



DOOSAN ROBOTICS INC. and Subsidiary

**Consolidated Financial Statements
As of and for the Years Ended
December 31, 2023 and 2022**

(With Independent Auditor's Review Report Thereon)

DOOSAN ROBOTICS INC.

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Independent Auditor's Report

[English Translation of Independent Auditor's Report Originally Issued in Korean on March 20, 2024]

To the Shareholders and the Board of Directors of Doosan Robotics Inc.:

Audit Opinion

We have audited the consolidated financial statements of Doosan Robotics Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Audit Opinion

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

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Cut off – Export sales

Reasons why the matter was determined to be a key audit matter

The Group is engaging in significant export transactions. For export sales, the scope of the obligation and the timing of the transfer of control may vary depending on the contract with the customer and the export conditions, so the management's judgment on the timing of revenue recognition is required. Therefore, we determined this matter to be a key audit matter, considering the significance of export sales and the potential misstatement due to management judgment errors.

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How the key audit matter was addressed in the audit

Our audit procedures with respect to the cut off - export sales are as follows:

- Obtained an understanding of internal controls related to the revenue recognition and cut off.
- Evaluated the rationality of management's accounting policies related to revenue recognition and cut off by reviewing contracts with key customers.
- Conducted detailed substantive procedures using a sampling approach for revenue transactions occurring during the current period.
- Inspected supporting documentation relating to the export sales occurring before and after the end of the reporting period.
- Conducted external confirmations using a sampling approach for accounts receivable corresponding to revenue recognition.

Other Matters

The consolidated financial statements of the Group as of December 31, 2022, were audited by other auditors in accordance with the Korean Standards on Auditing, whose report thereon dated May 23, 2023, expressed an unqualified opinion.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine 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 of the Group 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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:

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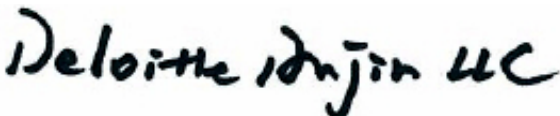
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's 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 auditor's 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 are 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Haneul Kim.



Seoul, Korea

March 20, 2024

Notice to Readers

This report is effective as of March 20, 2024, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

Doosan Robotics Inc. and Subsidiary
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

<i>(In Korean won)</i>	<u>Notes</u>		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets				
Cash and cash equivalents	4,9	₩	305,423,576,953	7,429,941,637
Short-term financial instruments	4,5,9,29		76,581,946,900	688,777,550
Trade receivables, net	4,6,9,28		22,235,921,939	10,644,394,486
Other receivables, net	4,6,9,28		3,707,044,430	412,428,534
Current income tax assets			69,435,394	49,669,030
Inventories, net	8		14,153,603,864	13,391,140,557
Current guarantee deposits	4,9		113,766,315	84,782,370
Other current assets	7		3,819,702,119	6,135,652,668
Total current assets			<u>426,104,997,914</u>	<u>38,836,786,832</u>
Long-term investments in securities	4,9,10,28		2,400,000,000	2,400,000,000
Property, plant and equipment, net	11		8,422,466,844	9,295,607,265
Intangible assets, net	12		13,234,037,508	6,677,424,272
Long-term trade receivables, net	4,6,9,28		121,597,179	113,533,846
Guarantee deposits	4,9		1,511,470,210	1,298,309,472
Right-of-use assets, net	13		4,574,635,013	3,734,858,708
Other non-current assets, net	7		52,875,054	261,884,201
Total non-current assets			<u>30,317,081,808</u>	<u>23,781,617,764</u>
Total assets		₩	<u>456,422,079,722</u>	<u>62,618,404,596</u>
Liabilities				
Trade payables	4,9,14,28	₩	5,894,348,164	3,874,596,448
Other payables	4,9,14,28		2,134,818,593	3,516,536,891
Current provisions	15		679,282,062	483,679,171
Current lease liabilities, net	4,9,16		1,427,792,235	829,062,723
Other current liabilities	17		3,216,419,209	6,032,862,993
Total current liabilities			<u>13,352,660,263</u>	<u>14,736,738,226</u>
Defined benefit liabilities, net	18		92,233,937	1,391,087,491
Provisions	15		41,986,357	53,315,051
Non-current lease liabilities, net	4,9,16		3,773,192,572	3,417,793,905
Other non-current liabilities	17		353,913,194	254,108,070
Total non-current liabilities			<u>4,261,326,060</u>	<u>5,116,304,517</u>
Total liabilities			<u>17,613,986,323</u>	<u>19,853,042,743</u>
Equity				
Capital stock	19		32,409,990,000	24,309,990,000
Capital surplus	19		506,389,590,062	101,092,604,370
Other capital items	19		(1,270,677,359)	-
Accumulated other comprehensive income (loss)			36,031,645	(22,280,520)
Accumulated deficit			(98,756,840,949)	(82,614,951,997)
Equity attributable to owners of the controlling company			<u>438,808,093,399</u>	<u>42,765,361,853</u>
Non-controlling interests			-	-
Total equity			<u>438,808,093,399</u>	<u>42,765,361,853</u>
Total liabilities and equity		₩	<u>456,422,079,722</u>	<u>62,618,404,596</u>

See accompanying notes to consolidated financial statements.

Doosan Robotics Inc. and Subsidiary
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2023 and 2022

<i>(In Korean won)</i>	Notes	2023	2022
Sales	21,28	₩ 53,038,372,299	44,953,674,400
Cost of sales	22,28	<u>38,378,159,545</u>	<u>30,710,139,904</u>
Gross profit		14,660,212,754	14,243,534,496
Selling and administrative expenses	22,23,28	<u>33,827,762,276</u>	<u>27,471,867,581</u>
Operating loss		(19,167,549,522)	(13,228,333,085)
Finance income	9,24	4,389,227,188	819,201,449
Finance expenses	9,24	1,907,498,577	1,027,296,463
Other non-operating income	9,25	1,121,072,592	981,391,716
Other non-operating expenses	25	<u>308,790,227</u>	<u>93,143,755</u>
Loss before income tax expense		(15,873,538,546)	(12,548,180,138)
Income tax expense	26	<u>-</u>	<u>-</u>
Loss for the year	27	(15,873,538,546)	(12,548,180,138)
Owners of the Company		(15,873,538,546)	(12,548,180,138)
Non-controlling interests		<u>-</u>	<u>-</u>
Other comprehensive (loss) income		(210,038,241)	84,431,914
Items that will not be reclassified subsequently to profit or loss		(268,350,406)	106,712,434
Remeasurements of the defined benefit liabilities	18	(268,350,406)	106,712,434
Items that are, or may be, reclassified subsequently to profit or loss		58,312,165	(22,280,520)
Gain (loss) on translation of foreign operations		<u>58,312,165</u>	<u>(22,280,520)</u>
Total comprehensive loss for the year		₩ <u>(16,083,576,787)</u>	<u>(12,463,748,224)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(16,083,576,787)	(12,463,748,224)
Non-controlling interests		<u>-</u>	<u>-</u>
Basic and diluted loss per share	27	(300)	(259)

See accompanying notes to consolidated financial statements.

Doosan Robotics Inc. and Subsidiary
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022

(In Korean won)

	Attributable to owners of the Company							
	Capital stock	Capital surplus	Other equity items	Accumulated other comprehensive income (loss)	Accumulated deficit	Subtotal	Non-controlling interests	Total equity (deficit)
Balance at January 1, 2022	₩ 22,100,000,000	63,575,564,238	-	-	(70,173,484,293)	15,502,079,945	-	15,502,079,945
Issuance of ordinary shares	2,209,990,000	37,517,040,132	-	-	-	39,727,030,132	-	39,727,030,132
Loss for the year	-	-	-	-	(12,548,180,138)	(12,548,180,138)	-	(12,548,180,138)
Remeasurements of defined benefit liabilities	-	-	-	-	106,712,434	106,712,434	-	106,712,434
Loss on translation of foreign operations	-	-	-	(22,280,520)	-	(22,280,520)	-	(22,280,520)
Balance at December 31, 2022	₩ 24,309,990,000	101,092,604,370	-	(22,280,520)	(82,614,951,997)	42,765,361,853	-	42,765,361,853
Balance at January 1, 2023	₩ 24,309,990,000	101,092,604,370	-	(22,280,520)	(82,614,951,997)	42,765,361,853	-	42,765,361,853
Issuance of ordinary shares	8,100,000,000	405,296,985,692	-	-	-	413,396,985,692	-	413,396,985,692
Loss for the year	-	-	-	-	(15,873,538,546)	(15,873,538,546)	-	(15,873,538,546)
Settled employee benefit	-	-	(1,270,677,359)	-	-	(1,270,677,359)	-	(1,270,677,359)
Remeasurements of defined benefit liabilities	-	-	-	-	(268,350,406)	(268,350,406)	-	(268,350,406)
Gain on translation of foreign operations	-	-	-	58,312,165	-	58,312,165	-	58,312,165
Balance at December 31, 2023	₩ 32,409,990,000	506,389,590,062	(1,270,677,359)	36,031,645	(98,756,840,949)	438,808,093,399	-	438,808,093,399

See accompanying notes to consolidated financial statements.

