

SK ecoengineering Co., Ltd. and its subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
SK ecoengineering Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Emphasis of Matters

Without qualifying our opinion, we draw attention to transactions with related parties as disclosed in Note 30:

As described in Note 30 to the consolidated financial statements, the Group's significant transactions with related parties for the periods ended December 31, 2023, are KRW 26,399 billion in revenues. Also, in concerning with these transactions, outstanding balances with related parties as of December 31, 2023, are KRW 2,974 billion in receivables.

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 11, 2024

This report is effective as of March 11, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK ecoengineering Co., Ltd. and its subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2023 and 2022

<i>Korean won in thousands</i>	<i>Note</i>	2023	2022
Assets			
Current assets:			
Cash and cash equivalents	1,6 ₩	141,459,103	410,388,831
Trade and other receivables	6,7,30	312,678,024	523,802,649
Contract assets		193,288,990	178,108,025
Other current assets	8	53,586,437	42,521,230
Current income tax assets		15,750,750	34,475,435
Current derivative instruments assets	6,16	1,097,733	1,579,078
Total current assets		717,861,037	1,190,875,248
Non-current assets:			
Long-term financial instruments	6	2,000	2,000
Financial assets at fair value through profit or loss	6	18,248,541	18,349,894
Financial assets at fair value through other comprehensive income	6	144,441,432	-
Long-term trade and other receivables	6,7	10,308,793	33,658,417
Property, plant and equipment	9	4,774,876	5,343,504
Right-of-use assets	10	9,927,834	13,290,269
Intangible assets	11	5,396,147	3,269,802
Deferred tax assets	18	1,590,073	2,599,031
Non-current derivative instruments assets	6,16	1,907	9,372
Defined benefits assets, net	17	14,593,553	19,057,051
Total non-current assets		209,285,156	95,579,340
Total assets	₩	927,146,193	1,286,454,588

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd. and its subsidiaries
Consolidated Statements of Financial Position, Continued

As of December 31, 2023 and 2022

<i>Korean won in thousands</i>	<i>Note</i>	2023	2022
Liabilities			
Current liabilities:			
Trade and other payables	6,12	₩ 306,510,429	458,976,627
Short-term borrowings	6,13	4,000,000	65,104,808
Current lease liabilities	6,10	3,617,607	4,251,826
Current portion of provisions	14	4,772,792	13,820,633
Current tax liabilities		13,122,401	24,312,091
Other current liabilities	15	2,037,889	2,106,599
Contract liabilities		193,489,145	423,633,692
Current derivative instruments liabilities	6,16	2,422,966	8,399,433
Total current liabilities		529,973,229	1,000,605,709
Non-current liabilities:			
Long-term borrowings	6	94,738,596	-
Long-term other payables		-	1,817,666
Non-current lease liabilities	6,10	8,290,676	11,521,674
Non-current derivative instruments liabilities	6,16	4,419,761	1,367,255
Non-current portion of provisions	14	1,080,803	1,046,855
Other non-current liabilities	15	723,959	542,372
Total non-current liabilities		109,253,795	16,295,822
Total liabilities		₩ 639,227,024	1,016,901,531
Equity			
Share capital	1,19	₩ 75,512,200	75,512,200
Other paid-up capital	20	74,087,776	74,087,776
Retained earnings	21	133,001,667	128,440,762
Other components of equity	22	5,317,526	(8,487,681)
Equity attributable to the owners of the Company		287,919,169	269,553,057
Non-controlling interests		-	-
Total equity		287,919,169	269,553,057
Total liabilities and equity		₩ 927,146,193	1,286,454,588

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd. and its subsidiaries
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

<i>Korean won in thousands</i>	<i>Note</i>	2023	2022
Sales	5,23,30	₩ 2,662,931,013	2,894,534,062
Cost of sales	23,25	(2,462,223,725)	(2,694,553,359)
Gross profit		200,707,288	199,980,703
Selling, general and administrative expenses	24,25	(61,496,560)	(43,769,225)
Operating profit		139,210,728	156,211,478
Finance income	6,27	46,229,666	44,934,267
Finance expenses	6,27	(37,997,600)	(34,604,116)
Other income	26	1,889,915	1,039,242
Other costs	26	(1,133,264)	(4,639)
Profit before tax		148,199,445	167,576,232
Income tax expense	18	(63,675,732)	(43,741,594)
Profit for the year		84,523,713	123,834,638
Owners of parent		84,523,713	123,834,638
Non-controlling interests		-	-
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liability		(5,707,835)	5,186,999
Net gain(loss) on valuation of FVOCI	6	6,379,684	-
Items that may be reclassified to profit or loss			
Net gain (loss) on cash flow hedges		32,064	(3,945,289)
Exchange differences on translation of foreign operations		7,393,459	(4,542,392)
Other comprehensive income (loss) for the year, net of tax		8,097,372	(3,300,682)
Total comprehensive income for the year		₩ 92,621,085	120,533,956
Owners of parent		92,621,085	120,533,956
Non-controlling interests		-	-

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd. and its subsidiaries Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

