

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Samsung SDI Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Samsung SDI Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing (KSAs), , the Group's Internal Control over Financial Reporting for consolidation purposes as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated February 23, 2024 expressed an unmodified opinion on the effectiveness of the Group's internal control over financial reporting.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A. The existence of automotive battery revenue

1) Risk

The Group recognizes automotive battery revenue when it transfers the risk and control over the good to the customer. The Group's automotive battery revenue is consistently increasing, and the expectations of external stakeholders are high.

As described in note 4, the amount of automotive battery revenue is significant in the consolidated financial statements and the management's incentive to increase the revenue is high, we have determined the existence of automotive battery revenue as a key audit matter.



2) How the matter was addressed in our audit

The primary procedures we performed to address this key audit matter included the following:

- Obtained an understanding of the Group's processes related to automotive battery revenue recognition and evaluated the design and operating effectiveness of corresponding internal controls.
- Inspected the automotive battery contracts with customers on a sample basis and assessed the appropriateness of the timing of control transfer and corresponding revenue recognition in accordance with K-IFRS No. 1115.
- Assessed the existence of automotive battery revenue and the appropriateness of the timing of automotive battery revenue recognition, by inspecting the external evidence on a sample basis.

B. The Appropriateness of estimation of allowance for inventory valuation

1) Risk

The Group assesses the net realizable value and obsolescence of inventory. The evaluation includes management's judgement and estimates. As described in note 9 to the consolidated financial statements, considering the amount of allowance for inventories is significant in the consolidated financial statements and there is uncertainty in the estimates and judgments used by management, we identified the appropriateness of estimation of allowance for inventory valuation as a key audit matter.

2) How the matter was addressed in our audit

The primary procedures we performed to address this key audit matter included the following:

- Obtained an understanding of the Group's processes related to inventory valuation and evaluated the design and operating effectiveness of corresponding internal controls.
- Evaluated the reasonableness of the Group's accounting policies and methodology and assumptions applied to estimate the inventory valuation and performed recalculations.
- Assessed the accuracy of inventory aging data on a sample basis.
- Evaluated the appropriateness of the underlying data used for the estimation of the net realizable value of inventory on a sample basis.

Other Matter

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Cha, Jeong-Hwan.

KPMG Samjong Accounting Corp.

Seoul, Korea
February 23, 2024

This report is effective as of February 23, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

As of December 31, 2023 and 2022

(In thousands of won)

| | Note | 2023 | 2022 |
|--|--------------|-----------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | 5,7 ₩ | 1,524,461,361 | 2,614,271,850 |
| Trade and other receivables, net | 5,8,32 | 3,402,869,055 | 2,933,814,799 |
| Inventories, net | 9 | 3,297,368,930 | 3,204,515,835 |
| Other investments | 5,10 | 602,098,501 | 534,662,104 |
| Other current assets | 11 | 353,200,052 | 335,800,401 |
| Current derivative assets | 5,20 | 7,031,294 | 28,637,386 |
| Current assets | | 9,187,029,193 | 9,651,702,375 |
| Long-term trade and other receivables, net | 5,8,32 | 33,739,219 | 6,879,322 |
| Investments in associates and joint venture | 12 | 9,996,233,433 | 8,940,282,255 |
| Property, plant and equipment, net | 6,13,31 | 11,893,348,077 | 8,965,469,799 |
| Intangible assets, net | 6,14 | 858,929,747 | 814,931,163 |
| Investment property | 6,15 | 147,320,486 | 147,558,866 |
| Deferred tax assets | 29 | 211,071,364 | 168,913,514 |
| Other non-current investments, including derivatives | 5,10,20 | 1,364,181,993 | 1,245,883,337 |
| Other non-current assets | 11 | 93,180,479 | 137,715,011 |
| Non-current derivative assets | 5,20 | - | 6,070,438 |
| Employee benefit assets | 19 | 253,826,202 | 172,119,091 |
| Non-current assets | | 24,851,831,000 | 20,605,822,796 |
| Total assets | ₩ | 34,038,860,193 | 30,257,525,171 |
| Liabilities | | | |
| Trade and other payables | 5,16,31,32 ₩ | 4,538,845,024 | 4,285,754,046 |
| Income tax payable | 29 | 101,894,653 | 229,613,881 |
| Advance received | 6 | 607,331,856 | 230,132,847 |
| Unearned revenue | 6 | 18,823,553 | 78,688,354 |
| Short-term borrowings | 5,17,34 | 2,868,274,952 | 2,851,183,214 |
| Derivative liabilities | 5,20 | - | 57,510 |
| Provisions | 18,20 | 383,763,099 | 331,508,976 |
| Current liabilities | | 8,518,933,137 | 8,006,938,828 |
| Non-current trade and other payables | 4,16,31,32 | 541,922,917 | 697,531,225 |
| Long-term advance received | 6 | 61,184,782 | 50,623,505 |
| Long-term borrowings | 5,17,34 | 2,849,524,920 | 2,297,040,000 |
| Net employee benefit liabilities | 19 | 2,276,047 | 2,005,410 |
| Non-current derivative liabilities | 5,20 | - | 82,319 |
| Long-term provisions | 18,20 | 93,140,664 | 91,878,306 |
| Deferred tax liabilities | 29 | 2,064,627,748 | 1,893,923,422 |
| Non-current liabilities | | 5,612,677,078 | 5,033,084,187 |
| Total liabilities | ₩ | 14,131,610,215 | 13,040,023,015 |
| Equity | | | |
| Share capital | 1,21 ₩ | 356,712,130 | 356,712,130 |
| Share premium | 21 | 5,001,974,693 | 5,001,974,693 |
| Other components of equity | 22 | (345,131,584) | (345,131,584) |
| Accumulated other comprehensive income | 23,29 | 1,162,152,893 | 1,003,816,893 |
| Retained earnings | 24 | 12,335,665,246 | 10,468,351,381 |
| Equity attributable to owners of the Parent Company | | 18,511,373,378 | 16,485,723,513 |
| Non-controlling interests | 33 | 1,395,876,600 | 731,778,643 |
| Total equity | | 19,907,249,978 | 17,217,502,156 |

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2023 and 2022

(In thousands of won, except per share information)

| | <u>Note</u> | <u>2023</u> | <u>2022</u> |
|--|----------------|----------------------|----------------------|
| Revenue | 6,32 ₩ | 22,708,300,498 | 20,124,069,516 |
| Cost of sales | 9,19,26,32 | (18,726,384,091) | (15,903,322,834) |
| Gross profit | | 3,981,916,407 | 4,220,746,682 |
| Selling, general and administrative expenses | 14,19,25,26,32 | (2,348,547,442) | (2,412,733,669) |
| Operating profit | 6 | 1,633,368,965 | 1,808,013,013 |
| Other non-operating income | 27,32 | 76,645,597 | 62,998,019 |
| Other non-operating expenses | 27,32 | (50,310,957) | (206,316,946) |
| Finance income | 28 | 1,055,087,475 | 1,390,645,973 |
| Finance costs | 28 | (1,245,885,498) | (1,442,761,340) |
| Share of income of associates and joint venture | 12 | 1,017,238,435 | 1,039,696,670 |
| Profit before income tax | | 2,486,144,017 | 2,652,275,389 |
| Income tax expense | 29 | (420,097,455) | (612,913,941) |
| Profit for the year | 24,30 | 2,066,046,562 | 2,039,361,448 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement of net defined benefit liabilities | 19,24,29 | (99,099,458) | 87,645,869 |
| Gain (loss) on valuation of financial assets at FVOCI | 10 | 88,659,820 | (166,678,917) |
| Related tax | 29 | 15,507,203 | (3,040,696) |
| Items that are or may be reclassified to profit or loss: | | | |
| Gain on valuation of derivatives instruments for cash flow hedge | 20 | (23,111,866) | (67,984,703) |
| Change in equity of equity-method accounted investees | 12 | (16,687,756) | (9,615,209) |
| Foreign operations – foreign currency translation differences | | 90,240,991 | 17,859,070 |
| Related tax | 29 | 10,507,100 | 1,937,146 |
| Other comprehensive income for the year, net of tax | | 66,016,034 | (139,877,440) |
| Total comprehensive income for the year | ₩ | 2,132,062,596 | 1,899,484,008 |
| Profit attributable to: | | | |
| Owners of the Parent Company | 30 ₩ | 2,009,207,126 | 1,952,148,536 |
| Non-controlling interests | 33 | 56,839,436 | 87,212,912 |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent Company | | 2,094,600,653 | 1,848,403,992 |
| Non-controlling interests | 33 | 37,461,943 | 51,080,016 |
| Earnings per share | 30 | | |
| Basic earnings per share - Ordinary share | ₩ | 30,044 | 29,191 |
| Basic earnings per share - Preferred share | | 30,094 | 29,241 |

See accompanying notes to the consolidated financial statements

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
 Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

| <i>(In thousands of won)</i> | | Share capital | Capital surplus | Other capital | Accumulated other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
|--|---|--------------------|----------------------|----------------------|---|-----------------------|------------------------------|-----------------------|
| Balance at January 1, 2022 | ₩ | 356,712,130 | 5,001,974,693 | (345,131,584) | 1,174,235,558 | 8,516,473,334 | 492,435,184 | 15,196,699,315 |
| Comprehensive income | | | | | | | | |
| Profit for the year | | - | - | - | - | 1,952,148,536 | 87,212,912 | 2,039,361,448 |
| Remeasurements of the defined benefit plan | | - | - | - | - | 66,674,121 | - | 66,674,121 |
| Gain on valuation of derivatives instruments for cash flow hedge | | - | - | - | (52,195,555) | - | - | (52,195,555) |
| Changes in fair values of financial assets at FVOCI | | - | - | - | (148,747,865) | - | - | (148,747,865) |
| Change in equity of equity-accounted investees | | - | - | - | (23,467,212) | - | - | (23,467,212) |
| Foreign operations – foreign currency translation differences | | - | - | - | 53,991,967 | - | (36,132,896) | 17,859,071 |
| Total comprehensive income | | - | - | - | (170,418,665) | 2,018,822,657 | 51,080,016 | 1,899,484,008 |
| Transactions with shareholders | | | | | | | | |
| directly recognized in equity | | | | | | | | |
| Dividends to owners of the company | | - | - | - | - | (66,944,610) | (2,553,941) | (69,498,551) |
| Capital contribution from non-controlling interest | | - | - | - | - | - | 191,354,614 | 191,354,614 |
| Capital reduction of non-controlling interest | | - | - | - | - | - | (537,230) | (537,230) |
| Balance at December 31, 2022 | ₩ | 356,712,130 | 5,001,974,693 | (345,131,584) | 1,003,816,893 | 10,468,351,381 | 731,778,643 | 17,217,502,156 |

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
 Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022, Continued

| <i>(In thousands of won)</i> | | Capital stock | Capital surplus | Other capital | Accumulated other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
|--|---|--------------------|----------------------|----------------------|---|-----------------------|------------------------------|-----------------------|
| Balance at January 1, 2023 | ₩ | 356,712,130 | 5,001,974,693 | (345,131,584) | 1,003,816,893 | 10,468,351,381 | 731,778,643 | 17,217,502,156 |
| Comprehensive income | | | | | | | | |
| Profit for the year | | - | - | - | - | 2,009,207,126 | 56,839,436 | 2,066,046,562 |
| Remeasurements of the defined benefit plan | | - | - | - | - | (72,942,473) | - | (72,942,473) |
| Gain on valuation of derivatives instruments for cash flow hedge | | - | - | - | (17,010,333) | - | - | (17,010,333) |
| Changes in fair values of financial assets at FVOCI | | - | - | - | 78,010,037 | - | - | 78,010,037 |
| Change in equity of equity-accounted investees | | - | - | - | (12,282,188) | - | - | (12,282,188) |
| Foreign operations – foreign currency translation differences | | - | - | - | 109,618,484 | - | (19,377,493) | 90,240,991 |
| Total comprehensive income | | - | - | - | 158,336,000 | 1,936,264,654 | 37,461,943 | 2,132,062,596 |
| Transactions with shareholders | | | | | | | | |
| directly recognized in equity | | | | | | | | |
| Dividends to owners of the company | | - | - | - | - | (68,950,789) | (2,605,626) | (71,556,415) |
| Capital contribution from non-controlling interest | | - | - | - | - | - | 629,241,640 | 629,241,640 |
| Balance at December 31, 2023 | ₩ | 356,712,130 | 5,001,974,693 | (345,131,584) | 1,162,152,893 | 12,335,665,246 | 1,395,876,599 | 19,907,249,977 |

See accompanying notes to the consolidated financial statement.

For the years ended December 31, 2023 and 2022

(In thousands of won)

| | Note | 2023 | 2022 |
|---|------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit for the year | ₩ | 2,066,046,562 | 2,039,361,448 |
| Adjustments for expense (benefit) | 34 | 1,497,883,704 | 1,415,752,593 |
| Changes in assets and liabilities | 34 | (938,384,206) | (500,717,670) |
| Interest received | | 80,023,127 | 34,121,360 |
| Interest paid | | (221,312,632) | (81,139,252) |
| Dividends received | | 17,095,214 | 12,250,892 |
| Income taxes paid | | (397,830,255) | (278,533,207) |
| Net cash provided by operating activities | | 2,103,521,514 | 2,641,096,164 |
| Cash flows from investing activities | | | |
| Decrease in other investments | | 2,889,653,378 | 223,573,857 |
| Proceeds from disposal of property, plant and equipment | | 11,714,680 | 20,379,233 |
| Proceeds from disposal of intangible assets | | - | 1,122,015 |
| Disposal of subsidiaries and affiliates | | 2,000,000 | 19,709,386 |
| Increase in government grants | | 99,099,063 | 52,827,228 |
| Acquisition of other investments | | (3,003,927,026) | (408,355,803) |
| Acquisition of property, plant and equipment | | (4,048,246,716) | (2,808,898,170) |
| Acquisition of intangible assets | | (12,458,762) | (4,583,865) |
| Acquisition of subsidiaries and affiliates | | (42,680,000) | (42,010,000) |
| Net cash used in investing activities | | (4,104,845,383) | (2,946,236,119) |
| Cash flows from financing activities | | | |
| Proceeds from short-term borrowings | | 4,049,049,429 | 1,239,602,699 |
| Proceeds from long-term borrowings | | 1,005,861,108 | 807,737,420 |
| Capital contribution from non-controlling interest | | 629,241,640 | 191,354,614 |
| Dividends paid | | (71,550,149) | (69,498,551) |
| Repayment of debentures | | (220,000,000) | - |
| Repayment of short-term borrowings | | (3,990,031,780) | (1,508,607,082) |
| Repayment of long-term borrowings | | (463,850,373) | (1,296,152) |
| Capital reduction from non-controlling interest | | - | (29,750) |
| Repayment of lease liabilities | | (36,058,841) | (30,563,962) |
| Net cash provided by financing activities | | 902,661,034 | 628,699,236 |
| Net increase in cash and cash equivalents | | (1,098,662,835) | 323,559,281 |
| Cash and cash equivalents at January 1 | | 2,614,271,850 | 2,325,692,348 |
| Effect of fluctuations in exchange rate on cash held | | 8,852,346 | (34,979,779) |
| Cash and cash equivalents at December 31 | ₩ | 1,524,461,361 | 2,614,271,850 |

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2023 and 2022

1. Reporting Entity

Samsung SDI Co., Ltd. (the “Parent Company” or the “Company”) was incorporated on January 20, 1970 under the laws of the Republic of Korea with paid-in capital of ₩200 million, and its head office is located in Gi-heung, Gyeong-gi Do.

The consolidated financial statements comprise the Company, its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interests in associates. In 1979, the Parent Company was listed on the Korean stock exchange market, and its shares are listed as depositary receipts on the Luxembourg Stock Exchange.

The major business segments and locations of domestic production facilities of the Parent Company are as follows.

| Business | Major product lines | Domestic Locations |
|----------------------|---|--------------------|
| Energy solutions | Automotive battery, ESS (Energy Storage System), Small-sized li-ion battery | Ulsan, Cheon-an |
| Electronic materials | Semi-conductor and display materials | Cheong-ju, Gumi |

In addition to these local business locations, the Parent Company also has 20 subsidiaries operating in the United States, China, Germany, Hungary, and so on.

Under its Articles of Incorporation, the Parent Company is authorized to issue 200,000 thousand shares with par value of ₩5,000. As of December 31, 2023, 70,382,426 shares of stock (including 1,617,896 shares of preferred stock) have been issued and are outstanding, and the Parent Company’s paid-in-capital amounts to ₩356,712 million. The largest shareholder of the Parent Company is Samsung Electronics Co., Ltd. (ownership: 19.13%). The Parent Company is allowed to retire its stocks through a board resolution within its profit available for dividends to its shareholders. Pursuant to the resolution made by the board of directors on October 18, 2004, the Parent Company retired 930,000 shares of ordinary stock and 30,000 shares of preferred stock, which were acquired at ₩99,333 million on December 8, 2004 by appropriating retained earnings. The par value of outstanding shares is ₩351,912 million (₩343,823 million for common stock and ₩8,089 million for preferred stock, excluding the retired shares) and it differs from the Group’s paid-in-capital due to the share retirement.

