

**DL E&C CO., LTD.**

**SEPARATE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2022 AND 2021**

**ATTACHMENT : INDEPENDENT AUDITORS' REPORT**

**DL E&C CO., LTD.**

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## INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 15, 2023.

To the Shareholders and the Board of Directors of  
DL E&C Co., Ltd.:

### Report on the Audited Separate Financial Statements

#### Audit Opinion

We have audited the separate financial statements of DL E&C Co., Ltd. (the "Company"), which comprise the separate statement of financial position as of December 31, 2022 and December 31, 2021, respectively, and the related separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 31, 2021, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Company as of December 31, 2022, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' and our report dated March 15, 2023, expressed an unmodified opinion.

#### Basis for Audit Opinion

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

#### Our Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Deloitte.

## - Total Contract Cost Estimate

When the Company recognizes revenue from construction contracts over a period, it is recognized based on the progress rate of dividing the accumulated accrued cost by the total estimated contract cost. As noted in Note 3(4), the total estimated contract cost for the progress rate reflects management's significant estimates of future projections, such as material costs and outsourcing costs.

We determined the estimates of residual cost of total estimated contract cost, except total estimated contract cost to the accumulated accrued cost, as a key audit matter because the changes in the estimated contract cost due to delay or change order can cause significant effect on the current and future profit or loss.

As of December 31, 2022, the major audit procedures we performed regarding the estimation of the total estimated cost of the Company are as follows:

- Identifying the Company's business procedures related to estimating and changing the total estimated cost and evaluating the effectiveness of its internal control design and operation.
- Inspecting the documents on the adequacy of the current year accumulated accrued costs and residual cost according to analysis on the uncertainty in the total estimated contract costs based on the nature and situation of the construction.
- Identifying the cause of changes for the constructions with significant changes in the total estimated cost and inspecting document when exceptions are found.
- Analytical reviewing of the sites with significant differences by comparing the total estimated contract cost of the end date of reporting period with the most recent closing date, and inspecting document when exceptions are found.

## **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 Company's internal control.

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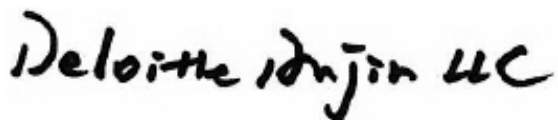
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kim, Ki Chul

Handwritten signature in black ink that reads "Deloitte idnjm LLC".

March 15, 2023

## Notice to Readers

This report is effective as of March 15, 2023, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors' report.

**DL E&C CO., LTD. (the “Company”)**

**SEPARATE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2022 AND 2021**

The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

**Ma, Chang Min  
Chief Executive Officer  
DL E&C CO., LTD.**

DL E&C CO., LTD.  
SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2022 AND 2021

	Note	Korean won	
		2022	2021
ASSETS			
CURRENT ASSETS:		3,360,243,741,979	3,474,170,214,518
Cash and cash equivalents	5,7,34,38	979,624,885,087	1,356,003,652,498
Short-term financial instruments	5,7,34,38	444,015,981,370	153,664,327,900
Trade receivables and other accounts receivable	7,9,29,37	924,739,118,967	720,816,514,551
Contract assets	6,35	491,292,048,683	651,810,280,126
Capital lease receivables	7,12,38	480,055,893	409,551,816
Financial assets at FVTOCI	7,8,27,38	8,224,007,278	5,883,318,553
Inventories	11	374,047,190,882	441,921,306,173
Derivative assets	38,41	2,871,424,305	764,445,752
Other current assets	10	134,949,029,514	116,455,992,511
Non-current assets held for sale	43	-	26,440,824,638
NON-CURRENT ASSETS		3,591,792,367,931	3,396,593,121,328
Long-term financial instruments	5,7,38	3,374,861,200	493,133,000
Long-term trade receivables and other accounts receivable	6,7,9,28,37,38	1,946,468,002,938	1,813,673,901,119
Investments in subsidiaries	16	313,123,648,619	265,287,500,916
Investments in associates and joint ventures	16	108,794,225,191	55,815,225,191
Financial assets at FVTPL	7,8,38	76,850,615,504	50,214,522,480
Financial assets at FVTOCI	7,8,27,38	10,642,348,287	23,637,480,187
Amortized cost measured financial assets	7,38	200,265,421	25,771,295
Property, plant and equipment	13	126,733,938,961	125,920,769,279
Investment property	14	351,735,795,878	353,640,075,566
Intangible assets	15	18,450,849,004	19,889,357,307
Right-of-use assets	17	77,765,482,658	97,906,340,359
Derivative assets	7,38,41	2,878,816,943	12,804,586
Capital lease receivables	7,12,38	1,169,125,376	1,623,262,089
Net defined benefit assets	20	25,199,459,636	12,699,539
Deferred tax assets	35	497,919,948,806	559,302,950,582
Other non-current assets	10	30,484,983,509	29,150,027,372
TOTAL ASSETS		6,952,036,109,910	6,870,763,335,846
LIABILITIES			
CURRENT LIABILITIES:		2,304,745,492,175	2,287,982,652,108

	Note	Korean won	
		2022	2021
Trade payables and other accounts payable	7,18,29,38	922,855,019,459	863,078,174,504
Contract liabilities	6,35	858,183,417,277	796,418,627,581
Lease liabilities	7,23,38	45,086,268,197	43,985,480,775
Short-term borrowings and current portion of long-term liabilities	7,19,38	89,612,865,350	70,155,040,350
Income taxes payable		50,857,004,359	110,023,971,966
Other current provisions	22	188,867,555,835	260,441,551,626
Derivative liabilities	7,29,38	5,961,155,256	4,266,682,939
Financial guarantee contract liabilities	7,28,38	2,965,184,194	1,246,032,906
Provision for construction warranties	38	18,898,670,146	29,291,263,941
Other current liabilities	21	121,458,352,102	109,075,825,520
NON-CURRENT LIABILITIES:		733,679,285,860	788,987,960,887
Long-term trade payables and other accounts payables	7,18,29,38	5,376,246,281	4,434,934,353
Borrowings and debentures	7,19,29,38	582,723,586,757	612,540,032,708
Lease liabilities	7,23,38	68,876,041,569	93,309,102,518
Provision for construction warranties	38	68,846,583,965	71,020,204,874
Other non-current provisions	22	697,075,630	697,075,630
Financial guarantee liabilities	7,29,38	5,935,927,666	2,068,144,247
Derivatives liabilities	7,28,38	287,500,000	1,085,972,098
Other non-current liabilities	21	936,323,992	3,845,193,998
TOTAL LIABILITIES		3,038,424,778,035	3,076,970,612,995
SHAREHOLDERS' EQUITY			
Capital stock		214,597,295,000	107,363,115,000
Other paid-in capital		3,129,869,162,945	3,268,412,814,133
Retained earnings	26	728,167,428,904	466,459,983,911
Accumulated other comprehensive income	27	(159,022,554,974)	(48,443,190,193)
TOTAL SHAREHOLDERS' EQUITY		3,913,611,331,875	3,793,792,722,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,952,036,109,910	6,870,763,335,846

See accompanying notes to separate financial statements.

DL E&C CO., LTD.  
SEPARATE STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	Korean won (except for net earnings per share data)	
		2022	2021
I. SALES	6,30	5,275,660,012,471	5,249,399,460,214
II. COST OF SALES	31	4,523,301,969,719	4,224,663,513,411
III. GROSS PROFIT		752,358,042,752	1,024,735,946,803
Selling and administrative expenses	31,32	349,777,255,828	345,017,556,763
IV. OPERATING INCOME:		402,580,786,924	679,718,390,040
Other income	33	160,458,633,155	111,415,785,008
Other expense	33	173,038,335,490	166,570,770,531
Financial income	34	136,896,068,180	110,006,469,352
Financial expense	34	57,149,700,869	53,417,690,569
V. INCOME BEFORE INCOME TAX EXPENSE		469,747,451,900	681,152,183,300
INCOME TAX EXPENSE	35	159,539,910,154	218,797,747,348
VI. NET INCOME		310,207,541,746	462,354,435,952
VII. NET EARNINGS PER SHARE:	36		
Basic and diluted earnings per common share		7,614	10,778
Basic and diluted earnings per preference share		4,335	10,778

See accompanying notes to separate financial statements

DL E&C CO., LTD.  
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	Korean won	
		2022	2021
I. NET INCOME		310,207,541,746	462,354,435,952
II. OTHER COMPREHENSIVE INCOME (LOSS):		(101,067,406,784)	10,153,891,385
Items not to be reclassified subsequently to profit or loss:		9,511,957,997	4,105,547,959
1. Remeasurement of defined benefit plan		12,628,266,347	5,584,260,009
2. Tax effects on the items not to be reclassified to profit or loss		(3,116,308,350)	(1,478,712,050)
Items to be reclassified subsequently to profit or loss:	8,27	(110,579,364,781)	6,048,343,426
1. Gain (loss) on valuation of debt instruments at FVTOCI	27	(305,365,454)	(454,497,300)
2. Gain (loss) on overseas operations translation		(110,357,786,703)	6,382,489,841
3. Tax effects on the items to be reclassified to profit or loss		83,787,376	120,350,885
III. COMPREHENSIVE INCOME		209,140,134,962	472,508,327,337

See accompanying notes to separate financial statements.

DL E&C CO., LTD.  
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Korean won						
	Capital stock	Other paid-in capital		Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
		Additional paid-in capital	Gain or Loss on sale of treasury stocks			
I. Balance as of January 1, 2021	107,363,115,000	3,271,623,795,128	-	-	(54,491,533,619)	3,324,495,376,509
Net income	-	-	-	462,354,435,952	-	462,354,435,952
Remeasurement of defined benefit plan	-	-	-	4,105,547,959	-	4,105,547,959
Gain (loss) on valuation of debt instrument at FVTOCI	-	-	-	-	(334,146,415)	(334,146,415)
Gain (loss) on overseas operations translation	-	-	-	-	6,382,489,841	6,382,489,841
Acquisition of treasury stock	-	-	(3,210,980,995)	-	-	(3,210,980,995)
Summary of shareholders' equity gain and loss	-	-	(3,210,980,995)	466,459,983,911	6,048,343,426	469,297,346,342
II. Balance as of December 31, 2021	107,363,115,000	3,271,623,795,128	(3,210,980,995)	466,459,983,911	(48,443,190,193)	3,793,792,722,851
III. Balance as of January 1, 2022	107,363,115,000	3,271,623,795,128	(3,210,980,995)	466,459,983,911	(48,443,190,193)	3,793,792,722,851
Net income	-	-	-	310,207,541,746	-	310,207,541,746
Dividend	-	-	-	(58,012,054,750)	-	(58,012,054,750)
Increase of capital stock without consideration	107,234,180,000	(107,957,449,810)	-	-	-	(723,269,810)
Remeasurement of defined benefit plan	-	-	-	9,511,957,997	-	9,511,957,997
Gain (loss) on valuation of debt instrument at FVTOCI	-	-	-	-	(221,578,078)	(221,578,078)
Gain (loss) on overseas operations translation	-	-	-	-	(110,357,786,703)	(110,357,786,703)
Others	-	(1,591,673,578)	-	-	-	(1,591,673,578)
Acquisition of treasury stock	-	-	(28,994,527,800)	-	-	(28,994,527,800)
Summary of shareholders' equity gain (loss)	107,234,180,000	(109,549,123,388)	(28,994,527,800)	261,707,444,993	(110,579,364,781)	119,818,609,024
IV. Balance as of December 31, 2022	214,597,295,000	3,162,074,671,740	(32,205,508,795)	728,167,428,904	(159,022,554,974)	3,913,611,331,875

See accompanying notes to separate financial statements.

DL E&C CO., LTD  
SEPARATE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	Korean won	
		2022	2021
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		203,283,948,972	490,152,533,293
Net income		310,207,541,746	462,354,435,952
Adjustments	38	334,792,572,565	355,819,151,665
Changes in assets and liabilities from operating activities	38	(315,343,355,261)	(325,204,894,683)
Dividend income received		14,039,263,295	14,214,726,680
Interest income received		48,160,864,153	28,272,207,023
Interest expense paid		(26,624,866,988)	(23,753,026,104)
Income taxes paid		(161,948,070,538)	(21,550,067,240)
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(433,022,725,428)</b>	<b>(182,682,044,819)</b>
Decrease in short-term financial instruments		249,197,281,900	99,300,438,207
Decrease in short-term loans		94,189,687,261	45,696,267,150
Decrease in long-term financial instruments		492,633,000	32,500,000
Decrease in long-term loans		-	45,479,945,992
Decrease in short-term deposits		248,706,649,412	123,990,593,264
Disposal of FVTOCI		23,065,280,000	2,655,130,000
Disposal of land		136,415,511	181,169,231
Disposal of buildings		493,584,489	448,830,769
Disposal of machinery		60,402,621	1,761,542,071
Disposal of vehicles		36,834,031	91,862,836
Disposal of other tangible assets		173,026,474	199,829,306
Disposal of investment property		2,880,223,900	280,000,000
Disposal of intangible assets		-	14,068,667
Increase in short-term financial instruments		(544,484,136,103)	(63,247,591,607)
Increase in short-term loans		(67,004,976,595)	(70,442,000,000)
Increase in long-term financial instruments		(3,374,361,200)	(1,437,279,000)
Increase in long-term loans		(70,159,340,325)	(308,805,993,976)
Increase in deposits		(211,428,991,057)	(49,096,557,700)
Acquisition of non-current assets held for sale		-	(106,841,100)
Acquisition of investments in subsidiaries		(46,836,147,703)	(3,917,600,000)
Acquisition of investments in associates		(52,979,000,000)	(23,475,000,000)
Acquisition at FVTPL		(24,073,852,104)	(12,681,500,000)
Acquisition at FVTOCI		(12,665,275,000)	(5,455,327,700)
Acquisition of land		(5,076,222,000)	(119,037,429)
Acquisition of buildings		-	(616,854,035)
Acquisition of structures		-	(32,072,558)
Acquisition of machinery		(6,483,708,753)	(755,236,694)
Acquisition of vehicles		(139,322,400)	(887,075,745)
Acquisition of other tangible assets		(2,146,909,040)	(1,564,311,270)
Acquisition of tangible assets under construction		(2,039,145,770)	(8,867,544,821)
Acquisition of investment property		-	(1,846,857,622)
Acquisition of intangible assets		(3,563,355,977)	(1,368,339,163)
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		<b>(147,992,744,252)</b>	<b>6,863,383,613</b>
Proceeds from short-term borrowings		2,517,831,300,000	2,905,000,000,000

	Note	Korean won	Korean won
		2022	2021
Repayment of short-term borrowings		(2,488,373,475,000)	(2,905,000,000,000)
Proceeds from long-term borrowings		-	79,760,000,000
Increase in leasehold deposits		217,136,519	728,552,550
Decrease in leasehold deposits		(219,045,000)	(105,400,000)
Acquisition of treasury stock		(28,994,527,800)	(3,210,980,995)
Repayment of lease liabilities		(49,563,768,061)	(44,282,815,992)
Repayment of current portion of long-term liabilities		(40,155,040,350)	(320,155,040,350)
Payment of dividend		(58,012,054,750)	-
Stock issue costs		(723,269,810)	-
Proceeds from debenture		-	295,000,000,000
Debenture issue costs		-	(870,931,600)
IV. NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		(377,731,520,708)	314,333,872,087
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,356,003,652,498	1,039,634,771,749
VI. CHANGES IN CASH AND CASH EQUIVALENTS DUE TO FOREIGN CURRENCY TRANSLATION		1,352,753,297	2,035,008,662
VIII. CASH AND CASH EQUIVALENTS, END OF YEAR		979,624,885,087	1,356,003,652,498

See accompanying notes to separate financial statements.

**DL E&C CO., LTD.**

**NOTES TO SEPARATE FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**1. GENERAL INFORMATION:**

DL E&C Co., Ltd. (the "Company") was established through a spin-off from DL Co., Ltd. (formerly Daelim Industrial Co., Ltd.) with the date of division on January 1, 2021 for the purpose of performing domestic and overseas civil engineering, housing and plant construction. The Company's stock was listed on Korea Exchange on January 25, 2021.

The Company's capital stock, including preferred stock of ₩21,129 million, amounted to ₩214,597 million as of December 31, 2022. The largest shareholder of common stock as of December 31, 2022, is DL Co., Ltd. with 23.15% ownership.

**2. STANDARDS AFFECTING PRESENTATION, DISCLOSURE AND SIGNIFICANT ACCOUNTING POLICIES:**

(1) Basis of preparation

The Company's separate financial statements are financial statements prepared in accordance with the requirements of Korean International Financial Reporting Standard ("K-IFRS") 1027, Separate Financial Statements, in which a parent or an investor with joint control of, or significant influence over, an investee accounts for the investments by cost method or method in accordance with the requirements of K-IFRS 1109, Financial Instruments: Recognition and Measurement, the equity method of accounting in accordance with K-IFRS 1028, 'Investments in Associates and Joint Ventures.'

The Company's accounting policies applied for the accompanying separate financial statements are the same as the policies applied for the preparation of separate financial statements except for the effects from the introduction of new and revised accounting standards of interpretation as described below.

Meanwhile, the separate financial statements have been issued and approved by the board of directors on February 22, 2023 and will be finally approved at the shareholders' meeting on March 23, 2023.

1) In the current year, the Company has applied a number of new and amended K-IFRSs and new interpretations issued that are effective for accounting periods beginning on or after January 1, 2022.

- K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendment)

The amendment updates K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

- K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds of selling items produced before that asset is available in the manner intended by management. Consequently, the entity recognizes such sales proceeds and related costs in profit or loss, and measures the cost of those items in accordance with K-IFRS 1002 Inventories.

If the sales amount and cost included in profit or loss are not separately presented in the statement of comprehensive income because the goods produced are not the output of the Company's ordinary activities, the size of such sales proceeds and costs, and the accounts in the statement of comprehensive income that include these sales proceeds and costs, must be disclosed.

The amendment is applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the beginning balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendment)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment applies to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendment. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendment as an adjustment to the beginning balance of retained earnings or other components of equity, as appropriate, at the date of initial application.

- Annual Improvements to K-IFRS Standards 2018-2020 Cycle

The annual improvements include amendments to K-IFRS 1101 First-time Adoption, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases, and K-IFRS 1041 Agriculture.

① K-IFRS 1101 First-time Adoption

The amendment provides additional exemptions regarding the accounting for cumulative translation differences in subsidiaries that become first-time adopters later than the parent company. A subsidiary applying the exemption in paragraph D16(1) of K-IFRS 1101 may choose to measure the cumulative translation differences between all foreign operations at the carrying amount included in the parent's consolidated financial statements on the basis of the parent's transition date. However, this excludes the effects of business combinations in which a parent acquires a subsidiary and the adjustments to the consolidation procedures. A similar choice can be made if an associate or a joint venture applies the exemption in paragraph D16(1) of K-IFRS 1101.

② K-IFRS 1109 Financial Instruments

The amendment clarifies that when applying the '10%' test to assess the derecognition of a financial liability, it includes only fees received or paid between the entity (borrower) and the lender, including fees paid or received on behalf of another party. The amendment is applied prospectively to changes and exchanges that occurred after the date of initial application.

③ K-IFRS 1116 Leases

The amendment deleted the details of the lease improvement reimbursement in Example 13 of IFRS 1116.

④ K-IFRS 1041 Agriculture

The amendment deleted requirements that exclude tax-related cash flows when measuring the fair value of biological assets. This aligns with the requirements of K-IFRS 1113 to use internally consistent cash flows and discount rates with fair value measurements in K-IFRS 1041 and allows an entity to choose whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurements.

The Company does not anticipate that the application of the amendments will have a significant impact on the separate financial statements.

2) New and revised K-IFRSs in issue but not yet effective at the date of authorization of these separate financial statements, the Company has not applied the following new and revised K-IFRS that have been issued but are not yet effective:

- K-IFRS 1117 Insurance Contracts (Enactment)

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 1104 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

K-IFRS 1117 should be applied retrospectively, unless the amended retrospective method or the fair value method is applied because K-IFRS 1117 is impracticable.

For the purpose of the transitional provisions, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendment)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the separate statements of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of liability. In addition, the amendments explain that the right exists if the borrowing agreement is complied with at the end of the reporting period, and clarify the definition of settlement as the transfer of cash, equity instruments, other assets or services to the counterparty.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

- K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

In addition, guidelines and examples have been developed to explain and apply the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

- K-IFRS 1001 Presentation of Financial Statements - Disclosure of valuation gains and losses for financial liabilities with a condition for adjustment of exercise price (Amendment)

The amendment requires disclosure of the fair value changes of the conversion rights or share preemptive rights (or financial liabilities that include these rights) during the reporting period, including any gains or losses resulting from fair value changes (limited to those included in current income), if any or all financial products containing conditions in which the exercise price is adjusted based on the fluctuations of the issuer's share price are classified as financial liabilities (according to definition (2) of financial liabilities in paragraph 11 of K-IFRS 1032 "Financial Instruments: Presentation")

This amendment will be applied from the first fiscal year starting on or after January 1, 2023, with early application permitted.

