		As of December 31, 2024	
						Valuation gain (loss)	Receivables (payables)	Valuation gain (loss)	Receivables (payables)
Shinhan Bank (*)	-	-	-	-	-	₩ -	-	(1,228,628)	-
	Oct. 25, 2022	Oct. 24, 2025	40,000,000	3-month CD	4.49%	453,578	-	372,300	(453,578)
	Dec. 27, 2023	Sep. 28, 2026	200,000,000	3-month CD	3.27%	1,306,945	(505,607)	(781,567)	(1,812,552)
	Jul. 25, 2024	Apr. 26, 2027	100,000,000	3-month CD	3.12%	460,899	(411,177)	(872,076)	(872,076)
	Sep. 24, 2024	Sep. 24, 2027	130,000,000	3-month CD	2.86%	711,670	60,543	(651,127)	(651,127)
						₩ 2,933,092	(856,241)	(3,161,098)	(3,789,333)

(\*) For the detailed information about hedged items, see Note 13.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**16. Derivative financial instruments (cont'd)**

Details of currency swap contracts entered into by the Group in relation to bonds denominated in foreign currencies as of December 31, 2025 and 2024 are as follows (USD and Korean won in thousands):

			As of December 31, 2025						
Financial institution	Contract date	Maturity	Contract amount		Interest rate		Valuation gain (loss)		
			Notional Amount (USD)	Swapped Amount (KRW)	Received -fixed USD rate	Paid-fixed KRW rate	Net Income(*)	Other comprehensive Income	Receivables (payables)
Kookmin Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.49%	₩ (3,510,000)	5,988,992	11,956,406
Hana Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.48%	(3,510,000)	5,968,751	12,046,171
Hana Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.42%	(3,510,000)	5,900,278	12,329,094
KDB Industrial Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.52%	(3,510,000)	6,066,313	11,859,285
							₩ (14,040,000)	23,924,334	48,190,956

  

			As of December 31, 2024						
Financial institution	Contract date	Maturity	Contract amount		Interest rate		Valuation gain (loss)		
			Notional Amount (USD)	Swapped Amount (KRW)	Received -fixed USD rate	Paid-fixed KRW rate	Net Income(*)	Other comprehensive Income	Receivables (payables)
Kookmin Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.49%	₩ 12,680,000	(3,202,586)	9,477,414
Hana Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.48%	12,680,000	(3,092,580)	9,587,420
Hana Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.42%	12,680,000	(2,741,184)	9,938,816
KDB Industrial Bank	Jan. 18, 2024	Jul. 18, 2029	100,000,000	134,320,000	5.50%	4.52%	12,680,000	(3,377,028)	9,302,972
							₩ 50,720,000	(12,413,378)	38,306,622

(\*) It presents the amount reclassified from other comprehensive income to net income, which is included in gains and losses from foreign currency translation.

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 17. Emission liabilities

In relation to greenhouse gas emissions, the Group recognizes estimated expenses for emissions exceeding the emission allowances granted, for which the Group can be held liable in future periods, as trade and other accounts payable. Details of annual emission allowances allocated for free of charge and estimated greenhouse gas emissions for each compliance year as of December 31, 2025 are as follows (Unit : ton):

	2021	2022	2023	2024	2025	Total
Allocated emission allowance	4,696,165	4,696,165	4,696,165	4,652,182	4,652,182	23,392,859

The estimated greenhouse gas emissions for the year ended December 31, 2025 is 4,547,895 ton.

Changes in emission allowances for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands, except for quantity information):

	For the year ended December 31, 2024		For the year ended December 31, 2025	
	Quantity	Book value	Quantity	Book value
Beginning balance and free allocation	4,782,143	₩ -	4,652,182	₩ -
Allowances carried forward	165,395	-	223,036	-
Submitted to the government	(4,679,895)	-	-	-
Acquisition (Disposal)	(44,607)	-	-	-
As of December 31	223,036	₩ -	4,875,218	₩ -

There are no emission allowances provided as collaterals.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 18. Commitments and contingencies

The following table presents the available lines of credit from financial institutions as of December 31, 2025 and 2024 (USD, EUR and Korean won in thousands):

	Financial institution	As of December 31, 2025		
		Korean won	US dollar	EUR
Bank overdrafts	Woori Bank and others	₩ 14,800,000	\$ -	€ -
Line of credit for general borrowings	Woori Bank and others	1,204,000,000	10,000,000	-
Line of credit and nego for export and import financing	Woori Bank and others	300,000,000	1,127,000,000	-
Line of credit for export bill discounts	Shinhan Bank and others	-	140,000,000	-
		<u>₩ 1,518,800,000</u>	<u>\$ 1,277,000,000</u>	<u>€ -</u>

	Financial institution	As of December 31, 2024		
		Korean won	US dollar	EUR
Bank overdrafts	Woori Bank and others	₩ 14,800,000	\$ -	€ -
Line of credit for general borrowings	Woori Bank and others	1,284,000,000	10,000,000	-
Line of credit and nego for export and import financing	Woori Bank and others	300,000,000	1,132,000,000	27,000,000
Line of credit for export bill discounts	Shinhan Bank and others	-	90,000,000	-
		<u>₩ 1,598,800,000</u>	<u>\$ 1,232,000,000</u>	<u>€ 27,000,000</u>

The Group has provided two blank checks to Korea National Oil Corporation as collateral for the deferment of petroleum import duty and the Lending of strategic oil reserve as of December 31, 2025.