Under its Articles of Incorporation, the Parent Company is authorized to issue 30,000 thousand shares of non-voting preferred stock. Holders of preferred shares issued before February 28, 1997 are entitled to receiving additional dividends of 1% of its par value per annum. As of December 31, 2023 1,617,896 shares of non-cumulative and non-voting preferred stocks are eligible for these additional dividends.

For the years ended December 31, 2023 and 2022

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audits of Corporations in the Republic of Korea. The consolidated financial statements were authorized for issue by the Board of Directors on January 30, 2024 and will be submitted for approval to general shareholders meeting to be held on March 20, 2024.

(1) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Financial instruments measured at fair value.
- Liabilities for defined benefit plans recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets.

(2) Functional and presentation currency

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

(3) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Change in accounting estimates is recognized during the period in which the change is made and during any future periods it may affect.

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

- Note 4: Consolidation: whether the Group has de facto control over an investee;
- Note 12: Investments in associates: whether the Group has significant influence over an investee; and
- Note 31: Lease term: whether the Group is reasonably certain to exercise extension options

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

- Note 9: Inventory Allowance for valuation - Key assumptions of net realizable value measurement
- Note 14: Intangible Assets- key assumptions underlying recoverable amounts
- Note 18: Provisions - key assumptions about likelihood and magnitude of an outflow of resources; and
- Note 19: measurement of defined benefit obligations: key actuarial assumptions

For the years ended December 31, 2023 and 2022

2. Basis of Preparation, Continued

(4) Fair value measurement

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

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

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

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

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

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

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

- Note 5: Financial Risk Management

For the years ended December 31, 2023 and 2022

3. Changes in Accounting Policies

(1) Global Minimum Tax

The Group applied the amendments to the International Tax Reform - Pillar 2 Model Rules (Corporate Tax, K-IFRS No. 1012) from January 1, 2023. These amendments include a mandatory rule temporarily exempting deferred income tax accounting treatment for the Global Minimum Tax. It also requires additional disclosure of exposure information related to Pillar 2 Corporate Tax. The impact of these amendments on the Group is explained in Note 29.

(2) Material accounting policies information

The group applied the amendments to disclosures of accounting policies(K-IFRS No. 1001, 'Presentation of financial statements') from January 1, 2023. These amendments do not result in a change to the accounting policies themselves but impact the accounting policy information disclosed in these consolidated financial statements. The amendments require the disclosure of 'material' accounting policies rather than 'significant' accounting policies. Also, by providing guidelines for applying materiality to accounting policy disclosures, it enables users of the consolidated financial statements to understand company-specific accounting policy information. The management of the Group has reviewed the accounting policies and updated material accounting policy(previous year: significant accounting policies) information disclosed in Note 4 in accordance with these amendments.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies

Material accounting policies applied by the Group in preparing its consolidated financial statements in accordance with K-IFRS are described below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements except for the changes in accounting policies explained in Note 3.

The group applied the amendments to disclosures of accounting policies(K-IFRS No. 1001, 'Presentation of financial statements') from January 1, 2023. These amendments require the disclosure of 'material' accounting policies, not 'significant' accounting policies. These amendments do not result in a change to the accounting policies themselves but impact the accounting policy information disclosed in these consolidated financial statements.

(1) Basis of consolidation

1) Subsidiaries

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Non-controlling interests (“NCI”) are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(1) Consolidation, continued

1) Subsidiaries, continued

(i) The list of subsidiaries as of December 31, 2023 and 2022 are as follows: All subsidiaries' fiscal year end is December 31.

| Subsidiaries | Location | Primary business | Percentage of ownership (*1) | |
|--|-----------|---|------------------------------|--------|
| | | | 2023 | 2022 |
| Samsung SDI Japan Co., Ltd. ("SDIJ") | Japan | Supporting sales and purchase in Japan | 100.0% | 100.0% |
| Samsung SDI America, Inc. ("SDIA") | U.S.A. | Manufacturing automotive batteries | 91.7% | 91.7% |
| | | Supporting sales of automotive and ESS batteries | | |
| | | Market research of small-sized rechargeable battery | | |
| StarPlus Energy LLC. ("STARPLUS") | U.S.A. | Manufacturing and sales of automotive battery | 51.0% | 51.0% |
| Samsung SDI Hungary Zrt. ("SDIHU") | Hungary | Manufacturing and sales of automotive battery | 100.0% | 100.0% |
| Samsung SDI Europe GmbH ("SDIEU") | Germany | Supporting sales and purchase in Europe | 100.0% | 100.0% |
| Samsung SDI Battery Systems GmbH ("SDIBS") | Austria | Manufacturing and sales of automotive battery | 100.0% | 100.0% |
| Samsung SDI Vietnam Co., Ltd. ("SDIV") | Vietnam | Manufacturing and sales of rechargeable battery | 100.0% | 100.0% |
| Samsung SDI Energy Malaysia Sdn. Bhd. ("SDIEM") | Malaysia | Manufacturing and sales of rechargeable battery | 100.0% | 100.0% |
| Samsung SDI India Pvt. ("SDII") | India | Manufacturing and sales of rechargeable battery | 100.0% | 100.0% |
| Samsung SDI (Hong Kong) Ltd. ("SDIHK") | Hong Kong | Supporting sales of rechargeable battery | 97.6% | 97.6% |
| Subsidiary of SDIHK | | | | |
| Tianjin Samsung SDI Co., Ltd. ("TSDI") | China | Manufacturing and sales of rechargeable battery | 78.0% | 78.0% |
| Samsung SDI China Co., Ltd. ("SDIC") | China | Supporting sales and purchase in China | 100.0% | 100.0% |
| Samsung SDI-ARN (Xi'An) Power Battery Co., Ltd. ("SAPB") | China | Manufacturing and sales of automotive battery | 65.0% | 65.0% |
| Samsung SDI (Tianjin) Battery Co., Ltd. ("SDITB") | China | Manufacturing and sales of rechargeable battery | 80.0% | 80.0% |
| STM Co., Ltd. ("STM") | Korea | Manufacturing and sales of cathode active material for rechargeable battery | 100.0% | 100.0% |
| Samsung SDI Wuxi Co., Ltd. ("SDIW") | China | Manufacturing and sales of electronic materials products | 100.0% | 100.0% |
| Novald GmbH ("NOVALED") | Germany | Manufacturing and sales of electronic materials products | 50.1% | 50.1% |
| SVIC 15 Fund ("SVIC 15") | Korea | Investments in new technology venture business | 99.0% | 99.0% |
| SVIC 24 Fund ("SVIC24") | Korea | Investments in new technology venture business | 99.0% | 99.0% |
| SVIC 49 Fund ("SVIC49") | Korea | Investments in new technology venture business | 99.0% | 99.0% |

(*1) Effective ownership interest has been measured based on ownership of the Parent Company and its subsidiaries considering the control structure. The ownership interests of subsidiaries that do not issue shares in accordance with the relevant local laws and regulations are calculated based on the investment amounts.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(1) Consolidation, continued

1) Subsidiaries, continued

(ii) Summarized financial information of subsidiaries as of and for the year ended December 31, 2023 are as follows:

(In thousands of won)

| Subsidiaries | Assets | Liabilities | Equity | Revenue | Net profit (loss) |
|--------------|---------------|---------------|---------------|---------------|----------------------|
| STM | 660,539,765 | 220,117,123 | 440,422,642 | 1,433,095,355 | 57,159,562 |
| SVIC24 | 18,593,282 | 12,331,492 | 6,261,790 | - | (292,448) |
| SVIC15 | 22,824,631 | 3,212 | 22,821,419 | - | (552,453) |
| SVIC49 | 54,561,776 | 255,267 | 54,306,509 | - | 3,802,029 |
| SDIJ | 6,906,796 | 2,233,363 | 4,673,433 | 10,623,368 | 476,389 |
| SDIA | 400,102,600 | 303,333,653 | 96,768,947 | 1,411,465,746 | 32,013,670 |
| STARPLUS | 1,798,731,227 | 182,982,358 | 1,615,748,869 | - | (30,189,536) |
| NOVALED | 735,813,983 | 7,491,964 | 728,322,019 | 113,746,672 | 45,066,855 |
| SDIHU | 7,837,660,949 | 6,222,472,369 | 1,615,188,580 | 8,554,123,495 | 190,136,045 |
| SDIEU | 30,013,685 | 13,003,476 | 17,010,209 | 54,939,720 | 6,237,042 |
| SDIBS | 318,100,290 | 156,984,856 | 161,115,434 | 252,937,573 | 23,849,693 |
| SDIV | 326,970,230 | 107,379,059 | 219,591,171 | 1,013,875,685 | 31,654,814 |
| SDIEM | 1,874,176,164 | 1,320,494,881 | 553,681,283 | 1,520,447,108 | 41,896,127 |
| SDII | 21,265,151 | 7,508,008 | 13,757,143 | 5,745,964 | 3,820,094 |
| SDIW | 601,642,075 | 160,965,459 | 440,676,616 | 1,018,279,160 | 30,840,966 |
| TSDI | 672,728,883 | 290,457,389 | 382,271,494 | 543,405,719 | 14,005,315 |
| SDIHK | 843,025,347 | 140,855,031 | 702,170,316 | 1,741,993 | 37,883,135 |
| SDIC | 19,363,561 | 6,364,036 | 12,999,525 | 27,455,973 | 3,728,866 |
| SAPB | 816,895,510 | 278,682,396 | 538,213,114 | 1,176,833,427 | 82,621,180 |
| SDITB | 1,207,356,995 | 691,018,488 | 516,338,507 | 2,122,676,565 | 57,194,803 |

2) Transactions eliminated on consolidation

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

3) Business combination under common control

Combination of entities and business under common control recognizes the acquired assets and liabilities obtained at book values of consolidated financial statements of ultimate controlling company. The Group recognizes the difference between the net book value acquired and consideration transferred in share premium.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(2) Foreign currency

1) Foreign currency Transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items, except for translation differences from net investment in foreign operation and from financial liabilities designated to cash flow hedges, are recognized in profit or loss in the period in which they arise. If profit or loss from non-monetary items is regarded as other comprehensive income then the exchange rate change effects are treated as other comprehensive income, where regarded as current profit or loss then treated as current profit or loss.

2) Foreign Operations

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

(3) Cash and cash equivalents

The Group classifies investment assets with a maturity of within 3 months from the acquisition date as cash and cash equivalents.

(4) Financial instruments

1) Recognition and initial measurement

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

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(4) Financial instruments, continued

2) Subsequent measurement

Business model assessment

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level that best reflects the way the business is managed, and information is provided to management. The information considered includes:

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

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

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

Assessment whether contractual cash flows are solely payments of principal and interest

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

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

3) Derecognition

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

4) Offsetting

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

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(5) Non-derivative financial liabilities

The Group classifies financial liabilities into FVTPL or other financial liabilities based on the substance of the contractual terms and the definition of financial liabilities. Recognition on the consolidated statement of financial position occurs when the Group becomes a party to the contract.

(6) Derivatives

Derivative financial instruments and hedge accounting

Accounting policies related to derivative financial instruments and hedge accounting, as well as information on risk management activities are included in Note 20.

(7) Property, plant and equipment

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The estimated useful lives of the Group's property, plant and equipment are as follows:

| | <u>Useful lives (years)</u> |
|--------------------------------|-----------------------------|
| Buildings | 10 ~ 60 |
| Structures | 10 ~ 40 |
| Machineries | 5 ~ 10 |
| Vehicles | 4 ~ 5 |
| Tools, furniture, and fixtures | 1 ~ 5 |

Subsequent costs are recognized in the carrying amount of property, plant and equipment if it is probable that future economic benefits associated with the item will flow to the Group.

(8) Intangible asset

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

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero.

The estimated useful lives of the group's assets are as follows:

| | <u>Useful lives (years)</u> |
|----------------------------|-----------------------------|
| Industrial property rights | 5 ~10 |
| Others intangible assets | 4 ~20 |

(9) Investment property

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

Investment property, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(10) Inventories

The cost of inventories is based on specific method for materials in transit, moving average method for raw materials and sub-materials and gross average method (monthly moving average method) for all the other inventories, and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(11) Impairment

1) Impairment of financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;

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

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

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

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(11) Impairment, continued

1) Impairment of financial assets, continued

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

① Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for a security because of financial difficulties.

② Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

③ Write-off

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

(12) Employee benefits

1) Other long-term employee benefits

The present value of the liability related to other long-term employee benefits is determined by discounting the expected future cash flows using the interest rate of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(12) Employee benefits, Continued

2) Defined benefit plans

The Group's net obligation is calculated annually by an independent actuary using the projected unit credit method.

(13) Provisions

The warranty provision (quality assurance) is recognized when products or services are sold or provided. It is estimated based on past incidence data, calculating all possible outcomes and their associated probabilities.

(14) Revenue from contracts with customers

The main profits of the Group are generated by the energy solution business sector, which sells small batteries, medium and large batteries, and the electronic materials business unit, which sells semiconductor and display materials.

The Group's accounting policies for revenue stream are as follows:

| Type of product / service | Nature, timing of satisfaction of performance obligation, significant payment terms |
|--------------------------------------|--|
| Sales of Goods | Control is transferred at the time product is delivered to and is taken over by the customer. The group recognizes revenue when control is transferred, and invoices are issued. Under K-IFRS No.1115, revenue is recognized only to the extent that it is highly probable that no significant reduction in cumulative revenue will occur. Since certain customers are eligible for price discounts such as sales incentives based on their purchase volume, revenue is recognized as the amount reflecting those estimated price discounts in accordance with contract terms. |
| Royalty | The Group provides customers with licenses, including patented technology, and receives royalties monthly or quarterly, depending on the volume of production (or sales) of products using the technology. Under K-IFRS No.1115, royalty based on sales volume or production is recognized when subsequent sales or production activities occur. |
| Development Service | The Group provides services for developing products that meet customer requirements. Intangible outputs generated by such development services are identified as separate performance obligations, and control is transferred to the customer at the time of final approval of the customer. Therefore, costs associated revenue from the contract with the customer are recognized when the deliverables promised to the customer are delivered. |

(15) Government grants

Government grants which are intended to compensate the Group for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Group recognizes the related costs as expenses. If the Group has received government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets, the amounts are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(16) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets),

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortized cost or FVOCI;
- the net gain or loss on the disposal of financial assets measured at amortized cost;
- hedge ineffectiveness recognized in profit or loss; and
- payment guarantee fee; and

Interest income or expense is recognized using the effective interest method.

(17) Income taxes

The Global Minimum Tax paid in accordance with Pillar 2 rules is the corporate tax subject to the application of Corporate Tax (K-IFRS No. 1012). The Group applies temporary relief from deferred tax accounting treatment due to the impact of the Global Minimum Tax. The Group will account for the current tax when the Pillar 2 corporate tax is incurred.

(18) Operating segment

The Group consists of energy solution segment and electronic materials segment, each being the strategic sales unit of the Group. Strategic sales units are operated separately because each segment is manufacturing different products respectively and requires different technologies and marketing strategies.

The performance of the operating segment is assessed based on profit attributable to owners of the Parent Company of each segment, which is considered to be useful for the management to compare the Group's performance in a specific segment with other companies in the same industry.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(19) Emissions Rights

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

1) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. Free allocation allowances are measured and recognized at zero and purchased emission permits are recognized at acquisition cost by adding other costs directly related to the acquisition and normally incurred.

Emission rights held for the purpose of performing the obligation is classified as intangible asset and is initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses. Parts to be submitted to the government within one year from the end of the reporting period are classified as current assets.

Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period.

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

2) Emission liability

Emission liabilities are present obligations to submit emission permits to the government and are measured by adding up the carrying amount of the emission permits and the estimated expenditure required to meet the obligations for excess emission. Emission liabilities are derecognized when submitted to the government.

(20) Lease

1) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in trade and other payables' in the statement of financial position.

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

(20) Lease, Continued

2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(21) New standards and interpretations not yet adopted

The following new standard has been published but is not mandatory for the Group for annual period beginning on January 1, 2023, and the Group has not early adopted them:

- K-IFRS 1001 'Presentation of Financial Statements'- Current/non-current classification of liabilities.

The following new and amended standards are not considered to have any significant impact on the Group:

- Sale and leaseback transactions (K-IFRS No. 1116 'Lease')

- Lack of Exchangeability (K-IFRS No. 1021 'The Effects of Changes in Foreign Exchange Rates')

For the years ended December 31, 2023 and 2022

5. Financial Risk Management

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

(1) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Most customers have been transacting with the Group for many years and impairment loss has not occurred very often. In addition, the Group reviews credit rating of new customers prior to the determination of payment terms and also re-examines the credit rating of existing customers on a regular basis.

The Group sets allowances for estimated losses from accounts receivable and financial assets. In addition, the Group reports present conditions and countermeasures of delayed recovery for the financial assets and takes reasonable steps depending on the reasons for delay in order to manage the credit risk. In addition, the Group hedges credit risks by entering into insurance contracts for some financial assets.