- K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendment)

The amendment replaces the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

Although the definition of a change in accounting estimate has been deleted, the concept of a change in accounting estimate has been maintained in the standard by clearly stating the following:

- A change in accounting estimate may arise from the development of new information or new circumstances and should not be regarded as a correction of an error.
- A change in accounting estimate resulting from a change in the inputs or measurement techniques used to develop an accounting estimate should be accounted for as a change in accounting estimate, unless it arises from a prior period error correction.

The amendment is effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

- K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment)

The amendments introduces a further exception from the initial recognition exemption. Under the amendment, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The amendment applies to transactions that occurred after the start date of the earliest comparison period presented. The Company also recognizes the following items at the beginning of the earliest period presented for comparison:

- Deferred tax assets (limited to cases where it is probable that taxable income will be available against which the deductible temporary difference can be used) and deferred tax liabilities for all deductible temporary differences and taxable temporary differences related to:

- right-of-use assets and lease liabilities

- liabilities related to post processing and recovery, and the amount recognized as part of the cost of related assets in response to these liabilities

- The cumulative effect of the initial application of the amendment is recognized as an adjustment to the beginning balance of retained earnings (or other items of equity, if appropriate) at the beginning of the earliest period presented for comparison.

The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the separate financial statements.

## (2) Lease

### 1) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing interest rate varies depending on the lease term, currency and the initiation of the lease, and is determined based on the inputs, including

- Risk-free interest rate based on Korea Treasury Bond (“KTB”) interest rate

- Company-specific risk management

- Credit risk adjustment based on bond yield

- If the risk attribute of the entity entering into the lease is different from the risk attribute of the group and the lessee does not receive benefits from the guarantee of the group, the entity-specific adjustment

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.

- The amount expected to be payable by the lessee under residual value guarantees.

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the separate statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability and lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statements of financial position.

The Company applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, but to account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient..

## 2) The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. The Company also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Company.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies K-IFRS 1115 to allocate the consideration under the contract to each component.

## (3) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### (4) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous fair value, less costs or carrying amount to sell.

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or the disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### (5) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and when contracts identification, implementation obligation, set of transaction price, transaction prices allocation to implementation obligation and fulfillment of obligation are recognized. Meanwhile, revenue excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

The Company recognizes revenue from the following major sources:

- Construction of civil work, housing, plant under contracts with clients, etc.
- Construction for apartment sales
- Sales of goods
- Rendering of services and operation
- Others

##### 1) Construction of civil work, housing, plant under contracts with clients, etc.

The Company performs the construction of civil work, housing and plant under long-term contracts agreed with clients ahead of construction service's beginning. The directors reviewed the terms of the contracts by individual contracts and viewed it as an appropriate way to measure progress through the completion of the obligation under K-IFRS 1115 using the input method. In addition, revenue from these earnings is recognized over the cost basis (i.e., proportionate to the costs incurred to date).

The Company is entitled to charge the clients for the construction work in accordance with the long-term contracts. When the progress or a specific milestone is accomplished, the relevant statement and invoices signed by the third party are sent to clients. Contract assets that have been recognized for previously performed work are classified as receivables at the time the clients are charged. If the progress or milestone payments exceed the revenue recognized up to that date under the cost-based input method, the Company recognizes the difference as a contractual liability.

##### 2) Construction for apartment sales

The Company performs the construction of residential real-estate under long-term contracts agreed with clients ahead of construction service's beginning. Under the terms of the agreement, it is limited to transfer of property to others. If the Company has an entitlement to enforceable payments on an already executed work, the revenues from residential real estate are based on the cost-based input method (i.e., proportionate to the costs incurred to date relative to the projected cost) recognized over a period of time. The directors view that the application of the input method is an appropriate measure under K-IFRS 1115 for measuring the progress to completion of the performance obligation. In addition, the Company recognizes revenue from residential real estate in accordance with the delivery criteria and recognizes the costs incurred in the contract as an asset if the Company does not have an entitlement to enforceable payment for the services already performed.

In accordance with the long-term contracts with the clients, the Company has the right to receive the payment from apartment sales by reaching the agreed date during the construction period. If the Company has an entitlement to enforceable payments for the services already provided, the contract asset previously recognized for the service is classified as a receivable when the Company has the right to receive the contract. If the amount classified as a receivable exceeds the revenue recognized up to date, the Company recognizes the difference as a contractual liability. In addition, if the Company does not have the right to request payment for execution of works already performed, the payment received from the clients is recorded as liability.

### 3) Sales for goods

The Company recognizes revenue from the sale of goods in the petrochemical division and recognizes revenue when it transfers control of a product or service to clients. The delivery occurs when the goods are shipped completely to the location appointed by the clients. The transaction price received at the time the client first purchases the good is recognized as a contractual liability until the good is delivered to the client.

### 4) Rendering of services and operation

The Company recognizes consideration for service and operation as revenue from sales of service provision, and clients encounter and consume benefits through the Company's services at the same time. In addition, the Company is entitled to receive certain payment directly equivalent to the value given to the client by the degree of the service completion. The Company recognizes certain payment, which it is able to claim, as revenue.

### 5) Others

The Company recognizes sales that are not classified in the above categories 1) to 4) as other sales, and the revenue recognized as such sales does not correspond to the deferred income from the distribution of the period. Since revenue is recognized at the time when other services and goods are delivered to customers, the delivery standard of delivery standards is applied to other revenue.

### (6) Foreign currencies

The separate financial statements are presented in the currency (functional currency) of the primary economic environment in which the entity operates. For the purpose of the separate financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the separate financial statements.

In preparing the separate financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of the reporting period. Exchange differences arising are recognized in other comprehensive income.

### (7) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until they are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss.

To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### (8) Government grants

Government grants are not recognized until there is a reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The loan at a below-market rate of interest is treated as a government grant, which is measured as the difference between proceeds received and the fair value of the loan, based on prevailing market interest rates.

Government grants related to assets (including property, plant and equipment) are presented in the separate statements of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Government grants toward staff training costs are recognized as gains and losses over the periods necessary to match them with the related costs and are deducted in the related expense.

Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and recognized to profit or loss over the expected useful lives of the assets concerned.

#### (9) Retirement benefit costs and termination benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the separate statements of financial position with a charge or credit to the separate statements of comprehensive income in the period in which they occur. Remeasurements recognized in the separate statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements.
- Net interest expense or income.
- Remeasurements.

Net interest expense or income is recognized within finance costs and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the separate statements of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service as follows:

- If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' employment in accordance with K-IFRS 1019 paragraph 70.

## (10) Taxation

Income tax expense represents the sum of the taxes currently payable and deferred tax.

### 1) Current tax

Taxes currently payable are based on taxable profit for the year. Taxable profit differs from net profit, as reported in the separate statements of income and separate statements of comprehensive income, because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and, in certain cases, based on specialist independent tax advice.

### 2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

### 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 4) Uncertainty over income tax treatments

There is no significant uncertainty over income tax that should be agreed with the taxation authorities. However, due to uncertainties not recognized by the Company, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

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

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land and certain tangible assets. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Useful lives (years)
Buildings	20–40
Structures	8–40
Machinery	4–15
Vehicles	4–5
Others	1–12

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Company reviews the depreciation method, the estimated useful lives and the residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

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

#### (12) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses. Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the asset will flow into the Company and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from four to 40 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

#### (13) Intangible assets

##### 1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on the straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

## 2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when an intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as the intangible assets that are acquired separately.

The Company does not amortize emission rights and certain intangible assets. Amortization expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Useful lives (years)
Development costs	5
Industrial property rights	5–10
Software	4–5
Others	5–9

## 3) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### (14) Impairment of tangible and intangible assets, except for goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### (15) Inventories

Inventories are stated at the lower of cost or net realizable value.

Cost of inventories, except for those in finished housing, unfinished housing, land and in transit, is measured using the weighted-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### (16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

In addition, the Company recognizes and measures current obligations under the loss-incurred contracts as provisions. The Company assumes that it is liable for the loss-incurred costs incurred by it in the event that the unavoidable costs incurred in fulfilling the contractual obligations exceed the economic benefits expected to be received from the contract.

Under the terms and conditions of the lease contract, the Company recognizes the expenditure that it incurs when restoring assets to the original state as a provision at the lease commencement date or in the specified period when the liability is owed as a result of using the asset. The provision is measured as the best estimate of the expenditure required to recover the asset and the estimate is reviewed regularly and adjusted for the new situation.

#### (17) Cash and cash equivalents

In the separate statements of financial position, cash and bank balances are composed of cash (i.e., cash on hand and demand deposits) and cash equivalents. Cash equivalents are highly liquid, short-term (generally with maturities of three months or less) investments that are easily convertible into predetermined amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held to meet short-term cash needs, not for investment or other purposes.

Bank balances restricted from the Company's use by third-party contracts are included as a part of cash, unless such restrictions prevent the bank balance from further meeting the definition of cash. Contractual restrictions affecting the use of bank balances are described in Note 5. If contractual restrictions on the use of cash exceed 12 months beyond the reporting period, the related amount is classified as non-current assets in the separate statements of financial position.

For the purposes of the separate statements of cash flows, cash and cash equivalents are comprised of the cash and cash equivalents, as defined above, and the net amount of bank overdrafts that are part of the Company's cash management and must be immediately repaid according to the demands of financial institutions. Such bank overdrafts are presented as short-term borrowings in the separate statements of financial position.

## (18) Financial instruments

Financial assets and financial liabilities are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

## (19) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value depending on the classification of the financial assets.

### 1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see 1-3) below).

The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see 1-4) below).

### 1-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortized cost of the financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

#### 1-2) Debt instruments classified as at FVTOCI

The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income, calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost.

All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

#### 1-3) Equity instruments designated as at FVTOCI

Upon initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if it has been acquired principally for the purpose of selling in the near term; upon initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

#### 1-4) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see 1-3) above).

Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see 1-1) and 1-2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period and recognized in profit or loss as a result of changes in fair value, except for those designated as hedging relationships. The gain or loss recognized in profit or loss includes dividends received from financial assets and recognized in other income. Gains and losses on disposal of property, plant and equipment are charged to current operations.

## 2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.

For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.

For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

## 3) Impairment of financial assets

The Company recognizes a loss allowance for ECLs on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit-loss experience, adjusted for factors that are specific to the debtors, general economic conditions; and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents a portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### 3-1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost.

An actual or expected significant deterioration in the operating results of the debtor.

Changes that are expected to cause a significant drop in the debtor's ability to meet its debt obligations as adverse changes in business, financial and economic conditions at present or anticipated in the future.

Significant increases in credit risk on other financial instruments of the same debtor.

An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default.
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or, if an external rating is not available, the asset has an internal rating of 'performing.' Performing means the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them, as appropriate, to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### 3-2) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets are generally not recoverable when there is a breach of financial covenants by the debtor or other similar situations:

Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, if there is a reasonable and supportive information that proves that defaults occur more than 180 days after arrears, the above considered provision can be disproved.

### 3-3) Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower.
- (b) A breach of contract, such as a default or past due event (see 3-2) above).
- (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

### 3-4) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables, when the amounts are more than two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice, where appropriate. Any recoveries made are recognized in profit or loss.

### 3-5) Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date, which is determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the separate statements of financial position.

#### 4) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

### (20) Financial liabilities and equity instruments

#### 1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

#### 2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### 3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

#### 4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when a financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term.
- Upon initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives and K-IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (see Note 43) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by it as at FVTPL are recognized in profit or loss.

#### 5) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

#### 6) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above) or
- The amount recognized initially, less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

#### 7) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (see Notes 42 and 43) for financial liabilities that are not part of a designated hedging relationship.

For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated as a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### 8) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, are at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

## (21) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Derivatives are not offset in the separate financial statements, unless the Company has both legally enforceable right to offset and intention to offset. The impact of the master netting agreements on the Company's financial position is disclosed in Note 49.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

### 1) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of K-IFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of K-IFRS 1109 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

### 2) Hedge accounting

The Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge), so that it meets the qualifying criteria again.

The Company designates only the intrinsic value of option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss.

If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis - the Company applies straight-line amortization.

Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Company expects that some, or all, of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

### 3) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss, except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income.

When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).

This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

### 4) Cash flow hedges

The gain or loss related to ineffective hedges are recognized in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item. The reclassified amount is recognized in the items related to the hedged item in the statement of comprehensive income.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

Furthermore, if the Company expects that some, or all, of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).

This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss on valuation of hedging instruments that were recognized in other comprehensive income and accumulated in equity at the time cash flow hedge accounting was discontinued continue to be recognized in equity and reclassified to profit or loss when forecast transactions are ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

### **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:**

In the application of the Company's accounting policies described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may be different from those estimates.

The estimates and underlying assumptions are continuously reviewed. The changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods.

#### (1) Defined benefit plan

The Company's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. In order to apply this actuarial valuation method, it is necessary to estimate assumptions about the discount rate, expected wage growth rate and mortality rate. Due to the long-term nature of retirement benefit plans, these estimates contain significant uncertainties.

#### (2) Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

#### (3) Fair value evaluation of financial instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The management of the Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

#### (4) Uncertainty on the estimation of the total construction revenue and total construction cost

The amount due from the customer is affected by the percentage of completion, which is estimated by reference to the total cost incurred and the total contract cost is estimated by reference to the expected future figures, such as the material costs, the labor costs and the contract period. The uncertainty on the estimation of the total contract cost of construction projects does exist due to changes in external and internal circumstance and the nature of the long-term construction projects, including the uncertainty of exact estimation of the exact completion date.

#### (5) Change of Applied Exchange Rate for Iranian Rial

The Company has been restricted from overseas remittance of deposits held in Iran for a long time due to U.S. economic sanctions, and the existing official exchange rate does not reflect the market exchange rate of the actual transactions, so the possibility of currency exchange is lacking for a long time. In this respect, the Company determined that the existing official exchange rate does not meet the definition of the closing exchange rate, and therefore, changed the spot exchange rate to the SANA exchange rate in order to reflect the Iranian branch's business performance and financial status, estimating the exchange rate when the possibility of exchange exists again. The effect of the change in the applied exchange rate for Iranian Rial(IRR) was accounted for by prospective application.

#### 4. SEGMENT INFORMATION:

Management of the Company, when making strategic decision, decides the line of business. Management makes decisions about resources to be allocated to segments and reviews segment operating profits to evaluate segment performance. Segment information for the years ended December 31, 2022 and 2021, is as follows:

(1) Operating results by reportable segment for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)					
	Civil engineering	Housing	Plant	Common	Total
I. Sales	879,940	3,701,524	689,153	5,043	5,275,660
II. Cost of sales	(760,972)	(3,207,428)	(551,616)	(3,286)	(4,523,302)
III. Gross profit (loss)	118,968	494,096	137,537	1,757	752,358
Selling and administrative expense	(32,551)	(135,750)	(48,345)	(133,131)	(349,777)
IV. Operating income (loss)	86,417	358,346	89,192	(131,374)	402,581
Other income	28,018	5,018	108,161	19,262	160,459
Other expenses	(25,519)	(68,246)	(62,382)	(16,891)	(173,038)
Financial income	3,366	48,457	41,553	43,519	136,895
Financial expense	(945)	(3,211)	(26,623)	(26,370)	(57,149)
V. Income (loss) before income tax expense	91,337	340,364	149,901	(111,854)	469,748
Depreciation	(6,907)	(33,703)	(890)	(20,700)	(62,200)
Amortization	(467)	(2,124)	(1,636)	(1,169)	(5,396)

For the year ended December 31, 2021

Korean won (in millions)					
	Civil engineering	Housing	Plant	Common	Total
I. Sales	819,861	3,547,172	876,569	5,797	5,249,399
II. Cost of sales	(721,001)	(2,793,355)	(707,243)	(3,065)	(4,224,664)
III. Gross profit (loss)	98,860	753,817	169,326	2,732	1,024,735
Selling and administrative expense	(31,872)	(159,274)	(31,888)	(121,983)	(345,017)
IV. Operating income (loss)	66,988	594,543	137,438	(119,251)	679,718
Other income	10,529	5,475	62,149	33,263	111,416
Other expenses	(46,512)	(42,586)	(42,291)	(35,182)	(166,571)
Financial income	927	48,755	40,331	19,993	110,006
Financial expense	(4,016)	(3,866)	(25,338)	(20,198)	(53,418)
V. Income (loss) before income tax expense	27,916	602,321	172,289	(121,375)	681,151
Depreciation	(5,190)	(30,005)	(579)	(21,038)	(56,812)
Amortization	(508)	(1,931)	(1,157)	(1,722)	(5,318)

Revenues reported above are from external customers. Transactions between internal segments are excluded from above revenues.

The policies of segments are same as the Company's policies explained above in Note 2. Segment profit is a measure reported to the chief operating decision-maker to allocate resources and evaluate a segment's performance.

(2) Assets and liabilities, by reportable segments, as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)					
	Civil engineering	Housing	Plant	Common	Total
Investments in subsidiaries, associates and joint ventures	44,296	69,960	43,253	264,409	421,918
Non-current assets (*1)	12,500	234,060	1,541	248,819	496,920
Other assets	634,211	2,926,884	543,371	1,928,732	6,033,198
Total assets	691,007	3,230,904	588,165	2,441,960	6,952,036
Total liabilities	510,154	1,020,889	682,285	825,097	3,038,425

(\*1) Excludes the rights from financial instruments' post-employment benefit assets and insurance contracts, etc.

As of December 31, 2021

Korean won (in millions)					
	Civil engineering	Housing	Plant	Common	Total
Investments in subsidiaries, associates and joint ventures	16,528	29,960	10,205	264,410	321,103
Non-current assets (*1)	2,367	242,110	917	254,056	499,450
Other assets	576,767	2,964,034	536,793	1,972,616	6,050,210
Total assets	595,662	3,236,104	547,915	2,491,082	6,870,763
Total liabilities	541,501	1,114,665	524,711	896,094	3,076,971

(\*1) Excludes the rights from financial instruments' post-employment benefit assets and insurance contracts, etc.

(3) Information by areas

The Company operates its business in four main areas. Operating results from external customers by geographical areas for the years ended December 31, 2022 and 2021, are as follows:

As of/For the year ended December 31, 2022

Korean won (in millions)						
	Korea	Middle East	Asia	Europe	Other	Total
Total assets	6,150,167	283,464	260,189	90,389	167,827	6,952,036
Non-current assets (*1)	489,830	8	7,032	1	49	496,920
Sales from external customers	4,703,244	67,527	212,265	230,927	61,697	5,275,660

As of/For the year ended December 31, 2021

Korean won (in millions)						
	Korea	Middle East	Asia	Europe	Other	Total
Total assets	6,125,263	379,090	246,634	53,900	65,876	6,870,763
Non-current assets (*1)	497,483	301	1,594	11	61	499,450
Sales from external customers	4,874,940	131,441	137,076	84,178	21,764	5,249,399

(\*1) Excludes the rights from financial instruments, post-employment benefit assets and insurance contracts, etc.

(4) Information of key customers

The Company has no key customers who occupied more than 10% of the Company's sale for the years ended December 31, 2022.

## 5. FINANCIAL INSTRUMENTS WITH RESTRICTIONS ON USE:

Details of financial instruments with restrictions on use as of December 31, 2021 and 2022, are as follows:

Korean won (in millions)				
Sortation	Institution	December 31, 2022	December 31, 2021	Restriction
Cash and cash equivalents	Woori Bank	102	102	Provisional seizure
Short-term financial instruments	Woori Bank	453	554	Pledged as collateral
Long-term financial instruments	Woori Bank and others	555	493	Pledged as collateral and others
Total		1,109	1,149	

## 6. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Details of construction revenue recognized for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	Construction revenue recognized	
	December 31, 2022	December 31, 2021
Civil engineering	832,228	776,434
Housing (*1)	3,643,518	3,498,637
Plant	669,703	810,374
Total	5,145,449	5,085,445

(\*1) The ending balance of the housing division includes the balance of the contract due to lotting out.

The ending balance of the Company's construction contract amount as of December 31, 2022, is ₩18,626,163 million, while it was ₩17,829,774 million as of December 31, 2021.