The Group entered into a contract for trademark rights with Hanwha Corporation and TotalEnergies SE, effective from July 1, 2015. In accordance with the agreement, the Group recognized trademark royalties amounting to ₩ 32.3 billion and ₩ 35.3 billion to Hanwha Corporation and TotalEnergies SE for each of the two years in the period ended December 31, 2025, respectively.

The Group received guarantee for the accounts receivable insurance from Seoul Guarantee Insurance amounting to ₩ 653.1 billion and ₩ 585 billion for each of the two years in the period ended December 31, 2025, respectively.

As of December 31, 2025, the Group has one pending lawsuit with total claim against the Group amounting to ₩3.7 billion, and their outcomes are uncertain as of December 31, 2025.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 19. Equity

In accordance with the Articles of Incorporation, the Company is authorized to issue 70 million ordinary shares, with a par value of ₩ 5,000 per share. As of December 31, 2025 and 2024, the number of ordinary shares issued and fully paid is ₩ 19,165,316 in the amount of ₩ 95,826,580 thousand.

The share premium of the Group represents the issued capital in excess of its par value and is restricted in use except for being used to offset a deficit or transferred to issued capital in accordance with the Commercial Act of the Republic of Korea,

The detail of the hybrid bonds of the Group as of December 31, 2025 and 2024 is as follows (Korean won in thousands):

Series	Issue date	Maturity date	Interest rates (%)	As of December 31, 2025	As of December 31, 2024
1 <sup>st</sup> Hybrid Tier 1 (Privated)	Dec. 4, 2025	Dec. 4, 2025	6.2	₩ 500,000,000	-
				500,000,000	-
Issuance costs of hybrid bonds				(3,040,120)	-
				₩ 496,959,880	-

The above hybrid bonds may be extended at the Group's option upon the maturity date, and there is no limitation on the number of such extensions. Furthermore, from and after the five years of the issue date, the Group may, under Group's discretion, redeem the bonds prior to maturity. In addition, interest payments on the bonds may be deferred at the Group's discretion; and, if interest has been deferred, no dividends on common shares may be resolved or paid until all deferred interest has been fully paid.

Accumulated other comprehensive income (loss) of the Group as of December 31, 2025 and 2024 is as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Net gain (loss) on valuation of derivative instruments	₩ 8,193,476	(12,638,114)
Net gain (loss) on valuation of financial instruments measured at FVOCI	2,585,869	(480,810)
Exchange differences on translation of foreign operations	5,019,011	4,531,800
Revaluation surplus at FVOCI	401,897,333	407,903,950
	₩ 417,695,689	399,316,826

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 19. Equity (cont'd)

Retained earnings as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	As of December 31, 2025	As of December 31, 2024
Appropriated retained earnings:		
Legal reserve (*)	₩ 47,913,290	47,913,290
Unappropriated retained earnings	1,543,102,774	2,028,908,472
	<u>₩ 1,591,016,064</u>	<u>2,076,821,762</u>

(\*) Under the Commercial Act of the Republic of Korea, the Company must accumulate more than 10% of the cash dividend as a legal reserve by the end of each reporting period until it reaches 50% of the capital. This legal reserve can only be used to offset accumulated deficit or to be transferred to capital through the resolution of the general shareholders' meeting. As of December 31, 2025, the legal reserve of the Company has reached 50% of the capital, so there is no obligation to further accumulate it.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 20. Income and expenses

#### Revenue from contracts with customers

Revenues for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Revenue from contracts with customers:		
Sale of goods and others	₩ 10,634,879,974	11,656,941,341
Sale of service	141,142,521	140,720,921
	₩ 10,776,022,495	11,797,662,262

Revenues disaggregated by primary geographical market and timing of revenue recognition for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands) :

	For the year ended December 31, 2025	For the year ended December 31, 2024
Primary geographical market:		
Export	₩ 6,178,725,431	6,786,827,770
Domestic	4,597,297,064	5,010,834,492
	₩ 10,776,022,495	11,797,662,262
Timing of revenue recognition:		
At a point in time	₩ 10,634,879,974	11,656,941,341
Over time	141,142,521	140,720,921
	₩ 10,776,022,495	11,797,662,262

#### Performance obligations and revenue recognition policy

The nature of performance obligations in contracts with customers, the timing of their satisfaction, significant payment terms, and related revenue recognition policies are as follows:

Type of goods/services	Nature of goods or services, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy
Sales of products and merchandise	Control is transferred at the point in time when the goods are delivered to the customer. An invoice is issued and revenue is recognized at that time.	The Group recognizes revenue from the sale of goods at the point in time when control of the goods is transferred to the customer and the performance obligation is satisfied. Advance payments received from customers prior to delivery are included in contract liabilities.
Performance obligation for transportation/insurance services included in exports	Under certain INCOTERMS conditions for export sales, the Group provides transportation and insurance services to customers. In such transactions, the consideration for transportation/insurance services is included in the total sales price of the goods, and the performance obligation for transportation/insurance services is satisfied over time.	The Group provides transportation/insurance services as a principal and identifies them as a separate performance obligation distinct from the sale of goods. The transaction price is allocated to the respective performance obligations, and revenue related to transportation/insurance services is recognized over time.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 20. Income and expenses (cont'd)