Doosan Robotics Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

<i>(In Korean won)</i>	Note	2023	2022
Cash flows from operating activities			
Cash generated from operations:	30	₩	
Cash generated from operations:		(26,354,538,274)	(22,171,431,112)
Loss for the year		(15,873,538,546)	(12,548,180,138)
Adjustments		5,211,141,022	5,953,843,270
Changes in operating assets and liabilities		(15,692,140,750)	(15,577,094,244)
Interest received		471,541,151	114,427,248
Interest paid		(1,296,071,419)	(545,827,410)
Income tax paid		(19,766,364)	(48,621,440)
Net cash used in operating activities		<u>(27,198,834,906)</u>	<u>(22,651,452,714)</u>
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in short-term financial instruments		709,490,335	-
Decrease in short-term financial assets		-	32,931,953,479
Decrease in long-term financial assets		-	60,510,970,143
Disposal of property, plant and equipment		270,900	-
Collection of guarantee deposits		-	100,000,000
Subtotal		<u>709,761,235</u>	<u>93,542,923,622</u>
Cash outflows for investing activities:			
Increase in short-term financial instruments		(76,590,648,335)	(688,777,550)
Increase in short-term financial assets		-	(32,660,410,414)
Increase in long-term financial assets		-	(60,510,970,143)
Acquisition of long-term investments in securities		-	(2,400,000,000)
Acquisition of property, plant and equipment		(3,123,738,619)	(4,396,352,496)
Acquisition of intangible assets		(5,989,455,022)	(5,382,427,284)
Increase in guarantee deposits		(344,512,058)	(878,369,642)
Increase in prepayments		(264,000,000)	-
Subtotal		<u>(86,312,354,034)</u>	<u>(106,917,307,529)</u>
Net cash used in investing activities		<u>(85,602,592,799)</u>	<u>(13,374,383,907)</u>
Cash flows from financing activities			
Cash inflows from financing activities:			
Issuance of ordinary shares		413,396,985,692	39,727,030,132
Proceeds from short-term borrowings		24,885,000,000	-
Subtotal		<u>438,281,985,692</u>	<u>39,727,030,132</u>
Cash outflows for financing activities:			
Repayment of short-term borrowings		(25,000,000,000)	-
Payment of lease liabilities		(1,022,073,364)	(790,460,919)
Equity-settled employee benefit		(1,433,281,581)	-
Subtotal		<u>(27,455,354,945)</u>	<u>(790,460,919)</u>
Net cash provided by financing activities		<u>410,826,630,747</u>	<u>38,936,569,213</u>
Effect of movements in exchange rates on cash held		(31,567,726)	129,561,913
Net increase in cash and cash equivalents		297,993,635,316	3,040,294,505
Cash and cash equivalents at January 1		7,429,941,637	4,389,647,132
Cash and cash equivalents at December 31	₩	<u>305,423,576,953</u>	<u>7,429,941,637</u>

See accompanying notes to consolidated financial statements.

Doosan Robotics Inc. and Subsidiary
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022, and
for the Years Ended December 31, 2023 and 2022

1. GENERAL:

(1) The controlling company

Doosan Robotics Inc. (the "Company"), the controlling company according to Korean International Financial Reporting Standards ("K-IFRSs") No. 1110 'Consolidated Financial Statements,' was incorporated on July 31, 2015, and engages in the manufacturing of industrial robots. As of December 31, 2023, the Company's headquarters is located at 79, Saneop-ro 156beon-gil, Gwonseon-gu, Suwon-si, Gyeonggi-do, Korea.

The Company initiated an initial public offering and completed the subscription payment on September 26, 2023, and listed on the stock market of Korea Exchange on October 5. The Company's capital stock is ₩32,409,990 thousand, and its major shareholders as of December 31, 2023, are as follows:

Shareholder	Number of shares (in shares)	Ownership (%)
Doosan Corp.	44,200,000	68.19
Employee Stock Ownership Plan	1,231,704	1.90
Others	19,388,276	29.91
Total	64,819,980	100.00

(2) Consolidated subsidiary

Details of consolidated subsidiary as of December 31, 2023, are as follows:

Company	Ownership (%)	Location	Closing date	Key operating activities
Doosan Robotics Americas, LLC (*1)	100.00	USA	December 31	Manufacturing and sales

(*1) Newly established in 2022 by investment amounted to ₩4,525,150 thousand and an additional investment amounted to ₩3,879,000 thousand was made in 2023.

(3) Summarized financial information of subsidiary as of and for the year ended December 31, 2023, is as follows:

(In thousands of Korean won)

Company	Assets	Liabilities	Equities	Sales	Net loss	Total comprehensive loss
Doosan Robotics Americas, LLC ₩	11,852,882	5,827,855	6,025,027	5,301,225	(1,298,786)	(1,298,786)

Doosan Robotics Inc. and Subsidiary
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022, and
for the years ended December 31, 2023 and 2022

2. BASIS OF CONSOLIDATION AND MATERIAL ACCOUNTING POLICIES:

(1) Basis of consolidation

The Company and its subsidiary (the "Group") have prepared consolidated financial statements in accordance with K-IFRSs, which are the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted in Korea as stipulated in Article 5(1)(1) of the Act on External Audit of Stock Companies.

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2023, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2022.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

1) New and amended K-IFRSs and new interpretations that are effective for the current year

In the current year, the Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2023.

- K-IFRS No. 1117 'Insurance Contracts'

K-IFRS No. 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS No. 1104 'Insurance Contracts.'

K-IFRS No. 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows, and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Group does not have any contracts that meet the definition of an insurance contract under K-IFRS No. 1117.

-K-IFRS No. 1001 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' – Disclosure of Accounting Policies (Amendments)

The amendments change the requirements in K-IFRS No. 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS No. 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Doosan Robotics Inc. and Subsidiary
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022, and
for the years ended December 31, 2023 and 2022

2. Basis of consolidation and material accounting policies, Continued

(1) Basis of consolidation, continued

1) New and amended K-IFRSs and new interpretations that are effective for the current year, continued

-K-IFRS No. 1001 'Presentation of Financial Statements' – Disclosure of Financial Liabilities with Clauses to Adjust Exercise Price (Amendments)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS No. 1032.

-K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates (Amendments)

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

-K-IFRS No. 1012 'Income Taxes' - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to K-IFRS No. 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS No. 1012.

-K-IFRS No. 1012 'Income Taxes' – International Tax Reform—Pillar Two Model Rules (Amendments)

The amendments clarify that the standard applies to income taxes arising from tax law enacted, or substantively enacted, to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in K-IFRS No. 1012 so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Doosan Robotics Inc. and Subsidiary
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022, and
for the years ended December 31, 2023 and 2022

2. Basis of consolidation and material accounting policies, Continued

(1) Basis of consolidation, continued

2) New and revised K-IFRSs in issue, but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:

- K-IFRS No. 1001 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-Current (Amendments)

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

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. If an entity applies these amendments for an earlier period, it is also required to apply the 2023 amendments early.

- K-IFRS No. 1001 'Presentation of Financial Statements' – Non-Current Liabilities with Covenants (Amendments)

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

The amendments also specify that the right to defer settlement of a liability for at least 12 months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within 12 months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within 12 months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

- K-IFRS No. 1007 'Statement of Cash Flows' and K-IFRS No. 1107 'Financial Instruments:' Disclosures – Supplier Finance Arrangements (Amendments)

The amendments add a disclosure objective to K-IFRS No. 1007 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, K-IFRS No. 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

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2. Basis of consolidation and material accounting policies, Continued

(1) Basis of consolidation, continued

2) New and revised K-IFRSs in issue, but not yet effective, continued

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

- K-IFRS No. 1116 Leases – Lease Liability in a Sale and Leaseback (Amendments)

The amendments to K-IFRS No. 1116 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in K-IFRS No. 1115 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee after the commencement date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

- K-IFRS No. 1001 'Presentation of Financial Statements' – Disclosure of Virtual Assets (Amendments)

The amendments to K-IFRS No. 1001 add additional disclosure requirements required by other standards for transactions related to virtual assets, setting out disclosure requirement for each case of 1) holding virtual assets, 2) holding virtual assets on behalf of customer and 3) issuing virtual assets.

When holding a virtual asset, disclosure on the general information about virtual assets, the accounting policy applied and each virtual asset's acquisition method, cost and the fair value at the end of the reporting period is required. Also, when issuing a virtual asset, the entity's obligations and status of fulfilment of the obligation related to the issued virtual asset, the timing and amount of the recognized revenue of the sold virtual asset, the number of virtual assets held after issuance and important contract details shall be disclosed.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The Group does not anticipate that the application of the enactment and amendments will have a significant impact on the Group's consolidated financial statements.

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2. Basis of consolidation and material accounting policies, Continued

(2) Basis of measurement

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS No. 1102 Share-Based Payment, leasing transactions that are within the scope of K-IFRS No. 1116 Leases, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS No. 1002 Inventories or value in use in K-IFRS No. 1036 Impairment of Assets.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of the Group and the presentation currency for the consolidated financial statements of the Group are Korean won.

(4) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) or loss are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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2. Basis of consolidation and material accounting policies, Continued

(4) Basis of consolidation, continued

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, the Group:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interests.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.

(5) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS No. 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and OCI of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill. Goodwill is included within the carrying amount of the investment and is tested for impairment as part of the investment. If the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities in excess of the cost of purchase exists after the review, it is recognized in profit or loss.

If the entity has retained some of the investment assets of existing associates and joint ventures even after it has lost significant influence over the associates and joint ventures, the fair value of the investment assets at the point of time when the significant influence is lost is considered to be the fair value at the initial recognition of the financial asset in accordance with K-IFRS No. 1039. The difference between the carrying amount of the investment and the fair value of the investment is recognized in profit or loss, including the gain or loss on disposal of the associate. In addition, the investor accounts for all amounts recognized as OCI in relation to the associate and the joint venture on the same basis as the accounting treatment in case the associate and the joint venture directly dispose of the related asset or liability. Therefore, when an associate is required to reclassify the gain or loss previously recognized in OCI to the profit or loss as a result of the disposal of the asset or liability, the investor may reclassify gain or loss on equity to profit or loss (reclassification adjustment).

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2. Basis of consolidation and material accounting policies, Continued

(5) Investments in associates and joint ventures, continued

If the Group's ownership interest in an associate or a joint venture is reduced, but the investment continues to be classified either as an associate or a joint venture respectively, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in OCI relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, K-IFRS No. 1105 is applied when a portion of investments in associates or joint ventures meets the criteria for sale.

The Group determines whether an impairment indicator exists in respect of investments in associates and joint ventures in accordance with K-IFRS No. 1109 'Financial Instruments: Recognition and Measurement.' If there is an indication of impairment, the total carrying amount of the associate and joint venture (including goodwill) is compared to the recoverable amount (the greater of fair value less cost to sell and value in use) in accordance with K-IFRS No. 1036 'Impairment of Assets.' The recognized impairment loss is not allocated to any assets (including goodwill) that are part of the carrying amount of associates and joint ventures. The reversal of impairment loss is recognized in accordance with K-IFRS No. 1036 as the recoverable amount of the investment assets increases subsequently.