(2) Details of changes in accumulated construction profit or loss, contract assets and liabilities as of December 31, 2022 and 2021, are as follows. The contracts are included in which contract assets remain, withholding and others after completion by the terms of contracts:

As of December 31, 2022

Korean won (in millions)							
	Accumulated construction revenue	Accumulated construction cost	Accumulated construction profit	Contract asset (*1)	Contract liability (*2)	Construction loss provisions	Withholding
Civil engineering	3,779,850	3,566,183	213,667	142,251	150,325	6,608	13,404
Housing	5,405,965	4,609,483	796,482	347,820	303,585	11,931	287
Plant	2,829,778	2,575,526	254,252	1,221	404,273	23,631	193,482
Total	12,015,593	10,751,192	1,264,401	491,292	858,183	42,170	207,173

(\*1) Changes in ECLs to contract assets during the year are as follows:

Korean won (in millions)				
	Beginning balance	Impairment loss (reversal)		Ending balance
		Collective assessment	Individual assessment	
Contract asset	1,410	(1,041)	-	369

(\*2) The Company recognized the gain on construction contracts amounting to ₩448,477 million during the current year as the balance of contract liabilities carried forward.

As of December 31, 2021

Korean won (in millions)							
	Accumulated construction revenue	Accumulated construction cost	Accumulated construction profit	Contract asset (*1)	Contract liability (* 2)	Construction loss provisions	Withholding
Civil engineering	4,879,646	4,623,197	256,449	111,942	206,587	9,161	15,814
Housing	5,079,098	4,002,209	1,076,889	464,289	373,051	591	269
Plant	3,167,493	3,075,198	92,295	75,579	216,781	27,932	185,594
Total	13,126,237	11,700,604	1,425,633	651,810	796,419	37,684	201,677

(\*1) Changes in ECLs to contract assets during the year are as follows:

Korean won (in millions)				
	Beginning balance	Impairment loss (reversal)		Ending balance
		Collective assessment	Individual assessment	
Contract asset	4,789	(677)	(2,702)	1,410

(\*2) The Company recognized the gain on construction contracts amounting to ₩283,685 million during the current year as the balance of contract liabilities carried forward.

- (3) The changes in the estimated total contract revenue and cost during the current period from contracts in progress at the beginning of the current year subject to input method for revenue recognition (the "input method") based on the proportion that the contract costs incurred to date for the work performed bear to the estimated total contract costs and effects of these changes on income in current and subsequent periods and on amount due from (to) customers for contract work are as follows:

Korean won (in millions)						
	Estimated total contract revenue variance	Estimated total contract cost variance	Effect on construction profit and loss		Changes in contract asset (*1)	Changes in contract liability (*1)
			Current period	Future period		
Civil engineering	208,862	161,919	33,382	13,562	(3,034)	(36,414)
Housing	327,988	530,942	(131,580)	(71,375)	(129,117)	2,462
Plant	57,580	(13,715)	56,202	15,093	(956)	(57,159)
Total	594,430	679,146	(41,996)	(42,720)	(133,107)	(91,111)

(\*1) Contains changes in the provision for construction loss.

(4) Details of major contracts in which the contract amount is more than 5% of the sales of the prior year of the consolidated entity are as follows:

Korean won (in millions)							
Project (*1)	Contract date	Completion date on contracts (*2)	Completion rate	Contract asset		Construction work receivables	
				Total	Loss allowance (*3)	Total	Loss allowance (*3)
Gimhae Bypass Highway	2008-03-18	2024-12-31	62.52%	-	-	-	-
GTX-A5	2019-03-20	2024-06-29	43.87%	10,853	-	-	-
GTX-A6	2019-03-20	2024-06-29	47.19%	20,006	-	-	-
Rei County	2016-02-18	2023-11-30	53.62%	-	-	-	-
e-Pyeonhansang Geumbit Grand Maison	2014-09-26	2023-05-31	97.36%	58,492	-	-	-
e-Pyeonhansang Bupyeong Grand Hills	2019-04-18	2023-10-31	64.96%	19,904	-	-	-
e-Pyeonhansang Haneulchaee Pyeongchon Centum Firsr	2013-03-29	2023-11-30	63.86%	-	-	-	-
ACRO VESTYNEW	2016-01-29	2024-12-18	19.56%	-	-	-	-
Anyang Naengcheon-District Residential Environment Improvement	2018-08-22	2024-12-23	17.40%	2,271	-	-	-
e-Pyeonhansang Yeongjong International City Centum Venue	2019-11-25	2023-03-26	89.62%	30,550	-	-	-
Kyung Hee University Kaya Medical Center	2021-08-27	2024-12-19	0.29%	782	-	-	-
Dasan MQ Knowledge Industry Center	2022-03-31	2025-08-31	0.52%	863	-	-	-
e-Pyeonhansang City Pyeongtaek Godeok	2022-09-02	2026-06-06	0.19%	567	-	-	-
Hyundai Chemical HPC Project PKG-3	2019-11-05	2023-06-30	100.00%	-	-	2,236	-
LG Chemical ABS reconstruction	2022-08-16	2024-11-30	2.69%	-	-	44,468	-
e-Pyeonhansang Citizen Park	2017-04-10	2022-09-29	100.00%	-	-	10,066	-
e-Pyeonhansang Geoje Euro Island	2019-11-18	2022-06-30	100.00%	8,660	-	-	-
e-Pyeonhansang Geoje Euro Sky	2021-05-21	2023-11-29	46.99%	2,466	-	-	-
Singapore TTP1	2015-02-13	2024-07-27	99.93%	2,966	-	71	-
Philippines MCRP	2020-10-08	2024-12-06	20.36%	15,650	-	-	-
Vietnam Thai Binh2 PP	2012-05-22	2025-06-30	92.91%	-	-	46,408	-
Algeria Kais CCPP	2014-02-19	2024-12-31	76.63%	-	-	33,224	-
Saudi Maaden Ammonia III Project	2018-10-22	2023-12-31	95.06%	-	-	57,954	-
Russia Baltic PE/LAO	2021-12-29	2025-04-30	10.51%	-	-	24,694	-
Singapore PROJECT SPRING	2022-04-08	2024-05-31	15.46%	-	-	7,102	-
Brunei Temburong CC2	2015-02-04	2022-09-30	100.00%	-	-	-	-
Kuwait KNPC SHFP	2013-05-28	2022-05-31	100.00%	-	-	28,649	-

(\*1) No closed contracts exist.

(\*2) The completion date on contracts or approximate date of each project.

(\*3) There are no individual loss on receivables by each project at the end of the current year, and the amount of collective loss by each sector has been excluded.

(5) Details of major joint arrangement projects as of December 31, 2022, are as follows:

Korean won (in millions)				
Project	Total contract amount	The Company's attributed contract amount	The Company's ownership	Lead company
GTX-A5	574,351	476,596	82.98%	The Company
GTX-A6	441,924	357,252	80.84%	The Company
Philippines MCRP	694,490	347,245	50.00%	Acciona
Rei County	1,134,216	340,265	30.00%	Samsung C&T Corporation
Algeria Kais CCPP	673,617	336,808	50.00%	GS Engineering & Construction Corp.
e-Pyeonhansesang Pyeongchon Centum First	665,564	332,782	50.00%	The Company
Anyang Naengcheon-District Residential Environment Improvement	451,083	315,758	70.00%	The Company
Kyung Hee University Kaya Medical Center	394,521	276,165	70.00%	The Company
Busan New Port North Container Second Phase Port Hinterland Shaping	575,389	241,663	42.00%	The Company
Ansung-Guri Express Way Sector 11	533,851	240,233	45.00%	The Company

(\*) The Company classifies and accounts for above joint arrangement projects as joint operation and attributed revenue and expense incurred from joint arrangement to the Company.

(6) Details of the contract cost as of December 31, 2022, are as follows

Korean won (in millions)	
	Amount
Contract execution cost	45,624

Contract execution costs are capitalized as other assets as costs to be incurred prior to the start of construction. There is no impairment loss recognized in the current year related to the cost of the asset.

## 7. FINANCIAL INSTRUMENTS:

(1) Details of the Company's financial assets by categorization as of December 31, 2022 and 2021 are as follows:

		Korean won (in millions)			
		December 31, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Fair value measurement of financial assets	Financial assets at FVTPL	85,076	85,076	50,215	50,215
	Financial assets at FVTOCI	10,642	10,642	29,520	29,520
	Derivative assets	5,750	5,750	777	777
Financial assets at amortized cost	Cash and cash equivalents	979,625	979,625	1,356,004	1,356,004
	Short-term financial instruments	444,016	444,016	153,664	153,664
	Trade receivables	428,527	428,527	356,349	356,349
	Short-term loans	42,971	42,971	43,414	43,414
	Current accounts receivable	369,181	369,181	272,210	272,210
	Accrued income	41,305	41,305	30,615	30,615
	Deposits (current)	42,756	42,756	18,229	18,229
	Financial Assets at amortized cost	200	200	26	26
	Long-term financial assets	3,375	3,375	493	493
	Long-term trade receivables	236,951	236,951	221,918	221,918
	Long-term loans	841,695	841,695	824,246	824,246
	Non-current accounts receivable	447,324	447,324	446,411	446,411
Long-term accrued income	14,303	14,303	14,303	14,303	
Deposits (non-current)	406,196	406,196	306,797	306,797	
Other Assets	Current lease receivables	480	480	410	410
	Non-current lease receivables	1,169	1,169	1,623	1,623
Total		4,401,542	4,401,542	4,127,224	4,127,224

(2) Details of financial liabilities by categorization as of December 31, 2022 and 2021 are as follows:

		Korean won (in millions)			
		December 31, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Fair value measurement of financial liabilities	Derivative liabilities	6,249	6,249	5,352	5,352
Financial liabilities at amortized cost	Trade payables	678,180	678,180	579,756	579,756
	Accounts payable	217,779	217,779	258,539	258,539
	Leasehold deposit received	2,283	2,283	1,552	1,552
	Accrued expenses	24,613	24,613	23,231	23,231
	Short-term borrowings	59,458	59,458	30,000	30,000
	Current portion of long-term liabilities	30,155	30,155	40,155	40,155
	Current portion of Financial guarantee contract liabilities	2,965	2,965	1,246	1,246
	Non-current portion of Financial guarantee contract liabilities	5,936	5,936	2,068	2,068
	Debentures	374,420	374,420	374,161	374,161
	Long-term borrowings	208,304	208,304	238,379	238,379
	Long-term leasehold deposits received	5,376	5,376	4,435	4,435
	Other liabilities	Current lease liabilities	45,086	45,086	43,985
Non-current lease liabilities		68,876	68,876	93,309	93,309
Total		1,729,680	1,729,680	1,696,168	1,696,168

## **8. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS:**

(1) Details of fair value measurement of financial assets as of December 31, 2022 and 2021 are as follows:

As of December 31, 2022

		Korean won (in millions)	
		2022	2021
Financial assets at FVTPL			
	Debt instruments (Project Financing Vehicle("PFV"))	563	563
	Debt instruments (capital investments)	35,297	35,197
	Debt instruments (beneficiary certificate and others)	9,305	7,266
	Debt instruments (Social Overhead Capital ("SOC"))	31,287	7,189
	Debt instruments (start up)	400	-
	Debt instruments (others)	8,224	-
	Subtotal	85,076	50,215
Financial assets at FVTOCI		-	-
	Debt instruments (government bonds)	393	29,521
	Debt instruments (corporate bonds)	10,249	-
	Subtotal	10,642	29,521
	Total	95,718	79,736

## **9. TRADE AND OTHER ACCOUNTS RECEIVABLE:**

(1) Details of trade and other accounts receivable as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

		Korean won (in millions)			
		Gross amount	Allowance for credit loss	Discount on present value	Net amount
Current	Trade receivables	446,026	(17,499)	-	428,527
	Short-term loans	42,984	(13)	-	42,971
	Accounts receivable	407,667	(38,472)	(14)	369,181
	Accrued income	41,667	(362)	-	41,305
	Deposits	42,756	-	-	42,756
	Total	981,100	(56,346)	(14)	924,740
Non-current	Trade receivables	712,826	(475,875)	-	236,951
	Long-term loans	1,697,430	(848,134)	(7,601)	841,695
	Accounts receivable	713,686	(266,296)	(66)	447,324
	Accrued income	47,492	(33,189)	-	14,303
	Deposits	408,008	(1,813)	-	406,195
	Total	3,579,442	(1,625,307)	(7,667)	1,946,468

As of December 31, 2021

		Korean won (in millions)			
		Gross amount	Allowance for Doubtful accounts	Discount on present value	Net amount
Current	Trade receivables	383,314	(26,965)	-	356,349
	Short-term loans	43,509	(95)	-	43,414
	Accounts receivable	310,971	(38,747)	(14)	272,210
	Accrued income	30,983	(368)	-	30,615
	Deposits	18,229	-	-	18,229
	Total	787,006	(66,175)	(14)	720,817
Non-current	Trade receivables	754,931	(533,013)	-	221,918
	Long-term loans	1,622,506	(790,659)	(7,601)	824,246
	Accounts receivable	710,473	(263,990)	(72)	446,411
	Accrued income	47,492	(33,189)	-	14,303
	Deposits	309,146	(2,349)	-	306,797
	Total	3,444,548	(1,623,200)	(7,673)	1,813,675

(2) Credit risk and loss allowance for trade and other receivables:

The average credit contribution period for each industry bond is 180 days, and the Company measures the loss allowance at an amount equal to lifetime ECLs for the trade receivables.

ECLs on trade receivables are determined taking into account an analysis of the current financial position of the debtor, including the debtor's past default experience and factors specific to the borrower, the general economic environment and the assessment of the current situation at the reporting date, as well as the assessment of how the situation will change in the future.

The Company will write off trade receivables when there is any information indicating that the debtor is facing serious financial difficulties or commencement of bankruptcy proceedings and there is no reasonable expectation of recovery.

(3) Details of changes in the (reversal of) provisions for credit losses for the years ended December 31, 2022 and 2021, are as follows:

As of December 31, 2022

		Korean won (in millions)					
		Beginning balance	(Reversal of) provisions for credit losses		Write-off	Other (*2)	Ending balance
			(Reversal of) Individual assessment	Collective assessment (*1)			
Current	Trade receivables	26,965	-	(9,466)	-	-	17,499
	Short-term loans	95	(1)	(81)	-	-	13
	Accounts receivable	38,747	(826)	(6,759)	-	7,310	38,472
	Accrued income	368	-	(6)	-	-	362
	Total	66,175	(827)	(16,312)	-	7,310	56,346
Non-current	Trade receivables	533,013	(2,844)	(194)	(63,267)	9,168	475,876
	Long-term loans	790,659	30,586	(488)	-	27,377	848,134
	Accounts receivable	263,990	(744)	-	-	3,050	266,296
	Accrued income	33,189	-	-	-	-	33,189
	Deposits	2,349	2	(538)	-	-	1,813
	Total	1,623,200	27,000	(1,220)	(63,267)	39,595	1,625,308

(\*1) The Company calculated lifetime ECLs based on the historical recovery rate of the trade receivables and reflected lifetime ECLs as loss allowance for the balance of the bonds by the end age.

(\*2) Includes changes by the foreign currency translation, etc.

As of December 31, 2021

		Korean won (in millions)					
		Beginning balance	(Reversal of) provisions for credit losses		Write-off	Other (*2)	Ending balance
			(Reversal of) Individual assessment	Collective assessment (*1)			
Current	Trade receivables	48,038	2,866	(22,848)	-	(1,091)	26,965
	Short-term loans	1	-	94	-	-	95
	Accounts receivable	52,908	6,434	9,791	(465)	(29,921)	38,747
	Accrued income	-	360	8	-	-	368
	Total	100,947	9,660	(12,955)	(465)	(31,012)	66,175
Non-current	Trade receivables	559,128	(1,773)	(5,624)	(31,715)	12,997	533,013
	Long-term loans	773,908	(16,969)	611	(6,137)	39,246	790,659
	Accounts receivable	230,237	243	-	(133)	33,643	263,990
	Accrued income	33,189	-	-	-	-	33,189
	Deposits	1,865	(175)	659	-	-	2,349
	Total	1,598,327	(18,674)	(4,354)	(37,985)	85,886	1,623,200

(\*1) The Company calculated lifetime ECLs based on the historical recovery rate of the trade receivables and reflected lifetime ECLs as loss allowance for the balance of the bonds by the end age.

(\*2) Includes changes by the foreign currency translation, etc.

(4) Details of the Company's term structures of trade and other receivables past due, but not impaired, as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

		Korean won (in millions)				
		6 months - 1 year	1 year - 2 years	2 years - 3 years	More than 3 years	Total
Current	Trade receivables	14,918	19,812	5,976	12,522	53,228
	Short-term loans	37,021	389	3,524	2,050	42,984
	Accounts receivable	14,543	35,871	23,990	17,601	92,005
	Accrued income	-	528	-	-	528
	Deposit	-	-	-	-	-
Total		66,482	56,600	33,490	32,172	188,745

As of December 31, 2021

		Korean won (in millions)				
		6 months - 1 year	1 year - 2 years	2 years - 3 years	More than 3 years	Total
Current	Trade receivables	33,321	23,251	4,742	14,036	75,350
	Short-term loans	21,215	17,608	2,050	-	40,873
	Accounts receivable	27,541	46,631	9,871	13,057	97,100
	Accrued income	5	-	-	-	5
	Deposit	-	-	-	-	-
Total		82,082	87,490	16,663	27,093	213,328

(5) Details of term structures of trade and other receivables impaired as of December 31, 2021 and 2022, are as follows:

As of December 31, 2022

		Korean won (in millions)					
		Less than 6 months	6 months- 1 year	1 year- 2 years	2 years- 3 years	More than 3 years	Total
Current	Trade receivables	-	2	-	2,866	-	2,868
	Accounts receivable	2,900	1,581	8,514	2	6,155	19,152
	Accrued income	-	-	360	-	-	360
	Total	2,900	1,583	8,874	2,868	6,155	22,380
Non-current	Trade receivables	-	141	-	167,401	326,490	494,032
	Long-term loans	10,103	12,413	3,400	215,187	1,080,654	1,321,757
	Accounts receivable	78	65	235,309	55,963	324,307	615,722
	Accrued income	-	-	-	1,491	31,698	33,189
	Deposits	-	-	-	40	1,599	1,639
Total		10,181	12,619	238,709	440,082	1,764,748	2,466,339

As of December 31, 2021

		Korean won (in millions)					
		Less than 6 months	6 months- 1 year	1 year- 2 years	2 years- 3 years	More than 3 years	Total
Current	Trade receivables	-	-	2,866	2	-	2,868
	Accounts receivable	6,913	1	2	145	6,146	13,207
	Accrued income	360	-	-	-	-	360
	Total	7,273	1	2,868	147	6,146	16,435
Non-current	Trade receivables	-	-	168,619	2,783	380,629	552,031
	Long-term loans	14,735	400	215,187	208,864	849,778	1,288,964
	Accounts receivable	60	235,235	56,846	338	320,933	613,412
	Accrued income	-	-	1,491	18,952	12,746	33,189
	Deposits	-	-	40	88	1,511	1,639
	Total	14,795	235,635	442,183	231,025	1,565,597	2,489,235

- (6) The maximum exposures to credit risk as of December 31, 2022, are fair value of trade and other accounts receivable as mentioned above. Meanwhile, the Company's trade and other accounts receivable are measured at amortized cost and its fair value is the same as the carrying value.

## **10. OTHER ASSETS:**

Details of other assets as of December 31, 2022 and 2021, are as follows:

		Korean won (in millions)	
		December 31, 2022	December 31, 2021
Current	Prepaid payments	81,374	54,478
	Prepaid expenses	27,211	42,228
	Prepaid construction expenses	26,364	19,751
	Subtotal	134,949	116,457
Non-current	Prepaid expenses	11,226	12,009
	Prepaid construction expenses	19,259	17,141
	Subtotal	30,485	29,150
Total		165,434	145,607

## **11. INVENTORIES:**

- (1) Details of inventories as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)						
	December 31, 2022			December 31, 2021		
	Acquisition cost	Allowance	Carrying value	Acquisition cost	Allowance	Carrying value
Finished goods	124	-	124	53	-	53
Supplies	26,765	-	26,765	14,435	-	14,435
Land	329,701	-	329,701	386,834	-	386,834
Finished housing	11,376	-	11,376	124	-	124
Unfinished housing	5,318	-	5,318	39,835	-	39,835
Materials	763	-	763	640	-	640
Total	374,047	-	374,047	441,921	-	441,921

## **12. LEASE RECEIVABLE:**

(1) Details of the Company's lease receivables as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Current	Non-Current	Current	Non-Current
Lease receivable	492	1,221	421	1,713
Present value discounts	(12)	(52)	(11)	(90)
Total	480	1,169	410	1,623

The Company has signed an agreement to provide offices, stores, etc., with a lease. The average duration of the leases is six years. Lease agreements do not normally include extension or termination options. All leases are signed in won and we are not exposed to foreign exchange risk due to lease agreements.