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

	For the year ended December 31, 2025	For the year ended December 31, 2024
Salaries	₩ 51,825,508	53,227,691
Retirement benefits	6,938,998	3,623,074
Employee welfare	31,642,165	31,349,139
Printing	900,042	960,188
Travel	1,942,857	2,421,902
Communications	460,620	478,157
Training	3,891,266	4,385,845
Supplies	701,005	896,249
Repairs	1,894,795	1,402,868
Entertainment	1,418,993	1,841,595
Meeting	513,840	634,917
Vehicle maintenance	613,771	681,451
Transportation	27,084,108	38,366,690
Taxes and dues	4,553,265	4,621,258
Insurance	1,961,136	1,843,738
Commissions and fees	48,440,999	49,083,732
Rents	5,992,302	6,036,452
Market research	5,195,291	4,960,954
Research and development	50,196,845	50,589,695
Depreciation	17,233,465	17,327,658
Amortization of intangible assets	4,827,824	4,538,741
Advertising	3,374,582	5,121,238
Samples	378,989	631,660
Events	984,849	1,301,005
Packaging	26,236,415	26,790,962
Electronic data processing	20,099,004	17,718,296
Others	1,087,248	1,096,061
Bad debt expense	70,958	274,905
	<u>₩ 320,461,140</u>	<u>332,206,121</u>

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 20. Income and expenses (cont'd)

Details of finance income for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Interest income	₩ 7,964,082	6,864,612
Gain on foreign currency transactions	169,171,158	200,187,127
Gain on foreign currency translation	8,532,855	12,980,982
Gain on settlement of derivative instruments	71,014,453	65,108,357
Gain on valuation of derivative instruments	415,431	12,123,791
	<u>₩ 257,097,979</u>	<u>297,264,869</u>

Details of finance costs for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Interest expenses	₩ 109,270,456	102,566,580
Loss on foreign currency transactions	151,555,978	209,650,472
Loss on foreign currency translation	14,528,309	26,045,932
Loss on settlement of derivative instruments	58,827,128	61,736,697
Loss on valuation of derivative instruments	3,638,547	5,469,026
	<u>₩ 337,820,418</u>	<u>405,468,707</u>

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

	For the year ended December 31, 2025	For the year ended December 31, 2024
Gain on disposal of property, plant and equipment	₩ 698,163	1,258,559
Dividend income	917,589	863,746
Rental income	511,536	483,790
Miscellaneous gain	11,470,054	14,262,591
	<u>₩ 13,597,342</u>	<u>16,868,686</u>

Details of other expenses for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Loss on disposal of property, plant and equipment	₩ 633,130	2,759,394
Loss on disposal of intangible assets	17,556	148,598
Loss on disposal of trade accounts receivable	9,356,474	14,141,392
Commissions and fees	17,448,580	13,839,430
Donations	11,787,600	12,218,053
Miscellaneous loss	7,617,001	10,321,988
	<u>₩ 46,860,341</u>	<u>53,428,855</u>

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 20. Income and expenses (cont'd)

#### Expenses by nature

Details of expenses classified based on nature of expenses in cost of goods sold and selling and administrative expenses for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Changes in finished goods and semi-finished goods	₩ 140,671,372	59,070,727
Use of raw materials and others	6,263,603,428	6,782,493,946
Salaries and other benefits	304,018,256	295,212,691
Depreciation	497,607,763	488,042,870
Amortization of intangible assets	5,808,380	5,628,419
Transportation	171,447,579	182,683,701
Advertising	3,375,874	5,125,413
Rents	6,177,844	6,090,863
Power	302,384,681	305,344,654
Utility	1,188,556,630	1,235,747,115
Supplies	61,499,631	62,107,500
Others	2,362,141,738	2,574,825,812
	<u>₩ 11,307,293,176</u>	<u>12,002,373,711</u>

Details of salaries and other benefits for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Salaries	₩ 204,617,589	210,453,135
Retirement benefits	29,230,359	15,440,335
Employee welfare	70,170,308	69,319,221
	<u>₩ 304,018,256</u>	<u>295,212,691</u>

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 21. Income taxes

The major components of income tax benefits for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Current income taxes	₩ 844,662	1,218,930
Additional income taxes of prior periods	206,789	257,116
Changes in deferred taxes	(142,182,265)	(91,625,133)
Income tax expenses charged directly to equity	(13,446,450)	11,976,063
Income tax benefits	₩ (154,577,264)	(78,173,024)

Details of income tax expense charged directly to equity for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Net gain (loss) on valuation of derivatives	₩ (6,025,836)	3,412,564
Remeasurements of net defined benefit plans	(501,613)	1,784,627
Net gain (loss) on valuation of financial instruments measured at FVOCI	(912,383)	715,371
Gain (loss) on revaluation surplus at FVOCI	(6,006,618)	6,063,501
	₩ (13,446,450)	11,976,063

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 21. Income taxes (cont'd)

A reconciliation of loss before tax at the statutory tax rate to income tax benefits for each of the two years in the period ended December 31, 2025 is as follows (Korean won in thousands):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Loss before tax	₩ (645,256,120)	(349,475,457)
Tax at the statutory tax rate (*1)	(159,985,616)	(81,899,521)
Reconciling items:		
Non-deductible expenses and non-taxable income for tax purposes	(99,325)	(163,241)
Tax credits	(1,398,046)	(485,752)
Additional income tax paid, etc.	206,789	257,116
Effects of changes in deferred tax rates, etc.	6,300,265	4,007,808
Others (tax rate differences, etc.)	398,669	110,566
Income tax benefits at the effective tax rate	(154,577,264)	(78,173,024)
Effective tax rate (*2)	₩ -	-

(\*1) The Group is subject to corporate income taxes (including resident sur-taxes), at the aggregate rate of 9.9% on taxable income up to ₩ 200,000 thousand, 20.9% on taxable income from ₩ 200,000 thousand to ₩ 20,000,000 thousand, 23.1% on taxable income from ₩ 20,000,000 thousand to ₩ 300,000,000 thousand and 26.4% in excess of ₩ 300,000,000 thousand.