When an associate becomes a joint venture or, conversely, a joint venture becomes an associate, the Group continues to apply the equity method and does not remeasure residual equity.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(6) Cash and cash equivalents

The Group is classifying investments with maturities of three months or less upon acquisition as cash and equivalents. Equity securities are excluded from cash and cash equivalents, but if they have a specified repayment date and a short-term period from the acquisition date to the repayment date, such as preferred stock, which is essentially a cash equivalent, they are included in cash and cash equivalents.

(7) Trade receivables

Trade receivables are amounts owed by customer for products and services provided in the ordinary course of business. Receivables expected to be collected within one year are classified as current assets. Otherwise, they are classified as non-current assets. Trade receivables are initially measured at fair value except that they do not contain a significant financing component in accordance with K-IFRS No. 1115 'Revenue from Contracts with Customers' and are presented as net of allowance for doubtful accounts, estimated on an individual basis based on past bad debt experience.

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2. Basis of consolidation and material accounting policies, Continued

(8) Non-derivative financial assets

1) Initial recognition and measurement

Trade and other receivables, and debt investment are initially recognized when they are originated. Other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

A financial asset and financial liability (unless it is an account receivable - trade without a significant financing component that is initially measured at the transaction price) are initially measured at fair value, plus for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition.

2) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. In case of changing its business model, all affected financial assets are reclassified on the first day of the first reporting period after the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model, whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model, whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis and irrevocable election can be made at initial recognition.

All financial assets not classified as measured at amortized cost or FVOCI, as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. However, once the designation is made, it cannot be revoked.

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

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2. Basis of consolidation and material accounting policies, Continued

(8) Non-derivative financial assets, continued

2) Classification and subsequent measurement, continued

- the stated policies and objectives for the portfolio and the operation of those policies in practice (these include management strategies that focus on obtaining contractual interest income, maintaining a specific level of interest return, matching the duration of the liability to raise the financial asset with the duration of the financial asset and the outflow or realization of expected cash flows through the sale of the asset);
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for those sales and expectation about future sales activity for financial asset.

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.

Portfolio of financial assets that meet the definition of trading or which performance is evaluated on a fair value basis is measured at FVTPL.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

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).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par value, a feature that permits or requires prepayment at an amount that substantially represents the contractual par value, plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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2. Basis of consolidation and material accounting policies, Continued

(8) Non-derivative financial assets, continued

2) Classification and subsequent measurement, continued

The following accounting policies apply to subsequent measurements of financial assets:

<u>Classification</u>	<u>Subsequent measurement</u>
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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2. Basis of consolidation and material accounting policies, Continued

(8) Non-derivative financial assets, continued

3) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all 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.

The Group enters into transactions, whereby it transfers assets recognized in its consolidated statements of financial position, but retain either all, or substantially all, of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

4) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

5) Impairment of financial assets

① Recognition of impairment on financial assets

The Group recognizes loss allowances for expected credit losses ("ECLs") on:
- financial assets measured at amortized costs.

The Group's impairment losses are likely to be recognized a lifetime ECLs based on the extent of increase in credit risk since inception, except for below asset to be recognized loss allowances measured on 12-month.

- credit risk has not increased significantly since the initial recognition of debt investment (lifetime ECLs: ECLs that resulted from all possible default events over the expected life of a financial instrument).

The Group adopted an accounting policy to recognize loss allowances at an amount equal to lifetime ECLs for trade receivables and contract assets.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition and estimating expected credit loss. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Lifetime ECLs are resulted from all possible default events over the expected life of a financial instrument. And 12-month ECLs are resulted from possible default events within the 12 months (or a shorter period if the expected life of the instrument is less than 12 months) after the reporting date.

② Measurement of expected credit loss

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of financial instrument.

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2. Basis of consolidation and material accounting policies, Continued

(8) Non-derivative financial assets, continued

5) Impairment of financial assets, continued

③ Credit-impaired financial instrument

A debt instrument carried at amortized cost and FVOCI is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that a financial asset is impaired includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties.

④ Presentation of credit loss allowance on financial position

For loss allowance on financial assets measured at amortized cost is deducted from the carrying amount of the respective assets.

⑤ Derecognition

The Group derecognizes a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group assesses whether there are reasonable expectations of recovering the contractual cash flows from customers and individually assesses the timing and amount of write-off. The Group does not expect that such write-off will be recovered, but they may be subject to collection activity according to the Group's past due collection process.

(9) Inventories

Cost of inventories are measured under the weighted-average method, and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are stated at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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2. Basis of consolidation and material accounting policies, Continued

(10) Property, plant and equipment

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses.

The Group does not depreciate land. Depreciation of other property, plant and equipment is calculated to the cost of each asset, less residual value using the straight-line method that reflects the expected consumption pattern of future economic benefits is inherent in the asset over the estimated useful lives of the assets as follows:

	<u>Useful lives</u>
Machinery	5–10 years
Vehicles	5 years
Tools and equipment	4–5 years
Office equipment	3–10 years

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

Any gain or loss arising on derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property, plant and equipment is derecognized.

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

(11) Intangible assets

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

Intangible assets are amortized on a straight-line basis with residual value set to zero over their estimated useful lives from the date that they are available for use. However, useful lives of intangible assets, which are determined to be indefinite since there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group, are not amortized.

	<u>Useful lives</u>
Industrial property rights	10 years
Development costs	5 years
Others	5 years

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and for the assets which have been assessed as having indefinite useful life, that assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

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2. Basis of consolidation and material accounting policies, Continued

(12) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than contract assets recognized for revenue arising from contracts with a customer; assets recognized for the costs to obtain or fulfill a contract with a customer; employee benefits, inventories, deferred tax assets, and non-current assets held for sale are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amounts to their carrying amounts.

The Group estimates the recoverable amount of an individual asset, and if it is impossible to measure the individual recoverable amount of an asset, the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value, less costs to sell. The value in use is estimated by applying a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss to the extent the carrying amount of the asset exceeds its recoverable amount.

(13) Non-derivative financial liabilities

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

1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, any directly attributable transaction costs are recognized in profit or loss as incurred.

2) Financial liabilities at amortized cost

Non-derivative financial liabilities other than financial liabilities at FVTPL are classified as financial liabilities at amortized cost. At the date of initial recognition, financial liabilities at amortized cost are measured at fair value, less any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities at amortized cost are measured at amortized cost using the effective interest rate method.

3) Derecognition of financial liability

The Group derecognizes financial liability when its contractual obligations are discharged, canceled or expired. The Group also derecognizes a financial liability, when its terms are modified and the cash flows of the modified liability are substantially different; in which case, a new financial liability based on the modified terms is recognized a fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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2. Basis of consolidation and material accounting policies, Continued

(14) Employee benefits

1) Retirement benefits: Defined benefit plans

The retirement benefit obligation represents the present value of the defined benefit obligation, less fair value of plan assets.

The retirement benefit obligation is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. When the net amount resulting from deducting the fair value of plan assets from the present value of defined benefit obligations is recognized as an asset, the Group recognizes the asset only up to the present value of available economic benefits, which can be either refunds from the plan or reductions in future contributions to the plan. The components used to remeasure the net defined benefit liabilities include actuarial gains and losses, return on plan assets and changes in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and are immediately recognized in OCI. The Group calculates the net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) at the beginning of the annual reporting period by the discount rate determined at that time, considering the changes in the net defined benefit liability (asset) during the reporting period due to contributions and benefit payments. Net interest costs and other costs related to the defined benefit plan are recognized as expenses in the current period.

Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

2) Other long-term employee benefits

Other long-term employee benefit obligation is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Long-term employee benefits that are not expected to be paid within 12 months after the end of the reporting period in which employees provided the related services are discounted to their present value, which represents the future salary amount obtained as consideration for the services provided in the current and prior periods. Changes resulting from remeasurement are recognized as expenses in the current period.

(15) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products or rendering of services. The Group is estimating based on past experiences derived from historical warranty data.

Provisions shall be used only for expenditures for which the provision was originally recognized.

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2. Basis of consolidation and material accounting policies, Continued

(16) Leases

If the contract exchanges the control of the identified asset for a certain period of time with price of the contract, the contract itself is a lease or the contract contains lease.

1) The Group as lessor

As a lessor, the Group determines whether the lease is a finance lease or an operating lease at the inception of the lease.

To classify each lease, the Group generally determines whether the lease transfers most of the risks and rewards of ownership of the underlying asset. If most of the risks and rewards of ownership of the underlying asset are transferred to the lessee, the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. As one of the evaluation metrics, the Group considers whether the lease term represents a significant portion of the economic life of the underlying asset.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, and the costs shall comprise the amount of the initial measurement of the lease liability, the initial direct costs incurred by the lessee, any lease payments made at or before the commencement date (less any lease incentives received) and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the underlying asset or the site on which it is located. Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement of the lease to the end of the lease term. However, if the ownership of the license asset is transferred at the end of the lease term or the exercise price of the purchase option is reflected in the cost of the license asset, the right-of-use assets shall be depreciated until the end of the useful life of the underlying asset on the same basis as the depreciation of the property, plant and equipment. Also, right-of-use assets may be adjusted as a result of a reduction in impairment losses or a remeasurement of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments not paid as of the commencement of the lease. Lease is discounted at the intrinsic interest rate of the lease, but if the intrinsic interest rate is not readily calculated, the lease is discounted at the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease liabilities are amortized in accordance with the effective interest method. The Group remeasures the lease liability whenever:

- The lease payments change due to changes in an index or rate
- A change in expected payment under a guaranteed residual value
- A change in the assessment of exercise of a purchase option, extension option or termination option
- Modification of substantial fixed-lease payments

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2. Basis of consolidation and material accounting policies, Continued

(17) Revenue recognition

Revenue is stated at the fair value of the consideration received or receivable and net of value-added tax ("VAT"), etc.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

1) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the products have been transferred to the customer.