(2) Details of the Company's lease receivables as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Within a year	492	421
One year over and within two years	501	492
Two year over and within three years	447	375
Three year over and within four years	255	767
Four year over and within five years	18	61
More than five years	-	18
Total lease fee	1,713	2,134
Gross investment in the lease	1,713	2,134
Unrealized interest income	(64)	(101)
Present value of total cash flows	1,649	2,033
Net investment in the lease	1,649	2,033

(3) The returns related to variable lease payments that are not included in measuring the financial return and the net investment of the lease investment during the current and prior term are as follows:

	Korean won (in millions)	
	2022	2021
Financial Lease Net Investment Financial Profit	38	44

(4) Management estimates that the loss allowance for lease receivables as of the end of the reporting period is equivalent to lifetime ECL. Lease receivables are not overdue as of the end of the current term, and the management concludes there is no impaired lease receivables in the consideration of default history, forecast of the lessee's industry, and collateral value for the receivables. In addition, the management did not record the loss allowance in the separate financial statements because it determined that the amount of the loss allowance for the lease receivable was not important.

## **13. PROPERTY, PLANT AND EQUIPMENT:**

(1) Details of property, plant and equipment as of December 31, 2021 and 2022, are as follows:

As of December 31, 2022

Sortation	Korean won (in millions)							
	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Acquisition cost	32,357	124,783	1,706	9,279	1,740	49,848	1,613	221,326
Accumulated depreciation	-	(40,349)	(458)	(2,046)	(1,119)	(36,002)	-	(79,974)
Accumulated impairment	(2,438)	(12,180)	-	-	-	-	-	(14,618)
Carrying value	29,919	72,254	1,248	7,233	621	13,846	1,613	126,734

As of December 31, 2021

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Acquisition cost	27,417	125,202	1,706	3,954	1,772	49,979	984	211,014
Accumulated depreciation	-	(37,871)	(372)	(1,778)	(986)	(29,467)	-	(70,474)
Accumulated impairment	(2,438)	(12,180)	-	-	-	-	-	(14,618)
Carrying value	24,979	75,151	1,334	2,176	786	20,512	984	125,922

(2) Details of changes in property, plant and equipment for the years ended December 31, 2021 and 2022, are as follows:

For the year ended December 31, 2022

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Beginning balance	24,979	75,151	1,334	2,176	786	20,512	984	125,922
Acquisition	5,076	-	-	6,484	139	2,147	2,039	15,885
Transfer	-	-	-	-	-	-	(1,410)	(1,410)
Disposal	(136)	(264)	-	(235)	(1)	(51)	-	(687)
Depreciation	-	(2,633)	(86)	(867)	(301)	(8,758)	-	(12,645)
Effect of foreign currency translation	-	-	-	(325)	(2)	(4)	-	(331)
Ending balance	29,919	72,254	1,248	7,233	621	13,846	1,613	126,734

For the year ended December 31, 2021

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Beginning balance	24,999	77,475	1,387	4,456	93	19,214	1,822	129,446
Acquisition	119	617	32	755	887	1,564	8,868	12,842
Transfer	-	-	-	-	-	6,701	(9,706)	(3,005)
Disposal	(139)	(279)	-	(2,353)	(4)	(42)	-	(2,817)
Depreciation	-	(2,662)	(85)	(651)	(197)	(6,945)	-	(10,540)
Effect of foreign currency translation	-	-	-	(31)	7	20	-	(4)
Ending balance	24,979	75,151	1,334	2,176	786	20,512	984	125,922

#### 14. INVESTMENT PROPERTY:

(1) Details of investment property as of December 31, 2021 and 2022, are as follows:  
As of December 31, 2022

Sortation	Korean won (in millions)				
	Land	Buildings	Others	Right-of-use asset	Total
Acquisition cost	252,087	111,175	9,573	21,041	393,876
Accumulated depreciation	-	(16,897)	(6,911)	(5,977)	(29,785)
Accumulated impairment	(6,479)	(5,875)	-	-	(12,354)
Carrying value	245,608	88,403	2,662	15,064	351,737

As of December 31, 2021

Sortation	Korean won (in millions)				
	Land	Buildings	Others	Right-of-use asset	Total
Acquisition cost	248,035	112,102	9,573	21,041	390,751
Accumulated depreciation	-	(14,444)	(6,703)	(3,108)	(24,255)
Accumulated impairment	(6,846)	(6,009)	-	-	(12,855)
Carrying value	241,189	91,649	2,870	17,933	353,641

(2) Details of changes in investment property for the years ended December 31, 2021 and 2022, are as follows:

For the year ended December 31, 2022

Sortation	Korean won (in millions)				
	Land	Buildings	Others	Right-of-use asset	Total
Beginning balance	241,189	91,649	2,870	17,933	353,641
Acquisition	-	-	-	-	-
Transfer(*1,2)	5,773	-	-	-	5,773
Disposal	(1,354)	(697)	-	-	(2,051)
Depreciation	-	(2,549)	(208)	(2,869)	(5,626)
Ending balance	245,608	88,403	2,662	15,064	351,737

(\*1) The account of the seventh block of Agok urban development apartment in Namsa, Yongin was replaced to an inventory asset due to the change in the purpose of use.

(\*2) The account of the third Yongin Mabuk business site was replaced to investment property due to unsatisfying conditions for classification of assets held for sale for more than one year.

For the year ended December 31, 2021

Sortation	Korean won (in millions)				
	Land	Buildings	Others	Right-of-use asset	Total
Beginning balance	229,261	93,675	3,065	21,828	347,829
Acquisition	1,304	531	12	-	1,847
Transfer	10,871	-	-	(955)	9,916
Disposal	(247)	-	-	-	(247)
Depreciation	-	(2,557)	(207)	(2,940)	(5,704)
Ending balance	241,189	91,649	2,870	17,933	353,641

(3) Details of gain and loss from investment property for the years ended December 31, 2021 and 2022, are as follows:

Sortation	Korean won (in millions)	
	2022	2021
Rental income(*)	13,720	7,969
Expenses on operating investment property	(7,583)	(6,840)
Total	6,138	1,129

(\*)Revenue related to variable lease payments that do not vary with index or rate is 3,139 million won.

(4) The maturity analysis of operating lease contracts for the years ended December 31, 2022 and 2021, are as follows:

Sortation	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Within 1 year	14,712	1,515
1 year-2 years	8,674	1,560
2 years-3 years	7,905	1,551
3 years-4 years	3,659	1,593
4 years-5 years	1,844	1,081
More than 5 years	637	89
Total	37,431	7,389

(5) Details of fair value of investment property as of December 31, 2021 and 2022, are as follows:

Sortation	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Land	245,608	286,205	241,189	285,841
Buildings	88,403	90,171	91,649	87,796
Others	2,662	2,662	2,870	3,188
Right-of-use asset	15,064	15,064	17,933	17,933
Total	351,737	394,102	353,641	394,758

The fair value of the Company's investment property has been arrived at on the basis of a valuation carried out by independent appraisers not related to the Company. They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The investment properties are categorized into Level 3 of the fair value hierarchy based on inputs used in the valuation technique.

## **15. INTANGIBLE ASSETS:**

(1) Details of intangible assets as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Sortation	Korean won (in millions)		
	Software	Membership	Total
Acquisition cost	48,211	9,471	57,682
Accumulated amortization	(39,146)	-	(39,146)
Accumulated impairment	-	(85)	(85)
Carrying value	9,065	9,386	18,451

As of December 31, 2021

Sortation	Korean won (in millions)		
	Software	Membership	Total
Acquisition cost	44,309	9,471	53,780
Accumulated amortization	(33,805)	-	(33,805)
Accumulated impairment	-	(85)	(85)
Carrying value	10,504	9,386	19,890

(2) Details of changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)				
Sortation	Software	Membership	Others	Total
Beginning balance	10,504	9,386	-	19,890
Acquisition	2,563	-	1,000	3,563
Transfer	1,410	-	-	1,410
Disposal	(20)	-	(1,000)	(1,020)
Amortization	(5,392)	-	-	(5,392)
Ending balance	9,065	9,386	-	18,451

For the year ended December 31, 2021

Korean won (in millions)				
Sortation	Software	Membership	Others	Total
Beginning balance	11,512	9,343	-	20,855
Acquisition	1,325	43	-	1,368
Transfer	3,005	-	-	3,005
Disposal	(14)	-	-	(14)
Amortization	(5,324)	-	-	(5,324)
Ending balance	10,504	9,386	-	19,890

**16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES:**

(1) Details of the Company's investments in subsidiaries as of December 31, 2022 and 2021, are as follows

Company	Location	Main business	Term-end day	December 31, 2022		December 31, 2021	
				Ownership (%)	Carrying value Korean won (in millions)	Ownership (%)	Carrying value Korean won (in millions)
				DL Construction Co., LTD. (*1)	Korea	General Construction	12.31
Osan Landmark project co., Ltd. (*2)	Korea	Real estate property development	12.31	48.00	-	48.00	-
Incheon Dohwa 1 NEWSTAY REITs Co., Ltd.	Korea	Real estate property development	12.31	100.00	300	100.00	300
DL Saudi Arabia Co., Ltd.	Saudi Arabia	Industrial plant construction	12.31	99.99	-	99.99	-
PT. DLENC UTAMA CONSTRUCTION	Indonesia	Industrial plant construction	12.31	100.00	-	100.00	-
DALJN (Nanjing) Construction	China	Industrial plant construction	12.31	100.00	5,437	100.00	5,437
DL USA, Inc.	USA	General architecture and Industrial plant construction	12.31	100.00	-	100.00	-
DL INSAAT GELISTIRME A.S.	Turkiye	Civil engineering	12.31	100.00	38,383	100.00	10,615
Daelim RUS LLC	Russia	Industrial plant construction	12.31	100.00	4,527	100.00	4,527
CARBONCO PTE. LTD. (*3)	Singapore	Professional science and technology services	12.31	100.00	20,068	-	-
Total				-	313,124	-	265,288

(\*1) The Company's share of voting rights is 63.94%, and the share, including preferred shares without voting rights is 65.88%.

(\*2) The number of shares held is less than half, but it is classified as a subsidiary because the Company possesses 67% stake in voting rights through contracts with other shareholders.

(\*3) The Company newly invested in CARBONCO PTE. LTD. during the current term.

(2) Details of the Company's investments in associates and joint ventures as of December 31, 2022 and 2021, are as follows:

	Company	Location	Main business	Term-end day	Korean won (in millions)			
					December 31, 2022		December 31, 2021	
					Owner ship (%)	Carrying value Korean won (in millions)	Owner ship (%)	Carrying value Korean won (in millions)
	Godeok Gangil 10 PFV Co., Ltd.	Korea	Real estate/property management	12.31	25.10	1,255	25.10	1,255
	Hyoje PFV Co., Ltd. (*1)	Korea	Real estate/property management	12.31	66.00	16,500	66.00	16,500
	UlsanUijeongbuproject PFV Co., Ltd. (*2)	Korea	Real estate/property development and supply	12.31	50.00	4,750	50.00	4,750
	Luoma Inc.	Korea	Financial investment	12.31	28.79	20,000	28.79	20,000
	Gwacheon Jisan One PFV Co., Ltd. (*3)	Korea	Real estate/property development and supply	12.31	0.67	30	0.67	30
	Daejeonmunwha PFV Co., Ltd. (*2)	Korea	Real estate/property development and supply	12.31	50.00	2,375	50.00	2,375
	IncheonInha PFV Co., Ltd. (*2)	Korea	Real estate/property development and supply	12.31	50.00	2,375	50.00	2,375
	JeonJu Wansan PFV Co., Ltd. (*2)	Korea	Real estate/property development and supply	12.31	50.00	2,375	50.00	2,375
	Together Daejeon-Munhwa PFV Co., Ltd. (*4)	Korea	Real estate/property development and supply	12.31	43.48	17,000	43.48	17,000
	DLENC Philippines, Inc.	Philippines	Construction of industrial plants	12.31	40.00	-	40.00	-
	DL Engineering & Construction Malaysia Sdn. Bhd.	Malaysia	Construction of industrial plants	12.31	25.00	-	25.00	-
	DIAP-DAELIM JOINT VENTURE PTE. LTD.	Singapore	Civil engineering	12.31	49.00	5,913	49.00	5,913
	OMZ-Daelim LLC.	Russia	Construction of industrial plants	12.31	48.00	242	48.00	242
	NeuRizer Ltd. (*5)	Australia	Ammonia and urea production	6.30	8.82	12,979	-	-

associates

	Songpa Bokjeong Station Layered City PFV Co., Ltd. (*6)	Korea	Real estate/property development and supply	12.31	42.10	20,000	-
joint ventures	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1 (*7)	Korea	Collective investment (Real estate)	2.28	33.33	3,000	-
	Total					108,794	55,815

(\*1) It is classified as an associate company because there are restrictions on exercising voting rights on important financial and business policy decisions according to the shareholder agreement and articles of association.

(\*2) Its share of voting rights is 50%, and the share including preferred shares without voting rights is 47.50%.

(\*3) Its share of voting rights is 0.67%, and the share including preferred shares without voting rights is 0.50%. It is classified as an associate because it has a significant influence by holding the right to appoint investee's members of the board of directors.

(\*4) Its share of voting rights is 43.48%, and the share, including preferred shares without voting rights is 56.57%.

(\*5) The Company newly invested NeuRizer Ltd. during the current term. Its share of voting rights is 8.82%, but it is classified as an associate because it has a significant influence by holding the right to appoint investee's members of the board of directors.

(\*6) The Company newly invested Songpa Bokjeong Station Layered City PFV Co., Ltd. Its share of voting rights is 42.10%, and the share including preferred shares without voting rights is 50%.

(\*7) The Company newly invested Igis Haeundae General Private Equity Real Estate Investment Trust No. 1.

It is classified as joint venture because major decisions require the unanimous consent of the parties as a whole and share control

Meanwhile, as of the date of submission of the report, the changed corporate names of associates and joint venture are as follows:

	Before	After
Daelim Philippines, Inc.		DLENC Philippines, Inc.

## **17. RIGHT-OF-USE ASSETS:**

The Company leases several assets, including real estate (land and buildings), vehicle and machinery, and the average lease term is about two years. The legal ownership of the right-of-use assets is held by the lessor as collateral.

(1) The details of right-of- use assets as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Acquisition cost	108,565	7,401	29,212	6,800	151,978
Accumulated depreciation	(51,612)	(3,131)	(13,219)	(6,251)	(74,213)
Carrying value	56,953	4,270	15,993	549	77,765

As of December 31, 2021

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Acquisition cost	104,718	7,389	26,288	6,796	145,191
Accumulated depreciation	(32,585)	(2,892)	(8,819)	(2,989)	(47,285)
Carrying value	72,133	4,497	17,469	3,807	97,906

(2) Details of changes in the right-of-use asset for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Beginning balance	72,133	4,497	17,469	3,807	97,906
Acquisition	7,633	2,167	18,543	3	28,346
Transfer	-	-	-	-	-
Disposal	(80)	(289)	(4,157)	-	(4,526)
Depreciation	(22,724)	(2,142)	(15,863)	(3,261)	(43,990)
Effects of foreign currency translation	(9)	37	1	-	29
Ending balance	56,953	4,270	15,993	549	77,765

For the year ended December 31, 2021

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Beginning balance	91,532	4,794	9,911	320	106,557
Acquisition	8,145	2,476	26,882	6,796	44,299
Transfer	(2,068)	-	-	-	(2,068)
Disposal	(2,832)	(562)	(7,094)	-	(10,488)
Depreciation	(23,021)	(2,231)	(12,230)	(3,309)	(40,791)
Effects of foreign currency translation	377	20	-	-	397
Ending balance	72,133	4,497	17,469	3,807	97,906

(3) The amounts recognized in profit and loss for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Depreciation expense on right-of-use assets (*1)	46,861	43,730
Interest expense on lease liabilities	2,646	2,841
Expense related to short-term leases	88,215	15,878
Expense related to leases of low-value assets	792	218
Profit from relending lease of the right-of-use asset	3,167	833

(\*1) The depreciation cost of ₩ 2,869 and ₩ 2,940 million won of investment property included in the depreciation cost of right-of-use asset in the current and prior term

The total amount of cash outflows from leases for the year ended December 31, 2022 and 2021, was ₩ 138,571 and ₩ 63,219 million won, respectively.

## **18. TRADE AND OTHER ACCOUNTS PAYABLES:**

Details of the Group's trade and other payables as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)			
		December 31, 2022	December 31, 2021
Current	Trade payables	678,180	579,756
	Accounts payable	217,779	258,539
	Accrued expenses	24,613	23,231
	Leasehold deposits received	2,283	1,552
	Subtotal	922,855	863,078
Non-current	Long-term leasehold deposits received	5,376	4,435
	Subtotal	5,376	4,435
Total		928,231	867,513

## 19. BORROWINGS:

(1) Details of the Company's borrowings as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)				
	Creditor	Term-end interest rate(%)	December 31, 2022	December 31, 2021
Short-term borrowings				
General loans	Standard Chartered Bank	5.13	30,000	30,000
Credit loans	Construction Guarantee Jongno Branch	1.10	29,458	
Subtotal			59,458	30,000
Long-term borrowings				
General loans	Woori Hansoup and others	2.42-5.22	235,000	275,000
Operating loans	Korea Housing & Urban Guarantee	-	3,566	3,721
Subtotal			238,566	278,721
Less: Current maturities of long-term debt (par value)			(30,155)	(40,155)
Present value discount (current maturities of long-term debt)			-	-
Current maturities of long-term debt (book value)			(30,155)	(40,155)
Present value discount (long-term borrowings)			(107)	(187)
Total			208,304	238,379

(2) Details of the Company's debenture as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)					
Description	Issued date	Maturity date	Term-end interest rate(%)	December 31, 2022	December 31, 2021
1-1 public	2021-06-16	2024-06-14	1.701	200,000	200,000
1-2 public	2021-06-16	2026-06-16	2.139	95,000	95,000
265 private	2020-08-05	2027-08-05	2.440	30,000	30,000
266 private	2020-08-10	2027-08-10	2.448	50,000	50,000
Subtotal				375,000	375,000
Less: Current maturities of long-term debt (par value)				-	-
Discounts on current debentures				-	-
Current maturities of long-term debt (book value)				-	-
Discounts on non-current debentures				(580)	(839)
Total				374,420	374,161

(3) The repayment schedule of long-term borrowings and debentures outstanding as of December 31, 2022, is as follows:

Korean won (in millions)			
Years ending December 31	Long-term borrowings	Debentures (par value)	Total
2024-01-01 - 2024-12-31	155,155	200,000	355,155
2025-01-01 - 2025-12-31	50,155	-	50,155
2026-01-01 - 2026-12-31	155	95,000	95,155
Thereafter	2,946	80,000	82,946
Total	208,411	375,000	583,411

## 20. RETIREMENT BENEFIT PLAN:

### (1) Defined contribution retirement benefit plan

The Company joins a defined contribution plan for qualified employees, under which the Company is obligated to make payments to third-party funds operated independently of the company's assets. The contribution of the Company is reduced by losing contributions when employees retire before meeting the vesting condition.

The Company recognized ₩12,020 million and ₩11,099 million of the Company's contribution portion under its defined contribution plan in the separate statements of income for the years ended December 31, 2022 and 2021, respectively.

### (2) Defined benefit retirement benefit plan

The Company operates a defined benefit plan for qualified employees. Employees receive retirement allowance, which is calculated using average wages of final three months at the time of retirement under the defined benefit plan. The Company is exposed to investment risk, interest risk and wage risk. The valuation of related plan assets and the defined benefit liability is performed by Mirae Asset Securities Co., Ltd. Also, the present value of defined benefit obligation, current-service cost and past service cost is measured using the projected unit credit method.

#### 1) As of December 31, 2022, amounts recognized in the separate statements of financial position related to retirement benefit obligations are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	147,556	164,509
Fair value of plan assets	(172,755)	(164,522)
Net defined benefit liabilities	(25,199)	(13)

#### 2) Changes in present value of net defined benefit liabilities for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

	Korean won (in millions)		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	164,509	(164,522)	(13)
Service cost:			
Current service cost	21,668		21,668
Interest cost (income)	4,199	(4,344)	(146)
Subtotal	25,867	(4,344)	21,522
Remeasurement components:			
Return on plan assets (excluding the amount included in above interest income)	-	671	672
Demographic assumption	-	-	-
Financial assumption	(21,329)	-	(21,329)
Empirical adjustment	8,029		8,029
Subtotal	(13,300)	671	(12,628)
Employer's contribution	-	(28,000)	(28,000)
Benefit paid	(29,595)	23,515	(6,080)
Other (including the effects of relocation to associates)	75	(75)	25,199
Ending balance	147,556	(172,755)	-

For the year ended December 31, 2021

			Korean won (in millions)
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	172,613	(151,337)	21,276
Service cost:			
Current service cost	23,370	-	23,370
Interest cost (income)	3,366	(3,043)	323
Subtotal	26,736	(3,043)	23,693
Remeasurement components:			
Return on plan assets (excluding the amount included in above interest income)	-	715	715
Demographic assumption	(4,258)	-	(4,258)
Financial assumption	(7,675)	-	(7,675)
Empirical adjustment	5,634	-	5,634
Subtotal	(6,299)	715	(5,584)
Employer's contribution	-	(32,900)	(32,900)
Benefit paid	(28,409)	21,953	(6,456)
Other (including the effects of relocation to Associates)	(132)	90	(42)
Ending balance	164,509	(164,522)	(13)

The Company has invested full amount of plan assets in time deposit and the equivalent for securing stable finance.