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group limits its exposure to credit risk by depositing cash and cash equivalents in financial institutions that have a high credit rate. The maximum exposure to credit risk at the reporting date as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | | <u>2023</u> | <u>2022</u> |
|--------------------------------------|---|----------------------|----------------------|
| Cash and cash equivalents | ₩ | 1,523,001,371 | 2,612,660,171 |
| Trade and other receivables, net | | 3,300,525,044 | 2,824,178,592 |
| Government bonds | | 329,030 | 232,805 |
| Non-derivative financial instruments | | 550,107,808 | 483,088,601 |
| Guarantee deposits | | <u>108,433,754</u> | <u>92,869,643</u> |
| Total | ₩ | <u>5,482,397,007</u> | <u>6,013,029,812</u> |

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(1) Credit risk, continued

2) Impairment loss

The aging of trade and other receivables and respective impaired amounts as of December 31, 2023 and 2022 are as follows:

| (In thousands of won) | 2023 | | | 2022 | | |
|-----------------------|-----------------|---------------|------------|---------------|---------------|------------|
| | Gross | Not-impaired | Impairment | Gross | Not-impaired | Impairment |
| Not past due | ₩ 3,150,695,296 | 3,150,695,296 | - | 2,732,455,088 | 2,732,455,088 | - |
| Past due 1-30 days | 93,111,042 | 93,111,042 | - | 91,736,918 | 91,700,098 | 36,820 |
| Past due 31-60 days | 54,187,841 | 54,187,841 | - | 22,058 | 22,058 | - |
| Past due over 61 days | 2,530,865 | 2,530,865 | - | 1,655 | 1,348 | 307 |
| Total | ₩ 3,300,525,044 | 3,300,525,044 | - | 2,824,215,719 | 2,824,178,592 | 37,127 |

(2) Liquidity risk

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

The Group monitors its cash flows through long-term and short-term management strategies and ensures it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group establishes short-term and long-term cash management plans to manage liquidity risk. The Group matches maturity structures of financial assets and liabilities through analyzing and reviewing cash flow budget and actual cash flow. Management believes that the Group can redeem its financial liabilities through operating cash flows and cash inflows of financial assets.

Maturity analysis of financial liabilities as of December 31, 2023 is as follows:

| (In thousands of won) | Carrying amount | Contractual Cash flow | More than 1 year and less than 5 years | | |
|-----------------------------|------------------|-----------------------|--|-------------------|-------------------|
| | | | 1 Year or less | More than 5 years | More than 5 years |
| Trade and other payable (*) | ₩ 4,639,646,030 | 4,673,527,636 | 4,098,308,261 | 555,707,306 | 19,512,069 |
| Short-term borrowings | 2,868,274,952 | 2,891,483,090 | 2,891,483,090 | - | - |
| Long-term borrowings | 2,849,524,920 | 3,144,774,094 | 124,735,225 | 3,020,038,869 | - |
| Total | ₩ 10,357,445,902 | 10,709,784,820 | 7,114,526,576 | 3,575,746,175 | 19,512,069 |

(*) Trade and other payable includes cash flows related to lease liabilities. More details are included in Note 31 Lease.

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(3) Market risk

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

1) Exchange rate risk

The Group has exposure to the exchange rate risk for the sale, purchase, and borrowing of currencies not denominated in functional currency. Main currencies used for these transactions are USD, EUR and etc. The Group continuously monitors changes in future exchange rates and manages them to minimize the impact of foreign exchange risk on the Group.

Carrying amounts of monetary assets and liabilities expressed as other than functional currency as of December 31, 2023 and 2022 are as follows:

| | | Financial assets | | Financial liabilities | |
|------------------------------|---|------------------|---------------|-----------------------|---------------|
| | | 2023 | 2022 | 2023 | 2022 |
| <i>(In thousands of won)</i> | | | | | |
| Currency | | | | | |
| USD | ₩ | 4,463,088,496 | 5,122,251,285 | 4,431,197,780 | 5,079,489,325 |
| EUR | | 77,228,589 | 321,095,099 | 64,824,267 | 223,497,365 |
| etc. | | 368,801,920 | 310,992,927 | 521,102,756 | 365,614,866 |

(*) The amounts of assets and liabilities by currency are the figures before internal transactions are eliminated.

The following exchange rates were applied during the years ended December 31, 2023 and 2022:

| | | Average rate | | Reporting date spot rate | |
|-----------------|---|--------------|----------|--------------------------|----------|
| | | 2023 | 2022 | 2023 | 2022 |
| <i>(In won)</i> | | | | | |
| Currency | | | | | |
| USD | ₩ | 1,306.12 | 1,291.15 | 1,289.40 | 1,267.30 |
| EUR | | 1,412.67 | 1,357.35 | 1,426.59 | 1,351.20 |

Effects on income (loss) after income taxes as a result of change in exchange rate as of December 31, 2023 and 2022 are as follows:

| | | 2023 | | 2022 | |
|------------------------------|---|--------------------|--------------------|--------------------|--------------------|
| | | If increased by 5% | If decreased by 5% | If increased by 5% | If decreased by 5% |
| <i>(In thousands of won)</i> | | | | | |
| Currency | | | | | |
| USD | ₩ | 1,173,578 | (1,173,578) | 1,573,640 | (1,573,640) |
| EUR | | 456,479 | (456,479) | 3,591,597 | (3,591,597) |
| etc. | | (5,604,671) | 5,604,671 | (2,010,087) | 2,010,087 |

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(3) Market risk, continued

2) Interest rate risk

(i) The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Fixed interest rate: | | |
| Assets | | |
| Short-term&Long-term Financial Assets | ₩ 550,107,808 | 483,088,601 |
| Sub-total | <u>550,107,808</u> | <u>483,088,601</u> |
| Liabilities | | |
| Short-term borrowings | ₩ 1,183,024,326 | 1,472,578,128 |
| Long-term borrowings | <u>213,988,500</u> | <u>405,360,000</u> |
| Sub-total | <u>1,397,012,826</u> | <u>1,877,938,128</u> |
| Variable interest rate: | | |
| Liabilities | | |
| Short-term borrowings | ₩ 1,685,250,626 | 1,378,605,086 |
| Long-term borrowings | <u>2,635,536,420</u> | <u>1,891,680,000</u> |
| Sub-total | <u>4,320,787,046</u> | <u>3,270,285,086</u> |

(ii) Cash flow sensitivity analysis for variable rate instruments

Under assumption that all other variables remain constant, change of one percent point in interest rate would have increased (decreased) income after income taxes by the amounts shown below as of December 31, 2023 and 2022.

| <i>(In thousands of won)</i> | <u>2023</u> | | <u>2022</u> | |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <u>If increased by 1%</u> | <u>If decreased by 1%</u> | <u>If increased by 1%</u> | <u>If decreased by 1%</u> |
| Variable rate instruments | ₩ (31,800,993) | 31,800,993 | (24,069,298) | 24,069,298 |

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(3) Market risk, continued

3) Other market price risk

Market price risk arises from the equity instruments at fair value that the Group possesses. Major investments within the portfolio are managed separately and the approval of the Board of Directors is necessary for significant acquisition or disposal decisions.

The effect on net assets when the price of listed equity financial assets that the Group possesses changed by five percent points as of December 31, 2023 is as follows:

| | | 2023 | |
|------------------------------|---|---------------------------|---------------------------|
| | | If increased by 5% | If decreased by 5% |
| <i>(In thousands of won)</i> | | | |
| Impact on net assets | ₩ | 43,933,111 | (43,933,111) |

(4) Capital management

The Group's capital management is to maintain a sound capital structure and to maximize shareholders' profit. The Group uses financial ratios such as debt ratio and net borrowings ratio as a capital management indicator to achieve the optimum capital structure. Debt to equity ratio is calculated as total debt divided by total equity and net borrowings to equity ratio is calculated as net borrowings divided by total equity.

| | | 2023 | 2022 |
|---|---|------------------------------|-----------------|
| | | <i>(In thousands of won)</i> | |
| Debt to equity ratio: | | | |
| Total liabilities | ₩ | 14,131,610,215 | 13,040,023,015 |
| Total equity | | 19,907,249,978 | 17,217,502,156 |
| Debt to equity ratio | | 70.99% | 75.74% |
| Net borrowings to equity ratio: | | | |
| Borrowings | ₩ | 5,717,799,872 | 5,148,223,214 |
| Less : Cash and cash equivalents | | (1,524,461,361) | (2,614,271,850) |
| Less : Short-term financial instruments | | (550,068,407) | (483,069,101) |
| Net borrowings | ₩ | 3,643,270,104 | 2,050,882,263 |
| Net borrowings to equity ratio | | 18.30% | 11.91% |

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(5) Fair values

1) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, as of December 31, 2023 and 2022 are summarized as follows:

| (In thousands of won) | 2023 | | 2022 | |
|--|------------------|---------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets: | | | | |
| Assets carried at fair value | | | | |
| Equity Instruments | ₩ 1,307,409,902 | 1,307,409,902 | 1,204,354,393 | 1,204,354,393 |
| Derivative financial assets | 7,031,294 | 7,031,294 | 34,707,824 | 34,707,824 |
| Subtotal | 1,314,441,196 | 1,314,441,196 | 1,239,062,217 | 1,239,062,217 |
| Assets carried at amortized cost | | | | |
| Cash and cash equivalents | 1,524,461,361 | (*1) | 2,614,271,850 | (*1) |
| Trade receivables and other receivables | 3,300,525,044 | (*1) | 2,824,178,592 | (*1) |
| Government bonds | 329,030 | (*1) | 232,805 | (*1) |
| Financial instruments | 550,107,808 | (*1) | 483,088,601 | (*1) |
| Guarantee deposits | 108,433,754 | (*1) | 92,869,643 | (*1) |
| Subtotal | 5,483,856,997 | | 6,014,641,491 | |
| Total financial assets | ₩ 6,798,298,193 | | 7,253,703,708 | |
| Financial liabilities: | | | | |
| Liabilities carried at fair value | | | | |
| Derivative financial liabilities | ₩ - | - | 139,830 | 139,830 |
| Liabilities carried at amortized cost | | | | |
| Borrowings | ₩ 5,717,799,872 | (*1) | 5,148,223,214 | (*1) |
| Trade and other payables (*2) | 4,639,646,030 | (*1) | 4,535,542,047 | (*1) |
| Subtotal | 10,357,445,902 | | 9,683,765,261 | |
| Total financial liabilities | ₩ 10,357,445,902 | | 9,683,905,091 | |

(*1) Book value is a reasonable approximation of fair value, so it has been excluded from the fair value disclosure.

(*2) Including lease liabilities

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(5) Fair values, continued

2) Fair value hierarchy

The Group classifies consolidated financial instruments carried at fair value in the statement of financial position according to fair value hierarchy which reflects significance of input variables used. The different levels of fair value hierarchy have been defined as follows:

“Level 1” indicates quoted prices in active markets for identical assets or liabilities. Instruments included in “Level 1” are mostly composed of listed equity securities that are classified as FVOCI financial assets.

The Group uses a valuation technique to estimate fair values of financial instruments which are not traded in an active market. If the significant inputs which are required for a fair value measurement are observable directly or indirectly in a market, the fair value input is classed as “Level 2”. The Group trades derivatives such as currency forwards and commodity futures and measures the fair value of the derivatives using changes in prices that are directly or indirectly observable in the market. The Group includes the fair value of these derivatives as “Level 2”.

On the other hand, if the significant inputs are not based on observable market data, the fair value input for that instrument is classed as “Level 3”.

Among unlisted equity securities, the fair values of Samsung Venture Investment Corporation, iMarket Asia, and the Korea Economic Daily Co., Ltd are calculated using discounted cash flow model within the income approach method. Other evaluated equity securities were valued based on fair value calculated using the per-share evaluated amount determined by the net asset value method. These unlisted equity securities are classed as “Level 3”.

The valuation techniques used in measuring Level 3 fair value, as well as the significant unobservable inputs used are as follows:

| | Valuation techniques | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|--------------------------|---|---|---|
| Financial assets at FVPL | Discounted cash flow method, Net asset method | Discount rate, Perpetual growth rate, Net asset | The estimated fair value would increase(decrease) if the discount rates were lower(higher), perpetual rates were higher(lower), and net asset value were higher(lower). |

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

(5) Fair values, continued

The fair values of financial instruments based on the fair value hierarchy as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|-----------------|----------------|----------------|---------------|
| December 31, 2023: | | | | |
| Financial assets | | | | |
| Equity instruments | ₩ 1,193,834,547 | - | 113,575,355 | 1,307,409,902 |
| Derivative assets | - | 7,031,294 | - | 7,031,294 |
| December 31, 2022: | | | | |
| Financial assets | | | | |
| Equity Instruments | ₩ 1,093,132,877 | - | 111,221,516 | 1,204,354,393 |
| Derivative assets | - | 34,707,824 | - | 34,707,824 |
| Financial liabilities | | | | |
| Derivative liabilities | - | 139,830 | - | 139,830 |

(6) Transfer of financial assets and others

The Group received cash and transferred trade receivables to financial institutions. As the Group continues to retain substantially all the risks and rewards of ownership, the trade receivables have not been derecognized from the statement of financial position. The amount received at the time of transfer was recognized as short-term borrowings. Financial assets transferred but not derecognized as of December 31, 2023 and 2022, are as follows:

| <i>(In thousands of won)</i> | | <u>Trade receivables</u> | |
|---|---|--------------------------|---------------|
| | | <u>2023</u> | <u>2022</u> |
| Carrying amount of assets | ₩ | 1,183,024,326 | 1,252,676,717 |
| Carrying amount of associated liabilities | | 1,183,024,326 | 1,252,676,717 |

For the years ended December 31, 2023 and 2022

6. Segments Information

(1) Operating segments

1) The main businesses by segment are as follows:

| Segment | Main business |
|---------------------|--|
| Energy solutions | Manufacturing and sales of secondary batteries such as automotive batteries. |
| Electronic material | Manufacturing and sales of semi-conductor and display materials |

2) The operating segments of the consolidated group are decided by management, which is established for strategic decision making. Management reviews the operating income for each operating segment in order to allocate resources to each segment and assess the segments' performance. Sales consist mostly of sales of goods. The following table provides information for each reportable segment for the years ended December 31, 2023 and 2022.

2023

| <i>(In thousands of won)</i> | | Energy solutions | Electronic material | Total |
|------------------------------|---|------------------|---------------------|----------------|
| Revenues | ₩ | 20,406,099,943 | 2,302,200,556 | 22,708,300,499 |
| Depreciation | | 1,584,571,667 | 75,086,049 | 1,659,657,716 |
| Amortization | | 61,601,714 | 6,712,346 | 68,314,060 |
| Operating profit | ₩ | 1,342,418,303 | 290,950,662 | 1,633,368,965 |

2022

| <i>(In thousands of won)</i> | | Energy solutions | Electronic material | Total |
|------------------------------|---|------------------|---------------------|----------------|
| Revenues | ₩ | 17,566,241,978 | 2,557,827,538 | 20,124,069,516 |
| Depreciation | | 1,313,658,924 | 94,441,455 | 1,408,100,379 |
| Amortization | | 49,053,277 | 6,179,599 | 55,232,876 |
| Operating profit | ₩ | 1,253,824,677 | 554,188,336 | 1,808,013,013 |

Total assets and total liabilities of each segment are not presented separately since the information is not provided to the management on a regular basis.

3) As of December 31, 2023, contract liabilities resulting from contracts with customers amounted to ₩ 671,987million, and among the contract liabilities for the year ended December 31, 2022, the amount recognized as revenue in the year ended December 31, 2022 was ₩ 174,609million.

For the years ended December 31, 2023 and 2022

6. Segments Information, Continued

(2) Geographical information

The Group operates in global markets such as Republic of Korea (the Parent Company's domicile), North America, Europe, China, Southeast Asia, and so on. The following table provides revenue and major non-current assets for each geographical region as of and for the years ended December 31, 2023 and 2022.

| (In thousands of won) | 2023 | | 2022 | |
|-----------------------------|------------------|------------------------|----------------|------------------------|
| | Revenue(*1) | Non-current Assets(*2) | Revenue(*1) | Non-current Assets(*2) |
| Korea | ₩ 1,102,541,603 | 3,378,634,700 | 1,172,464,784 | 2,963,135,659 |
| North America | 5,503,157,438 | 1,566,015,880 | 4,814,339,872 | 278,019,037 |
| Europe | 10,760,536,569 | 5,472,522,711 | 8,456,642,422 | 4,968,470,511 |
| China | 2,325,870,781 | 1,575,870,569 | 2,661,620,010 | 1,840,598,259 |
| South-eastern Asia and etc. | 3,016,194,108 | 1,458,681,301 | 3,019,002,428 | 598,394,076 |
| Consolidation adjustments | - | (552,126,851) | - | (720,657,714) |
| Total | ₩ 22,708,300,499 | 12,899,598,310 | 20,124,069,516 | 9,927,959,828 |

(*1) The external customer accounting for more than 10% of the group's sales is a single customer related to the European automotive battery sector, and the sales from the customer during the period is ₩3,763,868 million (prior period: ₩2,936,140 million).

(*2) Non-current assets include carrying amount of property, plant and equipment, intangible assets and investment property.

7. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2023 and 2022 are summarized as follows:

| (In thousands of won) | 2023 | 2022 |
|------------------------|-----------------|---------------|
| Cash on hand | ₩ 1,459,990 | 1,611,679 |
| Demand deposits | 1,334,800,678 | 1,442,661,935 |
| Short-term investments | 188,200,693 | 1,169,998,236 |
| Total | ₩ 1,524,461,361 | 2,614,271,850 |

For the years ended December 31, 2023 and 2022

8. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)

| | 2023 | | 2022 | |
|--|-----------------|-------------|---------------|-------------|
| | Current | Non-current | Current | Non-current |
| Loans | ₩ 133,876 | 37,359,064 | 4,411,368 | 6,854,298 |
| Present value discount | - | (3,639,227) | - | (4,049) |
| Other account receivables | 172,920,677 | 19,382 | 289,836,029 | 29,074 |
| Accrued income | 97,475,998 | - | 10,091,932 | - |
| VAT receivables | 136,083,230 | - | 116,515,530 | - |
| Trade account receivable (Receivables) | 2,874,926,035 | - | 2,419,225,985 | - |
| Trade account receivable (Contract Assets) | 121,329,239 | - | 93,771,082 | - |
| Allowance | - | - | (37,127) | - |
| Total | ₩ 3,402,869,055 | 33,739,219 | 2,933,814,799 | 6,879,323 |

(2) Changes in allowance for trade and other receivables for the years ended December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)

| | 2023 | 2022 |
|------------------------------|----------|----------|
| Balance at beginning | ₩ 37,127 | 129,975 |
| Reversal of Bad debt expense | (38,377) | (90,503) |
| Exchange rate fluctuation | 1,250 | (2,345) |
| Balance at ending | ₩ - | 37,127 |

9. Inventories

(1) Inventories as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

(In thousands of won)

| | Acquisition cost | Allowance for valuation | Book value |
|----------------------|------------------|-------------------------|---------------|
| Finished goods | ₩ 451,997,208 | (15,931,923) | 436,065,285 |
| Semi-finished goods | 1,320,012,128 | (24,372,043) | 1,295,640,085 |
| Raw materials | 918,929,489 | (16,774,947) | 902,154,542 |
| Supplies | 55,460,505 | - | 55,460,505 |
| Materials-in-transit | 608,048,513 | - | 608,048,513 |
| Total | ₩ 3,354,447,843 | (57,078,913) | 3,297,368,930 |

For the years ended December 31, 2023 and 2022

9. Inventories, Continued

(1) Inventories as of December 31, 2023 and 2022 are summarized as follows, continued:

2) 2022

| <i>(In thousands of won)</i> | <u>Acquisition cost</u> | <u>Allowance for valuation</u> | <u>Book value</u> |
|------------------------------|-------------------------|--------------------------------|----------------------|
| Finished goods | ₩ 373,378,560 | (16,379,688) | 356,998,872 |
| Semi-finished goods | 1,248,028,764 | (30,172,256) | 1,217,856,508 |
| Raw materials | 1,001,839,614 | (27,312,516) | 974,527,098 |
| Supplies | 55,584,671 | - | 55,584,671 |
| Materials-in-transit | 599,548,686 | - | 599,548,686 |
| Total | ₩ <u>3,278,380,295</u> | <u>(73,864,460)</u> | <u>3,204,515,835</u> |

(2) The amount of inventories expensed as cost of sales and loss on valuation of inventories for the years ended December 31, 2023 and 2022 are as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---|-------------------------|-----------------------|
| Inventories recognized as cost of sales | ₩ 18,743,515,101 | 15,893,496,809 |
| Reversal of valuation of inventories | (17,131,010) | 9,826,025 |
| Total | ₩ <u>18,726,384,091</u> | <u>15,903,322,834</u> |

10. Other Investments

(1) Other investments as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | | | <u>2022</u> | | |
|------------------------------|----------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
| | <u>Current</u> | <u>Non-current</u> | <u>Total</u> | <u>Current</u> | <u>Non-current</u> | <u>Total</u> |
| Government bonds | ₩ 59,450 | 269,580 | 329,030 | 31,560 | 201,245 | 232,805 |
| Equity instruments | - | 1,307,409,902 | 1,307,409,902 | - | 1,204,354,393 | 1,204,354,393 |
| Financial instruments | 550,068,407 | 39,401 | 550,107,808 | 483,069,101 | 19,500 | 483,088,601 |
| Guarantee deposits | 51,970,644 | 56,463,110 | 108,433,754 | 51,561,444 | 41,308,199 | 92,869,643 |
| Total | ₩ <u>602,098,501</u> | <u>1,364,181,993</u> | <u>1,966,280,494</u> | <u>534,662,105</u> | <u>1,245,883,337</u> | <u>1,780,545,442</u> |

For the years ended December 31, 2023 and 2022

10. Other Investments, Continued

(2) Available-for-sale financial assets as of December 31, 2023 and 2022 are summarized as follows:

| (In thousands of won) | | Acquisition cost | Unrealized gain (loss) | | Carrying amount | |
|-----------------------------|---|--------------------|------------------------|------------------------------------|--------------------|----------------------|
| | | | Beginning balance | Changes in unrealized gain or loss | | Ending balance |
| 2023 | | | | | | |
| FVOCI | | | | | | |
| Listed equity instruments | ₩ | 703,754,183 | 236,023,295 | 88,136,823 | 324,160,118 | 1,027,914,301 |
| Unlisted equity instruments | | 18,653,588 | 50,672,767 | 526,273 | 51,199,040 | 69,852,628 |
| FVTPL | | | | | | |
| Listed equity instruments | ₩ | 39,799,977 | 113,555,422 | 12,564,847 | 126,120,269 | 165,920,246 |
| Unlisted equity instruments | | 16,220,244 | 28,669,916 | (1,167,433) | 27,502,483 | 43,722,727 |
| Total | ₩ | <u>778,427,992</u> | <u>428,921,400</u> | <u>100,060,510</u> | <u>528,981,910</u> | <u>1,307,409,902</u> |
| 2022 | | | | | | |
| FVOCI | | | | | | |
| Listed equity instruments | ₩ | 703,754,183 | 377,994,346 | (141,971,051) | 236,023,295 | 939,777,478 |
| Unlisted equity instruments | | 18,658,588 | 34,428,502 | 16,244,265 | 50,672,767 | 69,331,355 |
| FVTPL | | | | | | |
| Listed equity instruments | ₩ | 39,799,982 | 85,096,266 | 28,459,151 | 113,555,417 | 153,355,399 |
| Unlisted equity instruments | | 16,041,663 | 31,470,852 | (5,622,354) | 25,848,498 | 41,890,161 |
| Total | ₩ | <u>778,254,416</u> | <u>528,989,966</u> | <u>(102,889,989)</u> | <u>426,099,977</u> | <u>1,204,354,393</u> |

The corporate tax effect deducted from equity due to cumulative valuation gain(loss) arising from other comprehensive income securities amounted to ₩ 99,095 million at the end of the current period and ₩ 75,688 million at the end of the previous period.

For the years ended December 31, 2023 and 2022

11. Other Current Assets and Non-current Assets

Other current and non-current assets as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)

| | | 2023 | | 2022 | |
|--------------------|---|--------------------|-------------------|--------------------|--------------------|
| | | Current | Non-current | Current | Non-current |
| Advance payments | ₩ | 177,169,254 | 14,574,430 | 167,439,358 | 18,000,640 |
| Prepaid expenses | | 154,742,623 | 78,606,049 | 152,050,078 | 119,714,371 |
| Prepaid income tax | | 21,288,175 | - | 16,310,966 | - |
| Total | ₩ | <u>353,200,052</u> | <u>93,180,479</u> | <u>335,800,402</u> | <u>137,715,011</u> |

12. Investments in Associates

(1) The equity-method accounted investees of the Group as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)

| Associates: | Country | Date of financial statements | Primary business | 2023 | | 2022 | |
|--|---------|------------------------------|-------------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | | | | Percentage of ownership | Carrying amount | Percentage of ownership | Carrying amount |
| Samsung Display Ltd. ("SDC") (*1) | Korea | December 31 | Manufacturing and sale of OLED | 15.2% | 9,707,290,928 | 15.2% | 8,760,865,210 |
| Samsung Global Research Co., Ltd. ("SERI") | Korea | December 31 | Management advisory consulting | 29.6% | 23,826,882 | 29.6% | 23,964,873 |
| Intellectual Keystone Technology ("IKT") | U.S.A | December 31 | Investing in new technology | 41.0% | 8,681,627 | 41.0% | 9,137,212 |
| SD Flex Co., Ltd. | Korea | December 31 | Manufacturing printed-circuit board | 50.0% | 10,274,181 | 50.0% | 12,982,344 |
| ECOPRO EM Co., Ltd. (*2) | Korea | December 31 | Anode material manufacturing | 40.0% | 223,696,155 | 40.0% | 125,156,333 |
| Philenergy Co., Ltd. (*3) | Korea | December 31 | Stack Equipment | 14.1% | 17,114,008 | 20.0% | 5,506,831 |
| Secondary Battery Growth Fund (*4) | Korea | December 31 | Investing in secondary battery R&D | 33.3% | 5,349,652 | 33.3% | 2,669,452 |
| Total | | | | | ₩ <u>9,996,233,433</u> | | ₩ <u>8,940,282,255</u> |

(*1) Although the Group owns less than 20% of its shares and voting rights, the Group has classified the shares equity-accounted investees due to the fact that the Group has representations in the board of directors of SDC.

(*2) During the current period, the Group made an additional investment of ₩ 40,000 million to ECOPRO EM.

(*3) During the current period, the Group's equity securities of Philenergy Co., Ltd. held by the Group were decreased from 20% to 14.1% due to the increase in the number of shares outstanding due to the third-party paid-in capital increase and the conversion of third-party convertible bonds. Although the Group owns less than 20% of its shares and voting rights, the Group has classified the shares equity-accounted investees due to the fact that the Group has representations in the board of directors of Philenergy.

(*4) During the current period, the Group made an additional investment of ₩ 2,680 million to Secondary Battery Growth Fund.

For the years ended December 31, 2023 and 2022

12. Investments in Associates, Continued

(2) The summarized financial information of equity-accounted investees as of and for the years ended December 31, 2023 and 2022 are summarized as follows:

1) 2023

| <i>(In thousands of won)</i> | | <u>SDC</u> | <u>SERI</u> | <u>IKT</u> | <u>SDFLEX</u> |
|------------------------------------|---|----------------|-------------|-------------|---------------|
| Current assets | ₩ | 24,721,410,294 | 118,952,880 | 21,087,063 | 13,505,167 |
| Non-current assets | | 46,413,723,496 | 66,501,823 | 88,896 | 8,474,099 |
| Current liabilities | | 5,821,884,881 | 87,546,036 | 1,258 | 1,421,722 |
| Non-current liabilities | | 1,485,249,760 | 17,412,446 | - | 9,183 |
| Revenue | | 30,950,579,238 | 219,537,369 | - | 13,843,866 |
| Operating profit (loss) | | 5,501,751,056 | (219,077) | (1,519,265) | (1,739,215) |
| Net income (loss) | | 6,331,238,839 | 157,998 | (1,519,265) | (1,396,025) |
| Other comprehensive income (loss) | | (108,690,007) | (852,741) | - | - |
| Total comprehensive income (loss) | | 6,222,548,832 | (694,743) | (1,519,265) | (1,396,025) |
| Dividends received from associates | | - | - | - | 2,000,000 |

| <i>(In thousands of won)</i> | | <u>ECOPROEM</u> | <u>Philenergy</u> | <u>Secondary Battery Growth Fund.</u> |
|------------------------------------|---|-----------------|-------------------|---------------------------------------|
| Current assets | ₩ | 1,304,244,823 | 198,630,575 | 608,297 |
| Non-current assets | | 574,964,988 | 56,071,659 | 15,443,401 |
| Current liabilities | | 1,183,597,858 | 115,001,826 | 2,743 |
| Non-current liabilities | | 126,345,610 | 10,125,509 | - |
| Revenue | | 3,771,340,006 | 196,717,748 | 39,730 |
| Operating profit (loss) | | 225,225,576 | 15,594,145 | 599 |
| Net income (loss) | | 159,477,241 | (4,672,387) | 599 |
| Other comprehensive income (loss) | | - | - | - |
| Total comprehensive income (loss) | | 159,477,241 | (4,672,387) | 599 |
| Dividends received from associates | | - | - | - |

For the years ended December 31, 2023 and 2022

12. Investments in Associates, Continued

2) 2022

| <i>(In thousands of won)</i> | | SDC | SERI | IKT | SDFLEX |
|------------------------------------|---|----------------|-------------|-------------|---------------|
| Current assets | ₩ | 42,082,412,387 | 113,024,754 | 21,114,966 | 21,422,255 |
| Non-current assets | | 23,070,657,947 | 65,781,408 | 1,170,704 | 6,616,255 |
| Current liabilities | | 6,294,310,360 | 82,723,644 | - | 2,052,247 |
| Non-current liabilities | | 1,220,097,025 | 15,120,109 | - | 21,576 |
| Revenue | | 34,298,283,448 | 228,696,932 | - | 20,495,032 |
| Operating profit (loss) | | 5,883,246,706 | 2,351,801 | (6,994,635) | 3,752,772 |
| Net income (loss) | | 6,614,496,361 | 241,375 | (6,994,635) | 3,345,275 |
| Other comprehensive income (loss) | | (67,942,352) | (7,638,018) | - | - |
| Total comprehensive income (loss) | | 6,546,554,009 | (7,396,643) | (6,994,635) | 3,345,275 |
| Dividends received from associates | | - | - | - | 2,000,000 |

| <i>(In thousands of won)</i> | | ECOPROEM | Philenergy | Secondary Battery Growth Fund. |
|------------------------------------|---|-----------------|-------------------|---------------------------------------|
| Current assets | ₩ | 728,334,706 | 119,823,834 | 1,401,999 |
| Non-current assets | | 435,237,418 | 20,488,863 | 6,608,947 |
| Current liabilities | | 651,423,402 | 79,042,153 | 2,590 |
| Non-current liabilities | | 199,358,922 | 36,576,586 | - |
| Revenue | | 2,005,446,165 | 189,709,754 | 21,950 |
| Operating profit (loss) | | 125,212,107 | 16,842,728 | (29,818) |
| Net income (loss) | | 101,703,395 | 3,768,226 | (29,818) |
| Other comprehensive income (loss) | | - | - | - |
| Total comprehensive income (loss) | | 101,703,395 | 3,768,226 | (29,818) |
| Dividends received from associates | | - | - | - |

For the years ended December 31, 2023 and 2022

12. Investments in Associates, Continued

(3) The comparison between carrying amount of the investments and the investees' net assets based on the Group's percentage of ownership as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

| (In thousands of won) | | SDC | SERI | IKT | SDFLEX |
|----------------------------|---|----------------|------------|------------|------------|
| Net assets(a)(*) | ₩ | 63,863,756,108 | 80,496,221 | 21,174,701 | 20,548,361 |
| Percentage of ownership(b) | | 15.2% | 29.6% | 41.0% | 50.0% |
| Equity to net assets(axb) | | 9,707,290,928 | 23,826,882 | 8,681,627 | 10,274,181 |
| Difference of Investments | | - | - | - | - |
| Carrying amount | ₩ | 9,707,290,928 | 23,826,882 | 8,681,627 | 10,274,181 |

| (In thousands of won) | | ECOPROEM | Philenergy | Secondary Battery Growth Fund. |
|----------------------------|---|-------------|-------------|--------------------------------------|
| Net assets(a)(*) | ₩ | 559,240,388 | 112,212,599 | 16,065,020 |
| Percentage of ownership(b) | | 40.0% | 14.1% | 33.3% |
| Equity to net assets(axb) | | 223,696,155 | 15,821,977 | 5,349,652 |
| Difference of Investments | | - | 1,292,031 | - |
| Carrying amount | ₩ | 223,696,155 | 17,114,008 | 5,349,652 |

(*) Net assets are the net assets of associates minus non-controlling interests.

2) 2022

| (In thousands of won) | | SDC | SERI | IKT | SDFLEX |
|----------------------------|---|----------------|------------|------------|------------|
| Net assets(a)(*) | ₩ | 57,637,271,122 | 80,962,410 | 22,285,881 | 25,964,688 |
| Percentage of ownership(b) | | 15.2% | 29.6% | 41.0% | 50.0% |
| Equity to net assets(axb) | | 8,760,865,210 | 23,964,873 | 9,137,212 | 12,982,344 |
| Difference of Investments | | - | - | - | - |
| Carrying amount | ₩ | 8,760,865,210 | 23,964,873 | 9,137,212 | 12,982,344 |

| (In thousands of won) | | ECOPROEM | Philenergy | Secondary Battery Growth Fund. |
|----------------------------|---|-------------|------------|--------------------------------------|
| Net assets(a)(*) | ₩ | 312,890,831 | 18,399,974 | 8,016,372 |
| Percentage of ownership(b) | | 40.0% | 20.0% | 33.3% |
| Equity to net assets(axb) | | 125,156,333 | 3,679,994 | 2,669,452 |
| Difference of Investments | | - | 1,826,837 | - |
| Carrying amount | ₩ | 125,156,333 | 5,506,831 | 2,669,452 |

(*) Net assets are the net assets of associates minus non-controlling interests.