2) Rendering of services

Revenue from rendering of services is recognized when the technical support services on customer's demand are provided.

(18) Issued capital

Common stocks are classified as equity, and the incremental costs directly arising from capital transactions, net of tax are deducted from equity. Preferred stocks are classified as equity only if the preferred stocks are not redeemable or redeemable solely upon the Group's decision, or the distribution of dividends is solely upon the Group's decision. Once a general meeting of shareholders meeting approves dividends, the Group recognizes the dividend liability accordingly. Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(19) Income Tax

Income tax expense is composed of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or loss or directly in equity or are arising from business combinations.

1) Current tax

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

2) Deferred tax

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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2. Basis of consolidation and material accounting policies, Continued

(19) Income Tax, continued

2) Deferred tax, continued

A deferred tax asset shall be recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Future taxable profit is determined by the reversal of taxable temporary differences.

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

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

Deferred tax assets and liabilities are offset only when they relate to corporate taxes levied by the same taxation authority, when the Group has a legally enforceable right to offset the recognized amounts and when there is an intention to settle the current corporate tax liabilities and assets on a net basis. If there is an additional corporate tax expense associated with dividend payments, it is recognized at the time when the liability related to dividend payments is recognized.

(20) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

(21) Operating segments

Operating segments are reported on the same basis as the financial information that is reported to the management of the Group. The management of the Group is responsible for the allocation of resources and assessment of performance for the operating segments.

(22) Approval of consolidated financial statements

The accompanying consolidated financial statements were authorized for issue by the board of directors on February 7, 2024, which will be submitted for approval at the shareholders' meeting to be held on March 28, 2024.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS:

In accordance with the K-IFRSs, when preparing consolidated financial statements, it requires the use of management's best judgment based on estimates and assumptions regarding matters that impact the application of accounting policies or the amounts reported for assets, liabilities, revenues and expenses as of the end of the reporting period. If the estimates and assumptions based on management's best judgment differ from the actual circumstances, the reported results may vary. The following are key accounting estimates and assumptions that may significantly affect the book values of assets and liabilities in the next financial year and include significant risks.

Estimates and its underlying assumptions are continuously reviewed, and changes in accounting estimates are recognized during the period in which the estimates are revised and for the future periods that are affected.

(1) Defined benefit liability

Defined benefit liability is calculated by annual actuarial valuations as of the reporting date. In order to perform the actuarial valuations, assumptions for discount rates, future salary increases, mortality and others are required to be estimated.

(2) Impairment of non-financial assets

The Group is assessing whether there is any indication that an asset may be impaired at the end of each reporting period. The Group estimates the recoverable amount of an asset when such indication exists or when an impairment test for an asset is required each year. Recoverable amount of an asset is the higher of its fair value, less costs of disposal and its value in use. The recoverable amount is determined for individual assets. However, if an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. The asset is impaired if its carrying amount exceeds its recoverable amount and the carrying amount of the asset is reduced to its recoverable amount.

(3) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. In accordance with the relevant laws and practices, the estimated amounts may change to prescribe for additional provisions to be recognized in future periods.

(4) Deferred tax

Recognition and measurement of deferred tax assets and liabilities require judgment of the Group's management. Especially, the recognition of deferred tax asset and the scope of recognition are influenced by assumptions about future circumstances and judgment of management.

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4. FINANCIAL RISK MANAGEMENT:

The Group is exposed to various financial risks, such as market (foreign currency and interest rate), credit and liquidity, relating to the operations of the Group. The purpose of risk management policy is to minimize potential risks, which could have adverse effect on financial performance.

(1) Market risk

1) Foreign currency risk

Foreign currency risk arises when recognized assets and liabilities are stated in foreign currency other than functional currency. The book value of the Group's monetary assets and liabilities denominated in foreign currencies, which represents the maximum exposure to foreign currency risk as of December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

	2023					
	USD	EUR	JPY	CNY	Others (*1)	Total
Financial assets	₩ 14,130,928	8,127,797	257,457	565,135	162,656	23,243,973
Financial liabilities	(1,263,312)	(3,554)	-	-	-	(1,266,866)
Net assets	₩ 12,867,616	8,124,243	257,457	565,135	162,656	21,977,107

(In thousands of Korean won)

	2022					
	USD	EUR	JPY	CNY	Others (*1)	Total
Financial assets	₩ 9,793,537	3,367,470	8,532	426,958	186,801	13,783,298
Financial liabilities	(201,722)	(5,914)	-	-	-	(207,636)
Net assets	₩ 9,591,815	3,361,556	8,532	426,958	186,801	13,575,662

(*1) Others are assets and liabilities denominated in foreign currencies other than USD, EUR, JPY and CNY.

The sensitivity analysis on the Group's loss before tax for the years ended December 31, 2023 and 2022, assuming a 10% increase and decrease in currency exchange rates, is as follows:

(In thousands of Korean won)

	2023		2022	
	10% increase	10% decrease	10% increase	10% decrease
Loss before tax impact	₩ (2,197,711)	2,197,711	(1,357,566)	1,357,566

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4. Financial risk management, Continued

(1) Market risk, continued

2) Interest rate risk

Interest rate risk is related to borrowings and bank deposits with floating interest rates, and related interest income and expense are exposed to interest rate risk. The Group is exposed to interest rate risk mainly due to its borrowings or deposits with floating interest rates. The purpose of interest rate risk management is to minimize uncertainty and financial expense arising from interest rate fluctuations.

Floating rate financial assets exposed to interest rate risk as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Financial assets	₩ 4,719,002	2,176,792

The sensitivity analysis on the Group's loss before tax for the years ended December 31, 2023 and 2022, assuming a 100bp increase and decrease in interest rates, is as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>		<u>2022</u>	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
Loss before tax impact	₩ (47,190)	47,190	(21,768)	21,768

(2) Credit risk

The Group is exposed to credit risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk mainly arises from trade and other receivables. The Group enters into transactions with customers having met a certain level of credit quality and maintains policies and procedures on financial assets to manage such risks.

The carrying amount of financial assets represents the Group's maximum exposure. The maximum exposure to credit risk as of December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Financial assets as measured at amortized cost:		
Cash and cash equivalents	₩ 305,423,577	7,429,942
Short-term financial instruments	76,581,947	688,778
Trade receivables	22,357,519	10,757,928
Other receivables	3,707,044	412,429
Guarantee deposits	1,625,237	1,383,092
Financial assets as measured at FVTPL:		
Long-term investments in securities	2,400,000	2,400,000
Total	₩ <u>412,095,324</u>	<u>23,072,169</u>

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4. Financial risk management, Continued

(2) Credit risk, continued

The Group's receivables' aging analysis as of December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

		2023				
		Receivables assessed for impairment individually or on a collective basis				
		Before maturity	0–3 months	3–12 months	More than 12 months	Total
Trade receivables	₩	13,015,265	4,717,769	4,579,701	665,259	22,977,994
Other receivables		86,347	-	-	-	86,347
Accrued income		3,620,698	-	-	-	3,620,698
Total	₩	<u>16,722,310</u>	<u>4,717,769</u>	<u>4,579,701</u>	<u>665,259</u>	<u>26,685,039</u>

(In thousands of Korean won)

		2022				
		Receivables assessed for impairment individually or on a collective basis				
		Before maturity	0–3 months	3–12 months	More than 12 months	Total
Trade receivables	₩	144,668	9,165,853	1,499,630	192,621	11,002,772
Other receivables		408,738	-	-	-	408,738
Accrued income		3,691	-	-	-	3,691
Total	₩	<u>557,097</u>	<u>9,165,853</u>	<u>1,499,630</u>	<u>192,621</u>	<u>11,415,201</u>

(3) Liquidity risk

The Group is exposed to liquidity risk, which is the risk that it will encounter difficulties in fulfilling the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A summary of expected maturity for the Group's financial liabilities, etc., as of December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

		2023			
		Nominal cash flows according to contract			
		Carrying amount	Total	Less than 1 year	More than 1 year
Financial liabilities	₩	13,230,152	14,286,258	10,003,935	4,282,323

(In thousands of Korean won)

		2022			
		Nominal cash flows according to contract			
		Carrying amount	Total	Less than 1 year	More than 1 year
Financial liabilities	₩	11,637,990	12,857,168	8,680,242	4,176,926

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4. Financial risk management, Continued

(4) Capital risk

The objective of the Group's capital risk management is to secure its ability to provide earnings to its shareholders and stakeholders, and sustain optimal capital structure to reduce the cost of capital. In order to sustain optimal capital structure, the Group uses a debt-to-equity ratio similar to other entities in the industry. Debt-to-equity ratio is calculated by dividing total liabilities by total equity.

Debt-to-equity ratios as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Total liabilities (A)	₩ 17,613,986	19,853,043
Total equity (B)	438,808,093	42,765,362
Debt-to-equity ratio (A/B)	<u>4.01%</u>	<u>46.42%</u>

5. RESTRICTED FINANCIAL ASSETS:

Details of restricted financial assets as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>	<u>Description</u>
Short-term financial instruments	Woori America Bank	₩ 700,789	688,778	Establishment of the right of pledge for lease contract
Short-term financial instruments	Korea Securities Finance Corp.	8,881,158	-	Establishment of the right of pledge for Employee Stock Ownership Plan Deposit

6. TRADE AND OTHER RECEIVABLES:

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

<i>(In thousands of Korean won)</i>		<u>2023</u>		
		<u>Gross</u>	<u>Allowance for doubtful accounts</u>	<u>Carrying amount</u>
Current assets:				
Trade receivables (*1)		₩ 22,839,455	(603,534)	22,235,921
Other receivables		86,347	-	86,347
Accrued income		3,620,698	-	3,620,698
	Subtotal	<u>26,546,500</u>	<u>(603,534)</u>	<u>25,942,966</u>
Non-current assets:				
Long-term trade receivables (*2)		121,597	-	121,597
	Total	<u>₩ 26,668,097</u>	<u>(603,534)</u>	<u>26,064,563</u>

(*1) Includes present value discount in the amount of ₩10,146 thousand.