3) Gain and loss related to defined benefit plan for the year ended December 31, 2022 and 2021, is as follows:

			Korean won (in millions)
	2022	2021	
Current service cost	21,668	23,370	
Interest cost	4,199	3,366	
Interest income	(4,345)	(3,043)	
Total	21,522	23,693	

4) The principal assumptions used for actuarial valuation are as follows:

	December 31, 2022	December 31, 2021
Discount rate	5.40%	2.81%
Expected salary increase rate (including inflation)	4.38%	4.37%

The Company used survival and mortality rate on plan assets as mortality rate. The rate is announced and generated by Korea Insurance Development Institute, which provides reference rates and statistical analyses under the Insurance Business Act.

5) On condition that the other assumptions remain the same, the changes in net defined benefit liabilities derived from the changes in actuarial assumptions to a reasonable extent of influence are as follows:

					Korean won (in millions)
	2022		2021		
	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate	
1% change in discount rate	(7,090)	7,794	(9,329)	10,050	
1% change in future salary increase rate	7,960	(7,361)	9,996	(9,454)	

Because of their correlation between actuarial assumptions, the changes in rate would not occur independently. Therefore, the above sensitivity analysis does not represent actual changes in defined benefit obligation. The present value of defined benefit obligation in the above sensitivity analysis also is measured using the projected unit credit method aligned to the consolidated statement of the financial position.

## 21. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2022 and 2021, are as follows:

		Korean won (in millions)	
		December 31, 2022	December 31, 2021
Current	Advances received	51,756	31,497
	Withholdings	67,134	75,010
	Unearned revenue	2,569	2,569
	Subtotal	121,459	109,076
Non-current	Long-term unearned revenue	936	3,845
Total		122,395	112,921

## 22. OTHER PROVISIONS:

Details of changes in other provisions and classification by liquidity as of December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

		Korean won (in millions)						
	Changes						Liquidity	
	Beginning balance	Additional provisions	Utilization	Reversal	Other	Ending balance	Current	Non-Current
Litigations (*1)	32,724	16,093	(44,568)	(625)	-	3,624	3,624	-
Completion cost, etc. (*2,3)	190,147	81,771	(94,649)	(24,521)	(9,675)	143,073	143,073	-
Reconstruction (*4)	697	-	-	-	-	697	-	697
Construction loss provisions	37,570	14,816	(10,036)	(294)	114	42,170	42,170	-
Total	261,138	112,680	(149,253)	(25,440)	(9,561)	189,564	188,867	697

For the year ended December 31, 2021

		Korean won (in millions)						
	Changes						Liquidity	
	Beginning balance	Additional provisions	Utilization	Reversal	Other	Ending balance	Current	Non-Current
Litigations (*1)	1,106	41,427	(2,647)	(7,162)	-	32,724	32,724	-
Completion cost, etc. (*2,3)	237,177	83,812	(71,727)	(60,769)	1,654	190,147	190,147	-
Reconstruction (*4)	1,129	-	(131)	(301)	-	697	-	697
Construction loss provisions	53,001	1,396	(15,376)	(1,448)	(3)	37,570	37,570	-
Total	292,413	126,635	(89,881)	(69,680)	1,651	261,138	260,441	697

- (\*1) The Company recognized anticipated losses as provisions as per the outcome of the latest trial as of December 31, 2022.
- (\*2) The Company recognized anticipated the completion cost, which the Company estimates to be incurred after completion of construction as provisions as of December 31, 2022.
- (\*3) The Company recognized anticipated losses from the obligation to supplement funds to Deoksong Expressway Co., Ltd. as provisions amount to ₩ 33.1 billion as of December 31, 2022 (₩ 45.5 billion as of December 31, 2021.)
- (\*4) The Company recognized anticipated expenses for reconstruction of long-term leased office building as of December 31, 2022.

### **23. LEASE LIABILITIES:**

#### (1) Lease contract

On average, the Company has used real estate, vehicle transport and machinery as leases for about two years, and does not have the option to buy property at the end of the lease contract. Legal ownership of the leased asset is held by the lessor as security for the lease liability.

#### (2) The maturity analysis of lease liabilities as of December 31, 2022 and 2021, is as follows:

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Total cash outflow	Present value of total cash outflow	Total cash outflow	Present value of total cash outflow
Within 1 year	45,684	45,086	44,406	43,985
1 year to 5 years	70,244	66,919	92,661	88,110
More than 5 years	2,215	1,957	5,937	5,199
Total	118,143	113,962	143,004	137,294

#### (3) The liquidity classification of lease liabilities as of December 31, 2022 and 2021, is as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Current liabilities	45,086	43,985
Non-current liabilities	68,876	93,309
Total	113,962	137,294

### **24. CAPITAL STOCK:**

Details of capital stock as of December 31, 2022 and 2021, are as follows:

	Korean won	
	December 31, 2022	December 31, 2021
① Authorized shares of capital stock	120,000,000 shares	120,000,000 shares
② Par value	5,000	5,000
③ Issued shares of common stock:		
Common stock	38,693,623 shares	19,358,738 shares
Preferred stock (*1)	4,225,836 shares	2,113,885 shares
④ Capital stock:		
Common stock	193,468 million	96,794 million
Preferred stock	21,129 million	10,569 million

(\*1) Preferred shareholders can exercise voting rights from the next general meeting after passing the resolution not to divide until the general meeting when it is decided to divide. Maximum shares are up to 30 million.

## **25. OTHER PAID-IN CAPITAL:**

(1) Details of other paid-in capital as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Additional paid-in capital	3,162,075	3,271,624
Capital adjustment	(32,206)	(3,211)
Total	3,129,869	3,268,413

(2) Details of changes in other paid-in capital as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Beginning balance	3,268,413	3,271,624
Bonus issue	(107,957)	-
Etc.	(1,592)	-
Acquisition of treasury stock	(28,995)	(3,211)
Ending balance	3,129,869	3,268,413

## **26. RETAINED EARNINGS:**

(1) Details of retained earnings as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Legal reserve:		
Earned surplus reserve (*1)	5,801	-
Voluntary reserve:		
Other reserve	1,000	-
Unappropriated retained earnings	721,366	466,460
Total	728,167	466,460

(\*1) The Korean Commercial Law requires the Company to appropriate to an earned surplus reserve of amount equal to at least 10% of the cash dividends until the reserve equals 50% of stated capital. The legal reserve should only be used to reduce a deficit or transfer to capital but not for financing of cash dividend.

(2) Details of changes in retained earnings for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Beginning balance	466,460	-
Net income	310,208	462,354
Dividend	(58,012)	
Remeasurement of defined benefit plan	9,511	4,106
Ending balance	728,167	466,460

(3) Dividends for the years ended December 31, 2022, are as follows:

	Korean won (in millions, except the amount per share)			
	Issued shares	Dividend shares	Amount per share	Total
Common stock	19,358,738 shares	19,334,885 shares	2,700	52,204
Preferred stock	2,113,885 shares	2,111,951 shares	2,750	5,808
Total				58,012

- (4) Details of separate statements of appropriations of retained earnings for the years ended December 31, 2022 and 2021 are as follows:

SEPARATE STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Planned disposal date : March 23, 2023

Date of disposal: March 24, 2023

Korean won (in millions)				
	2022		2021	
RETAINED EARNINGS BEFORE APPROPRIATIONS:		721,367		466,460
Unappropriated retained earnings carried over from prior year				
Effect of change of accounting policy	401,647		-	
Remeasurement of defined benefit plan	-		-	
Net income	9,512		4,106	
	310,208		462,354	
TRANSFER FROM VOLUNTARY RESERVE:				
Reserve for research and development expenditures	-		-	
Total		721,367		466,460
APPROPRIATIONS:		46,510		64,813
Legal reserve	4,228		5,801	
Personal information protection compensation liability reserve (*1)	-		1,000	
Dividends	42,282		58,012	
Cash dividends	42,282		58,012	
Dividends per share (%)				
Common stock: 2022 ₩ 1,000(20%)				
Preferred stock: 2022 ₩ 1,050(21%)				
Preferred stock 2: 2022 ₩ 1,000(20%)				
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR		674,857		401,647

**27. ACCUMULATED OTHER COMPREHENSIVE INCOME:**

- (1) Details of other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	December 31, 2022	December 31, 2021
Gain (loss) on valuation of FVTOCI debt instruments	175	397
Gain (loss) on overseas operations translation	(159,198)	(48,841)
Total	(159,023)	(48,444)

- (2) Details of changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Beginning balance	(48,443)	(54,492)
Gain (loss) on valuation of FVTOCI debt instruments	(222)	(334)
Gain (loss) on valuation	(305)	(454)
Tax effect	84	120
Gain(loss) on overseas operations translation	(110,358)	6,382
Ending balance	(159,023)	(48,444)

## **28. COLLATERALS AND GUARANTEES:**

### (1) Collaterals

- 1) The Company's assets pledged as collateral to financial institutions for its borrowings as of December 31, 2022, are as follows:

Korean won (in millions)						
Financial institution	Pledged assets	Carrying value	Pledged amount	Relevant debt	Amount of debt	Description
Construction Guarantee	Investment certificates	35,104	35,104	Borrowing	29,458	Guarantee and loan commitment
Total		35,104	35,104		29,458	

- 2) As of December 31, 2022, the Company's equity securities, including fair value measurement of financial assets (carrying value: ₩40,592 million), are pledged as collateral to Korea Development Bank and other financial institutions for the companies established pursuant to the Act on Private Participation in Infrastructure. No liabilities are relevant to those collaterals.

### (2) Guarantees provided by the Company

- 1) As of December 31, 2022, in connection with the Company's current partners, the Company provides joint guarantee for "Korea Housing & Urban Guarantee Corporation, Construction Guarantee, etc.," in the amount of ₩4,317,452 million. In connection with companies that were established pursuant to the Act on Private Participation in Infrastructure, the Company has provided payment guarantees of up to ₩61,829 million and provided supplemental funding agreement (₩232,900 million converted to total share).
- 2) As of December 31, 2022, the Company agreed to provide supplemental funding agreement on projects. The Company guarantees the amount of ₩100,000 million (The maximum amount of the loan balance: ₩130,000 million, concluded on July, 2022) for Osan Sema district development project and the amount of ₩47,000 million (The maximum amount of the loan balance: ₩61,100 million, concluded on June, 2022) for Hyoje development project and the amount of ₩35,000 million (The maximum amount of the loan balance: ₩45,500 million, concluded on May, 2022) for Daejeon Say department store site development project.
- 3) As of December 31, 2022, the Company provides payment guarantees of 16 cases, ₩1,038,315 million in accordance with business agreements with financial institutions in connection with the redevelopment and reconstruction association business loan (the maximum amount of the loan balance: ₩1,245,647 million, the maximum amount of the loan limit: ₩2,157,080 million). In addition, the Company provides payment guarantees of ₩615,154 million in connection with the interim loan of the dependents (the maximum amount of bonds with the loan limit: ₩729,685 million).
- 4) The Company has set up for financial guarantee contract liabilities as of December 31, 2022, and provided for the current enforcer of the PF loan guarantees by reliably estimating possible loss on the business of ₩8,901 million.
- 5) As of December 31, 2022, the Company has provided a commitment to complete construction to financial institutions (compensation for damages at the time of non-execution) with regard to loans of the executors (for 33 cases of loans amounted to ₩3,045,334 million). In addition, the Company provides a commitment to complete construction to Korea Housing & Urban Guarantee Corporation of some of the Company's projects in accordance with business contracts related to redevelopment and reconstruction projects.
- 6) In the accordance with Article 530 – 9 (1) of the Commercial Act, each newly incorporated companies(the Company and DL Chemical Co., Ltd.) and surviving company(DL Holdings CO.,LTD) by division, as from January 1, 2021, shall be jointly and severally responsible for the repayment of the liabilities owed by the divided company before the division.
- 7) Overseas performance guarantees and payment guarantees that the Company has provided for related parties are presented in Note 37. (7).

(3) Guarantees provided by others

1) Payment guarantees related to domestic construction projects provided by others as of December 31, 2022.

Korean won (in millions)			
	Guarantees		Description
	December 31, 2022	December 31, 2021	
STX Construction Co., Ltd. and others	36,158	52,035	Construction warranty and others
Construction Guarantee	376,910	279,051	Guarantee of construction contract
Construction Guarantee	469,191	558,467	Construction warranty
Construction Guarantee	2,010,723	1,968,817	Guarantee of fulfillment of construction
Construction Guarantee	780,819	554,343	Guarantee of advances received
Construction Guarantee	115,933	58,650	Guarantee of construction
Construction Guarantee	1,302,620	453,582	Other guarantees and others
Korea Housing & Urban Guarantee Corporation	2,216,284	2,856,715	Guarantee of lotting-out
Korea Housing & Urban Guarantee Corporation	602,842	884,435	Construction warranty and others
Seoul Guarantee Insurance Co., Ltd.	569,065	539,532	Guarantee of fulfillment of construction and others
Total	8,480,545	8,205,627	

2) Payment guarantees related to overseas construction projects provided by others as of December 31, 2022, are as follows (Korean won in millions and foreign currencies in thousands):

Korean won in millions and foreign currencies in thousands					
		Guarantees	Guarantees (Korean won equivalent)	Country	Description
The Export-Import Bank of Korea	USD	197,173	249,923	Saudi Arabia and others	Guarantee of fulfillment of contract and others
Hana Bank	USD	257	326	Libya	Guarantee of fulfillment of contract and others
Woori Bank	USD	41,533	52,597	Indonesia and others	Guarantee of fulfillment of contract
HSBC Seoul	USD	83,144	105,425	Philippines	Guarantee of fulfillment of contract and others
Arab Bank Singapore	USD	2,720	3,447	Saudi Arabia and others	Guarantee of fulfillment of contract and others
NBK	USD	9,344	11,842	Kuwait	Guarantee of fulfillment of contract and others
Mashreq	USD	14	17	U.A.E	Other guarantee
Zurich, Singapore	USD	5,596	7,091	Singapore	Guarantee of fulfillment of contract
Riyad Bank	USD	51,501	65,267	Saudi Arabia	Guarantee of fulfillment of contract and others
UOB Seoul	USD	9,595	12,159	Singapore	Other guarantee and others
UBAF	USD	280	355	Philippines	Construction warranty and others
Societe Generale	USD	25,444	32,255	Russia	Guarantee of fulfillment of contract and others
Construction Guarantee	USD	4,898	6,211	Russia	Guarantee of fulfillment of contract and others

The payment guarantee details related to overseas construction have been issued in various currencies such as USD, EUR and KWD, in accordance with the contractual terms and conditions.

## **29. COMMITMENTS AND CONTINGENCIES:**

### (1) Promissory note and checks

As of December 31, 2022, the Company has provided 20 checks (20 blank) to the related banks regarding loan payables and guarantees.

### (2) Pending litigations

As of December 31, 2022, the Company is accused in 117 lawsuit cases pending (amount of ₩510,642 million) regarding a claim for damages and filed a complaint with 39 lawsuits pending (amount of ₩694,309 million) regarding completion bill and damages for delay. As the outcomes of the pending lawsuits are unpredictable, influence on the consolidated financial statements cannot be accurately measured. When the Company lost during the first or second trial, it had set up for the provisions (see Note 22).

### (3) Payment guarantees for loans to related party

- 1) Regarding DL Saudi Arabia Co., Ltd.'s lack of capital, the Company's board of directors has concluded a USD 245 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	DL Saudi Arabia Co., Ltd.
(2) Loan amount	USD 245 Mil
(3) Term of contract	USD 25 Mil : 2021.06.19 ~ 2023.06.19, 4.6% per year USD 60 Mil : 2022.01.29 ~ 2024.01.29, 4.6% per year USD 60 Mil : 2022.03.28 ~ 2024.03.28, 4.6% per year USD 40 Mil : 2022.09.06 ~ 2024.09.06, 4.6% per year USD 30 Mil : 2022.11.08 ~ 2024.11.08, 4.6% per year USD 30 Mil : 2022.12.10 ~ 2024.12.10, 4.6% per year
(4) Date of board of directors' resolution	USD 25 Mil : Approval by CEO only USD 60 Mil : 2022.01.27 USD 60 Mil : 2022.01.27 USD 40 Mil : 2022.01.27 USD 30 Mil : 2022.01.27 USD 30 Mil : 2022.01.27
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩310,489 million as of December 31, 2022. The USD 220 million (total of 5 loans) which are due within 2022 among the aforementioned loans are transactions that require approval from the Board of Directors under Article 542-9, Paragraph 3 of the Commercial Act regarding transactions with major shareholders and related parties. The Board of Directors extended the loan period prior to the maturity date through its approval on January 27, 2022.

- 2) The Company's board of directors, regarding DL USA, Inc.'s lack of capital, has concluded a USD 32.2 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	DL USA, Inc.
(2) Loan amount	USD 24.2Mil
(3) Term of contract	USD 3.20Mil : 2020.04.28 ~ 2022.04.28, 4.6% per year (Full repayment completed) USD 3.50Mil : 2020.12.23 ~ 2022.12.23, 4.6% per year (Full repayment completed) USD 25.5Mil : 2021.02.15 ~ 2023.02.15, 4.6% per year (USD 1.3 million is repaid)
(4) Date of board of directors' resolution	USD 3.20Mil : Approval by CEO only USD 3.50Mil : 2020.12.16 USD 25.5Mil : 2020.12.16
(5) Method of repayment	Principal and interest bullet payment

Loan for the above DL USA, Inc. is ₩30,669 million as of December 31, 2022.

- 3) The Company's board of directors, regarding DLENC Philippines, Inc.'s lack of capital, has concluded a \$8 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	DLENC Philippines, Inc
(2) Loan amount	USD 8 Mil
(3) Term of contract	USD 8Mil : 2021.04.15 ~ 2023.04.15, 4.6% per year
(4) Date of board of directors' resolution	2021.04.07
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩10,138 million as of December 31, 2022.

- 4) The Company's board of directors, regarding Daelim RUS LLC.'s lack of capital, has concluded a RUB 950 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	Daelim RUS LLC
(2) Loan amount	RUB 950 Mil
(3) Term of contract	RUB 250 Mil : 2022.05.26 ~ 2024.05.26, 4.6% per year RUB 700 Mil : 2022.07.20 ~ 2024.07.20, 4.6% per year
(4) Date of board of directors' resolution	RUB 250Mil: Approval by CEO only RUB 700Mil : 2022.07.13
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩16,055 million as of December 31, 2022.

- 5) The Company's board of directors, regarding Deoksong-Naegak Expressway Co., Ltd.'s lack of capital, has executed a subordinated loan in the amount of KRW 15,706 million and subrogation in the amount of KRW 6,512 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Deoksong-Naegak Expressway Co., Ltd.
(2) Loan amount	- KRW 15,706 Mil (Existing loan: KRW 9,847 mil + Additional Loan: KRW 3,000 mil + Second additional loan KRW 2,859 mil) - Payment by subrogation: KRW 6,512 Mil
(3) Term of contract	[Existing Loan] - The principal of the subordinated loan cannot be repaid until the senior loan principal amount is fully repaid. - No interest will occur on subordinated loans until the senior loan principal is fully repaid (4.6% per year) [Additional Loan] Prior to the full repayment of the principal and interest on the existing loan, it is not possible to repay the principal of the additional loan with additional funds, and the repayment priority of additional funds is lower than that of existing loan. Prior to the full repayment of the principal and interest on the existing loan, no interest will be charged on the additional loan. (Borrowing rate: 4.6% per annum)" [Subrogation] The subrogation rights resulting from this substitution are of lower priority compared to the claims of the main creditor for the principal loan amount and to the claims of the Korea Credit Guarantee Fund for the collateral.
(4) Date of board of directors' resolution	- Existing Loan: 2020.04.27 - Additional Loan: Approved by CEO - Payment by subrogation: Approved by CEO
(5) Method of repayment	Principal and interest bullet payment (After the full repayment of the senior loan principal amount is completed)

The balance of the financial support and subrogation are ₩15,706 million and ₩6,512 million as of December 31, 2022.