(\*2) As profit before income taxes for each of the two years in the period ended December 31, 2025 is negative, respectively, the effective tax rate therefore is not calculated.

Significant changes in deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

	For the year ended December 31, 2025			
	January 1	Recognized directly in profit or loss	Recognized directly in equity	December 31
Net defined benefit liabilities	₩ (3,772,681)	4,816,874	(501,613)	542,580
Property, plant and equipment	5,665,171	1,055,858	-	6,721,029
Accrued income	(82,991)	2,871	-	(80,120)
Capitalized interest costs	(388,526)	101,868	-	(286,658)
Loss (gain) on valuation of derivative instruments	3,564,597	-	(6,025,836)	(2,461,239)
Accrued expenses	16,709,972	1,950,989	-	18,660,961
Loss (gain) on valuation of financial instruments measured at FVOCI	135,613	-	(912,383)	(776,770)
Loss on revaluation of property, plant and equipment	1,290,041	56,089	-	1,346,130
Gain on revaluation of property, plant and equipment	(138,152,208)	-	(6,006,618)	(144,158,826)
Others	2,091,205	(398,909)	-	1,692,296
Loss carryforward	96,614,021	148,043,075	-	244,657,096
	₩ (16,325,786)	155,628,715	(13,446,450)	125,856,479

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 21. Income taxes (cont'd)

	For the year ended December 31, 2024			
	January 1	Recognized directly in profit or loss	Recognized directly in equity	December 31
Net defined benefit liabilities	₩ (8,520,471)	2,963,163	1,784,627	(3,772,681)
Property, plant and equipment	5,460,807	204,364	-	5,665,171
Accrued income	(46,140)	(36,851)	-	(82,991)
Capitalized interest costs	(550,063)	161,537	-	(388,526)
Loss (gain) on valuation of derivative instruments	152,033	-	3,412,564	3,564,597
Accrued expenses	14,810,294	1,899,678	-	16,709,972
Gain on valuation of financial instruments measured at FVOCI	(579,758)	-	715,371	135,613
Impairment loss of emission rights	432,551	(432,551)	-	-
Loss on revaluation of property, plant and equipment	1,346,130	(56,089)	-	1,290,041
Gain on revaluation of property, plant and equipment	(144,215,709)	-	6,063,501	(138,152,208)
Others	2,555,042	(463,837)	-	2,091,205
Loss carryforward	21,204,365	75,409,656	-	96,614,021
	₩ (107,950,919)	79,649,070	11,976,063	(16,325,786)

The Group applies the tax rates that are expected to be applied for the year in which the asset is realized or the liability is settled for temporary differences.

The amendments to K-IFRS 1012 *International Tax Reform – Pillar Two Model Rules* have been issued which clarify that K-IFRS 1012 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the OECD, including tax law that implements Qualified Domestic Minimum Top-up Taxes.

The Group has adopted these amendments. However, as the effective tax rate in most jurisdictions exceeds 15%, it has been determined that no material additional tax liability is expected to arise.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**22. Losses per share**

The Group's basic losses per share for each of the two years in the period ended December 31, 2025 and 2024 are computed as follows (Korean won, except for number of shares):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Loss for the year attributable to owners of the parent	₩ (490,678,856,218)	(271,302,432,757)
Weighted-average number of ordinary shares outstanding	19,165,316 shares	19,165,316 shares
Basic losses per share attributable to owners of the parent	₩ (25,602)	(14,156)

As the Group has no potential dilutive ordinary shares, the basic and diluted loss per share are the same.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 23. Supplementary cash flow information

Details of non-cash transaction and working capital adjustments to reconcile profit for the year to net cash flows provided by operating activities for each of the two years in the period ended December 31, 2025 are as follows (Korean won in thousands):

#### Non-cash transaction adjustments

	For the year ended December 31, 2025	For the year ended December 31, 2024
Retirement benefits	₩ 25,689,905	12,970,617
Depreciation	497,607,763	488,042,870
Amortization of intangible assets	5,808,380	5,628,419
Bad debt expense	70,958	274,905
Gain on foreign currency translation	(8,532,855)	(12,980,982)
Loss on foreign currency translation	14,528,309	26,045,932
Gain on foreign currency transaction	(2,568,585)	(15,038,126)
Loss on foreign currency transaction	-	18,840,000
Gain on disposal of property, plant and equipment	(698,163)	(1,258,559)
Loss on disposal of property, plant and equipment	633,130	2,759,394
Loss on disposal of intangible assets	17,556	148,598
Finance income – interest income	(7,964,082)	(6,864,612)
Finance costs – interest expenses	109,270,456	102,566,580
Loss on disposal of trade accounts receivable	9,356,474	14,141,392
Loss (reversal) of inventory valuation allowance	17,393,758	(18,676,773)
Gain on valuation of derivative instruments	(415,431)	(12,123,791)
Loss on valuation of derivative instruments	3,638,547	5,469,026
Gain on settlement of derivative instruments	(71,014,453)	(65,108,357)
Loss on settlement of derivative instruments	58,827,128	61,736,697
Dividend income	(917,589)	(863,746)
Income tax benefits	(154,577,264)	(78,173,024)
	<u>₩ 496,153,942</u>	<u>527,536,460</u>