(*2) Includes present value discount in the amount of ₩6,795 thousand.

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6. Trade and other receivables, Continued

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

(In thousands of Korean won)

		2022		
		Gross	Allowance for doubtful accounts	Carrying amount
Current assets:				
Trade receivables	₩	10,883,623	(239,229)	10,644,394
Other receivables		408,738	-	408,738
Accrued income		3,691	-	3,691
Subtotal		11,296,052	(239,229)	11,056,823
Non-current assets:				
Long-term trade receivables (*3)		114,432	(898)	113,534
Total	₩	11,410,484	(240,127)	11,170,357

(*3) Includes present value discount in the amount of ₩4,717 thousand.

(2) Changes in allowance for doubtful accounts for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023		
		January 1, 2023	Provision for (reversal of) allowance	December 31, 2023
Current assets:				
Trade receivables	₩	239,229	364,305	603,534
Non-current assets:				
Long-term trade receivables		898	(898)	-
Total	₩	240,127	363,407	603,534

(In thousands of Korean won)

		2022		
		January 1, 2022	Provision for allowance	December 31, 2022
Current assets:				
Trade receivables	₩	233,152	6,077	239,229
Non-current assets:				
Long-term trade receivables		-	898	898
Total	₩	233,152	6,975	240,127

7. OTHER ASSETS:

Other assets as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023		2022	
		Current	Non-current	Current	Non-current
Prepayments	₩	2,412,180	28,051	4,531,685	-
Prepaid expenses		291,283	24,824	301,516	261,884
Prepaid VAT		1,113,573	-	1,299,786	-
Others		2,666	-	2,666	-
Total	₩	3,819,702	52,875	6,135,653	261,884

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8. INVENTORIES:

Inventories as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Merchandise	₩ 3,605,923	1,144,648
Finished goods	7,450,345	8,972,836
Semifinished goods	-	39,174
Work in process	363,197	445,983
Raw materials	3,103,542	4,003,939
Supplies	703,068	-
Other	6,200	-
Deduction:		
Inventory valuation allowance	(1,078,671)	(1,215,440)
Total	₩ <u>14,153,604</u>	<u>13,391,140</u>

Losses on inventory valuation recognized within the cost of sales amounted to ₩330,563 thousand and ₩908,454 thousand for the years ended December 31, 2023 and 2022, respectively.

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9. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023			
		Financial assets as measured at FVTPL	Financial assets as measured at AC	Carrying amount	Fair value
Financial assets:					
Cash and cash equivalents	₩	-	305,423,577	305,423,577	305,423,577
Short-term financial instruments		-	76,581,947	76,581,947	76,581,947
Long-term investments in securities		2,400,000	-	2,400,000	2,400,000
Trade receivables		-	22,357,519	22,357,519	22,357,519
Other receivables		-	3,707,044	3,707,044	3,707,044
Guarantee deposits		-	1,625,237	1,625,237	1,625,237
Total	₩	<u>2,400,000</u>	<u>409,695,324</u>	<u>412,095,324</u>	<u>412,095,324</u>
Financial liabilities:					
Trade payables	₩	-	5,894,348	5,894,348	5,894,348
Other payables		-	2,134,819	2,134,819	2,134,819
Lease liabilities		-	5,200,985	5,200,985	5,200,985
Total	₩	<u>-</u>	<u>13,230,152</u>	<u>13,230,152</u>	<u>13,230,152</u>

(In thousands of Korean won)

		2022			
		Financial assets as measured at FVTPL	Financial assets as measured at AC	Carrying amount	Fair value
Financial assets:					
Cash and cash equivalents	₩	-	7,429,942	7,429,942	7,429,942
Short-term financial instruments		-	688,778	688,778	688,778
Long-term investments in securities		2,400,000	-	2,400,000	2,400,000
Trade receivables		-	10,757,928	10,757,928	10,757,928
Other receivables		-	412,429	412,429	412,429
Guarantee deposits		-	1,383,092	1,383,092	1,383,092
Total	₩	<u>2,400,000</u>	<u>20,672,169</u>	<u>23,072,169</u>	<u>23,072,169</u>
Financial liabilities:					
Trade payables	₩	-	3,874,596	3,874,596	3,874,596
Other payables		-	3,516,537	3,516,537	3,516,537
Lease liabilities		-	4,246,857	4,246,857	4,246,857
Total	₩	<u>-</u>	<u>11,637,990</u>	<u>11,637,990</u>	<u>11,637,990</u>

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9. Categories of financial instruments, Continued

(2) The level of fair value measurements of financial instruments as of December 31, 2023, is as follows:

(In thousands of Korean won)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Measured at FVTPL	₩ -	-	2,400,000	2,400,000

The definition of the level of hierarchy of fair value of financial instruments is as follows:

Significance of input factor

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3: Inputs that are not based on observable market data (unobservable inputs)

(3) Profit or loss by categories of financial instruments for the years ended December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

	2023			
	Profit or loss			
	Interest income (expense)	Impairment loss	Financial guarantee expense	Gain or loss on foreign exchange
Financial assets:				
Measured at amortized cost	₩ 3,938,044	363,407	(16,915)	(67,835)
Financial liabilities:				
Measured at amortized cost	₩ (1,411,071)	-	-	39,506

(In thousands of Korean won)

	2022			
	Profit or loss			
	Interest income (expense)	Impairment loss	Gain or loss on disposal	Gain or loss on foreign exchange
Financial assets:				
Measured at amortized cost	₩ 118,021	6,975	-	225,570
Measured at FVTPL	-	-	271,543	-
Financial liabilities:				
Measured at amortized cost	₩ (545,827)	-	-	(5,859)

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10. INVESTMENTS IN ASSOCIATES:

Details of investment in shares in associates as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	Percentage of ownership (%)	Location	2023	2022
Associates:				
Folletto Robotics Co., Ltd. (*1)	7.36	Korea	₩ 2,400,000	2,400,000

(*1) Although the Group has significant influence in the investee company by being able to participate in its board of directors, the Group determined that the redeemable convertible preferred shares do not grant the Group access to the benefits linked to the ownership stake in the investee company. Therefore, the Group has classified the investment as financial assets measured at FVTPL, according to K-IFRS No. 1109 'Financial Instruments.'

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11. PROPERTY, PLANT AND EQUIPMENT:

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

(In thousands of Korean won)

		2023					
		Machinery	Vehicles	Tools	Office equipment	Construction in progress	Total
As of January 1, 2023	₩	3,960,701	1	1,650,663	1,392,466	2,291,776	9,295,607
Acquisition		465,899	3,053	265,893	437,307	1,429,166	2,601,318
Disposals		(6,663)	-	(4,534)	-	-	(11,197)
Transfer (*1,2,3)		1,800,385	-	29,800	219,230	(3,639,913)	(1,590,498)
Depreciation		(858,294)	(254)	(577,373)	(438,181)	-	(1,874,102)
Others (*4)		-	-	-	(4,856)	6,196	1,340
As of December 31, 2023	₩	<u>5,362,028</u>	<u>2,800</u>	<u>1,364,449</u>	<u>1,605,966</u>	<u>87,225</u>	<u>8,422,468</u>
- Acquisition cost	₩	8,062,656	12,053	4,507,615	3,844,487	87,225	16,514,036
- Accumulated depreciation		(2,700,628)	(9,253)	(3,143,166)	(2,238,521)	-	(8,091,568)

(*1) Includes the amount of ₩261,647 thousand that has been transferred from inventory assets to property, plant and equipment.

(*2) Includes the amount of ₩90,887 thousand that has been transferred from development costs to machinery.

(*3) Includes the amount of ₩1,943,033 thousand that has been transferred from construction in progress to other intangible assets.

(*4) Changes due to exchange rate difference and others.

(In thousands of Korean won)

		2022					
		Machinery	Vehicles	Tools	Office equipment	Construction in progress	Total
As of January 1, 2022	₩	2,683,946	1,650	1,617,124	1,291,780	103,500	5,698,000
Acquisition		1,037,499	-	212,197	439,763	3,149,203	4,838,662
Disposals		(46,957)	-	(751)	(447)	-	(48,155)
Transfer (*5)		896,385	-	521,718	-	(947,778)	470,325
Depreciation		(610,172)	(1,649)	(699,625)	(338,220)	-	(1,649,666)
Others (*6)		-	-	-	(410)	(13,149)	(13,559)
As of December 31, 2022	₩	<u>3,960,701</u>	<u>1</u>	<u>1,650,663</u>	<u>1,392,466</u>	<u>2,291,776</u>	<u>9,295,607</u>
- Acquisition cost	₩	5,818,584	9,000	4,499,375	3,193,642	2,291,776	15,812,377
- Accumulated depreciation		(1,857,883)	(8,999)	(2,848,712)	(1,801,176)	-	(6,516,770)

(*5) Includes the amount of ₩470,325 thousand that has been transferred from inventory assets to property, plant and equipment.

(*6) Changes due to exchange rate difference and others.

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12. INTANGIBLE ASSETS:

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

(In thousands of Korean won)

	2023			
	Industrial property rights	Development costs	Other intangible assets	Total
As of January 1, 2023	₩ 173,079	5,244,767	1,259,578	6,677,424
Acquisition	19,104	5,830,725	210,346	6,060,175
Amortization	(27,546)	(522,848)	(612,610)	(1,163,004)
Transfer (*1,2,3)	-	(283,589)	1,943,033	1,659,444
Others (*4)	-	-	(2)	(2)
As of December 31, 2023	₩ 164,637	10,269,055	2,800,345	13,234,037
- Acquisition cost	₩ 287,854	19,511,964	4,850,467	24,650,285
- Accumulated amortization	(123,217)	(4,184,633)	(2,050,122)	(6,357,972)
- Accumulated impairment loss	-	(5,058,276)	-	(5,058,276)

(*1) Includes the amount of ₩90,887 thousand that has been transferred from development costs to property, plant and equipment.

(*2) Includes the amount of ₩192,702 thousand that has been transferred from development costs to inventories.