- 6) The Company's board of directors, regarding Osan Landmark Project Co., Ltd.'s business operating, has executed a loan in the amount of KRW 594,100 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Osan Landmark Project Co., Ltd.
(2) Loan amount	KRW 594,100 Mil
(3) Term of contract	- KRW 4,000 Mil 2022.01 ~ 2024.01, 4.6% per year - KRW 400 Mil 2022.02 ~ 2024.02, 4.6% per year - KRW 7,600 Mil 2022.03 ~ 2024.03, 4.6% per year - KRW 2,900 Mil 2022.03 ~ 2024.03, 4.6% per year - KRW 151,300 Mil 2022.05 ~ 2023.05, 4.6% per year - KRW 321,700 Mil 2022.06 ~ 2023.06, 4.6% per year - KRW 51,000 Mil 2022.07 ~ 2023.06, 4.6% per year - KRW 6,200 Mil 2022.07 ~ 2023.07, 4.6% per year - KRW 9,400 Mil 2022.09 ~ 2023.09, 4.6% per year - KRW 3,500 Mil 2022.09 ~ 2023.09, 4.6% per year - KRW 500 Mil 2022.10 ~ 2023.10, 4.6% per year - KRW 20,500 Mil 2022.12 ~ 2023.12, 4.6% per year
(4) Date of board of directors' resolution	- KRW 4,000 Mil : 2022.12.20 - KRW 400 Mil : 2022.12.20 - KRW 7,600 Mil : 2022.12.20 - KRW 2,900 Mil : 2022.12.20 - KRW 15,100 Mil : 2022.03.22 - KRW 321,700 Mil : 2022.03.22 - KRW 51,000 Mil : 2022.06.15 - KRW 6,200 Mil : 2022.06.15 - KRW 9,400 Mil : 2022.06.15 - KRW 3,500 Mil : 2022.09.21 - KRW 500 Mil : 2022.09.21 - KRW 20,500 Mil : 2022.09.21
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩ 594,100 million as of December 31, 2022. The aforementioned loan to the corporation is a transaction that requires approval from the Board of Directors in accordance with Article 542-9 of the Commercial Act (transactions with major shareholders and related parties) and is considered a significant internal transaction under Article 26 of the Fair Trade Act. To avoid duplicate approval by both the Board of Directors and the ESG Committee (formerly the Governance Committee) for the same transaction, the Board of Directors has delegated its approval authority to the ESG Committee through its resolution on May 2, 2022, and the transaction is being processed with the approval of the ESG Committee.

- 7) The Company's board of directors, regarding Hyoje PFV Co., Ltd.'s business operating, has executed a loan in the amount of ₩ 37,000 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Hyoje PFV Co., Ltd.
(2) Loan amount	KRW 37,000 Mil
(3) Term of contract	- KRW 27,000 Mil 2020.12.15 ~ PF withdrawal, 4.6% per year - KRW 10,000 Mil 2022.06.15 ~ PF withdrawal, 4.6% per year
(4) Date of board of directors' resolution	- KRW 27,000 Mil : Approval by CEO only - KRW 10,000 Mil : 2022.05.26
(5) Method of repayment	Principal bullet payment, interest 3 months payment

The balance of the financial support is ₩ 37,000 million as of December 31, 2022.

- 8) The Company's board of directors, regarding Igis-Haeundae general private real estate investment trust No. 1's securing investment, has executed a loan in the amount of ₩ 33,500 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Igis-Haeundae general private real estate investment trust No.1's
(2) Loan amount	KRW 27,500 Mil
(3) Term of contract	- KRW 27,500 Mil 2022.11.30 ~ 2028.03.30, 20% per year
(4) Date of board of directors' resolution	- KRW 27,500 Mil : Approval by CEO only
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩ 27,500 million as of December 31, 2022.

#### (4) Commitments to financial institutions

The major contracts between the Company and financial institutions as of December 31, 2022, are as follows (Korean won in millions and foreign currencies in thousands):

Korean won in millions and foreign currencies in thousands					
Description	Financial institution	Credit line		Balance outstanding	
Bank overdraft (*1)	Woori Bank and others	KRW	5,000	KRW	-
General loans	Nonghyup Bank and others	KRW	395,000	KRW	110,000
Commercial paper discounting	Woori Bank and others	KRW	250,000	KRW	-
Business to business	Woori Bank and others	KRW	175,000	KRW	15,381
Letter of credit (sight and usance)	Woori Bank and others	USD	100,331	USD	-
Payment guarantee in foreign currency	Woori Bank and others	USD	1,463,568	USD	422,279
Payment guarantee in KRW	Woori Bank and others	KRW	580,749	KRW	580,749

(\*1) Bank overdraft is from Woori Bank in the amount of ₩5 billion. The aforementioned ₩5 billion overdraft from Woori Bank is included comprehensive credit limit contract.

The Company has made contracts with financial institutions for the comprehensive line of credits and general loan in the amount of ₩400 billion with Woori Bank.

#### (5) Derivatives

##### 1) Currency forward contracts

The Company has 51 currency forward contracts with Standard Chartered Bank and others to manage the exposure to changes in currency exchange rates. A summary of the terms of outstanding foreign currency forward contracts as of December 31, 2022, is as follows (Korean won in millions and foreign currencies in thousands):

As of December 31, 2022

Korean won in millions and foreign currencies in thousands						
Purpose	Buying currency	Buying amount	Selling currency	Selling amount	Contracted exchange rate	Number of contracts
Trading	KRW	131,685	USD	101,592	1,296.20	45
Trading	KRW	891	EUR	637	1,398.94	2
Trading	USD	19,772	SGD	27,620	1.3969	2
Trading	CNY	82,441	USD	12,413	6.6390	1
Trading	USD	20,000	KRW	27,660	1,383.00	1

As of December 31, 2021

Korean won in millions and foreign currencies in thousands						
Purpose	Buying currency	Buying amount	Selling currency	Selling amount	Contracted exchange rate	Number of contracts
Trading	KRW	36,609	USD	32,525	1,125.57	10
Trading	KRW	43,662	EUR	31,831	1,371.65	16
Trading	USD	20,454	SGD	28,570	1.3968	3
Trading	CNY	82,411	USD	12,772	6.4525	1
Trading	EUR	23,581	KRW	31,905	1,353.03	8

2) Evaluations of derivative financial instruments

As of December 31, 2022

Korean won (in millions)				
	Trade			
	Gain on valuation	Loss on valuation	Asset	Liability
Currency forward	5,737	2,972	5,750	3,783
Option	-	181	-	2,466
Total	5,737	3,153	5,750	6,249

As of December 31, 2021

Korean won (in millions)				
	Trade			
	Gain on valuation	Loss on valuation	Asset	Liability
Currency forward	1,232	2,232	777	3,068
Option	-	101	-	2,284
Total	1,232	2,333	777	5,352

(6) Other commitment

As of the end of the 2022, the Company's major other commitments are as follows:

- 1) The Company is providing various put options for financial investors of PFV business; PFV projects consist of developing Osan-Sema housing construction.
- 2) The debt management contracts of the unsecured debentures issued by the Company (KRW 295 billion as of December 31, 2022), include provisions, such as maintaining financial ratios, restricting security rights, restricting asset disposal and restricting corporate governance. In case of violation of the above provisions, there is a possibility of loss on the benefit of time.
- 3) At the end of the current year, the Company has an agreement for put options to sell the shares held by SOC subsidiaries, including Seoul Tunnel Co., Ltd., Sudogwon Expressway Co., Ltd., and Deoksung-Naegok Expressway Co., Ltd., to financial investors.
- 4) As of December 31, 2022, the Company has rights of claim for sale of owned-shares of Deoksung-Naegak Expressway Co., Ltd. to financial investor and is providing call options for stock assigner according to stock-transfer contract dated May 31, 2021.

### **30. REVENUE:**

Details of revenue included in operating income for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	Progress basis	Delivery basis	Progress basis	Delivery basis
Construction contract revenue	5,067,604	77,845	5,023,146	62,299
1. Construction revenue	4,688,688	-	4,573,819	-
2. Sales of apartment	378,916	77,845	449,327	62,299
Revenue from the rendering of services	101,428		114,976	-
Other revenue	-	28,783	-	48,978
Total	5,169,032	106,628	5,138,122	111,277

### **31. NATURE OF EXPENSES:**

Details of classification of expenses by nature for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Cost of raw material	1,213,979	1,105,330
Cost of outsourcing	2,306,154	2,239,276
Salaries	452,654	446,506
Severance benefit	35,841	38,538
Welfare expenses	50,669	45,872
Depreciation	62,200	56,812
Amortization of intangible assets	5,395	5,318
Commission	383,738	371,980
Taxes and dues	93,990	90,094
Other expenses	268,459	169,955
Total	4,873,079	4,569,681

### **32. SELLING AND ADMINISTRATIVE EXPENSES:**

Details of selling and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Selling expenses:		
Advertisement	8,995	12,106
Bad debt expenses	(14,708)	(28,251)
Freight	120	107
Commission	131,795	129,616
Warranty	277	1,760
Subtotal	126,479	115,338
Administrative expenses:		
Salaries	158,547	166,890
Welfare expenses	17,843	15,105
Insurance	13,042	12,656
Rent	21,642	23,434
Others	12,224	11,594
Subtotal	223,298	229,679
Total	349,777	345,017

### **33. OTHER INCOME AND EXPENSES:**

(1) Details of other income for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Subsidiaries, ' associates' and joint ventures' dividend income	13,536	13,757
Other dividend income	504	458
Rental revenue	2	4
Gain on foreign currency transactions	54,355	27,684
Gain on foreign currency translation	59,506	30,051
Gain on disposal of investment assets	1,160	121
Gain on valuation of fair value measurement of financial assets	2,613	273
Gain on disposal of tangible assets	405	588
Gain on disposal of real estate investment	839	33
Gain on derivative trading	5,034	1,238
Gain on derivatives valuation	5,737	1,232
Reversal of provision for bad debt	1,939	17,820
Reversal of other provisions	7,920	5,389
Reversal of financial guarantee contract liabilities	259	-
Others	6,650	12,768
Total	160,459	111,416

(2) Details of other expenses for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Donations	8,327	6,027
Bad debt expense	63,615	54,144
Loss on foreign currency transactions	25,527	7,642
Loss on foreign currency translation	37,014	19,719
Loss on disposal of investment assets	2,404	169
Loss on valuation of fair value measurement of financial assets	-	5,372
Loss on disposal of tangible assets	192	723
Loss on disposal of intangible assets	20	-
Loss on disposal of investment property	10	-
Loss on derivative trading	4,109	2,306
Loss on derivative valuations	3,153	2,333
Contribution to other provisions	15,083	36,156
Contribution to financial guarantee liabilities	3,908	3,056
Others	9,676	28,924
Total	173,038	166,571

### **34. FINANCIAL INCOME AND EXPENSES:**

(1) Details of the Company's financial income for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Interest income:		
Cash and cash equivalents	20,469	10,210
Short- and long-term financial instruments	24,503	4,231
Loan and other accounts receivable	46,913	9,341
FVTOCI	451	283
Others	2,271	413
Subtotal	94,607	24,478
Gain on foreign currency transaction	17,634	8,419
Gain on derivative valuation	24,655	30,891
Total	136,896	63,788

(2) Details of the Company's financial income categorized for assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Cash and cash equivalents	52,754	29,368
Short- and long-term financial instruments	37,748	7,258
Loan and other accounts receivable	43,672	72,330
FVTOCI	451	398
Others	2,271	652
Total	136,896	110,006

(3) Details of the Company's financial expenses for the years ended December 31, 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Interest expense:		
Borrowing	11,023	6,119
Debenture	7,902	5,147
Advances	1,033	1,377
Lease	2,646	2,155
Subtotal	22,604	14,798
Loss on foreign currency transaction	6,285	839
Loss on foreign currency translation	28,261	27,490
Total	57,150	43,127

(4) Details of the Company's financial expenses categorized for assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Cash and cash equivalents	16,847	4,008
Borrowing	11,023	9,089
Debenture	7,902	7,097
Others	21,378	33,224
Total	57,150	53,418

### 35. INCOME TAX EXPENSE:

(1) Details of the Company's income tax expense for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Current income tax expense (including additional income tax and tax refunds)	102,781	178,599
± Changes in temporary differences (*1)	61,383	37,422
± Changes in net deferred tax assets (liabilities) directly charged to shareholders' equity (*2)	(4,624)	2,777
Income tax expense	159,540	218,798
(*1) Deferred tax assets (liabilities) from temporary differences, net at the end of year	497,920	559,303
Deferred tax assets (liabilities) from temporary differences, net at the beginning of year	559,303	596,725
Changes in deferred tax from temporary differences	(61,383)	(37,422)

(\*2) Changes in net deferred tax assets (liabilities) directly charged to the shareholders' equity for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)					
	December 31, 2022			December 31, 2021		
	Gross	Tax effect	Net amount	Gross	Tax effect	Net amount
Gain on valuation of financial instruments designated at FVTOCI	(305)	84	(221)	(454)	120	(334)
Remeasurement of defined benefit plan	12,628	(3,116)	9,512	5,584	(1,479)	4,105
Additional paid-in capital	6,309	(1,592)	4,717	(15,620)	4,136	(11,484)
Total	18,632	(4,624)	14,008	(10,490)	2,777	(7,713)

(2) Explanations of the relationship between the income tax expense and the accounting income before income tax expense for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Income before income tax expense	469,747	681,152
Income tax expense (applicable tax rates)	118,819	176,955
Adjustments:		
Non-taxable income	(1,614)	(1,818)
Non-deductible expenses	3,381	14,547
Additional income tax and others	(512)	(6,773)
Tax credit	(432)	(230)
Non-recycled corporation income tax expense	6,525	8,050
Not recognized as deferred tax assets	9,657	6,643
Others	23,716	21,424
Income tax expense	159,540	218,798
Effective tax rate (income tax expense/income before income tax)	33.96%	32.12%

- (3) Changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021, are as follows:

As of/For the year ended December 31, 2022

	Korean won (in millions)			
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)
Investments in subsidiaries, associates and joint ventures	279,303	9,215	288,518	979
Valuation of available-for-sale financial assets	35,654	(4,442)	31,212	7,875
Revaluation of property, plant and equipment	(106,918)	14,381	(92,537)	(23,347)
Valuation of derivative instruments	2,284	182	2,466	622
Excess depreciation of property, plant and equipment	19,388	103	19,491	4,918
Provisions	360,437	(121,354)	239,083	60,321
Impairment loss	26,744	(589)	26,155	6,599
Excess bad debts expense	1,745,731	(32,426)	1,713,305	432,267
Loss (gain) on foreign currency translation	4,677	5,507	10,184	2,569
Accrued income	(78,475)	(10,684)	(89,159)	(22,495)
Others	98,767	10,674	109,441	27,612
Total	2,387,592	(129,433)	2,258,159	497,920

As of/For the year ended December 31, 2021

	Korean won (in millions)			
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)
Investments in subsidiaries, associates and joint ventures	179,134	100,169	279,303	1,028
Valuation of available-for-sale financial assets	32,562	3,092	35,654	9,441
Revaluation of property, plant and equipment	(129,284)	22,366	(106,918)	(28,312)
Valuation of derivative instruments	2,184	100	2,284	605
Excess depreciation of property, plant and equipment	18,254	1,134	19,388	5,134
Provisions	448,001	(87,564)	360,437	95,444
Impairment loss	34,126	(7,382)	26,744	7,082
Excess bad debts expense	1,767,827	(22,096)	1,745,731	462,270
Loss (gain) on foreign currency translation	1,015	3,662	4,677	1,238
Accrued income	(72,963)	(5,512)	(78,475)	(20,780)
Others	148,840	(50,073)	98,767	26,153
Total	2,429,696	(42,104)	2,387,592	559,303

- (4) Temporary differences from investments in subsidiaries, associates and joint ventures not recognized as deferred tax assets (liabilities) as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Subsidiaries, associates and joint ventures	284,635	275,420

### **36. EARNINGS PER SHARE:**

The Company's net earnings per share for the years ended December 31, 2022 and 2021, are computed as follows:

(1) Basic earnings per share of common stock

	Korean won	
	2022	2021
Net income	310,207,541,746	462,354,435,952
Dividend on preferred stock and residual income available for preferred shareholders	18,183,360,519	45,529,788,793
Net income available for common shareholders	292,024,181,227	416,824,647,159
Weighted-average number of common shares outstanding	38,394,338	38,673,298
Basic earnings per common stock	7,606	10,778

(\*) The weighted average number of common shares outstanding for the previous year was recalculated by reflecting the effect of bonus issue that occurred in 2022

(2) Basic earnings per share of preferred stock

	Korean won	
	2022	2021
Dividend on preferred stock and residual income available for preferred shareholders	18,183,360,519	45,529,788,793
Weighted-average number of preferred shares outstanding	4,197,690	4,224,188
Basic earnings per preferred stock	4,331	10,778

(\*) The weighted average number of common shares outstanding for the previous year was recalculated by reflecting the effect of bonus issue that occurred in 2022

(3) Diluted earnings per share are the same as basic earnings per share as the Company has no dilutive securities.

### 37. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2022, are as follows:

Type	Name of the related parties
Parent Company that exercises significant control or influence over the owners of the Company	Daelim Co., LTD.
Company that exercises significant control or influence over the owners of the Company	DL Holdings CO., LTD
Subsidiaries	DL Construction Co., Osan landmark project co., Ltd., Incheon Dohwa1 NEWSTAY REIT Co.,Ltd., DL Saudi Arabia Co., Ltd., PT. DLENC UTAMA CONSTRUCTION, DALIN (Nanjing) Construction Project Mgt. Co., Ltd., DL USA, Inc., DL INSAAT GELISTIRME A.S., Daelim RUS LLC and CARBONCO PTE. LTD.
Associates	Godeok Gangil 10 PFV Co., Ltd., Hyoje PFV Co., Ltd., UlsanUijeongbuproject PFV Co., Ltd., IncheonInha PFV Co., Ltd., Daejeonmunwha PFV Co., Ltd, JeonJuWansan PFV Co., Ltd, Gwacheon Jisan One PFV Co., Ltd., Together Daejeon-Munhwa PFV Co.,Ltd., Songpa Bokjeong Station Layered City PFV Co., Ltd. DLENC Philippines, Inc., DL Engineering & Construction Malaysia Sdn. Bhd and NeuRizer LTD.
Joint ventures	Luoma Inc., Igis Haeundae General Private Equity Real Estate Investment Trust No. 1 , DIAP-DAELIM JOINT VENTURE PTE. LTD. and OMZ-Daelim LLC.
Others	DL Chemical, DL Motors Co., Ltd., GLAD Hotels & Resorts Co., Ltd., Songdo Power Co., Ltd., DL Energy Co., Ltd., Chungjin Project Co., Ltd., Chungjin Asset Management Company, DL FnC, A Plus D Co., Ltd., YEONGJU ECO POWER CO.,LTD., Cochrane SPC Co., Ltd., ECO ONE Energy Co.,LTD., Heungkuk Highclass Private Real Estate Equity Fund No.12, Koramco Private Real Estate Equity Fund No.112, Samho Citron City Co., Ltd., Namwon Thema park Co., Ltd., Asan Dogo Industrial Complex Development Co., Ltd., Epyunse (Shanghai) Trade Agency Co., Ltd., Daelim AMC. Co., Ltd, Wonju Buron Industrial Complex Co., Ltd, Pebblestone MD PFV Co., Ltd., Saubukbyeon Development Co., Ltd., Incheon Geumsong REIT Co., Ltd., Millmerran SPC Co., Ltd., Gasan DCSL1 Co.,Ltd., Yeochun NCC Co., Ltd., Poly Mirae Co., Ltd., D.Cloud Co., Ltd., Highway Solar Co., Ltd., D-REX POLYMER LLC, Hwaseung JDC, LLC., DL Energy Global Co., Ltd, OV Co., LTD, Geumo Island Wind Power Co., Ltd, Pocheon Power Co., Ltd., Daelim Vietnam Ltd., CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION, DE NILES LLC., Woodland Global Fund Management Pte. Ltd, Woodland Global Investment #1 Pte. Ltd, DAELIM CHEMICAL USA, INC., DAELIM CHEMICAL USA LLC., CARIFLEX PTE. LTD., Cariflex Netherlands B.V., Cariflex Brazil Industria e Comercio de Produtos Petroquimico Ltda, DE Cochrane SpA, DE Energia SpA, Indeck Niles Development, LLC., Indeck Niles Asset Management,LLC., Daehan Wind Power Company PSC, Daelim EMA Management Limited, EMA Power Investment Limited, InfraCo Asia Keenjhar Wind Pte. Ltd., InfraCo Asia Indus Wind Pte. Ltd., DLC US Holdings LLC, Kraton Corporation, DL Energy America, Inc., Infra Equity Power Holdings, LLC, CPV Fairview, LLC, KB Blind General Private Equity Real Estate Investment Trust No. 2, Haeundae Central PFV Co., Ltd., etc.
Large business group affiliates (*1)	Daelim No.7 Masan Hoewon Newstay REIT Co., Ltd., Humphreys SLQ ONE Co., Ltd., Jeju Aero Space Hotel Co., Ltd., Deoksong-Naegak Expressway Co., Ltd., Daelim No. 5 Cheonan-Wonseong-dong Newstay REIT Co., Ltd. etc.