For the years ended December 31, 2023 and 2022

12. Investments in Associates, Continued

(4) Changes in investments in equity-accounted investees for the years ended December 31, 2023 and 2022 are as follows:

1) 2023

(In thousands of won)

| Company | January 1, 2023 | Acquisition | Share of profits(loss) | Other capital movements | Gain (Loss) on disposal of equity method investment | Removal of Dividends | December 31, 2023 |
|-------------------------------|-----------------|-------------|------------------------|-------------------------|---|----------------------|-------------------|
| SDC | ₩ 8,760,865,210 | - | 962,805,669 | (16,379,951) | - | - | 9,707,290,928 |
| SERI | 23,964,873 | - | 60,328 | (198,319) | - | - | 23,826,882 |
| IKT | 9,137,212 | - | (622,899) | 167,314 | - | - | 8,681,627 |
| SDFLEX | 12,982,344 | - | (708,163) | - | - | (2,000,000) | 10,274,181 |
| ECOPROEM | 125,156,333 | 40,000,000 | 58,716,930 | (177,108) | - | - | 223,696,155 |
| Philenergy | 5,506,831 | - | (3,013,630) | (99,692) | 14,720,499 | - | 17,114,008 |
| Secondary Battery Growth Fund | 2,669,452 | 2,680,000 | 200 | - | - | - | 5,349,652 |
| Total | ₩ 8,940,282,255 | 42,680,000 | 1,017,238,435 | (16,687,756) | 14,720,499 | (2,000,000) | 9,996,233,433 |

2) 2022

(In thousands of won)

| Company | January 1, 2022 | Acquisition | Share of profits(loss) | Other capital movements | Gain (Loss) on disposal of equity method investment | Removal of Dividends | December 31, 2022 |
|-------------------------------|-----------------|-------------|------------------------|-------------------------|---|----------------------|-------------------|
| SDC | ₩ 7,765,314,543 | - | 1,005,587,406 | (10,036,739) | - | - | 8,760,865,210 |
| SERI | 26,146,557 | - | 79,169 | (2,260,853) | - | - | 23,964,873 |
| IKT | 11,180,577 | - | (2,867,800) | 824,435 | - | - | 9,137,212 |
| SEST | 19,533,878 | - | (6,296,889) | 1,996,518 | (15,233,507) | - | - |
| SDFLEX | 13,306,754 | - | 1,675,590 | - | - | (2,000,000) | 12,982,344 |
| ECOPROEM | 44,457,379 | 40,000,000 | 40,929,961 | (231,007) | - | - | 125,156,333 |
| Philenergy | 4,814,612 | - | 599,781 | 92,438 | - | - | 5,506,831 |
| Secondary Battery Growth Fund | 670,000 | 2,010,000 | (10,548) | - | - | - | 2,669,452 |
| Total | ₩ 7,885,424,300 | 42,010,000 | 1,039,696,670 | (9,615,208) | (15,233,507) | (2,000,000) | 8,940,282,255 |

(5) No significant restriction exists on the equity-accounted investees' ability to transfer money in the form of cash dividends or to repay or return borrowings or advances to the Group. In addition, no contingent liabilities related to interests in associates has been identified.

For the years ended December 31, 2023 and 2022

13. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2023 and 2022 are summarized as follows:

(1) 2023

(In thousands of won)

| | Land | Buildings and structures | Machinery | Tools, furnitures and fixtures | Right of use assets | Construction in progress | Total |
|---|--------------------|--------------------------|----------------------|--------------------------------|---------------------|--------------------------|-----------------------|
| Beginning balance ₩ | 352,595,992 | 2,517,208,381 | 3,175,710,345 | 238,451,007 | 69,188,026 | 2,612,316,048 | 8,965,469,799 |
| Acquisition cost | 352,595,992 | 4,621,115,978 | 7,830,524,099 | 884,204,089 | 99,237,957 | 2,612,316,048 | 16,399,994,163 |
| Accumulated depreciation (including impairment and government grants) | - | (2,103,907,597) | (4,654,813,754) | (645,753,082) | (30,049,931) | - | (7,434,524,364) |
| Acquisitions and capital expenditure | 86,732 | 11,301,494 | 12,839,358 | 59,645,675 | 40,728,597 | 4,038,623,128 | 4,163,224,984 |
| Depreciation | - | (242,572,234) | (1,231,728,364) | (155,705,556) | (29,465,937) | - | (1,659,472,091) |
| Disposals | (416,511) | (244,883) | (21,898,489) | (1,411,091) | (1,229,200) | (5,031,542) | (30,231,716) |
| Impairment losses | - | - | (1,129,678) | (583,765) | - | - | (1,713,443) |
| Other | 12,031,642 | 1,489,945,139 | 1,845,616,938 | 155,162,870 | (2,346,071) | (3,044,339,974) | 456,070,544 |
| Ending balance ₩ | <u>364,297,855</u> | <u>3,775,637,897</u> | <u>3,779,410,110</u> | <u>295,559,140</u> | <u>76,875,415</u> | <u>3,601,567,660</u> | <u>11,893,348,077</u> |
| Acquisition cost | 364,297,855 | 6,172,415,609 | 9,685,199,157 | 1,050,142,683 | 130,130,696 | 3,601,567,660 | 21,003,753,660 |
| Accumulated depreciation (including impairment and government grants) | - | (2,396,777,712) | (5,905,789,047) | (754,583,543) | (53,255,281) | - | (9,110,405,583) |

Other amounts include reclassification of construction-in-progress to appropriate accounts such as investment property, property, plant and equipment, and expense accounts. Also, they include exchange rate fluctuation and changes in government grants.

For the years ended December 31, 2023 and 2022

13. Property, Plant and Equipment, Continued

(2) 2022

(In thousands of won)

| | Land | Buildings and structures | Machinery | Tools, furnitures and fixtures | Right-of-use assets | Construction in progress | Total |
|---|-------------|--------------------------|-----------------|--------------------------------|---------------------|--------------------------|-----------------|
| Beginning balance ₩ | 345,320,013 | 2,137,880,321 | 2,778,631,970 | 196,380,942 | 35,235,220 | 2,142,547,123 | 7,635,995,589 |
| Acquisition cost | 345,320,013 | 4,076,457,298 | 6,655,250,486 | 790,459,938 | 83,079,072 | 2,142,547,123 | 14,093,113,930 |
| Accumulated depreciation (including impairment and government grants) | - | (1,938,576,977) | (3,876,618,516) | (594,078,996) | (47,843,852) | - | (6,457,118,341) |
| Acquisitions and capital expenditure | 32,418 | 9,521,205 | 39,322,934 | 46,112,588 | 64,185,474 | 2,543,530,776 | 2,702,705,395 |
| Depreciation | - | (160,258,777) | (1,085,544,173) | (136,735,623) | (25,375,751) | - | (1,407,914,324) |
| Disposals | (19,605) | (5,515,413) | (100,130,393) | (5,284,074) | (1,288,492) | (4,904,215) | (117,142,192) |
| Impairment losses | - | - | (25,886,445) | (4,135,486) | - | (1,063,595) | (31,085,526) |
| Other | 7,263,166 | 535,581,045 | 1,569,316,452 | 142,112,660 | (3,568,425) | (2,067,794,041) | 182,910,857 |
| Ending balance ₩ | 352,595,992 | 2,517,208,381 | 3,175,710,345 | 238,451,007 | 69,188,026 | 2,612,316,048 | 8,965,469,799 |
| Acquisition cost | 352,595,992 | 4,621,115,978 | 7,830,524,099 | 884,204,089 | 99,237,957 | 2,612,316,048 | 16,399,994,163 |
| Accumulated depreciation (including impairment and government grants) | - | (2,103,907,597) | (4,654,813,754) | (645,753,082) | (30,049,931) | - | (7,434,524,364) |

Other amounts include reclassification of construction-in-progress to appropriate accounts such as investment property, property, plant and equipment, and expense accounts. Also, they include exchange rate fluctuation and changes in government grants.

For the years ended December 31, 2023 and 2022

14. Intangible Assets

Changes in intangible assets for the years ended December 31, 2023 and 2022 are summarized as follows:

(1) 2023

| <i>(In thousands of won)</i> | | Industrial property | Development costs | Others | Goodwill | Total |
|--|---|--------------------------------|------------------------------|--------------------|--------------------|--------------------|
| Beginning balance | ₩ | 62,068,072 | - | 142,827,839 | 610,035,252 | 814,931,163 |
| Acquisition cost | | 171,556,792 | 6,331,931 | 971,294,760 | 639,358,233 | 1,788,541,716 |
| Accumulated amortization and impairment | | (109,488,720) | (6,331,931) | (828,466,921) | (29,322,981) | (973,610,553) |
| Acquisitions | | 2,361,356 | - | 10,170,519 | - | 12,531,875 |
| Amortization | | (10,933,221) | - | (57,380,839) | - | (68,314,060) |
| Disposals | | (1,223,341) | - | (19,438) | - | (1,242,779) |
| Impairment losses | | - | - | (2,045,303) | - | (2,045,303) |
| Other | | 10,527,760 | - | 86,422,938 | 6,118,153 | 103,068,851 |
| Ending balance | ₩ | <u>62,800,626</u> | <u>-</u> | <u>179,975,716</u> | <u>616,153,405</u> | <u>858,929,747</u> |
| Acquisition cost | | 183,222,567 | - | 1,067,868,779 | 645,476,386 | 1,896,567,732 |
| Accumulated amortization and impairment | | (120,421,941) | - | (887,893,063) | (29,322,981) | (1,037,637,985) |

Other amounts include reclassification of long-term prepaid expenses to industrial property rights and of construction-in-progress to other intangible assets. Also, they include the changes incurred due to exchange rate fluctuation.

For the years ended December 31, 2023 and 2022

14. Intangible Assets, Continued

(2) 2022

| <i>(In thousands of won)</i> | | Industrial property | Development costs | Others | Goodwill | Total |
|---|---|--------------------------------|------------------------------|--------------------|--------------------|--------------------|
| Beginning balance | ₩ | 63,471,064 | - | 126,123,771 | 609,316,233 | 798,911,068 |
| Acquisition cost | | 161,516,938 | 6,331,931 | 910,797,533 | 638,639,214 | 1,717,285,616 |
| Accumulated amortization and impairment | | (98,045,874) | (6,331,931) | (784,673,762) | (29,322,981) | (918,374,548) |
| Acquisitions | | 1,987,067 | - | 2,596,799 | - | 4,583,866 |
| Amortization | | (11,442,845) | - | (43,790,031) | - | (55,232,876) |
| Disposals | | (313,604) | - | (1,126,850) | - | (1,440,454) |
| Impairment losses | | - | - | (3,128) | - | (3,128) |
| Other | | 8,366,390 | - | 59,027,278 | 719,019 | 68,112,687 |
| Ending balance | ₩ | <u>62,068,072</u> | <u>-</u> | <u>142,827,839</u> | <u>610,035,252</u> | <u>814,931,163</u> |
| Acquisition cost | | 171,556,792 | 6,331,931 | 971,294,760 | 639,358,233 | 1,788,541,716 |
| Accumulated amortization and impairment | | (109,488,720) | (6,331,931) | (828,466,921) | (29,322,981) | (973,610,553) |

Other amounts include reclassification of long-term prepaid expenses to industrial property rights and of construction-in-progress to other intangible assets. Also, they include the changes incurred due to exchange rate fluctuation.

(3) Amortization expenses

Amortization expenses are classified as manufacturing cost and selling, general and administrative expenses, and the Group recognizes the manufacturing cost as cost of sales when the inventory is sold.

(4) Research and development expenses

Research and development expenses recognized as selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are ₩ 1,136,361 million and ₩ 1,076,353 million, respectively.

(5) Impairment of CGU including goodwill

The Group performed impairment test on the goodwill allocated to electronic material business, and Novalled, a cash generating unit ("CGU") respectively.

The Group estimated recoverable amount of electronic material business and Novalled, based on its projections on 5 years' cash flow of each CGU, under assumption of terminal growth rate at 1% for both CGUs, and discount rate of 10.95% and 10.55% for electronic material business and Novalled, respectively. Fair value measurements are classified as Level 3 based on the inputs used in the valuation techniques. The Group did not recognize impairment losses for the electronic material business and Novalled as the estimated value in use exceeded its carrying amount of the cash-generating unit.

As of December 31, 2023, the Group has allocated ₩ 498,275 million of its goodwill to its electronic material business, and ₩ 117,878 million to Novalled.

For the years ended December 31, 2023 and 2022

15. Investment Property

Changes in investment property for the years ended December 31, 2023 and 2022 are summarized as follows:

| (In thousands of won) | 2023 | | | 2022 | | |
|-----------------------|---------------|-----------|-------------|-------------|-------------|-------------|
| | Land | Buildings | Total | Land | Buildings | Total |
| Beginning balance | ₩ 144,721,618 | 2,837,248 | 147,558,866 | 144,786,443 | 5,623,734 | 150,410,177 |
| Reclassification | - | (52,755) | (52,755) | (64,825) | (2,600,431) | (2,665,256) |
| Depreciation | - | (185,625) | (185,625) | - | (186,055) | (186,055) |
| Ending balance | ₩ 144,721,618 | 2,598,868 | 147,320,486 | 144,721,618 | 2,837,248 | 147,558,866 |

As of December 31, 2023 and 2022 investment property consists of land and buildings that are leased to Samsung Electronics Co., Ltd. and etc. The rental income from investment property for the years ended December 31, 2023 and 2022 are ₩ 4,591 million and ₩ 4,308 million, respectively.

The fair value of the investment property is determined based on the value measured by an independent appraiser with experience and professional qualifications that has recently evaluated similar properties in the region in which the investment property to be assessed is located. The fair value of investment real estate of ₩ 445,701 million was classified as Level 3 fair value based on the inputs used in the valuation technique.

For the years ended December 31, 2023 and 2022

16. Trade Payables and Other Liabilities

Trade payables and other liabilities as of December 31, 2023 and 2022 are summarized as follows:

| (In thousands of won) | 2023 | | 2022 | |
|-----------------------|-----------------|-------------|---------------|-------------|
| | Current | Non-current | Current | Non-current |
| Trade payables | ₩ 2,118,657,669 | - | 2,191,529,679 | - |
| Accounts payable | 1,361,222,234 | 35,779 | 1,255,375,085 | 34,447 |
| Accrued expenses | 766,088,163 | - | 598,722,297 | - |
| Lease liabilities | 26,046,759 | 55,005,940 | 27,752,325 | 44,352,768 |
| Other | 266,830,199 | 486,881,198 | 212,374,660 | 653,144,010 |
| Total | ₩ 4,538,845,024 | 541,922,917 | 4,285,754,046 | 697,531,225 |

Other liabilities include withholdings, guarantee deposits received, etc.

17. Borrowings

(1) Borrowings of the Group as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

| (In thousands of won) | 2023 | 2022 |
|---|-----------------|---------------|
| Short-term borrowings | | |
| Current portion of debentures in Korean won | ₩ - | 219,901,411 |
| Current portion of long-term borrowings in foreign currency | 570,636,000 | 420,059,856 |
| Disposals of trade receivable | 1,183,024,326 | 1,252,676,717 |
| Short-term borrowings in foreign currency | 1,114,614,626 | 958,545,230 |
| Sub total | 2,868,274,952 | 2,851,183,214 |
| Long-term borrowings | | |
| Long-term borrowings in foreign currency | 2,849,524,920 | 2,297,040,000 |
| Total | ₩ 5,717,799,872 | 5,148,223,214 |

For the years ended December 31, 2023 and 2022

17. Borrowings, Continued

(2) Debentures issued by the Parent company as of December 31, 2023 and 2022 are as follows:

1) 2023

As of December 31, 2023, none of debenture has been issued by the Group.