(*3) Includes the amount of ₩1,943,033 thousand that has been transferred from construction in progress to other intangible assets.

(*4) Changes due to exchange rate difference and others.

(In thousands of Korean won)

	2022			
	Industrial property rights	Development costs	Other intangible assets	Total
As of January 1, 2022	₩ 170,558	586,845	1,298,705	2,056,108
Acquisition	29,181	4,964,102	272,714	5,265,997
Amortization	(26,660)	(306,180)	(311,841)	(644,681)
As of December 31, 2022	₩ 173,079	5,244,767	1,259,578	6,677,424
- Acquisition cost	₩ 268,750	13,964,828	2,697,110	16,930,688
- Accumulated amortization	(95,671)	(3,661,785)	(1,437,532)	(5,194,988)
- Accumulated impairment loss	-	(5,058,276)	-	(5,058,276)

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13. RIGHT-OF-USE ASSETS:

(1) Changes in the right-of-use assets by type of underlying asset for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023		
		Buildings	Vehicles	Total
As of January 1, 2023	₩	3,549,730	185,129	3,734,859
Acquisition		2,046,058	125,557	2,171,615
Depreciation		(1,228,195)	(90,458)	(1,318,653)
Others (*1)		(13,186)	-	(13,186)
As of December 31, 2023	₩	4,354,407	220,228	4,574,635
- Acquisition cost	₩	7,098,725	364,452	7,463,177
- Accumulated depreciation		(2,744,318)	(144,224)	(2,888,542)

(*1) Changes due to exchange rate difference and others.

(In thousands of Korean won)

		2022		
		Buildings	Vehicles	Total
As of January 1, 2022	₩	1,427,056	96,650	1,523,706
Acquisition		3,047,765	147,556	3,195,321
Depreciation		(925,091)	(59,077)	(984,168)
As of December 31, 2022	₩	3,549,730	185,129	3,734,859
- Acquisition cost	₩	5,087,678	253,051	5,340,729
- Accumulated depreciation		(1,537,948)	(67,922)	(1,605,870)

(2) Gain or loss by lease for the years ended December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

		2023			
		Buildings	Vehicles	Office equipment	Total
Depreciation	₩	1,228,195	90,458	-	1,318,653
Interest expense		518,244	29,018	-	547,262
Short-term lease expense		42,073	13,616	43,528	99,217
Lease expense of low value		12,913	-	23,501	36,414

The total cash outflow of the lease payment is ₩1,704,967 thousand for the year ended December 31, 2023.

(In thousands of Korean won)

		2022			
		Buildings	Vehicles	Office equipment	Total
Depreciation	₩	925,091	59,077	-	984,168
Interest expense		526,892	18,860	-	545,752
Short-term lease expense		4,865	16,728	9,479	31,072
Lease expense of low value		-	-	29,077	29,077

The total cash outflow of the lease payment is ₩1,396,362 thousand for the year ended December 31, 2022.

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14. TRADE PAYABLES AND OTHER PAYABLES:

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

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Trade payables	₩ 5,894,349	3,874,596
Other payables:		
Other payables	2,020,854	3,396,796
Accrued expenses	113,964	119,741
Subtotal	<u>2,134,818</u>	<u>3,516,537</u>
Total	<u>₩ 8,029,167</u>	<u>7,391,133</u>

15. PROVISIONS:

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

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
As of January 1	₩ 536,994	753,864
Arising during the year	703,256	104,560
Utilized	<u>(518,982)</u>	<u>(321,430)</u>
As of December 31	<u>₩ 721,268</u>	<u>536,994</u>
- Current	₩ 679,282	483,679
- Non-current	41,986	53,315

The Group estimated provisions based on historical warranty data related to products sold for the years ended December 31, 2023 and 2022.

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16. LEASE LIABILITIES:

(1) Changes in lease liabilities for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
As of January 1	₩	4,246,857	1,841,997
Payment of lease		(1,569,336)	(1,336,213)
Acquisition		1,990,523	3,195,321
Interest expense		547,262	545,752
Others (*1)		(14,321)	-
As of December 31	₩	<u>5,200,985</u>	<u>4,246,857</u>

(*1) Changes due to exchange rate difference and others.

(2) Lease liabilities as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		
		<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Less than 1 year	₩	1,779,032	113,538	1,892,570
2-5 years		4,122,236	160,086	4,282,322
Subtotal		<u>5,901,268</u>	<u>273,624</u>	<u>6,174,892</u>
Deduction: Present value adjustment		(937,921)	(35,986)	(973,907)
Present value of lease liability	₩	<u>4,963,347</u>	<u>237,638</u>	<u>5,200,985</u>

<i>(In thousands of Korean won)</i>		<u>2022</u>		
		<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Less than 1 year	₩	1,211,569	77,540	1,289,109
2-5 years		4,025,917	151,009	4,176,926
Subtotal		<u>5,237,486</u>	<u>228,549</u>	<u>5,466,035</u>
Deduction: Present value adjustment		(1,184,439)	(34,739)	(1,219,178)
Present value of lease liability	₩	<u>4,053,047</u>	<u>193,810</u>	<u>4,246,857</u>

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		<u>2022</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Withholdings	₩	156,926	-	126,687	-
Accrued expenses		2,697,564	150,846	3,221,502	81,958
Advance received		361,929	-	2,683,080	-
Unearned revenue		-	-	1,595	-
Other long-term employee benefit liabilities		-	203,067	-	172,150
Total	₩	<u>3,216,419</u>	<u>353,913</u>	<u>6,032,864</u>	<u>254,108</u>

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18. DEFINED BENEFIT LIABILITIES:

The Group operates defined benefit plans, and the insurance actuarial valuation of plan assets and the defined benefit obligation is performed by an independent actuarial firm using the projected unit credit method, which is deemed appropriate.

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

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligations	₩ 5,361,821	4,528,922
Fair value of plan assets	(5,269,587)	(3,137,835)
Net defined benefit liabilities	₩ 92,234	1,391,087

(2) Expenses recognized in consolidated statements of income for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Current service cost	₩ 1,364,112	1,024,050
Net interest cost (interest cost - expected return)	92,867	22,286
Past service cost	-	328,156
Total	₩ 1,456,979	1,374,492

(3) Changes in net defined benefit liabilities (assets) for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>		
	<u>Defined benefit liabilities</u>	<u>Plan assets</u>	<u>Net defined benefit liabilities</u>
As of January 1, 2023	₩ 4,528,922	(3,137,835)	1,391,087
Profit or loss:			
Current service cost	1,364,112	-	1,364,112
Interest cost (income)	231,989	(139,122)	92,867
Subtotal	1,596,101	(139,122)	1,456,979
Remeasurement loss (gain) in OCI:			
Actuarial changes arising from changes in demographic assumptions	25,321	-	25,321
Actuarial changes arising from changes in financial assumptions	103,623	-	103,623
Others	115,121	24,285	139,406
Subtotal	244,065	24,285	268,350
Transfer from related parties	619,716	(317,105)	302,611
Contributions by employer	-	(2,410,000)	(2,410,000)
Benefit payments	(1,626,983)	710,190	(916,793)
As of December 31, 2023	₩ 5,361,821	(5,269,587)	92,234

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18. Defined benefit liabilities, Continued

(3) Changes in net defined benefit liabilities (assets) for the years ended December 31, 2023 and 2022, are as follows, continued:

(In thousands of Korean won)

	2022		
	Defined benefit liabilities	Plan assets	Net defined benefit liabilities
As of January 1, 2022	₩ 3,646,675	(3,559,157)	87,518
Profit or loss:			
Current service cost	1,024,050	-	1,024,050
Past service cost	328,156	-	328,156
Interest cost (income)	120,571	(98,285)	22,286
Subtotal	<u>1,472,777</u>	<u>(98,285)</u>	<u>1,374,492</u>
Remeasurement loss (gain) in OCI:			
Actuarial changes arising from changes in demographic assumptions	234	-	234
Actuarial changes arising from changes in financial assumptions	(638,347)	-	(638,347)
Others	531,400	-	531,400
Subtotal	<u>(106,713)</u>	<u>-</u>	<u>(106,713)</u>
Transfer from related parties	101,263	(120)	101,143
Benefit payments	(585,080)	519,727	(65,353)
As of December 31, 2022	₩ <u>4,528,922</u>	<u>(3,137,835)</u>	<u>1,391,087</u>

(4) Assumptions used for actuarial valuation as of December 31, 2023 and 2022, are as follows:

	2023	2022
Discount rate (%)	4.4	5.4
Future salary growth rate (%)	Employee: 4.0 Executive: 2.0	Employee: 4.8 Executive: 1.5

(5) Details of plan assets as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023	2022
Savings deposits and others	₩ 5,269,587	3,137,835

Plan assets are invested in principal-guaranteed fixed-income financial instruments.

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18. Defined benefit liabilities, Continued

(6) The sensitivity analysis for the significant actuarial assumptions as of December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

		2023			
		Discount rate		Salary growth rate	
		1% increase	1% decrease	1% increase	1% decrease
Amount	₩	(393,553)	458,856	460,856	(402,159)
Ratio		(-)7.34%	8.56%	8.60%	(-)7.50%

(In thousands of Korean won)

		2022			
		Discount rate		Salary growth rate	
		1% increase	1% decrease	1% increase	1% decrease
Amount	₩	(364,387)	428,925	427,394	(369,796)
Ratio		(-)8.05%	9.47%	9.44%	(-)8.17%

(7) As of December 31, 2023, the weighted-average maturity of defined benefit liabilities is 8.34 years. The Group expects to pay contributions amounting to ₩1,541,733 thousand in the following year.

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19. CAPITAL STOCK AND OTHERS:

(1) Details of capital stock as of December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Number of shares authorized (in shares)	400,000,000	50,000,000
Number of shares (in shares) (*1)	64,819,980	4,861,998
Par value (in Korean won)	₩ 500	5,000
Capital stock (in Korean won)	₩ 32,409,990,000	24,309,990,000

(*1) Stock split took place on March 31, 2023. The number of shares as of December 31, 2023, was calculated taking into account the effect of the stock split.