(\*1) The companies above were not conformed to the related party defined by K-IFRS 1024:9. However, the large business group affiliates designated by the Fair Trade Commission were classified as the related party according to the resolution of the Securities and Futures Commission that the companies correspond to substantial related party of K-IFRS 1024:10.

(\*2) Please refer to the notes '16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOING VENTURES (1)' for the changed corporate names of the Company and its subsidiaries as of the report submission date.

(\*3) Changes in related parties for the year ended December 31, 2022, are as follows.

	Name	Reason for change
Inclusion	Kraton Corporation and affiliates	In March 2022, it was newly incorporated as a surviving company after merging with DLC US, Inc.
	Infra Equity Power Holdings, LLC	In March 2022, it was newly incorporated as a subsidiary of DL Energy America, Inc.
	CPV Fairview, LLC	In March 2022, it was newly incorporated as an Infra Equity Power Holdings, LLC joint venture.
	Together Daejeon-Munhwa PFV Co.,Ltd.	In May 2022, the Company invested in Together Daejeon-Munhwa PFV Co.,Ltd.
	Geumo Island Wind Power Co.	As it was incorporated as a subsidiary of DL Energy Co., Ltd. in June 2022, it was newly incorporated as other related party of the company.
	CARBONCO PTE. LTD	In August 2022, the Company invested in CARBONCO PTE. LTD.
	NeuRizer LTD.	In July 2022, the Company invested in NeuRizer LTD.
	KB Blind General Private Equity Real Estate Investment Trust No. 2	In November 2022, DL Construction Co., LTD. invested in KB Blind General Private Equity Real Estate Investment Trust No. 2
	Songpa Bokjeong Station Layered City PFV Co., Ltd.	In October 2022, the Company invested in Songpa Bokjeong Station Layered City PFV Co., Ltd.
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	In November 2022, the Company invested in the trust.
	Haeundae Central PFV Co., Ltd.	In November 2022, Igis Haeundae General Private Equity Real Estate Investment Trust No. 1 invested in Haeundae Central PFV Co., Ltd.
Exclusion	Ecosulihall Co., Ltd.	In January 2022, the Company was liquidated
	Chemtech Co., Ltd.	In March 2022, it was excluded due to independent management of relatives.
	DLC US, Inc.	In March 2022, it was excluded due to the merger of Kraton Corporation.
	Daelim No. 6 Busan Uam Newstay REIT Co., Ltd.	In July 2022, the Company was liquidated.
	Gimhae Dongseo Tunnel Co., Ltd.	In October 2022, the Company was liquidated.
	Poseung Green Power Co., Ltd.	Excluded due to stake sale in October 2022.
Re-Classification	Pocheon Power Co., Ltd.	In September, it has been reclassified from affiliated companies to other affiliates according to DL Holdings CO., LTD's resolution to dispose of the equity.

(2) Major transactions between the Company and other related parties for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)					
Type	Name of the related parties	Sales and others (*1)		Purchases and others (*1)	
		2022	2021	2022	2021
Parent Company that exercises significant control or influence over the owners of the Company	Daelim Co., LTD.	2,477	452	126,536	103,131
Company that exercises significant control or influence over the owners of the Company subsidiaries	DL Holdings CO., LTD	4,879	10,689	11,479	13,167
Subsidiaries	DL Construction Co.	68,577	86,751	138,397	176,675
	Osan landmark project co., Ltd	26,307	25,888	-	-
	DL Saudi Arabia Co., Ltd.	17,007	19,322	-	-
	PT. DLENC UTAMA CONSTRUCTION	-	-	-	14
	DL USA, INC.	11,606	1,685	-	-
	DL INSAAT GELISTIRME A.S.	3,125	4,273	-	-
	Daelim RUS LLC.	5,670	844	-	-
	CARBONCO PTE. LTD.	1,426	-	36	-
Associates	Godeok Gangil 10 PFV Co., Ltd(*2)	60,110	12,601	-	-
	Hyoje PFV Co., Ltd.	1,493	1,041	-	-
	Gwacheon Jisan One PFV Co., Ltd. (*2)	23,006	-	-	-
	DLENC Philippines, Inc.	368	1,012	-	-
	DL Engineering & Construction Malaysia Sdn. Bhd.	1,198	2,416	-	-
	NeuRizer LTD. (*2)	20,577	-	-	-
Joint Ventures	DIAP-DAELIM JOINT VENTURE PTE. LTD. (*2)	2,533	7,215	255	462
	OMZ-Daelim LLC. (*2)	440	2,449	-	46
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	467	-	-	-

Others	Daelim P&P Co., Ltd(*3)	-	46	-	4
	DL Chemical(*2)	19,320	6,406	139	174
	DL Motors Co., Ltd	-	-	-	3
	GLAD Hotels & Resorts Co., Ltd	3,139	1,995	3,223	996
	Poly Mirae Co., Ltd	-	-	3	3
	Songdo Power Co., Ltd	20	18	-	-
	DL Energy Co., Ltd	44	31	1	11
	Chungjin Project Co., Ltd.	9,475	-	-	-
	D-REX POLYMER LLC.(*2)	94,728	29,021	-	-
	OV Co., LTD.	3	-	-	-
	Yeochun NCC Co., Ltd	-	38,901	-	-
	CARIFLEX PTE. LTD(*2)	102,969	7,513	-	-
Large business group affiliates	Daelim No.7 Masan Hoewon Newstay REIT Co., Ltd	307	302	-	-
	Deoksong-Naegak Expressway Co., Ltd.	7,128	3,377	60	-
	Daelim No. 5 Cheonan-Wonseong-dong Newstay REIT Co., Ltd.	65	-	-	-

(\*1) Sales and purchases include proportional cost allocation of joint contracts.

(\*2) Progress sales amounted to ₩(-)18,894 million and ₩(-)9,760 million for the years ended December 31, 2022 and 2021, respectively, and are excluded due to the application of stage of completion method and foreign currency transaction gains/losses.

	Korean won (in millions)	
	2022	2021
Godeok Gangil 10 PFV Co., Ltd	11,825	2,806
Gwacheon Jisan One PFV Co., Ltd.	(611)	2,349
D-REX POLYMER LLC.	9,863	(18,099)
DL Chemical	924	(1,454)
DIAP-DAELIM JOINT VENTURE PTE. LTD.	1,579	2,072
NeuRizer LTD.	(2,425)	-
CARIFLEX PTE. LTD	(24,257)	-
DL USA, INC.	(15,307)	-
OMZ-Daelim LLC.	(485)	2,566
Total	(18,894)	(9,760)

(\*3) Daelim P&P Co., Ltd. was merged with DL Chemical Co in November 2021, and the transaction amount up to the date of the merger was recorded.

(3) Outstanding balances as of December 31, 2022 and 2021, are as follows:

Type	Name of the related parties	Korean won (in millions)			
		Account receivable (*1)		Account payable (*1)	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Parent Company that	Daelim Co., LTD.	1,779	44	16,322	9,917

exercises significant control or influence over the owners of the Company					
Company that exercises significant control or influence over the owners of the Company's subsidiaries	DL Holdings CO., LTD.	1,803	4,075	3,851	4,047
Subsidiaries	DL Construction Co	14,899	13,918	23,185	25,718
	Osan landmark project co., Ltd	595,651	586,551	-	-
	DL Saudi Arabia Co., Ltd.	490,179	458,539	-	-
	DALIN (Nanjing) Construction Project Mgt. Co., Ltd	624	584	124	116
	DL USA, INC. (*2)	32,293	28,689	-	-
	DL INSAAT GELISTIRME A.S.	734	1,082	-	-
	Daelim Rus LLC	21,466	713	-	-
	CARBONCO PTE. LTD.	34	-	12	-
Associates	Hyoje PFV Co., Ltd.	37,075	27,054	-	-
	Songpa Bokjeong Station Layered City PFV Co., Ltd.	-	-	-	-
	DLENC Philippines, Inc	11,490	15,031	174	1,158
	DL Engineering & Construction Malaysia Sdn. Bhd	8,537	12,178	1,061	1,870
	NeuRizer LTD. (*2)	17,805	-	-	-

Korean won (in millions)					
Type	Name of the related parties	Account receivable (*1)		Account payable (*1)	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Joint ventures	DIAP-DAELIM JOINT VENTURE PTE. LTD. (*2)	124	1,475	90	87
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	27,967	-	-	-
Others	DL Chemical (*2)	57	2,627	16	13
	GLAD Hotels & Resorts Co., Ltd.	1,143	701	325	166
	Poly Mirae Co., Ltd	-	-	1	1
	Songdo Power Co., Ltd	3	9	-	-
	DL Energy Co., Ltd	4	3	-	1
	Chungjin Project Co., Ltd.	965	-	-	-
	D-REX POLYMER LLC (*2)	1,245	11,808	-	-
	CARIFLEX PTE. LTD (*2)	10,252	1,008	-	-
Large business group affiliates	Daelim No.7 Masan Hoewon Newstay REIT Co., Ltd	43	25	-	-
	Deoksong-Naegak Expressway Co., Ltd.	26,313	16,186	-	-
	Daelim No. 5 Cheonan-Wonseong-dong Newstay REIT Co., Ltd.	13	-	-	-

(\*1) Loans and borrowings were included.

(\*2) The contract assets amounted to ₩4,704 million and ₩7,027 million for the years ended December 31, 2022 and 2021, respectively, and the contract liabilities amounted to ₩59,774 million and ₩19,553 million for the years ended December 31, 2022 and 2021, respectively, are excluded due to the application of stage of completion method.

Korean won (in millions)				
	Contract assets		Contract liabilities	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Godeok Gangil 10 PFV Co., Ltd.	-	2,806	9,019	-
Gwacheon Jisan One PFV Co., Ltd.	1,738	2,349	-	-
D-REX POLYMER LLC.	-	-	8,236	18,099
DL Chemical	-	-	530	1,454
DIAP-DAELIM JOINT VENTURE PTE. LTD.	2,966	1,387	-	-
NeuRizer LTD.	-	-	2,425	-
CARIFLEX PTE. LTD	-	-	24,257	-
DL USA, INC.	-	-	15,307	-
OMZ-Daelim LLC.	-	485	-	-
Total	4,704	7,027	59,774	19,553

Details of changes in the provisions for credit losses on above related parties for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Type	Name of the related parties	Account	Beginning balance	Korean won (in millions)		
				(Reversal of) provisions for credit losses	Other(*1)	Ending balance
Subsidiaries	Osan landmark project Co., Ltd.	Loans	228,383	68,870	-	297,253
		Other accounts receivable	1,551	-	-	1,551
	DL Saudi Arabia Co., Ltd.	Trade receivables	119,403	-	8,238	127,641
		Loans	290,448	-	20,041	310,489
		Other accounts receivable	42,360	-	2,923	45,283
	DL USA, INC.	Loans	28,689	-	1,980	30,669
Associates	DLENC Philippines, Inc.	Trade receivables	2,323	63	157	2,543
		Loans	9,484	-	654	10,138
		Other accounts receivable	2,068	150	136	2,354
	DL Engineering & Construction Malaysia Sdn. Bhd.	Trade receivables	10,258	(2,920)	766	8,104
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	Loans	9,847	5,859	-	15,706
		Other accounts receivable	-	6,512	-	6,512

For the year ended December 31, 2021

Korean won (in millions)						
Type	Name of the related parties	Account	Beginning balance	(Reversal of) provisions for credit losses	Other(*1)	Ending balance
Subsidiaries	Osan landmark project co., Ltd.	Loans	225,463	2,920	-	228,383
		Other accounts receivable	1,551	-	-	1,551
	DL Saudi Arabia Co., Ltd.	Trade receivables	110,000	(226)	9,629	119,403
		Loans	266,560	-	23,888	290,448
		Other accounts receivable	38,493	107	3,760	42,360
	DL USA, INC.	Loans	38,461	(12,615)	2,843	28,689
Associates	DLENC Philippines, Inc.	Trade receivables	31,048	-	(28,725)	2,323
		Loans	8,704	-	780	9,484
		Other accounts receivable	1,777	126	165	2,068
	DL Engineering & Construction Malaysia Sdn. Bhd.	Trade receivables	9,524	(42)	776	10,258
		Other accounts receivable	66	(67)	1	-
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	Loans	9,847	-	-	9,847

(\*1) Represents changes in foreign currency translation, etc.

(4) Major changes in loans to related parties for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)						
Type	Name of the related parties	Beginning balance	Rent	Repayment	Other (*1)	Ending balance
Subsidiaries	Osan landmark project co., Ltd.	585,000	9,100	-	-	594,100
	DL Saudi Arabia Co., Ltd.	290,448	-	-	20,041	310,489
	DL USA, INC.	28,689	-	-	1,980	30,669
	Daelim RUS LLC	-	21,014	-	(4,959)	16,055
Associates	Hyoje PFV Co., Ltd.	27,000	10,000	-	-	37,000
	DLENC Philippines, Inc.	9,484	-	-	654	10,138
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	-	27,500	-	-	27,500
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	12,847	2,859	-	-	15,706

For the year ended December 31, 2021

Korean won (in millions)						
Type	Name of the related parties	Beginning balance	Rent	Repayment	Other (*1)	Ending balance
Subsidiaries	Osan landmark project co., Ltd.	584,600	400	-	-	585,000
	DL Saudi Arabia Co., Ltd.	266,560	-	-	23,888	290,448
	DL USA, INC.	38,461	-	(12,140)	2,368	28,689
Associates	Hyoje PFV Co., Ltd.	27,000	-	-	-	27,000
	Daelim Philippines, Inc.	8,704	-	-	780	9,484
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	9,847	3,000	-	-	12,847

(\*1) Represents changes in foreign currency translation, etc.

(5) Major equity transactions to related parties for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)					
Description	Company	Name of the related party	Transactions	2022	2021
Investment	DL E&C Co., Ltd.	Ulsan Uijeongbu Project PFV	Cash investment due to new establishment	-	4,750
		Daelim RUS LLC	Capital increase by issuing new stocks	-	3,618
		Luoma Limited	Additional cash investment, Debt-to-equity swap	-	20,000
		DL Incheon Inha PFV Co., Ltd.	Cash investment due to new establishment	-	2,375
		DL Daejeon Munhwa PFV Co., Ltd.	Cash investment due to new establishment	-	2,375
		DL Jeonju Wansan PFV Co., Ltd.	Cash investment due to new establishment	-	2,375
		Gwacheon Jisanwon PFV Co., Ltd.	Cash investment due to new establishment	-	30
		Incheon Dohwal NEWSTAY REIT Co.,Ltd.	Cash investment due to new establishment	-	300
		DL INSAAT GELISTIRME A.S.	Capital increase by issuing new stocks	27,268	-
		Together Daejeon-Munhwa PFV Co.,Ltd.	Cash investment due to new establishment	17,000	-
		CARBONCO PTE. LTD.	Cash investment and investment in kind due to new establishment	20,068	-
		NeuRizer Ltd.	Capital increase by issuing new stocks	12,979	-
		Songpa Bokjeong Station Layered City PFV Co., Ltd.	Cash investment due to new establishment	20,000	-
Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	Cash investment due to new establishment	3,000	-		
Purchase	DL E&C Co., Ltd.	DL Holdings Co.,LTD.	SOC Stock Purchasing	16,497	(5,617)

(6) Key management personnel compensation for the years ended December 31, 2022 and 2021, is as follows:

	Korean won (in millions)	
	2022	2021
Short-term benefits	20,594	20,921
Provision for severance indemnities	2,714	2,578
Total	23,308	23,499

(\*1) Key management is described in the Group's business report disclosed to the Financial Supervisory Service.

(7) The Company is contingently liable for construction performance guarantees and payment guarantees of its associated companies. The details of guarantees as of December 31, 2022 and 2021, are as follows:

Associate	U.S. dollars (in thousands)			
	Guarantee		Project	Period of guarantee
	December 31, 2022	December 31, 2021		
DL Saudi Arabia Co., Ltd.	110,603	178,203	Saudi Arabia Ma'aden Ammonia, etc.	2018.11.01 – Obligation completed
DL ENC Philippines, Inc.	9,521	28,496	Philippines SBPL 500MW CFPP, etc.	2014.05.22 - Obligation completed
DL Engineering & Construction Malaysia Sdn. Bhd.	11,225	56,302	Malaysia Petron ULSADO	2021.03.15 – Obligation completed
Daelim Rus LLC	438,041	547,781	Moscow AORC HCU	2021.03.09 – Obligation completed
DL USA Inc.(*1)	495,057	56,423	DL USA Inc.(*1)	2022.07.01 – Obligation completed
DIAP-DAELIM JOINT VENTURE PTE.	53,358	68,371	Singapore Tuas Terminal Phase 1	2015.02.13 – Obligation completed
OMZ-DAELIM LLC	-	1,626	Russia Omsk DCC	2016.04.04 - Obligation completed
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	1,444	2,050	Turkiye Canakkale Bridge	2017.03.09 – Obligation completed
DL INSAAT GELISTIRME A.S. (*2)	152,201	258,735	Turkiye Canakkale Bridge	2017.08.19 – Obligation completed

(\*1) The Company has provided a comprehensive parent company guarantee to the CPChem USGC II Project Department of Commerce and Insurance, guaranteeing all debts and obligations arising out of the contracting activities of DL USA Inc.

(\*2) The Company has provided a comprehensive parent company guarantee to the three joint venture partners of Turkey Canakkale bridge project, guaranteeing the fulfillment of the obligations for which DAELIM INSAAT GELISTIRME A.S.'s contractual obligations have not been determined.

(\*3) According to Article 530-9 (1) of the Commercial Act, the Company has joint guarantees with the split surviving company (DL Holdings Co., Ltd.) and the split new company (DL Chemical Co., Ltd.) for construction performance guarantees and payment guarantees provided by Daelim Industrial Co., Ltd. to related parties.

(8) Details of collaterals (included the guarantees described on Note 28(1) Collaterals -1), 2)), which the Company has provided for related parties as of December 31, 2022 and 2021 are as follows :

Related Party	Pledged assets	Korean won (in millions)			
		December 31, 2022	December 31, 2021	Purpose	Lender
Deoksong-Naegak Expressway Co., Ltd.(*1)	Stock	-	-	Borrowed capital financing commitment	Industrial Bank of Korea and others

(\*1) The loss on valuation of fair value measurement of Deoksong-Naegak Expressway Co., Ltd. stock, which is ₩ 24,236million, is included.

(9) Details of supplemental funding arrangements (included the guarantees described in Note 28 (2)), which the Company has provided for related parties as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)					
Related Party	December 31, 2022	December 31, 2021	Project	Purpose	Financial Institutions
Osan Landmark Project Co., Ltd.	130,000	130,000	Osan-Sema District Apartment Housing Development Project	Borrowed capital financing commitment	Standard Chartered Korea Co., Ltd.
Hyoje PFV Co., Ltd.	61,100	49,400	New construction of Hyoje-dong officetel	Borrowed capital financing commitment	Lotte Capital
Together Daejeon-Munhwa PFV Co.,Ltd.	45,500	-	Daejeon Say Department Store Site Development Project	Borrowed capital financing commitment	SAMSUNG SECURITIES CO.,LTD.

In addition to the above details, the Company has joint guarantees with the split surviving company (DL Holdings Co., Ltd.) and the split new company (DL Chemical Co., Ltd.) for the obligation to replenish funds provided by Daelim Industrial Co., Ltd. to related parties before the split.