2) 2022

(In thousands of won)

| Type | Classification | Date of maturity | Annual Interest rate (%) | | Amount |
|-----------------|----------------|------------------|--------------------------|---|-------------|
| Corporate Bonds | Unsecured | 2023.09.11 | 2.41 | ₩ | 220,000,000 |
| | | | | | (98,589) |
| | | Total | | ₩ | 219,901,411 |

(3) Short-term borrowings in foreign currency as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

(In thousands of won)

| Borrower | Financial institution | Description | Way of Redemption | Annual interest rate (%) | 2023 | 2022 |
|----------|-----------------------|----------------|---------------------------|--------------------------|-----------------|-------------|
| SDIHU | HSBC and others | Operation fund | Redeemed on maturity date | EURIBOR 3M+0.50 ~ 0.55 | 858,574,456 | 673,923,203 |
| TSDI | BoComm and others | Operation fund | Redeemed on maturity date | LPR-1.10 ~ 0.95 | 137,367,575 | 199,348,641 |
| NOVALED | Sparkasse and others | Operation fund | Redeemed on maturity date | SOFR 3M+1.0 ~ 1.06 | - | 25,902,798 |
| SAPB | HSBC and others | Operation fund | Redeemed on maturity date | LPR-0.96 | - | 59,370,588 |
| SDITB | BoComm and others | Operation fund | Redeemed on maturity date | LPR-1.05 ~ 0.55 | 118,672,595 | - |
| Total | | | | | ₩ 1,114,614,626 | 958,545,230 |

For the years ended December 31, 2023 and 2022

17. Borrowings, Continued

(4) Long-term borrowings in foreign currency as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)

| Borrower | Financial institution | Description | Way of Redemption | Annual interest rate (%) | 2023 | 2022 |
|--|------------------------------|--------------------|---------------------------|---------------------------------|------------------------|----------------------|
| SAPB | HSBC | Operation fund | Redeemed on maturity date | HIBOR 2M+0.40 | 70,527,600 | 63,174,353 |
| SDIHU | Korea Exim bank | Operation fund | Redeemed on maturity date | EURIBOR 3M+0.40 ~ 1.04 | 3,349,633,320 | 2,567,280,000 |
| SDITB | KBD | Operation fund | Redeemed on maturity date | LIBOR 3M+0.76 | - | 86,645,503 |
| Sub total | | | | | 3,420,160,920 | 2,717,099,856 |
| Less current portion of long-term borrowings | | | | | (570,636,000) | (420,059,856) |
| Total | | | | | <u>₩ 2,849,524,920</u> | <u>2,297,040,000</u> |

For the years ended December 31, 2023 and 2022

18. Provisions

Changes in provisions for the years ended December 31, 2023 and 2022 are summarized as follows:

1) 2023

| <i>(In thousands of won)</i> | | <u>Beginning balance</u> | <u>Provisions made</u> | <u>Provisions used</u> | <u>Ending balance</u> |
|------------------------------|------------------------|--------------------------|------------------------|------------------------|-----------------------|
| Current | Quality assurance | ₩ 320,736,926 | 92,524,367 | (62,964,708) | 350,296,585 |
| | Long-term incentives | - | 13,835,283 | - | 13,835,283 |
| | Others | 10,772,050 | 17,824,960 | (8,965,779) | 19,631,231 |
| | Sub total | 331,508,976 | 124,184,610 | (71,930,487) | 383,763,099 |
| Non-current | Long-term incentives | ₩ 40,595,202 | 10,349,379 | (27,670,533) | 23,274,048 |
| | Provision for recovery | 32,180 | 2,926,304 | (32,320) | 2,926,164 |
| | Others | 51,250,924 | 21,592,097 | (5,902,568) | 66,940,453 |
| | Sub total | 91,878,306 | 34,867,780 | (33,605,421) | 93,140,665 |
| Total | ₩ | 423,387,282 | 159,052,390 | (105,535,908) | 476,903,764 |

2) 2022

| <i>(In thousands of won)</i> | | <u>Beginning balance</u> | <u>Provisions made</u> | <u>Provisions used</u> | <u>Ending balance</u> |
|------------------------------|------------------------|--------------------------|------------------------|------------------------|-----------------------|
| Current | Quality assurance | ₩ 239,980,403 | 197,909,269 | (117,152,746) | 320,736,926 |
| | Long-term incentives | 5,996,252 | - | (5,996,252) | - |
| | Others | 56,705,575 | 35,450,324 | (81,383,849) | 10,772,050 |
| | Sub total | 302,682,230 | 233,359,593 | (204,532,847) | 331,508,976 |
| Non-current | Long-term incentives | ₩ 38,690,678 | 1,904,524 | - | 40,595,202 |
| | Provision for recovery | 28,980 | 3,200 | - | 32,180 |
| | Others | 54,592,052 | 2,784,190 | (6,125,318) | 51,250,924 |
| | Sub total | 93,311,710 | 4,691,914 | (6,125,318) | 91,878,306 |
| Total | ₩ | 395,993,940 | 238,051,507 | (210,658,165) | 423,387,282 |

(1) The Group recognizes a warranty provision (quality assurance) for the estimated costs of future repairs and recalls as accrued expenses, based on the past experienced rate. The Group also recognizes estimated costs in case of its customers' product recall from its end-users.

(2) The Group has long-term incentive plans for its executives based on three-year performance criteria and made a provision for the estimated incentive.

(3) Other than provisions stated above, the Group recognized provision for litigations. However, as stated in Note 20, details of provisions for litigations are not disclosed as it may affect the result or the progress of pending litigations.

(4) As of the end of the current term, the Group has no emission liabilities due to less greenhouse gas emissions than the number of free allocation allowances, and the number of free allocation allowances for the for the 3rd planning periods (2021-2025) are summarized as follows:

(In tCO₂-eq)

| <u>For 2021</u> | <u>For 2022</u> | <u>For 2023</u> | <u>For 2024</u> | <u>For 2025</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 592,852 | 589,613 | 676,586 | 657,087 | 642,606 |

For the years ended December 31, 2023 and 2022

19. Employee Benefits

(1) Employee benefit liabilities(assets) as of December 31, 2023 and 2022 are summarized as follows:

1) Present value of defined obligations

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---|----------------------|--------------------|
| Defined Benefit Obligations: | | |
| Beginning balance | ₩ 672,626,239 | 719,644,106 |
| Current service cost | 63,508,936 | 69,897,860 |
| Interest cost | 37,796,106 | 23,923,815 |
| Obligations transferred from related parties | (3,716,823) | (1,768,110) |
| Gross benefit payments | (27,652,301) | (27,272,570) |
| Actuarial gain arising from assumptions | 93,358,260 | (97,591,302) |
| Contribution to the defined contribution plan | (27,853,301) | (14,169,351) |
| Exchange rate fluctuations | 72,549 | (38,209) |
| Ending balance | ₩ <u>808,139,665</u> | <u>672,626,239</u> |
| Plan Assets | (1,059,689,820) | (842,739,921) |
| Net defined benefit liability (asset) | (251,550,155) | (170,113,682) |

2) Fair value of plan assets

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---|------------------------|--------------------|
| Beginning balance | ₩ 842,739,921 | 710,285,844 |
| Contributions paid into plan | 217,011,208 | 149,906,118 |
| Obligations paid by the plan | (18,245,611) | (17,704,508) |
| Contribution to the defined contribution plan | (27,853,301) | (14,169,351) |
| Interest income | 48,840,140 | 24,119,971 |
| Actuarial gain arising from assumptions | (5,931,296) | (9,945,434) |
| Plan assets transferred to related parties | 3,167,249 | 318,598 |
| Exchange rate fluctuations | (38,490) | (71,317) |
| Ending balance | ₩ <u>1,059,689,820</u> | <u>842,739,921</u> |

3) Other liabilities for employee benefits as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|-----------------------------------|----------------------|--------------------|
| Liabilities for paid absence | ₩ 84,409,269 | 82,106,251 |
| Long-term incentive provisions | 37,109,331 | 40,595,202 |
| Other long-term employee benefits | 66,467,677 | 49,667,829 |
| Total | ₩ <u>187,986,277</u> | <u>172,369,282</u> |

For the years ended December 31, 2023 and 2022

19. Employee Benefits, Continued

(2) Expenses for employee benefits for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|-------------------|
| Current service costs | ₩ 63,508,936 | 69,897,860 |
| Interest cost | 37,796,106 | 23,923,815 |
| Interest income | (48,840,140) | (24,119,971) |
| Payment on defined contribution plans | <u>10,485,854</u> | <u>9,109,929</u> |
| Total | <u>₩ 62,950,756</u> | <u>78,811,633</u> |

(3) Fair value of plan assets as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|------------------------------|------------------------|--------------------|
| Severance insurance bonds | ₩ 1,059,442,891 | 842,479,510 |
| National pension fund | <u>246,929</u> | <u>260,411</u> |
| Total | <u>₩ 1,059,689,820</u> | <u>842,739,921</u> |

(4) The Group determined the discount rate based on market returns of high-quality corporate bonds consistent with currencies and estimated payment terms of defined benefit obligations as of the reporting date in order to calculate present value of the defined benefit obligations. Principal actuarial assumptions for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In %)</i> | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| Expected rate of salary increase | 3.87~5.72 | 3.25~3.98 |
| Discount rate for defined benefit obligations | 6.08~6.12 | 6.11~6.34 |

Assumptions regarding future mortality have been based on published statistics and mortality tables from Korea Insurance Development Institute. The weighted duration of expenses for employee benefits for the years ended December 31, 2023 and 2022 are 9.30 to 9.42 years and 7.10 to 11.21years, respectively.

(5) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions as of December 31, 2023, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| <i>(In thousands of won)</i> | <u>Present value of Defined benefit obligations</u> | |
|----------------------------------|---|---------------------------|
| | <u>If increased by 1%</u> | <u>If decreased by 1%</u> |
| Expected rate of salary increase | ₩ 79,763,574 | (70,103,801) |
| Discount rate | (66,687,720) | 76,892,662 |

For the years ended December 31, 2023 and 2022

20. Commitment and Contingencies

(1) As of December 31, 2023, the Group has been provided a guarantee of ₩ 7,909 million by Seoul Guarantee Insurance Co., Ltd. in relation to a court deposit and licensing procedures.

(2) The Group is a defendant in civil damage claims filed in the Europe for collusion of CRTs, etc. The Group has estimated its potential loss related to the claims, but the actual compensation may differ significantly from the Group's estimation. The Group does not disclose details of on-going litigations considering the disclosure may have effect to outcome of pending litigations.

(3) Other than cases described in (2) of this note to the consolidated financial statements, the Group is defendant of 64 pending litigations in local and foreign jurisdictions. The Group does not disclose details of the on-going litigations, as the disclosure may affect the result of the pending litigations. Effect of pending litigations on the Group's consolidated financial statements cannot be estimated reliably, as timing and amounts of compensations are uncertain.

(4) The Group has following borrowing commitments as of December 31, 2023.

(In thousands of USD, In thousands of CNY, In thousands of EUR and hundred millions of won)

| | <u>Currency</u> | <u>Individual limit</u> | <u>Comprehensive limit</u> | <u>Name of financial institution</u> |
|---|-----------------|-----------------------------|--------------------------------|---------------------------------------|
| Bank overdrafts | KRW | 55 | | - Woori Bank and one other bank |
| General purpose loans | KRW | 3,390 | | - KEB HANA BANK and one other bank |
| | USD | 695,729 | | - Shinhan Bank and eight other banks |
| | CNY | 3,350,000 | | - Bank of China and three other banks |
| | EUR | 830,000 | | - Citi Bank and three other banks |
| A/S, Usance | USD | 15,000 | 250,000 | Shinhan Bank and three other banks |
| Guarantee payments for foreign currency (*) | USD | 1,187,000 | 250,000 | BNP PARIBS and seven other banks |
| D/A, D/P, O/A | USD | 1,236,846 | 450,000 | Woori Bank and nine other banks |
| Loans for Import trade | USD | - | 350,000 | DBS and three other banks |
| Total | KRW | 3,445 | - | |
| | USD | 3,134,575 | 1,300,000 | |
| | CNY | 3,350,000 | - | |
| | EUR | 830,000 | - | |

(*) Among the foreign currency guarantee payment limits, USD 250 million is contracted as an inclusive foreign currency limit, as it is overlapped with the O/A limit.

For the years ended December 31, 2023 and 2022

20. Commitment and Contingencies, Continued

(5) As of December 31, 2023, the group entered into a currency forward contract with the aim of avoiding risks from changes in the exchange rate. The gain or loss on the contract fair value hedging accounting in accordance with the entity's GAAP, and the gain or loss is recognized in profit or loss. The details of the contract are the transaction in which the foreign currency amount promised at the expiration date is delivered to the counterparty (financial institution) and the amount converted into the fixed exchange rate at the time of the contract is delivered from the counterparty.

As of December 31, 2023, the group settled the currency forward contracts. The gain on the valuation of derivatives of ₩ 968 million, the loss on the valuation of derivatives of ₩ 5,001 million and the gain on the transaction of derivatives of ₩ 18,148 million and the loss on the transaction of derivatives of ₩ 83 million are reflected in profit or loss.

(6) The Group has entered commercial swap contracts to hedge the purchase price fluctuation of raw materials. Details of the Group's commercial swap contracts are as follows:

(In USD)

| Descriptions | Expiry Date | Remaining Quantity (tons) | Contract Price (USD/ton) |
|--------------|-------------|------------------------------|-----------------------------|
| Copper (Cu) | 2024-12-31 | 1,700 | 5,296 |

As of December 31, 2023, the net carrying amount of the derivative asset related to commercial swap above is ₩ 7,031 million, and the Group recognized effective portion of gain on valuation of derivatives amounting ₩ 5,175 million as other comprehensive income, net of tax.

(7) Until December 31, 2023, the Group has acquired 40% ownership of ECOPRO EM Co., Ltd. (Total investment till December 31, 2023: ₩ 128,000 million) Also, if the agreement is terminated due to a liability of a party, the Group owns put option respectively on all of the shares of ECOPRO EM Co., Ltd. owned by the Group and ECOPRO BM CO., LTD owns call option.

(8) According to the joint venture agreement under with PHILOPTICS CO., LTD., within 20 years from the date of 5 years from the date of the agreement, the Group has the right to sell all or part of the shares of Philenergy Co., Ltd. owned by the Group to Philenergy Co., Ltd. or PHILOPTICS CO., LTD. Also, if the agreement is terminated due to a liability of a party, the Group and PHILOPTICS CO., LTD. owns put option and call option respectively on all the shares of Philenergy Co., Ltd. owned by the Group.

(9) According to the joint venture contract signed with FCA US LLC., the Group can agree on the expiration of the contract period, and the Group has the right to exercise a call option on the stake in StarPlus Energy LLC. owned by FCA US LLC. at the expiration of the contract period. In addition, if the contract is terminated due to one-way or deadlock, the Group has a call option and FCA US LLC. has a put option for the StarPlus Energy LLC. stake owned by FCA US LLC.

(10) As of December 31, 2023, the outstanding contract amount for the acquisition of tangible and intangible is ₩ 2,035,998 million.

For the years ended December 31, 2023 and 2022

21. Share Capital and Share Premium

(1) Share capital

Ordinary shares and preferred shares issued and outstanding as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

| <i>(In shares)</i> | <u>Shares issued</u> | <u>Treasury shares</u> | <u>Shares outstanding</u> |
|--------------------|--------------------------|---------------------------|---------------------------|
| Ordinary shares | 68,764,530 | (3,331,391) | 65,433,139 |
| Preferred shares | <u>1,617,896</u> | <u>(178,400)</u> | <u>1,439,496</u> |
| Total | <u><u>70,382,426</u></u> | <u><u>(3,509,791)</u></u> | <u><u>66,872,635</u></u> |

2) 2022

| <i>(In shares)</i> | <u>Shares issued</u> | <u>Treasury shares</u> | <u>Shares outstanding</u> |
|--------------------|--------------------------|---------------------------|---------------------------|
| Ordinary shares | 68,764,530 | (3,331,391) | 65,433,139 |
| Preferred shares | <u>1,617,896</u> | <u>(178,400)</u> | <u>1,439,496</u> |
| Total | <u><u>70,382,426</u></u> | <u><u>(3,509,791)</u></u> | <u><u>66,872,635</u></u> |

(2) Share premium as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | | <u>2023</u> | <u>2022</u> |
|------------------------------|---|-----------------------------|-----------------------------|
| Additional paid-in-capital | ₩ | 4,838,555,882 | 4,838,555,882 |
| Other share premiums | | <u>163,418,811</u> | <u>163,418,811</u> |
| Total | ₩ | <u><u>5,001,974,693</u></u> | <u><u>5,001,974,693</u></u> |

(3) Dividends by the Parent Company for the reporting periods ending December 31, 2023 and 2022 are summarized as follows. The dividends for the reporting periods ending December 31, 2023 will be presented as an agenda at the regular shareholders' meeting of the parent company.

| <i>(In thousands of won)</i> | | <u>2023</u> | <u>2022</u> |
|---|---|--------------------------|--------------------------|
| Ordinary shares (2023: ₩1,000 per share, 2022: ₩1,030 per share) | ₩ | 65,433,139 | 67,396,133 |
| Preferred shares (2023: ₩1,050 per share, 2022: ₩1,080 per share) | | <u>1,511,471</u> | <u>1,554,656</u> |
| | ₩ | <u><u>66,944,610</u></u> | <u><u>68,950,789</u></u> |

22. Other capital

Other capital comprises treasury shares of the Parent Company. Number of treasury shares and its carrying amount as of December 31, 2023 and 2022 are as follows:

| <i>(In thousands of won)</i> | | <u>2023</u> | | | <u>2022</u> | | |
|------------------------------|---|------------------------|-------------------------|--------------|------------------------|-------------------------|--------------|
| | | <u>Ordinary shares</u> | <u>Preferred shares</u> | <u>Total</u> | <u>Ordinary shares</u> | <u>Preferred shares</u> | <u>Total</u> |
| Number of shares | | 3,331,391 | 178,400 | 3,509,791 | 3,331,391 | 178,400 | 3,509,791 |
| Carrying amount | ₩ | 336,813,481 | 8,318,103 | 345,131,584 | 336,813,481 | 8,318,103 | 345,131,584 |

For the years ended December 31, 2023 and 2022

23. Accumulated Other Comprehensive Income

Accumulated other comprehensive income, net of tax, as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------------|----------------------|
| Equity instruments at FVOCI – net change in fair value | ₩ 388,021,284 | 310,011,247 |
| Gain(loss) on derivatives valuation | 5,175,033 | 22,185,366 |
| Unrealized change on equity method investments | 480,899,254 | 493,181,443 |
| Gain (loss) on translation of foreign operations | <u>288,057,322</u> | <u>178,438,837</u> |
| Total | <u>₩ 1,162,152,893</u> | <u>1,003,816,893</u> |

24. Retained Earnings

Retained earnings as of December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|----------------------------------|-------------------------|-----------------------|
| Legal reserve | ₩ 183,235,277 | 179,533,582 |
| Discretionary reserve | 7,056,478,000 | 6,198,238,000 |
| Unappropriated retained earnings | <u>5,095,951,969</u> | <u>4,090,579,799</u> |
| Total | <u>₩ 12,335,665,246</u> | <u>10,468,351,381</u> |