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 23. Supplementary cash flow information (cont'd)

#### Working capital adjustment

	For the year ended December 31, 2025	For the year ended December 31, 2024
Trade accounts receivable	₩ (204,136,351)	118,309,434
Other accounts receivable	10,993,397	18,828,593
Other current assets	(55,917,615)	114,822
Prepaid expenses	5,729,548	606,342
Inventories	274,752,301	285,095,093
Long-term prepaid expenses	-	245,269
Trade accounts payable	(29,966,551)	(151,638,952)
Other accounts payable	166,012,210	33,040,116
Accrual expenses	7,063,545	(2,942,289)
Advance receipts	(1,162,736)	5,480,031
Withholdings	281,039,528	1,943,792
Long-term other accounts payable	(2,930,616)	3,099,810
Other non-current liabilities	4,726,181	3,790,669
Retirement benefits transferred from(to) affiliates	(57,346)	71,640
Payment of retirement benefits	(760,409)	(799,842)
Contributions to plan assets	-	(5,000,000)
	<u>₩ 455,385,086</u>	<u>310,244,528</u>

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

	For the year ended December 31, 2025	For the year ended December 31, 2024
Transfer of construction-in-progress to property, plant and equipment and intangible assets	₩ 255,263,668	311,361,746
Reclassification of current portion of bonds payable and long-term borrowings	319,823,169	702,101,950
Changes in other accounts payable due to acquisition of property, plant and equipment	(5,654,392)	(7,257,188)

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
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**23. Supplementary cash flow information (cont'd)**

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

		For the year ended December 31, 2025							
		January 1	Acquisition of lease assets (Non-cash transaction)	Cash flows from financing activities	Foreign exchange rate movement	Amortization	Changes in fair value	Transfer	December 31
<b>Current liabilities</b>									
Short-term borrowings	₩	521,803,031	-	(488,844,754)	(576,463)	-	-	-	32,381,814
Current portion of bonds payable and long-term borrowings		701,175,666	-	(551,275,710)	-	247,113	-	309,793,741	459,940,810
Lease liabilities		9,861,852	2,284,595	(12,807,825)	26,142	-	-	10,029,428	9,394,192
Derivative liabilities (assets)		(10,840,038)	-	7,331,580	(2,568,585)	-	(351,817)	-	(6,428,860)
		<u>1,222,000,511</u>	<u>2,284,595</u>	<u>(1,045,596,709)</u>	<u>(3,118,906)</u>	<u>247,113</u>	<u>(351,817)</u>	<u>319,823,169</u>	<u>495,287,956</u>
<b>Non-current liabilities</b>									
Long-term borrowings		350,000,000	-	140,000,000	-	-	-	(100,000,000)	390,000,000
Bonds payable		993,471,355	-	318,812,468	(14,040,000)	1,407,943	-	(209,793,741)	1,089,858,025
Lease liabilities		7,271,045	20,880,057	-	(13,135)	-	-	(10,029,428)	18,108,539
Derivative liabilities (assets)		(28,440,247)	-	-	-	-	(12,465,608)	-	(40,905,855)
		<u>1,322,302,153</u>	<u>20,880,057</u>	<u>458,812,468</u>	<u>(14,053,135)</u>	<u>1,407,943</u>	<u>(12,465,608)</u>	<u>(319,823,169)</u>	<u>1,457,060,709</u>
	₩	<u>2,544,302,664</u>	<u>23,164,652</u>	<u>(586,784,241)</u>	<u>(17,172,041)</u>	<u>1,655,056</u>	<u>(12,817,425)</u>	<u>-</u>	<u>1,952,348,665</u>

		For the year ended December 31, 2024							
		January 1	Acquisition of lease assets (Non-cash transaction)	Cash flows from financing activities	Foreign exchange rate movement	Amortization	Changes in fair value	Transfer	December 31
<b>Current liabilities</b>									
Short-term borrowings	₩	422,823,711	-	96,448,411	2,530,909	-	-	-	521,803,031
Current portion of bonds payable and long-term borrowings		895,690,030	-	(914,600,000)	21,597,780	411,645	-	698,076,211	701,175,666
Lease liabilities		10,030,664	10,037,889	(14,232,440)	-	-	-	4,025,739	9,861,852
Derivative liabilities (assets)		(70,816,408)	-	85,480,000	(15,038,127)	-	(10,465,503)	-	(10,840,038)
		<u>1,257,727,997</u>	<u>10,037,889</u>	<u>(746,904,029)</u>	<u>9,090,562</u>	<u>411,645</u>	<u>(10,465,503)</u>	<u>702,101,950</u>	<u>1,222,000,511</u>
<b>Non-current liabilities</b>									
Long-term borrowings		328,517,930	-	350,000,000	-	-	-	(328,517,930)	350,000,000
Bonds payable		778,373,715	-	532,795,523	50,720,000	1,140,398	-	(369,558,281)	993,471,355
Lease liabilities		7,615,084	3,126,591	-	555,109	-	-	(4,025,739)	7,271,045
Derivative liabilities (assets)		(185,476)	-	-	-	-	(28,254,771)	-	(28,440,247)
		<u>1,114,321,253</u>	<u>3,126,591</u>	<u>882,795,523</u>	<u>51,275,109</u>	<u>1,140,398</u>	<u>(28,254,771)</u>	<u>(702,101,950)</u>	<u>1,322,302,153</u>
	₩	<u>2,372,049,250</u>	<u>13,164,480</u>	<u>135,891,494</u>	<u>60,365,671</u>	<u>1,552,043</u>	<u>(38,720,274)</u>	<u>-</u>	<u>2,544,302,664</u>