### **38. SUPPLEMENTAL CASH FLOW INFORMATION:**

(1) Adjustments to reconcile net income to net cash provided by operating activities for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Adjustments:		
1. Tax expense	159,540	218,798
2. Interest expense	22,604	23,430
3. Interest income	(94,608)	(68,612)
4. Loss on foreign currency translation	65,275	47,414
5. Gain on foreign currency translation	(84,161)	(59,482)
6. Dividend income	(14,039)	(14,215)
7. Depreciation	12,642	57,035
8. Amortization of right of use asset	43,991	-
9. Amortization of investment property	5,626	-
10. Amortization of intangible assets	5,392	5,324
11. Severance benefits	21,522	23,694
12. Reversal of bad debts expense	(14,708)	(28,251)
13. Other bad debts expense	61,676	36,324
14. Loss on disposal of tangible assets	192	723
15. Gain on disposal of tangible assets	(405)	(588)
16. Loss on disposal of intangible assets	20	-
17. Loss on disposal of lease assets	6	1,478
18. Gain on disposal of lease assets	(42)	(121)
19. Gain on valuation of investment assets	(2,613)	(273)
20. Loss on valuation of investment assets	-	5,372
21. Loss on disposal of investment assets	2,404	169
22. Gain on disposal of investment assets	(1,160)	(121)
23. Gain on disposal of investment property	(839)	(33)
24. Loss on disposal of investment property	10	-
25. Loss on derivative valuations	3,153	2,333
26. Gain on derivative valuations	(5,737)	(1,232)
27. Contribution(Reversal) to provision for construction losses of liabilities	14,522	-
28. Contribution(Reversal) to provision for construction warranties	58,161	46,865
29. Contribution(Reversal) to other provision	72,719	56,956
30. Contribution(Reversal) to financial guarantee contract liabilities	3,649	2,847

31. Miscellaneous gain and others	-	(15)
Total	334,792	355,819

(2) Cash flows from net working capital for the years ended December 31, 2022 and 2021, are as follows.

	Korean won (in millions)	
	2022	2021
Changes in net working capital:		
1. Increase in trade receivables	(35,837)	(77,878)
2. Decrease (increase) in contract assets	162,138	(29,996)
3. Increase (decrease) in other accounts receivable	(95,089)	230,075
4. Decrease in accrued income	273	258
5. Increase in advance payments	(26,896)	(25,408)
6. Decrease (increase) in prepaid expenses	7,984	(57,032)
7. Decrease in prepaid construction expenses	12,637	7,247
8. Decrease in inventories	88,542	88,395
9. Decrease in financial lease receivables	384	365
10. Decrease (increase) in long-term trade receivables	51,020	(13,635)
11. Increase in long-term accounts receivable	(3,077)	(290,604)
12. Decrease in long-term prepaid expenses	13,142	7,399
13. Increase in long-term prepaid construction expenses	(19,690)	(13,633)
14. Increase in deposits	(183,592)	(194,483)
15. Decrease in derivative assets	764	503
16. Increase in trade payables	95,733	130,761
17. Decrease in accounts payable	(55,936)	(26,192)
18. Increase in advances from customers	36,693	40,937
19. Decrease in unearned revenue	-	(310)
20. Increase in contract liabilities	26,532	103,994
21. Decrease in withholdings received	(4,928)	(4,660)
22. Increase (decrease) in accrued expenses	1,075	(37,921)
23. Decrease in long-term advances from customers	(2,909)	(2,521)
24. Decrease in other provisions	(146,808)	(89,750)
25. Decrease in defined benefit obligation	(29,595)	(29,256)
26. Decrease in provision for financial liabilities	-	(147)
27. Increase in plan assets	(4,485)	(10,142)
28. Decrease in provision for construction warranties	(70,727)	(83,205)
29. Decrease in derivative liabilities	(2,257)	(392)
30. Decrease (increase) in overseas operations translation	(130,435)	52,026
Total	(315,344)	(325,205)

(3) Major non-cash transactions of investment activities and financial activities for the years ended December 31, 2022 and 2021, are described as follows:

	Korean won (in millions)	
	2022	2021
Conversion of investment in loans, etc.	-	8,400
Reclassification of assets under construction	1,410	3,452
Reclassification of the current portion of long-term borrowings	30,155	40,155
Reclassification of the current portion of lease liabilities	36,902	36,424
Reclassification to assets held for sale	-	(10,871)
New lease	(28,349)	43,976

(4) Adjustments of liabilities in financial activities for the years ended December 31, 2022, are described as follows:

For the year ended December 31, 2022

Korean won (in millions)							
	Beginning of year	Cash flows	Non-cash transactions				End of year
			Changes due to foreign currency translation	Amortization	Lease	Reclassification	
Short-term borrowings	30,000	29,458	-	-	-	-	59,458
Current portion of long-term liabilities	40,155	(40,155)	-	-	-	30,155	30,155
Long-term borrowings	238,379	-	-	253	-	(30,328)	208,304
Long-term debenture	374,161	-	-	259	-	-	374,420
Leasehold deposits	5,987	(2)	-	-	-	1,675	7,660
Lease liabilities	44,406	(49,564)	(16)	2,646	23,601	92,889	113,962
Total liabilities in financial activities	733,088	(60,263)	(16)	3,158	23,601	94,391	793,959

### **39. ADJUSTED OPERATING INCOME:**

Other income and expense that are not classified as operating income and expense in the separate statements of income occur on the Company's own business circumstances. Details of the adjusted results of operations included in the income and expenses for the years ended December 31, 2022, is as follows:

	Korean won (in millions)	
	2022	2021
OPERATING INCOME	402,581	679,718
Dividend income	14,039	14,215
Donation	(8,327)	(6,027)
Other bad debt expense	(61,676)	(36,324)
Gain (loss) on foreign currency transactions	28,828	20,042
Gain (loss) on foreign currency translation	22,492	10,332
Gain (loss) on valuations of other investment assets	2,613	(5,099)
Gain (loss) on disposal of other investment assets	(1,244)	(48)
Gain (loss) on disposal of tangible asset	213	(135)
Gain (loss) on disposal of investment property	829	33
Gain (loss) on disposal of intangible fixed assets	(20)	-
Gain (loss) on derivative transaction	924	(1,068)
Gain (loss) on derivative valuations	2,584	(1,101)
Gain (loss) on disposal of lease asset	36	(1,357)
Reversal(contribution) of financial guarantee contract liabilities	(3,649)	(3,056)
Reversal(contribution) to other provisions	(7,163)	(30,767)
Others	(3,059)	(14,795)
ADJUSTED OPERATING INCOME	390,001	624,563

#### **40. RISK MANAGEMENT:**

##### (1) Capital risk management

The main purpose of the Company's capital management is to maintain a high credit rating and healthy capital ratio in order to sustain the Company's operations and maximize shareholder value. The Company revises its capital structure according to changes in the economic environment and adjusts its dividend policy accordingly, or considers capital reduction or issuance of new shares. There are no changes to the purpose, policies and procedures of capital management during this period.

In addition, the Company uses the net debt ratio of equity capital as a capital management indicator. This ratio is calculated by dividing net borrowings by total equity. The items managed as capital by the Company as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Total borrowings	672,336	682,695
Less: Cash and cash equivalents	(979,624)	(1,356,004)
Net borrowings	(307,288)	(673,309)
Total shareholders' equity	3,913,611	3,793,793
Net borrowings-to-equity ratio	-7.85%	-17.75%

##### (2) Financial risk management

The Company is exposed to various financial risks, such as credit, liquidity and market (interest rate risk, price risk and exchange rate risk), associated with financial instruments. The Company's risk management aims to identify potential risks that affect our financial performance and reduce, eliminate or avoid them to an acceptable level. The Company uses derivative financial instruments to hedge certain risks such as exchange risk.

###### 1) Market risk

The Company's activities are exposed to financial risks, primarily from fluctuations in foreign exchange rates and interest rates. Therefore, the Company uses various derivative financial instruments to manage the risk over interest rate risk and foreign exchange rate fluctuation risk.

Exposure to market risk is measured by Value-at-risk, supplemented by sensitivity analysis. There are no changes to our exposure to market risk or the way we manage and measure risk.

###### - Interest rate risk

The Company is exposed to interest rate risk due to its borrowing with floating interest rates. To manage its interest rate risks, the Company, in addition to maintaining an appropriate mix of fixed- and floating-rate loans, has entered into certain interest rate swap agreements. Risk aversion activity is evaluated regularly with adjusting conditions and the nature of interest rates, and the optimal risk aversion strategy is applied.

Details of the Company's exposure of interest rate risk due to its borrowings with floating interest rates for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Borrowings (floating interest rates) (*1)	226,932	256,548

(\*1) Calculated by portion of exposure period during the year

The Company regularly monitors the changes in interest rate risk internally. A sensitive analysis on the Company's long-term borrowings and debentures assuming a 1% per year increase and 1% per year decrease in interest rates (before tax effect) as of December 31, 2022 and 2021, is as follows:

	Korean won (in millions)			
	1% per year increase		1% per year decrease	
	Net income	Shareholders' equity	Net income	Shareholders' equity
2022	(2,269)	(2,269)	2,269	2,269
2021	(2,565)	(2,565)	2,565	2,565

###### - Price risk

The Company is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic, rather than trading purposes. The Company does not actively trade these investments. Therefore, even if the share price fluctuates, the impact on the current profit or loss will not be significant.

- Foreign currency risk

The Company is exposed to foreign currency risk as it makes transactions in foreign currencies. Foreign currency risk is managed within the limits approved by the Company's policy, which is to use derivative instrument contracts. The carrying value of the Company's monetary assets and liabilities denominated in foreign currencies as of December 31, 2022 and 2021, is as follows:

Korean won (in millions)		
	December 31, 2022	December 31, 2021
Assets	1,033,757	950,737
Liabilities	65,828	247,602

The Company regularly monitors the changes in foreign currency internally. A sensitive analysis on the above assets and liabilities, assuming a 10% per year increase and 10% per year decrease in foreign currency rates (before tax effect) as of December 31, 2022 and 2021, is as follows:

Korean won (in millions)				
	10% per year increase in Korean won against foreign currency		10% per year decrease in Korean won against foreign currency	
	Net income	Shareholders' equity	Net income	Shareholders' equity
2022	96,793	96,793	(96,793)	(96,793)
2021	70,314	70,314	(70,314)	(70,314)

2) Credit risk

Credit risk represents the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet their contractual obligations. The Company sets and operates policies to review client's credit and receives sufficient collaterals to reduce the risk. The Company reviews the risk exposure and credit ratings of its counterparties continuously, and aggregate risks are allocated to total portfolio and controlled by counterparty limits that are reviewed and approved. Credit risk is reviewed annually by the Risk Management Committee and controlled by approved transaction limits.

The maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows:

Korean won (in millions)			
Classification of financial instruments	Account	Carrying values	Maximum exposed amounts
Financial assets at fair value	FVTPL	76,451	76,451
	FVTOCI	393	393
	Derivative Assets	5,750	5,750
Financial assets at amortized cost	Cash and cash equivalents	979,625	979,625
	Short-term financial instruments	444,016	444,016
	Trade receivables	428,527	428,527
	Short-term loans	42,971	42,971
	Accounts receivable	369,181	369,181
	Accrued income	41,305	41,305
	Deposit (current)	42,756	42,756
	Lease receivables (current)	480	480
	Financial assets at amortized cost	200	200
	Long-term financial instruments	3,375	3,375
	Long-term Trade receivables	236,951	236,951
	Long-term loans	841,695	841,695
	Long-term accounts receivable	447,324	447,324
	Long-term accrued income	14,303	14,303
	Deposits (non-current)	406,196	406,196
Lease receivables (non-current)	1,169	1,169	
Total		4,382,668	4,382,668

Details of the Company's exposure to credit risk from guarantee and the commitment provided by the Company are as follows:

Korean won (in millions)		
	Financial guarantee contract liabilities	Maximum exposed amounts
Redevelopment and reconstruction business	4,892	1,040,091
Lotting out and union housing finance personal loan	-	583,922
SOC business	-	40,562
Others	4,009	4,009
Total	8,901	1,668,584

### 3) Liquidity risk

To manage liquidity risk, the Company establishes short- and mid- to long-term fund management plans, and continuously analyzes and reviews the cash outflow budget and actual cash outflow to match the maturity structure of financial liabilities and financial assets. The Company's management believes that it is possible to repay financial liabilities with cash flows generated from operating activities and financial assets held.

The Company's financial assets and liabilities by residual contractual maturity as of December 31, 2022, are classified as follows:

#### Financial assets

Korean won (in millions)				
	Less than 1 year	1 year to 2 years	More than 2 years	Total
Cash and cash equivalents	979,625	-	-	979,625
Fair value measured financial assets	2,871	-	98,596	101,467
Short-term financial instruments	444,016	-	-	444,016
Trade receivables	446,026	-	-	446,026
Short-term loans	42,972	-	-	42,972
Accounts receivable	407,667	-	-	407,667
Accrued income	41,667	-	-	41,667
Deposit (current)	42,756	-	-	42,756
Lease receivables (current)	491	-	-	491
Financial assets at amortized cost	200	-	-	200
Long-term financial instruments	-	2,820	555	3,375
Long-term Trade receivables	330,095	33,095	349,638	712,828
Long-term loans	1,173,834	39,811	483,786	1,697,431
Long-term accounts receivable	357,054	-	356,632	713,686
Long-term accrued income	-	-	47,492	47,492
Deposits (non-current)	29,226	62,830	315,952	408,008
Lease receivables (non-current)	-	491	730	1,221
Total	4,298,500	139,047	1,653,381	6,090,928

Financial liabilities

	Korean won (in millions)			
	Less than 1 year	1 year to 2 years	More than 2 years	Total
Trade payables	678,180	-	-	678,180
Accounts payable	217,779	-	-	217,779
Leasehold deposits received	2,283	-	-	2,283
Accrued expenses	24,613	-	-	24,613
Lease liabilities (current)	45,684	-	-	45,684
Short-term borrowings(*1)	60,136	-	-	60,136
Current portion of long-term liabilities(*1)	30,731	-	-	30,731
Debentures(*1)	7,390	205,689	183,427	396,506
Long-term borrowings(*1)	5,228	158,068	54,470	217,766
Long-term leasehold deposits received	-	-	5,376	5,376
Lease liabilities (non-current)	-	45,684	26,775	72,459
Financial guarantee contract liabilities and supplementary finance loan agreement	1,978,311	-	-	1,978,311
Total	3,050,335	409,441	270,048	3,729,824

(\*1) Cash flows related to interest payments are included in the cash flows of each borrowing and bond.

The above analysis is based on the maturity amount on contracts, except for discount amount before deduction of allowance. Maturity analysis of financial liabilities is based on the earliest maturity date that the Company is obligated to pay based on undiscounted cash flow, including interest accruing from the financial liabilities.

The amount included in the financial guarantee contract above is the maximum amount the Company will be willing to pay if the warrantee claims the full amount of the guarantee. Based on the forecast as of the end of the reporting period, the Company believes that the possibility of not paying the guarantee amount is higher than the possibility of paying the guarantee amount according to the financial guarantee contract. However, the above estimates may change as the probability of a credit loss to the financial receivables held by the assurance holder may vary and the likelihood that the assurance party will be required to make payments to the Company on a guarantee contract.

#### **41. FAIR VALUE OF FINANCIAL INSTRUMENTS:**

- (1) The carrying amounts and fair values of the Company's financial assets and financial liabilities as of December 31, 2022 and 2021, are as follows:

Financial assets

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	979,625	979,625	1,356,004	1,356,004
Short-term financial instruments	444,016	444,016	153,664	153,664
Trade receivables	428,527	428,527	356,349	356,349
Short-term loans	42,971	42,971	43,414	43,414
Current accounts receivable	369,180	369,180	272,210	272,210
Accrued income	41,304	41,304	30,615	30,615
Deposits	42,756	42,756	18,229	18,229
Current lease receivables	480	480	410	410
Financial Assets at amortized cost	200	200	26	26
Long-term financial instruments	3,375	3,375	493	493
Long-term trade receivables	236,951	236,951	221,918	221,918
Long-term loans	841,695	841,695	824,246	824,246
Non-current accounts receivable	447,324	447,324	446,411	446,411
Long-term accrued income	14,303	14,303	14,303	14,303
Long-term deposits	406,196	406,196	306,797	306,797
Non-current lease receivables	1,169	1,169	1,623	1,623
Total	4,300,072	4,300,072	4,046,712	4,046,712

Financial liabilities

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Trade payables	678,180	678,180	579,756	579,756
Accounts payable	217,779	217,779	258,539	258,539
Accrued expenses	24,613	24,613	23,231	23,231
Current lease liabilities	45,086	45,086	43,985	43,985
Dividend Payable	-	-	-	-
Leasehold deposits received	2,283	2,283	1,552	1,552
Short-term borrowings	59,458	59,458	30,000	30,000
Current portion of long-term liabilities	30,155	30,155	40,155	40,155
Current financial guarantee contract liabilities	2,965	2,965	1,246	1,246
Debentures	374,420	374,420	374,161	374,161
Long-term borrowings	208,304	208,304	238,379	238,379
Long-term leasehold deposits received	5,376	5,376	4,435	4,435
Non-current lease liabilities	68,876	68,876	93,309	93,309
Financial guarantee contract liabilities	5,936	5,936	2,068	2,068
Total	1,723,431	1,723,431	1,690,816	1,690,816

Except for items described in the table above, the Company regards that carrying amount of financial assets and financial liabilities recognized in the separate statements of financial position as amortized cost is similar to fair value.

- (2) The details by level of the fair value hierarchy of the fair value of financial instruments subsequently measured at fair value in the statement of financial position as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

	Korean won (in millions)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	-	-	85,075	85,075
Financial assets at FVTOCI	-	10,642	-	10,642
Derivative assets (*1)	-	5,750	-	5,750
Subtotal	-	16,392	85,075	101,467
Financial liabilities				
Derivative liabilities (*1)	-	6,249	-	6,249

(\*1) The amount of liquidity is included.

As of December 31, 2021

	Korean won (in millions)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	-	-	50,215	50,215
Financial assets at FVTOCI	-	29,521	-	29,521
Derivative assets (*1)	-	777	-	777
Subtotal	-	30,298	50,215	80,513
Financial liabilities				
Derivative liabilities (*1)	-	5,353	-	5,353

(3) Changes in carrying amount of fair value measurement of financial assets classified as Level 3 are as follows:

Korean won (in millions)		
	2022	2021
Beginning balance	50,215	42,662
Total gain (loss)		
On net income	2,613	(5,099)
On other comprehensive income	-	-
Acquisition	32,247	12,652
Disposal	-	-
Transfer to Level 3 or from Level 3	-	-
Ending balance	85,075	50,215

(4) The Company uses the following valuation techniques and input variables for recurring fair value measurements, non-recurring fair value measurements and fair value disclosures that are classified as Level 2 and Level 3 in the fair value hierarchy.

Korean won (in millions)					
	Fair value	Level	Valuation technique	Input variable	The relationship between non-observable inputs and fair value measurements
Fair value measured of financial assets					
SOC stock, PFV, beneficial securities, capital investments, start-up and derivative linked bond("DLB")	85,075	3	Net asset valuation method, cash flow discount model, etc.	Growth rate, discount rate etc.	If the discount rate declines and the growth rate rises, fair value rises.
Debt securities	10,642	2	Net asset valuation method, cash flow discount model, etc.	Growth rate, discount rate, etc.	If the discount rate declines and the growth rate rises, fair value rises.
Non-marketable stock	-	3	Net asset valuation method, cash flow discount model, etc.	Growth rate, discount rate, etc.	If the discount rate declines and the growth rate rises, fair value rises.
Derivatives (assets)					
Currency forward and others	5,750	2	Market approach	Currency forward exchange rates, etc.	N/A
Derivatives (liabilities)					
Currency forward and others	6,249	2	Market approach	Currency forward exchange rates, etc.	N/A

(5) The Company recognizes movements between levels when events or changes in circumstances bring about level shifts. In addition, there is no significant movement between Level 1 and Level 2 during the period.

#### **42. NON-CURRENT ASSETS HELD FOR SALE:**

The Company sold Yongpyeong May Hills (400 million won for land and buildings) and seven rooms for commercial facilities in Gwangju (2,051 million won for land and buildings). Yongin Mabuk 3rd Business Site (26,441 million won), which was classified as assets held for sale according to the land sale plan, was transferred to with investment property due to the failure to meet the classification conditions of assets held for sale for more than one year.

Assets held for sale as of the end of December 31, 2022 and 2021, are as follows.

Sortation	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Non-current assets held for sale	-	26,441

#### **43. SUBSEQUENT EVENTS:**

- (1) In January 2023, the Company approved the participation in a private equity fund for investing in the U.S. X-energy reactor company LLC. (XERC) during the financial committee meeting. The investment amount is USD 20 million, approximately KRW 25.5 billion.
- (2) In January 2023, the Company has resolved to participate in a capital increase for the affiliate company's (IncheonInha PFV Co., Ltd.) shares during the ESG committee meeting. The participation amount for the capital increase is KRW 22.8 billion.
- (3) In January 2023, the Company has resolved to participate in a capital increase for the shares of affiliated company (Daejeonmunwha PFV Co., Ltd.) during the ESG committee meeting. The participation amount for the capital increase is KRW 14.25 billion.
- (4) In January 2023, the Company has resolved to participate in a capital increase for the shares of our affiliated company (JeonjuWansan PFV Co., Ltd.) during the ESG committee meeting. The participation amount for the capital increase is KRW 8.075 billion.
- (5) In February 2023, the Company approved the extension of the maturity date for the loan from DL USA Inc. (U.S. local corporation) during the financial committee meeting. The loan amount is USD 24.2 million.