(2) Details of capital surplus as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Share premium	₩ 506,389,590	101,092,604

(3) Changes in capital stock and capital surplus for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<u>Capital stock</u>	<u>Capital surplus</u>
As of January 1, 2022	₩ 22,100,000	63,575,564
Issuance of ordinary shares	2,209,990	37,517,040
As of December 31, 2022	24,309,990	101,092,604
As of January 1, 2023	24,309,990	101,092,604
Issuance of ordinary shares	8,100,000	405,296,986
As of December 31, 2023	₩ 32,409,990	506,389,590

(4) Details of other capital items as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Equity-settled employee benefit (*2)	₩ (1,270,677)	-

(*2) The Group granted Restricted Stock Unit ("RSU") to executives and employees by a resolution of the board of directors. The RSUs granted by the Group are ordinary shares in the Group held by Doosan Corp. At the grant date, the Group is obligated to pay the consideration for the RSUs to Doosan Corp. and accounts for equity-settled employee benefit. The holders may vest the RSU if they have served for three years. The Group is recognizing share-based payment expenses over the vesting period.

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20. SEGMENT INFORMATION:

The Group's operating segment is a component that engages in business activities from which it may earn revenue and incur expenses. The Group identifies a component based on internal reports, which are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance.

The Group engages in single operating segment that manufactures and sells industrial robots, and there is no other operating segment information to be disclosed.

21. SALES:

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

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Sales of finished goods	₩	45,920,904	41,216,512
Sales of merchandise		6,020,908	2,611,482
Others		1,096,560	1,125,680
Total	₩	<u>53,038,372</u>	<u>44,953,674</u>

(2) Sales by timing of revenue recognition for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Transfer at a point in time	₩	53,038,372	44,953,674

(3) Sales by location of the customer for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Domestic	₩	23,457,847	14,184,080
Foreign		29,580,525	30,769,594
Total	₩	<u>53,038,372</u>	<u>44,953,674</u>

(4) Information about major customers

Customers accounting for 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>		<u>2023</u>	<u>2022</u>
Company A	₩	-	4,699

(5) Contract liabilities

Contract liabilities as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Contract liabilities	₩	361,929	489,080

Contract liabilities are advances from customers and are recognized as revenue as the Group transfers the goods or services to the customer.

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22. EXPENSES CLASSIFIED BY NATURE:

Expenses (cost of sales, selling and administrative expenses) classified by nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Changes in inventories	₩	(762,463)	(7,775,885)
Purchases of raw materials, merchandise and semifinished goods		29,091,905	31,238,868
Salaries		19,343,548	15,226,542
Depreciation		1,874,102	1,649,666
Amortization		1,163,004	644,681
Depreciation of right-of-use assets		1,318,653	984,168
Others		20,177,173	16,213,967
Total	₩	<u>72,205,922</u>	<u>58,182,007</u>

23. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Salaries	₩	12,968,472	10,066,225
Severance and retirement benefits		1,236,160	1,188,640
Share-based payment		365,486	100,483
Employee welfare benefits		3,307,737	2,281,351
Travel		1,826,793	1,660,973
Communication		77,936	44,308
Utility		82,175	64,198
Publication		11,680	16,148
Office supplies		105,503	122,260
Supplies		159,605	61,267
Taxes and dues		233,032	170,957
Rents		73,729	42,650
Depreciation		784,451	546,923
Amortization		872,519	328,279
Depreciation of right-of-use assets		1,234,168	899,683
Repairs		51,420	7,192
Outsourcing		1,340,770	554,535
Commissions		3,597,525	2,444,861
Bad debt expenses		363,408	6,975
Insurance		436,909	123,921
Entertainment		56,030	54,210
Advertising		1,523,738	2,800,346
Vehicle maintenance		55,307	28,117
Research and development		655,501	859,317
Freight		1,137,560	1,896,954
Others		1,270,148	1,101,095
Total	₩	<u>33,827,762</u>	<u>27,471,868</u>

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24. FINANCE INCOME AND EXPENSES:

Finance income and expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Finance income:		
Interest income	₩ 3,938,044	118,021
Gain on foreign currency transaction	307,766	545,530
Gain on foreign currency translation	143,417	155,650
Subtotal	<u>4,389,227</u>	<u>819,201</u>
Finance expenses:		
Interest expenses	1,411,071	545,827
Loss on foreign currency transaction	209,920	249,391
Loss on foreign currency translation	269,592	232,078
Financial guarantee expense	16,915	-
Subtotal	<u>1,907,498</u>	<u>1,027,296</u>
Net finance income (expenses)	₩ <u>2,481,729</u>	<u>(208,095)</u>

25. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Other non-operating income:		
Gain on disposal of financial assets	₩ -	271,543
Gain on insurance proceeds	1,050,713	-
Miscellaneous income	70,360	709,849
Subtotal	<u>1,121,073</u>	<u>981,392</u>
Other non-operating expenses:		
Commission	147,208	-
Loss on disposal of property, plant and equipment	10,927	48,156
Donations	-	36,000
Miscellaneous loss	150,656	8,988
Subtotal	<u>308,791</u>	<u>93,144</u>
Net other non-operating income	₩ <u>812,282</u>	<u>888,248</u>

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26. INCOME TAX EXPENSE:

(1) The component of income tax expense for the years ended December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Current income tax expense	₩ -	-
Tax effect of temporary difference	-	-

(2) Changes in deferred tax assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	2023			
	January 1, 2023	Changes		December 31, 2023
		Profit or loss	Equity	
Deductible (taxable) temporary differences:				
Provision for retirement and severance benefits	₩ 105,407	(136,424)	26,567	(4,450)
Depreciation	66,013	(20,970)	-	45,043
Accrued expenses	711,814	(416,686)	-	295,128
Accrued income	(127)	(357,568)	-	(357,695)
Provisions	384,948	(173,946)	-	211,002
Right-of-use assets	(784,320)	436,564	-	(347,756)
Lease liabilities	891,840	(491,133)	-	400,707
Non-current accrued expenses	21,101	24,435	-	45,536
Present value discount	-	10,116	-	10,116
Subtotal	1,396,676	(1,125,612)	26,567	297,631
Deferred accumulated deficit	15,600,646	(6,524,773)	-	9,075,873
Tax credit carried forward	3,028,324	112,058	-	3,140,382
Total	₩ 20,025,646	(7,538,327)	26,567	12,513,886
Adjustment: Deferred tax assets	(20,025,646)	7,538,327	(26,567)	(12,513,886)
Net total	₩ -	-	-	-

<i>(In thousands of Korean won)</i>	2022			
	January 1, 2022	Changes		December 31, 2022
		Profit or loss	Equity	
Deductible (taxable) temporary differences:				
Provision for retirement and severance benefits	₩ 77,162	5,835	22,410	105,407
Depreciation	293,758	(227,745)	-	66,013
Accrued expenses	779,762	(67,948)	-	711,814
Accrued income	(21)	(106)	-	(127)
Provisions	263,960	120,988	-	384,948
Right-of-use assets	(335,215)	(449,105)	-	(784,320)
Lease liabilities	405,239	486,601	-	891,840
Non-current accrued expenses	-	21,101	-	21,101
Subtotal	1,484,645	(110,379)	22,410	1,396,676
Deferred accumulated deficit	13,855,361	1,745,285	-	15,600,646
Tax credit carried forward	2,926,956	101,368	-	3,028,324
Total	₩ 18,266,962	1,736,274	22,410	20,025,646
Adjustment: Deferred tax assets	(18,266,962)	(1,736,274)	(22,410)	(20,025,646)
Net total	₩ -	-	-	-

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26. Income tax expense, Continued

(3) The amount of deductible temporary differences (tax-effected) for which no deferred tax asset is recognized in the consolidated statements of financial position as of December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Deductible temporary differences	₩ 3,006,384	6,650,843
Deferred accumulated deficit	91,675,490	74,288,789
Deferred tax credit carried forward	3,140,382	3,028,324

(4) The future realizability of deferred tax assets related to corporate income tax is evaluated taking into account various factors such as the Group's performance, overall economic environment and industry outlook, expected future earnings, the deductible amount and the deductible period of carried-forward tax losses. The Group periodically reviews these factors and has determined that it is not probable that any of the temporary differences for deductible differences as of December 31, 2023 and 2022, could be realizable. Therefore, deferred tax assets have not been recognized.

27. LOSS PER SHARE:

(1) Basic loss per share for the years ended December 31, 2023 and 2022, is as follows:

<i>(In Korean won)</i>	<u>2023</u>	<u>2022</u>
Loss for the year attributable to the owners of the Company	₩ 15,873,538,546	12,548,180,138
Weighted-average number of ordinary shares at the end of year (in shares)	52,880,802	48,377,789
Basic loss per share	₩ 300	259

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

<i>(In shares)</i>	<u>2023</u>		
	<u>Date</u>	<u>Issued ordinary shares (*1)</u>	<u>Number of days</u>
Issued ordinary shares at the beginning of the year	2023.01.01	48,619,980	365/365
Issuance of ordinary shares	2023.09.27	16,200,000	96/365
		<u>64,819,980</u>	<u>52,880,802</u>

<i>(In shares)</i>	<u>2022</u>		
	<u>Date</u>	<u>Issued ordinary shares (*1)</u>	<u>Number of days</u>
Issued ordinary shares at the beginning of the year	2022.01.01	44,200,000	365/365
Issuance of ordinary shares	2022.01.21	4,419,980	345/365
		<u>48,619,980</u>	<u>48,377,789</u>

(*1) The Group has executed 10-for-1 stock split on March 31, 2023, changing the par value from ₩5,000 per share to ₩500 per share. Basic loss per share for the years ended December 31, 2023 and 2022, was calculated taking into account the effect of the stock split.

The Group does not hold potential ordinary shares that have a dilutive effect, so diluted loss per share is equal to basic loss per share.