The composition of cash and cash equivalents as of December 31, 2025 and 2024 is as follows (Korean won in thousands):

Description	For the year ended December 31, 2025	For the year ended December 31, 2024
Cash	₩ 1,450	1,450
Deposits	559,230,156	516,836,754
Other cash equivalents	105,399	101,670
	<u>₩ 559,337,005</u>	<u>516,939,874</u>

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

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#### 24. Related party disclosures

Key management personnel are standing directors who have the authority and responsibility for planning, directing and controlling the business of the Group. Compensation for key management personnel consisted of salaries of ₩ 3,085,861 thousand and ₩ 4,472,775 thousand for each of the two years in the period ended December 31, 2025, respectively, and retirement benefits of ₩ 479,284 thousand and ₩ 149,207 thousand for each of the two years in the period ended December 31, 2025, respectively.

The controlling entities and other related parties of the Company as of December 31, 2025 are as follows:

Relationship	Related party
Jointly controlling entities	Hanwha Impact Corporation TotalEnergies Holdings UK LIMITED
Other related Parties(*)	Hanwha Corporation, etc.

\* Other related parties include companies belonging to the same Large Enterprise Group as defined under the Monopoly Regulation and Fair Trade Act.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
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**24. Related party disclosures (cont'd)**

All transactions and outstanding balances between the Company and its subsidiaries are eliminated in the preparation of the consolidated financial statements of the Group.

Significant transactions for each of the two years in the period ended December 31, 2025 and the related outstanding balances as of December 31, 2025 and December 31, 2024 arising from such transactions between the Group and its related parties are as follows (Korean won in thousands):

Related party	As of and for the year ended December 31, 2025					
	Sales and others	Disposal of non-current assets	Purchase of inventories and others	Acquisition of non-current assets	Receivables	Payables
<b>Joint controlling entities:</b>						
Hanwha Impact Corporation	₩ 735,093,783	-	29,869,343	-	77,412,806	3,266,744
TotalEnergies Holdings UK LIMITED	-	-	2,544,927	-	-	96,653
<b>Other related parties:</b>						
Hanwha Corporation	79,382,564	-	21,842,074	-	4,689,474	537,163
Hanwha Life Insurance Co., Ltd.	7,512,108	-	8,211,356	4,022,114	140,489,268	3,567,181
Hanwha General Insurance Co., Ltd.	-	-	10,195,355	-	-	101,906
Carrot General Insurance Co., Ltd. (*)	-	-	1,380,237	-	-	-
Hanwha Systems Co., Ltd.	55,520	-	16,653,264	992,400	4,315	4,847,444
Hanwha Solution Corporation	6,020	-	5,266,334	-	-	1,257,931
Hanwha Advanced Materials Co., Ltd.	24,026,023	-	-	-	574,668	-
Hanwha Energies Co., Ltd.	51,586,784	-	-	-	5,278,073	-
Hanwha Compound Co., Ltd.	2,913,339	-	6,501,141	-	207,318	892,857
Hanwha Hotels & Resorts Co., Ltd.	15,019	-	1,085,128	227,398	1,120	74,864
Hanwha Galleria Co., Ltd.	-	-	2,024,479	-	-	50
Hanwha Ocean Co., Ltd.	6,593,091	-	30,842	70,691,051	760,235	8,233,164
Hanwha Shinhan TWh Co., Ltd.	-	-	1,633,460	-	-	161,107
Bugil Academy	-	-	3,600,000	-	-	-
Hanwha Foundation of Culture	-	-	5,990,000	-	-	-
Hanwha Japan Co., Ltd.	10,449,171	-	1,889,913	133,978	34,336	106,711
Hanwha Europe GmbH	6,005,546	-	62,430	45,062	114,536	-
Hanwha Advanced Materials Georgia Inc	19,905,583	-	-	-	4,273,183	-
TotalEnergies Petrochemicals and Refining SA/NV	103,663,481	-	867,897	-	17,939,378	228,772
TotalEnergies SE	-	-	16,081,617	-	1,550,176	-
TotalEnergies Trading Asia Pte. Ltd.	714,084,384	-	1,073,015,489	-	32,717,008	233,338,329
TOTSA TotalEnergies Trading SA	19,997,381	-	8,206,692	-	2,103,796	775
TotalEnergies Petrochemicals (Hong Kong) Limited	1,752,337	-	3,357,826	-	1,164,786	1,138,436
TotalEnergies Marketing Asia-Pacific Middle East Pte. Ltd.	7,621,817	-	-	-	903,096	-
TotalEnergies Fluids SA	5,484,461	-	-	-	719,389	-
TotalEnergies Marketing (Shanghai) Co. Ltd.	1,421,500	-	-	-	-	-
TotalEnergies Petrochemicals (Shanghai) Co., Ltd.	2,712,060	-	-	-	-	-
TotalEnergies Petrochemicals and Refining USA, Inc.	2,082,128	-	-	-	266,934	-
Others	454,125	-	817,872	19,001	958,194	153,385
	<b>₩ 1,802,818,225</b>	<b>-</b>	<b>1,221,127,676</b>	<b>76,131,004</b>	<b>292,162,089</b>	<b>258,003,472</b>

(\*) Carrot General Insurance Co., Ltd. was merged into Hanwha General Insurance Co., Ltd., effective as of Oct. 1<sup>st</sup>, 2025. The transactions occurred before the effective date of the merger.

**Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2025 and 2024**

**24. Related party disclosures (cont'd)**

Related party	As of and for the year ended December 31, 2024					
	Sales and others	Disposal of non-current assets	Purchase of inventories and others	Acquisition of non-current assets	Receivables	Payables
<b>Joint controlling entities:</b>						
Hanwha Impact Corporation	₩ 832,542,414	-	34,491,629	-	64,461,932	3,918,293
TotalEnergies Holdings UK LIMITED	-	-	3,884,747	-	-	98,857
<b>Other related parties:</b>						
Hanwha Corporation	114,132,274	-	19,444,647	13,204,716	5,118,124	509,854
Hanwha Life Insurance Co., Ltd.	8,010,426	-	6,898,558	4,255,114	157,863,855	2,275,876
Hanwha General Insurance Co., Ltd.	-	-	19,255,067	97,078	-	8,630,295
Carrot General Insurance Co., Ltd.	-	-	1,423,685	-	-	-
Hanwha Systems Co., Ltd.	58,736	-	16,172,269	2,515,905	3,542	5,419,051
Hanwha Power Systems Co., Ltd.	-	-	-	1,362,343	-	1,498,578
Hanwha Solution Corporation	-	10,000,000	6,009,287	4,900,000	-	1,247,236
Hanwha Advanced Materials Co., Ltd.	36,111,057	-	-	-	2,696,751	-
Hanwha Energies Co., Ltd.	67,614,118	-	-	-	6,496,389	-
Hanwha Compound Co., Ltd.	1,656,523	-	5,166,506	-	156,154	936,511
Hanwha Hotels & Resorts Co., Ltd.	15,019	1,540,927	935,383	2,166,000	1,120	67,586
Hanwha Galleria Co., Ltd.	-	-	1,414,204	-	-	426
Hanwha Ocean Co., Ltd.	4,274,885	-	-	25,013,275	995,916	3,497,122
Bugil Academy	-	-	3,600,000	-	-	-
Hanwha Foundation of Culture	-	-	4,627,000	-	-	-
Hanwha Japan Co., Ltd.	8,977,148	-	1,862,658	-	35,042	51,081
Hanwha Europe GmbH	3,561,402	-	48,066	-	-	15,787
Hanwha Advanced Materials Georgia Inc	8,690,679	-	-	-	-	-
TotalEnergies Petrochemicals and Refining SA/NV	114,800,186	-	664,937	-	16,766,149	137,509
TotalEnergies SE	-	-	17,594,155	-	-	476,623
TotalEnergies Trading Asia Pte. Ltd.	814,736,266	-	942,976,159	-	11,608,942	141,512,389
TOTSA TotalEnergies Trading SA	10,106,948	-	19,772,304	-	122,636	1,319,954
TotalEnergies Petrochemicals (Hong Kong) Limited	3,096,791	-	4,380,237	-	-	1,165,957
TotalEnergies Marketing Asia-Pacific Middle East Pte. Ltd.	5,620,133	-	-	-	295,412	-
TotalEnergies Fluids SA	3,227,708	-	43,513	-	195,203	-
TotalEnergies Marketing (Shanghai) Co. Ltd.	3,876,513	-	-	-	72,369	-
TotalEnergies Petrochemicals (Shanghai) Co., Ltd.	6,626,679	-	-	-	-	256,325
Others	1,583,303	-	1,018,653	353,425	127,474	357,255
	<b>₩ 2,049,319,208</b>	<b>11,540,927</b>	<b>1,111,683,664</b>	<b>53,867,856</b>	<b>267,017,010</b>	<b>173,392,565</b>

As of December 31, 2025, receivables and payables are settled in cash on an unsecured and non-interest bearing basis. In addition, the Group does not provide any payment guarantees in relation to receivables and payables among the related parties. Meanwhile, the Group has not recognized any impairment loss on receivables from the related parties for the year ended December 31, 2025, and the valuation of receivables from the related parties is conducted every reporting period based on the review of the financial condition of the related parties and market conditions.

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 25. Segment information

The Group's operating segments are determined by the Group's management who makes strategic decisions, and the petrochemical business is managed as a single reportable segment.

The financial information about geographic areas where the related parties are located for each of the two years in the period ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	For the year ended December 31, 2025			
	Korea	China	Consolidation adjustment	Total
Sales	₩ 10,724,285,410	65,001,095	-	10,789,286,505
Inter-company sales	6,009,562	7,254,448	(13,264,010)	-
Net sales	10,718,275,848	57,746,647	-	10,776,022,495
Operating profit (loss)	(534,016,211)	2,745,530	-	(531,270,681)
Profit (loss) for the period	(490,269,655)	2,178,615	(2,587,816)	(490,678,856)
Non-current assets (*)	4,268,761,139	9,481,851	-	4,278,242,990

(\*) Financial instruments, deferred tax assets and others are excluded from the non-current assets.