25. Selling, General, and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|-----------------------------------|------------------------|----------------------|
| Salaries and wages | ₩ 365,309,084 | 334,032,459 |
| Severance and retirement benefits | 19,697,052 | 20,554,496 |
| Employee fringe benefits | 115,916,191 | 102,180,332 |
| Depreciation | 50,704,806 | 53,482,853 |
| Amortization | 21,557,489 | 19,172,737 |
| Research and development expenses | 1,136,360,995 | 1,076,352,606 |
| Transportation expenses | 154,711,258 | 232,757,802 |
| Fees and commissions | 151,373,265 | 142,470,917 |
| (Reversal of) Bad debt expenses | (38,377) | (90,503) |
| Others | <u>332,955,680</u> | <u>431,819,970</u> |
| Total | <u>₩ 2,348,547,443</u> | <u>2,412,733,669</u> |

For the years ended December 31, 2023 and 2022

26. The Nature of Expenses

The nature of expenses for the years ended December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)

| | 2023 | 2022 |
|-----------------------------------|-------------------------|-----------------------|
| Changes in inventories | ₩ (6,693,390,419) | (5,470,459,008) |
| Raw materials used | 20,485,934,589 | 17,044,354,697 |
| Salaries and wages | 1,895,882,121 | 1,669,172,316 |
| Severance and retirement benefits | 84,770,309 | 96,900,343 |
| Employee fringe benefits | 568,102,996 | 499,220,111 |
| Depreciation | 1,659,657,716 | 1,408,100,379 |
| Amortization | 68,314,060 | 55,232,876 |
| Others | 3,005,660,162 | 3,013,534,789 |
| Total | ₩ <u>21,074,931,534</u> | <u>18,316,056,503</u> |

For the years ended December 31, 2023 and 2022

27. Other Income and Other Expenses

(1) Other income for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---|---------------------|-------------------|
| Dividends income | ₩ 17,095,214 | 12,250,892 |
| Rental income | 120,483 | 332,498 |
| Gain on sale of property, plant and equipment | 2,981,837 | 4,287,067 |
| Gain on sale of intangible assets | 14,100 | - |
| Gain on sale of investment property | 14,720,499 | 6,454,062 |
| Gain on lease termination | 28,103 | 70,676 |
| Miscellaneous income | 41,685,361 | 39,602,824 |
| Total | ₩ <u>76,645,597</u> | <u>62,998,019</u> |

(2) Other expenses for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---|---------------------|--------------------|
| Donations | ₩ 9,023,577 | 7,719,130 |
| Loss on sale of property, plant and equipment | 20,268,989 | 113,273,606 |
| Loss on impairment of property, plant and equipment | 1,713,442 | 31,085,526 |
| Loss on sale of intangible assets | 13,771 | 318,439 |
| Loss on impairment of intangible assets | 2,045,303 | 3,128 |
| Loss on lease termination | 19,191 | 4,663 |
| Miscellaneous expenses | 17,226,683 | 53,912,454 |
| Total | ₩ <u>50,310,956</u> | <u>206,316,946</u> |

For the years ended December 31, 2023 and 2022

28. Financial Income and Financial Expenses

Financial income and costs for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | 2023 | 2022 |
|--|----------------------|----------------------|
| Financial income | | |
| Interest income | ₩ 82,954,221 | 43,378,706 |
| - Bank deposit | 80,693,229 | 35,612,744 |
| - Other | 2,260,992 | 7,765,962 |
| Gain on foreign currency transaction | 842,064,411 | 973,041,270 |
| Gain on foreign currency translation | 97,612,450 | 264,036,354 |
| Gain on valuation of derivatives | 967,840 | 19,271,872 |
| Gain on transaction of derivatives | 18,148,101 | 10,832,244 |
| Gain on valuation of financial assets at fair value through profit or loss | 13,333,981 | 79,997,719 |
| Gain on disposal of financial assets at fair value through profit or loss | 6,471 | 87,808 |
| Subtotal | <u>1,055,087,475</u> | <u>1,390,645,973</u> |
| Financial expenses | | |
| Interest expense | 273,624,155 | 90,058,982 |
| - Borrowing | 239,752,976 | 75,119,338 |
| - Debentures | 3,775,950 | 5,434,340 |
| - Other | 30,095,229 | 9,505,304 |
| Loss on foreign currency transactions | 798,101,104 | 978,729,104 |
| Loss on foreign currency translation | 125,098,077 | 300,760,298 |
| Loss on valuation of derivatives | 5,000,529 | - |
| Loss on transaction of derivatives | 82,604 | 4,066,889 |
| Loss on disposal of other receivables | 38,990,126 | 11,662,825 |
| Loss on valuation of financial assets at fair value through profit or loss | 1,769,425 | 54,619,083 |
| Loss on disposal of financial assets at fair value through profit or loss | 378 | 2,806,135 |
| Loss on guarantee fee | 3,219,100 | 58,025 |
| Subtotal | <u>1,245,885,498</u> | <u>1,442,761,341</u> |
| Net financial expense | <u>₩ 190,798,023</u> | <u>52,115,368</u> |

For the years ended December 31, 2023 and 2022

29. Income Tax Expense

(1) Income tax expense for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | | <u>2023</u> | <u>2022</u> |
|--|---|--------------------|--------------------|
| Current income taxes | ₩ | 265,729,020 | 362,740,808 |
| Deferred income taxes from changes in temporary differences | | 301,266,537 | 160,863,625 |
| Changes in deferred income taxes due to tax credit carry forward | | (147,033,889) | (42,313,717) |
| Changes in deferred income taxes due to changes in the tax rate | | - | 131,109,165 |
| Others (exchange rate differences) | | <u>135,787</u> | <u>514,060</u> |
| Income tax expense | ₩ | <u>420,097,455</u> | <u>612,913,941</u> |

(2) Deferred tax assets and liabilities recognized at stockholders' equity as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

| <i>(In thousands of won)</i> | <u>Before tax</u> | <u>Deferred tax assets (liabilities)</u> | <u>After tax</u> |
|---|------------------------|--|----------------------|
| Income tax related to items recognized directly in equity: ₩ | | | |
| Share premium | 44,411,694 | 5,421,821 | 49,833,515 |
| Income tax related to items recognized as OCI: | | | |
| Actuarial gain (losses) from defined benefit plan | (137,622,413) | 35,305,647 | (102,316,766) |
| Change in equity of equity-accounted investees | 944,589,436 | (175,632,860) | 768,956,576 |
| Cash flow hedges – effective portion of changes in fair value | 7,031,294 | (1,856,262) | 5,175,032 |
| Equity instruments at FVOCI – net change in fair value | 527,204,006 | (139,182,722) | 388,021,284 |
| Total | ₩ <u>1,385,614,017</u> | <u>(275,944,376)</u> | <u>1,109,669,641</u> |

2) 2022

| <i>(In thousands of won)</i> | <u>Before tax</u> | <u>Deferred tax assets (liabilities)</u> | <u>After tax</u> |
|---|------------------------|--|----------------------|
| Income tax related to items recognized directly in equity: ₩ | | | |
| Share premium | 44,411,694 | 5,421,821 | 49,833,515 |
| Income tax related to items recognized as OCI: | | | |
| Actuarial gain (losses) from defined benefit plan | (38,522,955) | 9,148,662 | (29,374,293) |
| Change in equity of equity-accounted investees | 851,658,708 | (180,038,428) | 671,620,280 |
| Cash flow hedges – effective portion of changes in fair value | 30,143,160 | (7,957,794) | 22,185,366 |
| Equity instruments at FVOCI – net change in fair value | 421,210,933 | (111,199,686) | 310,011,247 |
| Total | ₩ <u>1,308,901,540</u> | <u>(284,625,425)</u> | <u>1,024,276,115</u> |

For the years ended December 31, 2023 and 2022

29. Income Tax Expense, Continued

(3) The relationship between income tax expense and accounting income for the years ended December 31, 2023 and 2022, is as follows.

| <i>(In thousands of won)</i> | | 2023 | 2022 |
|---|---|---------------|---------------|
| Profit before income tax | ₩ | 2,486,144,017 | 2,652,275,389 |
| Income tax using the Group's statutory tax rate | | 350,338,334 | 431,782,858 |
| Adjustments | | | |
| Foreign withholding tax | | 18,085,881 | 18,312,562 |
| Permanent differences | | (58,386,262) | 33,681 |
| Carry-over deficit effect | | 5,835,123 | 8,050,869 |
| Tax credits | | (188,508,350) | (158,473,285) |
| Difference in tax rate | | - | 131,109,165 |
| Consolidation adjustments, and others | | 292,732,729 | 182,098,091 |
| Income tax expense | ₩ | 420,097,455 | 612,913,941 |
| Average effective tax rate | | 16.9% | 23.1% |

(4) As of December 31, 2023, the tax effects of temporary differences were calculated by using expected tax rate for the year when the temporary differences are expected to be reversed.

(5) Change in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are summarized as follows:

| <i>(In thousands of won)</i> | 2023 | | | 2022 | | |
|---|-------------------|---------------|-----------------|-------------------|---------------|-----------------|
| | Beginning balance | Changes | Ending balance | Beginning balance | Changes | Ending balance |
| Tangible/Intangible assets | ₩ 116,016,250 | (2,022,616) | 113,993,634 | 98,647,981 | 17,368,269 | 116,016,250 |
| Investment in subsidiaries and associates | (1,915,001,100) | (292,923,762) | (2,207,924,862) | (1,624,952,989) | (290,048,111) | (1,915,001,100) |
| Inventories | 6,342,914 | (2,078,420) | 4,264,494 | 3,951,753 | 2,391,161 | 6,342,914 |
| Accrued expenses | 141,976,893 | 3,827,695 | 145,804,588 | 112,292,074 | 29,684,819 | 141,976,893 |
| Available-for-sale financial assets | (75,226,801) | 33,790,769 | (41,436,032) | (99,121,965) | 23,895,164 | (75,226,801) |
| Others | (77,556,009) | (64,018,260) | (141,574,269) | 3,273,905 | (80,829,914) | (77,556,009) |
| Sub total | (1,803,447,853) | (323,424,594) | (2,126,872,447) | (1,505,909,241) | (297,538,612) | (1,803,447,853) |
| Deferred tax added to capital | (284,625,425) | 8,681,049 | (275,944,376) | (302,023,973) | 17,398,548 | (284,625,425) |
| Tax credit | 200,586,672 | 147,033,889 | 347,620,561 | 158,272,955 | 42,313,717 | 200,586,672 |
| Temporary differences of subsidiaries | 162,476,697 | 39,163,180 | 201,639,877 | 137,141,397 | 25,335,300 | 162,476,697 |
| Total | ₩ | | (1,853,556,385) | | | (1,725,009,909) |

(6) At 31 December 2023, there was a deferred tax liability of ₩130,183 million for temporary differences of ₩493,118 million related to investments in subsidiaries. However, this liability was not recognized because the Group is able to control the timing of the reversal of the temporary differences and it is probable that it will not reverse in the foreseeable future.

(7) The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

For the years ended December 31, 2023 and 2022

29. Income Tax Expense, Continued

8) Global Minimum Tax

The Global Minimum Tax is a system in which multinational companies located in a country where the effective tax rate falls below 15%, with sales revenue on consolidated financial statements exceeding 0.75 billion euros in at least 2 of the previous 4 years, are required to pay the corresponding amount to the tax authorities in the country to which the Parent Company meeting specific conditions belongs.

Republic of Korea, where the Parent Company of the Group is located, enacted legislation related to the Global Minimum Tax in 2023, and it is required to apply the Global Minimum Tax from the business year beginning on January 1, 2024.

The Group believes that it falls under the scope of the application of the Global Minimum Tax law. However, as the related laws in Korea are scheduled to be enforced from January 1, 2024, there is no impact on the current and deferred income tax expenses for the current period. Additionally, the Group is applying the temporary exemption rule for deferred tax under K-IFRS No. 1012, and as a result, it does not recognize deferred income tax assets and liabilities related to the Global Minimum Tax law and does not disclose information related to deferred tax.

Since the laws of the country of the subsidiary, which is primarily affected by the Global Minimum Tax law, are either not enacted or specific regulations are still in progress, it is difficult to reasonably estimate the impact on the Group at the end of the current period. Each subsidiary of the Group is reviewing the potential impact on the consolidated financial statements in consultation with tax experts in each country.

30. Earning per Share

(1) Basic earnings per share

1) Basic earnings per share for the years ended December 31, 2023 and 2022 are calculated as follows:

(i) Ordinary Shares

(In thousands of won, except earnings per share)

| | <u>2023</u> | <u>2022</u> |
|--|-----------------|---------------|
| Profit attributable to the owners of the Company | ₩ 2,009,207,126 | 1,952,148,536 |
| Profit attributable to ordinary shares | 1,965,886,639 | 1,910,056,287 |
| Weighted average number of ordinary shares (basic) | 65,433,139 | 65,433,139 |
| Basic earnings per share (won) | 30,044 | 29,191 |

(ii) Preferred Shares

(In thousands of won, except earnings per share)

| | <u>2023</u> | <u>2022</u> |
|---|-----------------|---------------|
| Profit attributable to the owners of the Company | ₩ 2,009,207,126 | 1,952,148,536 |
| Profit attributable to preferred shares | 43,320,488 | 42,092,249 |
| Weighted average number of preferred shares (basic) | 1,439,496 | 1,439,496 |
| Basic earnings per share (won) | 30,094 | 29,241 |

For the years ended December 31, 2023 and 2022

30. Earning per Share, Continued

2) Weighted average number of shares for the years ended December 31, 2023 and 2022 are calculated as follows:

(i) Ordinary Shares

| <i>(In shares)</i> | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Issued ordinary shares at January 1 | 68,764,530 | 68,764,530 |
| Treasury stock | <u>(3,331,391)</u> | <u>(3,331,391)</u> |
| Weighted-average number of common shares outstanding (basic) | <u>65,433,139</u> | <u>65,433,139</u> |

(ii) Preferred Shares

| <i>(In shares)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Issued preferred shares at January 1 | 1,617,896 | 1,617,896 |
| Treasury stock | <u>(178,400)</u> | <u>(178,400)</u> |
| Weighted-average number of common shares outstanding (basic) | <u>1,439,496</u> | <u>1,439,496</u> |

The preferred shares are not entitled for priority rights other than additional dividend of 1% per annum, compared to ordinary shares, the Group considers the preferred shares as ordinary shares with different dividend ratio.

(2) Diluted earnings per share

Diluted earnings per share are same as basic earnings per share as there are no diluted effects for the years ended December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022

31. Leases

Information related to leases for which the Group is a lessee is as follows.

(1) Right-of-use assets

The details of the right-of-use assets for the years ended December 31, 2023 and 2022 are as follows:

1) 2023

| <i>(In thousands of won)</i> | | <u>Land</u> | <u>Buildings and structures</u> | <u>Tools, furniture, and fixtures</u> | <u>Total</u> |
|--------------------------------------|---|------------------|---------------------------------|---------------------------------------|-------------------|
| Beginning balance | ₩ | 8,589,272 | 55,583,386 | 5,015,368 | 69,188,026 |
| Acquisition cost | | 13,762,617 | 74,265,664 | 11,209,676 | 99,237,957 |
| Accumulated depreciation | | (5,173,345) | (18,682,278) | (6,194,308) | (30,049,931) |
| Acquisitions and capital expenditure | | 1,721,610 | 31,978,245 | 7,028,742 | 40,728,597 |
| Depreciation | | (7,158,638) | (18,683,916) | (3,623,383) | (29,465,937) |
| Disposals | | - | (965,432) | (263,768) | (1,229,200) |
| Exchange rate fluctuation | | (27,822) | (1,955,362) | (362,887) | (2,346,071) |
| Ending balance | ₩ | <u>3,124,422</u> | <u>65,956,921</u> | <u>7,794,072</u> | <u>76,875,415</u> |
| Acquisition cost | | 12,620,161 | 103,089,339 | 14,421,196 | 130,130,696 |
| Accumulated depreciation | | (9,495,739) | (37,132,418) | (6,627,124) | (53,255,281) |

2) 2022

| <i>(In thousands of won)</i> | | <u>Land</u> | <u>Buildings and structures</u> | <u>Tools, furniture, and fixtures</u> | <u>Total</u> |
|--------------------------------------|---|------------------|---------------------------------|---------------------------------------|-------------------|
| Beginning balance | ₩ | 1,823,232 | 29,009,016 | 4,402,972 | 35,235,220 |
| Acquisition cost | | 9,749,730 | 63,878,503 | 9,450,839 | 83,079,072 |
| Accumulated depreciation | | (7,926,498) | (34,869,487) | (5,047,867) | (47,843,852) |
| Acquisitions and capital expenditure | | 13,812,617 | 46,109,642 | 4,263,215 | 64,185,474 |
| Depreciation | | (6,576,822) | (15,878,927) | (2,920,002) | (25,375,751) |
| Disposals | | - | (967,792) | (320,700) | (1,288,492) |
| Exchange rate fluctuation | | (469,755) | (2,688,553) | (410,117) | (3,568,425) |
| Ending balance | ₩ | <u>8,589,272</u> | <u>55,583,386</u> | <u>5,015,368</u> | <u>69,188,026</u> |
| Acquisition cost | | 13,762,617 | 74,265,664 | 11,209,676 | 99,237,957 |
| Accumulated depreciation | | (5,173,345) | (18,682,278) | (6,194,308) | (30,049,931) |

(2) Amounts recognized in expenses related to lease for the years ended December 31, 2023 and 2022 are as follows:

| <i>(In thousands of won)</i> | | <u>2023</u> | <u>2022</u> |
|--|---|-------------------|-------------------|
| Interest on lease liabilities | ₩ | 3,523,805 | 1,394,299 |
| Expenses relating to short-term leases | | 10,966,862 | 7,002,867 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | | 1,674,595 | 2,011,757 |
| Total | ₩ | <u>16,165,262</u> | <u>10,408,923</u> |

For the years ended December 31, 2023 and 2022

31. Leases, continued

(3) Maturities of lease liabilities for the years ended December 31, 2023 and 2022 are as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Less than one year | ₩ 26,631,906 | 28,234,309 |
| One to five years | 48,260,719 | 35,676,658 |
| More than five years | <u>19,512,069</u> | <u>17,084,727</u> |
| Total undiscounted lease liabilities as of 31 December | 94,404,694 | 80,995,694 |
| Lease liabilities recognized in the statement of financial position as of 31 December | <u>81,052,699</u> | <u>72,105,093</u> |
| Current lease liabilities | 26,046,759 | 27,752,325 |
| Non-current lease liabilities | 55,005,940 | 44,352,768 |

(4) Amounts recognized in statement of cash flow for the years ended December 31, 2023 and 2022 are as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|-------------------------------|--------------|-------------|
| Total cash outflow for leases | ₩ 52,224,103 | 39,578,585 |

(5) Extension option

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group seeks to include extension options in new leases to provide operational flexibility. The Group estimates the lease period by assessing at the lease commencement date whether it is reasonably certain to exercise the extension option.