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28. RELATED-PARTY TRANSACTIONS:

(1) Related parties

Details of related parties as of December 31, 2023, are as follows:

Relationship	Related party
Parent	Doosan Corp.
Associates	Folletto Robotics Co., Ltd.
Other related parties	Doosan Cuvex Co., Ltd., Oricom Inc., Doosan Business Research Institute, Doosan Credit Union, Doosan Bobcat Inc., Chung-Ang University Hospital, Doosan Industrial Vehicle Co., DBNA Korea, Bundang Doosan Tower Tenant Association, Doosan Yonkang Foundation, DOOSAN DIGITAL INNOVATION AMERICA and others

(2) Significant transactions with related parties

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

(In thousands of Korean won)

		2023			
Related parties		Sales	Other income	Purchases	Other expenses
Parent	Doosan Corp.	₩ 498,607	15,931	-	2,010,857
Associates	Folletto Robotics Co., Ltd.	1,647,500	-	3,293,195	152,402
Other related parties	Doosan Cuvex Co., Ltd.	-	-	-	150,798
	Oricom Inc.	-	-	-	209,578
	Chung-Ang University Hospital	-	-	-	13,200
	Doosan Business Research Institute	-	-	-	429,317
	Doosan Credit Union	-	-	-	337,412
	Doosan Industrial Vehicle Co., Ltd.	72,000	-	-	-
	DBNA Korea	72,000	-	-	-
	Bundang Doosan Tower Tenant Association	-	-	-	1,246,579
	Doosan Yonkang Foundation	69,000	-	-	-
	DOOSAN DIGITAL INNOVATION AMERICA	-	-	15,053	4,189
	Total	₩ 2,359,107	15,931	3,308,248	4,554,332

(In thousands of Korean won)

		2022			
Related parties		Sales	Other income	Purchases	Other expenses
Parent	Doosan Corp.	₩ 291,564	401	-	2,284,322
Associates	Folletto Robotics Co., Ltd.	720,637	-	2,829,197	10,544
Other related parties	Doosan Cuvex Co., Ltd.	-	-	-	133,178
	Oricom Inc.	2,000	-	-	1,109,421
	Chung-Ang University Hospital	-	-	-	24,860
	Doosan Business Research Institute	-	-	-	329,343
	Doosan Credit Union	-	-	-	323,242
	Doosan Industrial Vehicle Co., Ltd.	-	-	-	24,520
	Bundang Doosan Tower Tenant Association	-	-	-	1,153,440
	Total	₩ 1,014,201	401	2,829,197	5,392,870

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28. Related-party transactions, Continued

(3) Significant balances related to the transactions with related parties

The outstanding receivables and payables arising from the transactions with related parties (excluding dividend and investment) as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023			
Related parties		Trade receivables	Other receivables	Trade payables	Other payables
Parent	Doosan Corp.	₩ 203,313	-	-	124,685
Associates	Folletto Robotics Co., Ltd.	1,812,250	-	769,175	2,499
Other related parties	Doosan Cuvex Co., Ltd.	-	235,500	-	92
	Doosan Business Research Institute	-	-	-	24,109
	Bundang Doosan Tower Tenant Association	-	765,287	-	1,192
	Oricom Inc.	-	-	-	2,286
	Chung-Ang University Hospital	-	-	-	1,500
	DOOSAN DIGITAL INNOVATION AMERICA	-	-	-	501
	Total	₩ 2,015,563	1,000,787	769,175	156,864

(In thousands of Korean won)

		2022			
Related parties		Trade receivables	Other receivables	Trade payables	Other payables
Parent	Doosan Corp.	₩ 119,149	-	-	561,497
Associates	Folletto Robotics Co., Ltd.	318,000	-	83,197	-
Other related parties	Doosan Cuvex Co., Ltd.	-	162,500	-	12,037
	Doosan Business Research Institute	-	-	-	20,467
	Bundang Doosan Tower Tenant Association	-	765,287	-	623
	Oricom Inc.	-	-	-	3,531
	Chung-Ang University Hospital	-	-	-	11,480
	Total	₩ 437,149	927,787	83,197	609,635

(4) Financial and investment transactions between the Group and related parties

Financial and investment transactions with related parties for the year ended December 31, 2022, are as follows:

(In thousands of Korean won)

		2022	
Related parties		Investments	
		Increase of capital	Investment
Associates	Folletto Robotics Co., Ltd.	₩ -	2,400,000

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28. Related-party transactions, Continued

(5) There are no collateral or payment guarantees provided or received to/from related parties as of December 31, 2023.

(6) Key management personnel are standing directors who have authorities and responsibilities for planning, operation and control of the business of the Group. Compensation for key management personnel for years ended December 31, 2023 and 2022, consists of following:

<i>(In thousands of Korean won)</i>	2023	2022
Employee benefits	₩ 1,671,536	1,280,415
Severance and retirement benefit	167,380	471,142
Share-based payment	87,345	59,041
Total	₩ 1,926,261	1,810,598

29. COMMITMENTS AND CONTINGENCIES:

(1) Guarantees of payment provided by third parties to the Group as of December 31, 2023, are as follows:

	2023	Details
Seoul Guarantee Insurance (in thousands of Korean won)	833,597	Defect guarantees and others
Woori America Bank (in thousands of USD)	USD 544	Establishment of the right of pledge for lease contract
Korea Securities Finance Corp. (in thousands of Korean won)	8,881,158	Establishment of the right of pledge for Employee Stock Ownership Plan Deposit

(2) On May 25, 2023, the Group received a confirmation for absence of obligation amounted to ₩115,934 thousand and submitted a written answer on June 23. The outcome of lawsuits cannot be estimated as of December 31, 2023. The Group recognized allowance for doubtful accounts amounted to ₩74,800 thousand.

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30. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Details of cash generated from operation for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Loss for the year:	₩ (15,873,539)	(12,548,180)
Adjustments:	5,211,141	5,953,843
Severance and retirement benefits	1,456,979	1,374,492
Loss on valuation of inventory	330,563	908,454
Share-based payments	420,688	-
Depreciation	1,874,102	1,649,666
Amortization	1,163,004	644,681
Depreciation of right-of-use assets	1,318,653	984,168
Bad debt expenses	363,407	6,975
Contribution to provisions	703,256	104,560
Interest expenses	1,411,071	545,827
Loss on disposal of property, plant and equipment	10,927	48,156
Loss on foreign currency translation	269,592	232,078
Interest income	(3,938,044)	(118,021)
Miscellaneous income	(29,640)	-
Gain on foreign currency translation	(143,417)	(155,650)
Gain on disposal of financial assets	-	(271,543)
Changes in operating assets and liabilities:	(15,692,141)	(15,577,094)
Trade receivables	(12,069,319)	(2,296,737)
Long-term trade receivables	(7,165)	(114,432)
Other receivables	348,137	(401,201)
Other current assets	2,579,951	(5,198,230)
Inventories	(1,161,971)	(9,154,665)
Other non-current assets	(14,310)	(223,317)
Trade payables	2,062,029	(1,156,988)
Other payables	(908,692)	763,708
Other current liabilities	(2,816,443)	2,550,838
Provisions	(518,982)	(321,430)
Other non-current liabilities	68,217	(60,430)
Defined benefit liabilities transfer from related parties	73,200	101,143
Plan assets	(1,699,811)	519,727
Severance payments paid	(1,626,982)	(585,080)
Cash generated from operations	₩ <u>(26,354,539)</u>	<u>(22,171,431)</u>

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30. Consolidated statements of cash flows, Continued

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

(In thousands of Korean won)

	<u>2023</u>	<u>2022</u>
Transfer from construction in progress to other assets	₩ 3,639,913	947,778
Transfer from development costs to inventories	192,702	-
Transfer from inventories to property, plant and equipment	261,647	470,325
Changes in other payables through acquisition of property, plant and equipment	(522,420)	-
Changes in other payables through acquisition of intangible assets	70,721	-
Transfer to current portion of lease liabilities	1,394,013	829,063
Transfer to current portion of provisions	41,986	134,744
Increase in right-of-use assets	2,171,615	-

(3) Changes of liability in financing activities for the years ended December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	<u>2023</u>				
	<u>January 1, 2023</u>	<u>Acquisition</u>	<u>Cash flows</u>	<u>Others (*1)</u>	<u>December 31, 2023</u>
Lease liabilities	₩ 4,246,857	1,990,523	(1,022,073)	(14,322)	5,200,985
Short-term borrowings	-	-	(115,000)	115,000	-
Total	₩ 4,246,857	1,990,523	(1,137,073)	100,678	5,200,985

(*1) Changes due to exchange rate difference and present value discount.

(In thousands of Korean won)

	<u>2022</u>			
	<u>January 1, 2022</u>	<u>Acquisition</u>	<u>Cash flows</u>	<u>December 31, 2022</u>
Lease liabilities	₩ 1,841,997	3,195,321	(790,461)	4,246,857

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31. SHARE-BASED PAYMENTS:

(1) RSU

The Group granted RSU to executives and employees by a resolution of the board of directors in 2022. Details of RSUs granted by the Group, which are ordinary shares held by Doosan Corp., are as follows:

	1st	2nd	3rd
Recipient (*1)	Executives and employees of the Company on grant date		Employees of the Company on grant date
Quantity granted (*2,3) (in shares)	37,370	98,350	37,186
Price per share (*2) (in Korean won)	9,050	9,050	26,000
Stock grant date	February 25, 2025	February 25, 2026	July 1, 2025
Conditions	Employed for more than three years after granted		Employed for more than two years after granted

(*1) The Group paid to Doosan Corp. the amount of ₩1,857 million for the year ended December 31, 2023, and the amount of ₩338 million for the year ended December 31, 2022, respectively (excluding cancellations and refunds).

(*2) The quantity and price per share of the first and second grants were calculated taking into account the effect of 10-for-1 stock split on March 31, 2023.

(*3) Includes the number of shares canceled or refunded, which cannot meet the conditions.

(2) Changes of the RSUs as of December 31, 2023 and 2022, are as follows:

<i>(In shares)</i>	2023	2022
Beginning of the year	3,578	-
Grant	47,021	3,737
Stock split	120,717	-
Cancel	(40,708)	(159)
Ending of the year	130,608	3,578