	For the year ended December 31, 2024			
	Korea	China	Consolidation adjustment	Total
Sales	₩ 11,745,036,209	63,764,187	-	11,808,800,396
Inter-company sales	4,535,907	6,602,227	(11,138,134)	-
Net sales	11,740,500,302	57,161,960	-	11,797,662,262
Operating profit (loss)	(208,622,984)	3,911,535	-	(204,711,449)
Profit (loss) for the period	(270,736,719)	3,222,686	(3,788,400)	(271,302,433)
Non-current assets (*)	4,518,820,415	8,646,184	-	4,527,466,599

(\*) Financial instruments, deferred tax assets and others are excluded from the non-current assets.

The Group has no single major client from which sales account for more than 10% of its total sales for each of the two years in the period ended December 31, 2025.

## Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

#### 26. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group also has various financial assets including trade and notes receivable and cash and cash equivalents that arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk and the Group's key management oversees the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

##### (1) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise three types of risk: interest rate risk, foreign currency risk and feedstock price risk.

##### 1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings with the interest rate swap contracts. Borrowings with floating interest rates (nominal amounts) are ₩ 200,000,000 thousand and ₩ 520,000,000 thousand as of December 31, 2025 and 2024, respectively. The impact of changes in market interest rates on the fair value of future cash flows of the Group's financial instruments, after taking into account the currency swap contracts, is not material.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 26. Financial risk management objectives and policies (cont'd)

#### 2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries. The Group manages its foreign currency risk periodically, especially by entering into currency forward and currency interest rate swap contracts.

Significant monetary assets and liabilities denominated in foreign currencies as of December 31, 2025 and 2024 are as follows (US dollar in thousands and Korean won in thousands):

	As of December 31, 2025		As of December 31, 2024			
	Currency	Foreign currencies	In equivalent of Korean won	Currency	Foreign currencies	In equivalent of Korean won
Financial assets	USD	401,301	₩ 575,826,536	USD	262,954	386,542,853
	Others		34,112,080	Others		22,985,263
			₩ 609,938,616			409,528,116
Financial liabilities	USD	872,586	₩ 1,252,074,148	USD	946,658	1,391,586,933
	Others		4,721,467	Others		3,368,018
			₩ 1,256,795,615			1,394,954,951

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. It includes changes in gain or loss on valuation of derivatives (Korean won in thousands):

	As of and for the year ended December 31, 2025		As of and for the year ended December 31, 2024	
	(+) 10%	(-) 10%	(+) 10%	(-) 10%
Increase (decrease) in profit for the year	₩ 10,441,443	(10,441,443)	1,795,278	(1,795,278)

#### 3) Feedstock price risk

Feedstock price risk is the risk that the Group's income and cash flow will change due to the fluctuations in international market prices of the Group's feedstock including condensate. The Group entered into a commodity swap to hedge the risk of changes in feedstock. The commodity swap is exposed to the risk of changes in fair value. However, the price changes in fair value of the commodity swap can be offset with changes in operating margin. Therefore, the risk of changes in feedstock price is appropriately managed.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 26. Financial risk management objectives and policies (cont'd)

#### (2) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss of the Group.

##### 1) Trade and other accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. As of December 31, 2025, trade accounts receivable from the top five customers accounted for 41.5% or ₩ 386,120,138 thousand of total trade accounts receivable.

As of December 31, 2025, the Group analyzes on an individual basis whether there is any impairment on the receivables from major customers. In addition, for small-size numerous receivables, the Group includes them in a group of financial assets with similar credit risk characteristics and reviews for impairment on a collective basis. The estimation of impairment is based on data on historical loss experience, and the maximum exposure to credit risk as of December 31, 2025 is the carrying amount of financial assets by category described in Note 5.

##### 2) Other financial assets

Credit risks associated with the Group's other financial assets which consist of bank deposits and long-term loans arise from the default by the counterparties. Maximum exposure to credit risks will be the carrying value of such financial assets. The Group deposits its surplus funds in the financial institutions whose credit ratings are high and, therefore, credit risks related to such financial institutions are considered limited.

# Hanwha TotalEnergies Petrochemical Co., Ltd. and its Subsidiaries.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

### 26. Financial risk management objectives and policies (cont'd)

#### (3) Liquidity risk

Liquidity risk refers to the risk that the Group may default on the contractual obligations that become due. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool(Excluding lease liabilities). The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank borrowings and bonds. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (Korean won in thousands):

		As of December 31, 2025				
		Within 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years	Total
Bonds payable and borrowings (*)	₩	312,381,814	180,000,000	1,483,960,000	-	1,976,341,814

  

		As of December 31, 2024				
		Within 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years	Total
Bonds payable and borrowings (*)	₩	941,803,031	281,275,710	1,348,000,000	-	2,571,078,741

(\*) Lease liabilities are excluded from the bonds payable and borrowings.

The ratios of bonds payable and borrowings maturing within one year, based on the undiscounted amounts reflected in the consolidated financial statements, are 24.9% and 47.6% as of December 31, 2025 and 2024, respectively. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be manageable.

#### (4) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the each of the two years in the period ended December 31, 2025.

The Group's debt-to-equity ratios as of December 31, 2025 and 2024 are 111.2% and 117.6%, respectively.