(6) Details of leases as lessor are as follows:

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer most of the risks and rewards incidental to the ownership of the assets. The following is the maturity analysis table for operating lease payments, and the lease payments to be received after the end of the reporting period are presented in undiscounted amounts.

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|------------------------------|-------------|-------------|
| Less than one year | ₩ 4,480,461 | 4,509,895 |
| One to five years | 8,955,630 | 9,099,826 |

For the years ended December 31, 2023 and 2022

32. Related Parties

(1) List of the Group's related parties are as follows:

| | |
|------------------------------|---|
| Associates | Samsung Display Co., Ltd. ("SDC") and subsidiaries Samsung Global Research Co., Ltd. SD FLEX CO., LTD. ("SDFLEX") ECOPRO EM Co., Ltd. ("ECOPROEM") Philenergy Co., Ltd. ("Philenergy") Intellectual Keystone Technology LLC ("IKT") Secondary Battery Growth Fund |
| Other Related Parties | ECOPRO BM Co., Ltd. ("ECOPROBM") |
| Conglomerate entities | Samsung Electronics Co., Ltd. ("SEC"), Samsung C&T Corporation, and etc. |

(2) Significant transactions with related parties for the years ended December 31, 2023 and 2022 are summarized as follows:

1) 2023

| <i>(In thousands of won)</i> | | <u>Revenues</u> | <u>Disposal of Property, Plant and Equipment</u> | <u>Other Income</u> | <u>Inventory purchase</u> | <u>Purchase of property plant and equipment</u> | <u>Other expenses</u> |
|-----------------------------------|---|----------------------|--|---------------------|-------------------------------|---|-----------------------|
| Associates | | | | | | | |
| SDC and its subsidiaries | ₩ | 384,860,592 | 81,418 | 30,880,023 | 2,370,470 | 4,259,653 | 1,807,036 |
| Samsung Global Research Co., Ltd. | | - | - | - | - | - | 13,648,023 |
| SD FLEX CO., LTD. | | 140,664 | - | 1,216,478 | 7,949,929 | - | 44,106 |
| ECOPROEM | | - | - | 586,823 | 3,723,367,644 | - | 20,576,724 |
| Philenergy CO., LTD. | | - | - | - | - | 251,233,594 | 2,845,755 |
| Other Related Parties | | | | | | | |
| ECOPROBM | | - | - | 21,019,789 | 452,711,903 | - | 1,107,889 |
| Conglomerate entities | | | | | | | |
| SEC and its subsidiaries | | 1,334,410,603 | - | 3,641,266 | 1,683,821 | 18,542,020 | 74,821,263 |
| Others | | 167,325 | - | 47,863,736 | 7,206,317 | 107,324,882 | 227,177,140 |
| Total | ₩ | <u>1,719,579,184</u> | <u>81,418</u> | <u>105,208,115</u> | <u>4,195,290,084</u> | <u>381,360,149</u> | <u>342,027,936</u> |

2) 2022

| <i>(In thousands of won)</i> | | <u>Revenues</u> | <u>Other Income</u> | <u>Inventory purchase</u> | <u>Purchase of property plant and equipment</u> | <u>Other expenses</u> |
|-----------------------------------|---|----------------------|---------------------|---------------------------|---|-----------------------|
| Associates | | | | | | |
| SDC and its subsidiaries | ₩ | 401,449,369 | 31,481,079 | 2,369,753 | - | 1,482,080 |
| Samsung Global Research Co., Ltd. | | - | - | - | - | 9,634,783 |
| SD FLEX CO., LTD. | | 147,312 | 1,263,968 | 15,172,507 | - | 56,624 |
| ECOPROEM | | - | - | 2,161,138,608 | - | 701,795 |
| Philenergy CO., LTD. | | - | - | - | 139,898,976 | 2,065,220 |
| Other Related Parties | | | | | | |
| ECOPROBM | | - | 311,501 | 1,019,537,801 | - | 73,928 |
| Conglomerate entities | | | | | | |
| SEC and its subsidiaries | | 1,368,792,891 | 2,287,681 | 2,226,515 | 8,143,019 | 59,803,135 |
| Others | | 1,362,763 | 6,963,273 | 5,330,407 | 48,766,577 | 225,250,981 |
| Total | ₩ | <u>1,771,752,335</u> | <u>42,307,502</u> | <u>3,205,775,591</u> | <u>196,808,572</u> | <u>299,068,546</u> |

For the years ended December 31, 2023 and 2022

32. Related Parties, Continued

(3) As explained in Note 12, for the year ended December 31, 2023, the Group invested ₩40,000 million (₩40,000 million in the previous year) and ₩2,680 million (₩2,010 million in the previous year) in ECOPROEM Co., Ltd. and the Secondary Battery Growth Fund, respectively.

(4) Details of significant account balances with related parties as of December 31, 2023 and 2022 are summarized as follows:

1) 2023

| <i>(In thousands of won)</i> | | <u>Account receivable</u> | <u>Other receivable, etc.</u> | <u>Account payable</u> | <u>Other payable, etc.</u> |
|-----------------------------------|---|-------------------------------|-----------------------------------|----------------------------|--------------------------------|
| Associates | | | | | |
| SDC and its subsidiaries | ₩ | 53,910,666 | 23,250 | 505,331 | 28,676 |
| Samsung Global Research Co., Ltd. | | - | - | - | 6,414,944 |
| SD FLEX CO., LTD. | | 12,894 | 94,799 | 515,957 | 7,950 |
| ECOPROEM | | - | - | 598,535,811 | 1,616,974 |
| Philenergy CO., LTD. | | - | - | - | 653,749 |
| Other Related Parties | | | | | |
| ECOPROBM | | - | 20,815,867 | 31,229,940 | 400,367 |
| Conglomerate entities | | | | | |
| SEC and its subsidiaries | | 118,918,487 | 9,410,211 | - | 118,902,279 |
| Others | | 2,329 | 26,518,106 | 600,186 | 110,386,009 |
| Total | ₩ | <u>172,844,376</u> | <u>56,862,233</u> | <u>631,387,225</u> | <u>238,410,948</u> |

2) 2022

| <i>(In thousands of won)</i> | | <u>Account receivable</u> | <u>Other receivable, etc.</u> | <u>Account payable</u> | <u>Other payable, etc.</u> |
|-----------------------------------|---|-------------------------------|-----------------------------------|----------------------------|--------------------------------|
| Associates | | | | | |
| SDC and its subsidiaries | ₩ | 25,420,529 | 2,288,000 | 48,543 | 23,192 |
| Samsung Global Research Co., Ltd. | | - | - | - | 241,051 |
| SD FLEX CO., LTD. | | 11,926 | 137,268 | 747,219 | 5,836 |
| ECOPROEM | | - | 66,624,825 | 624,318,382 | 193,731 |
| Philenergy CO., LTD. | | - | - | - | 1,076,346 |
| Other Related Parties | | | | | |
| ECOPROBM | | - | 16,185,276 | 140,527,568 | 10,618 |
| Conglomerate entities | | | | | |
| SEC and its subsidiaries | | 106,283,787 | 8,455,496 | - | 122,836,552 |
| Others | | 2,329 | 27,315,440 | 729,772 | 71,727,457 |
| Total | ₩ | <u>131,718,571</u> | <u>121,006,305</u> | <u>766,371,484</u> | <u>196,114,783</u> |

For the years ended December 31, 2023 and 2022

32. Related Parties, Continued

5) The compensation paid or payable to key management (executive directors) for their services for the years ended December 31, 2023 and 2022 consists of:

| <i>(In thousands of won)</i> | | <u>2023</u> | <u>2022</u> |
|-----------------------------------|---|--------------------|------------------|
| Short-term employee benefits | ₩ | 8,243,044 | 6,344,179 |
| Post-employment benefits | | 1,005,660 | 1,322,060 |
| Other long-term employee benefits | | <u>(3,968,645)</u> | <u>5,530,000</u> |

33. Non-controlling Interest

Information related to non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2023 and 2022 are as follows:

(A) Percentage of non-controlling interests and accumulated non-controlling interests

| <i>(In thousands of won)</i> | | <u>STARPLUS</u> | |
|---|---|-----------------|-------------|
| | | <u>2023</u> | <u>2022</u> |
| Percentage of non-controlling interests | | 49.0% | 49.0% |
| Accumulated non-controlling interests | ₩ | 791,611,106 | 189,900,689 |

(B) The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before the intercompany eliminations for the years December 31, 2023 and 2022 are as follows:

(1) Summarized statements of financial position

| <i>(In thousands of won)</i> | | <u>STARPLUS</u> | |
|------------------------------|---|--------------------------|--------------------------|
| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Current assets | ₩ | 211,202,327 | 163,022,956 |
| Non-current assets | | 1,587,528,900 | 224,777,149 |
| Current liabilities | | 182,728,871 | 31,677 |
| Non-current liabilities | | 253,487 | - |
| Equity | | <u>1,615,748,869</u> | <u>387,768,428</u> |

For the years ended December 31, 2023 and 2022

33. Non-controlling Interest, Continued

(B) The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before the intercompany eliminations for the years December 31, 2023 and 2022 are as follows; continued

(2) Summarized statements of comprehensive income

| <i>(In thousands of won)</i> | | STARPLUS | |
|------------------------------|---|-----------------|-------------|
| | | 2023 | 2022 |
| Loss of the year | ₩ | (30,189,536) | (25,950) |

(3) Summarized statements of cash flows

| <i>(In thousands of won)</i> | | STARPLUS | |
|--|---|-----------------|---------------|
| | | 2023 | 2022 |
| Cash flows from operating activities | ₩ | (5,353,266) | (87,797) |
| Cash flows from investing activities | | (1,216,560,274) | (229,000,661) |
| Cash flows from financing activities | | 1,266,340,676 | 395,091,438 |
| Effect of exchange rate changes on cash and cash equivalents | | 2,272,674 | (3,066,201) |
| Increase in cash and cash equivalents | | 46,699,810 | 162,936,779 |
| Cash and cash equivalents at beginning of the year | | 162,936,779 | - |
| Cash and cash equivalents at end of year | | 209,636,589 | 162,936,779 |

For the years ended December 31, 2023 and 2022

34. Statement of Cash Flows

Adjustment and changes in assets and liabilities for cash flows from operating activities for the years ended December 31, 2023 and 2022 are summarized as follows:

(1) Adjustment for cash flows from operating activities

(In thousands of won)

| | 2023 | 2022 |
|--|-----------------|-----------------|
| Severance & retirement benefits | ₩ 52,464,902 | 69,701,704 |
| (Reversal of) valuation of inventories | (17,131,010) | 9,826,025 |
| Depreciation | 1,659,657,716 | 1,408,100,379 |
| Amortization | 68,314,060 | 55,232,876 |
| (Reversal of) bad debt expense | (38,377) | (90,503) |
| Share of profit of equity accounted investees | (1,017,238,435) | (1,039,696,670) |
| Loss (gain) on sale of investments | (14,720,499) | (6,454,062) |
| Loss (gain) on foreign currency translations, net | 27,485,627 | 36,723,944 |
| Loss (gain) on valuation of derivative financial instruments | 4,032,689 | (19,271,872) |
| Loss (gain) on transaction of derivative financial instruments | (18,065,497) | (6,765,355) |
| Loss (gain) on sale of property, plant and equipment, net | 17,287,152 | 108,986,539 |
| Impairment losses on property, plant and equipment | 1,713,443 | 31,085,526 |
| Loss (gain) on sale of intangible assets | (329) | 318,439 |
| Impairment losses on intangible assets | 2,045,303 | 3,128 |
| Equity instruments at FVTPL – net change in fair value | (11,564,556) | (25,378,636) |
| Loss (gain) on sale of equity instruments at FVTPL | (6,093) | 2,718,327 |
| Transfer of provisions | 110,897,699 | 131,942,422 |
| Loss(gain) no lease termination | (8,912) | (66,013) |
| Income tax expense | 420,097,455 | 612,913,941 |
| Interest expense | 273,624,156 | 90,058,982 |
| Interest income | (82,954,221) | (43,378,706) |
| Dividend income | (17,095,214) | (12,250,892) |
| Loss on sale of account receivables | 38,990,126 | 11,662,825 |
| Miscellaneous profit | - | (169,755) |
| Miscellaneous loss | 96,519 | - |
| Total | ₩ 1,497,883,704 | 1,415,752,593 |

For the years ended December 31, 2023 and 2022

34. Statement of Cash Flows, Continued

(2) Changes in assets and liabilities for Cash Flows from Operating Activities

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------------|----------------------|
| Changes in assets and liabilities: | | |
| Trade receivables | ₩ (483,631,437) | (673,192,991) |
| Other receivables | 71,886,339 | (168,058,699) |
| Other current assets | (10,014,320) | (71,269,153) |
| Inventories | (134,096,583) | (678,279,892) |
| Non-current other receivables | (509,372) | 275,832 |
| Non-current other assets | (40,732,495) | (43,767,300) |
| Trade payables | (119,589,044) | 851,409,875 |
| Other payables | (126,041,592) | (21,751,948) |
| Advance received | 338,644,388 | 89,026,555 |
| Other non-current payables | (219,383,712) | 368,395,413 |
| Settlement of derivative financial instruments | 18,065,495 | 6,765,356 |
| Payment of retirement and employee benefits | (59,439,418) | (42,234,885) |
| Plan assets | (173,542,455) | (118,035,833) |
| Total | ₩ <u>(938,384,206)</u> | <u>(500,717,670)</u> |

(3) Significant non-cash transactions for the years ended December 31, 2023 and 2022 are as follows:

| <i>(In thousands of won)</i> | <u>2023</u> | <u>2022</u> |
|--|-------------|---------------|
| Decrease of receivables related to disposal of plant, property, and equipment | ₩ 684 | 13,424,571 |
| Increase (decrease) of payables related to acquisition of plant, property, and equipment | 71,906,910 | (170,378,249) |

For the years ended December 31, 2023 and 2022

34. Statement of Cash Flows, Continued

(4) Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

1) 2023

(In thousands of won)

| | | January 1, 2023 | Cash flow from financing activities | Non-cash changes | | December 31, 2023 |
|-------------------------------|---|----------------------|--|------------------------|--------------------|----------------------|
| | | | | New lease contracts | Other ¹ | |
| Current portion of debentures | ₩ | 219,901,411 | (220,000,000) | - | 98,589 | - |
| Short-term borrowings | | 2,631,281,803 | 59,017,649 | - | 177,975,500 | 2,868,274,952 |
| Long-term borrowings | | 2,297,040,000 | 542,010,735 | - | 10,474,185 | 2,849,524,920 |
| Lease liabilities | | 72,105,093 | (36,058,841) | 40,728,597 | 4,277,849 | 81,052,698 |
| Total | ₩ | <u>5,220,328,307</u> | <u>344,969,543</u> | <u>40,728,597</u> | <u>192,826,123</u> | <u>5,798,852,570</u> |

¹Other includes amortization and effects of changes in foreign currency exchange rates.

2) 2022

(In thousands of won)

| | | January 1, 2022 | Cash flow from financing activities | Non-cash changes | | December 31, 2022 |
|-----------------------|---|----------------------|--|------------------------|--------------------|----------------------|
| | | | | New lease contracts | Other ¹ | |
| Debentures | ₩ | 219,762,470 | - | - | 138,941 | 219,901,411 |
| Short-term borrowings | | 2,510,216,803 | (269,004,384) | - | 390,069,384 | 2,631,281,803 |
| Long-term borrowings | | 1,887,998,333 | 806,441,268 | - | (397,399,601) | 2,297,040,000 |
| Lease liabilities | | 38,561,071 | (30,563,962) | 64,185,474 | (77,490) | 72,105,093 |
| Total | ₩ | <u>4,656,538,677</u> | <u>506,872,922</u> | <u>64,185,474</u> | <u>(7,268,766)</u> | <u>5,220,328,307</u> |

¹Other includes amortization and effects of changes in foreign currency exchange rates.