Korean won in thousands	Equity attributable to the owners of the Company						Non-controlling interests	Total
	Share capital	Other paid-up capital	Retained earnings	Other components of equity	Sub-total			
As of January 1, 2022(Non-audited)	₩ 2,000,000	2,000,000	(580,875)	-	3,419,125	-	3,419,125	
Comprehensive income:								
Profit for the period	-	-	123,834,638	-	123,834,638	-	123,834,638	
Remeasurement gain (loss) on defined benefit plans	-	-	5,186,999	-	5,186,999	-	5,186,999	
Net gain (loss) on cash flow hedges	-	-	-	(3,945,289)	(3,945,289)	-	(3,945,289)	
Exchange differences on translation of foreign operations	-	-	-	(4,542,392)	(4,542,392)	-	(4,542,392)	
Total comprehensive income for the year	-	-	129,021,637	(8,487,681)	120,533,956	-	120,533,956	
Transaction with owners, recorded directly in equity:								
Business Combinations	73,512,200	73,148,639	-	-	146,660,839	-	146,660,839	
Capital increase registration fee	-	(1,060,863)	-	-	(1,060,863)	-	(1,060,863)	
Total transaction with owners, recorded directly in equity	73,512,200	72,087,776	-	-	145,599,976	-	145,599,976	
As of December 31, 2022	₩ 75,512,200	74,087,776	128,440,762	(8,487,681)	269,553,057	-	269,553,057	
As of January 1, 2023	₩ 75,512,200	74,087,776	128,440,762	(8,487,681)	269,553,057	-	269,553,057	
Comprehensive income:								
Profit for the period	-	-	84,523,713	-	84,523,713	-	84,523,713	
Remeasurement gain (loss) on defined benefit plans	-	-	(5,707,835)	-	(5,707,835)	-	(5,707,835)	
Net gain(loss) on valuation of FVOCI	-	-	-	6,379,684	6,379,684	-	6,379,684	
Net gain (loss) on cash flow hedges	-	-	-	32,064	32,064	-	32,064	
Exchange differences on translation of foreign operations	-	-	-	7,393,459	7,393,459	-	7,393,459	
Total comprehensive income (loss) for the year	-	-	78,815,878	13,805,207	92,621,085	-	92,621,085	
Transaction with owners, recorded directly in equity:								
Dividends for redeemable convertible preferred shares	-	-	(28,964,233)	-	(28,964,233)	-	(28,964,233)	
Redemption of redeemable convertible preferred shares	-	-	(45,290,740)	-	(45,290,740)	-	(45,290,740)	
Total transaction with owners, recorded directly in equity	-	-	(74,254,973)	-	(74,254,973)	-	(74,254,973)	
As of December 31, 2023	₩ 75,512,200	74,087,776	133,001,667	5,317,526	287,919,169	-	287,919,169	

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd. and its subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

<i>In Korean won</i>	<i>Note</i>	2023	2022
Cash flows from operating activities			
Cash generated from operations			
Profit for the year	₩	84,523,713	123,834,638
Adjustments	28	63,524,318	63,062,380
Change in operating assets and liabilities	28	(183,147,044)	24,290,213
Interest received		3,374,551	2,779,295
Interest paid		(6,059,708)	(728,023)
Dividends received		261,738	10,736
Income taxes received (paid)		(54,208,186)	(55,455,396)
Net cash inflow (outflow) from operating activities		(91,730,618)	157,793,843
Cash flows from investing activities			
Proceeds from disposal of derivatives		1,230,001	2,026,503
Business combinations		-	209,746,762
Proceeds from disposals of property, plant and equipment		55,854	-
Acquisitions of financial instruments_FVPL		(330)	(11,142,582)
Acquisitions of financial instruments_FVOCI		(136,145,354)	-
Increase in short-term loans		(1,299,535)	-
Acquisitions of property, plant and equipment		(681,547)	(5,861,241)
Acquisitions of intangible assets		(3,795,391)	(5,241,871)
Increase in deposits provided		(77,774)	(3,888,741)
Net cash inflow (outflow) from investing activities		(140,714,076)	185,638,830
Cash flows from financing activities			
Increase in short-term borrowings		37,961,276	65,435,896
Increase in long-term borrowings		98,932,475	-
Lease incentives received		-	2,320,392
Capital increase registration fee		-	(1,060,863)
Repayment of short-term borrowings		(103,410,578)	-
Repayment of lease liabilities		(5,057,634)	(3,275,909)
RCPS dividends paid		(28,964,233)	-
Redemption of RCPS		(45,290,740)	-
Net cash inflow (outflow) from financing activities		(45,829,434)	63,419,516
Net increase (decrease) in cash and cash equivalents		(278,274,128)	406,852,189
Cash and cash equivalents at the beginning of the year		410,388,831	2,320,144
Effects of exchange rate changes on cash and cash equivalents		9,344,400	1,216,498
Cash and cash equivalents at the end of the year	₩	141,459,103	410,388,831

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

1. General Information

General Information on SK ecoengineering Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) in accordance with Korean International Financial Reporting Standard (“K-IFRS”) 1110 “Consolidated Financial Statements” is as follows:

(1) The Company

SK ecoengineering Co., Ltd. (the “Company”), a member of the SK group of companies, was incorporated on October 20, 2021 in accordance with the laws of the Republic of Korea to engage in engineering and construction activities in the Republic of Korea as well as in foreign countries, and the head office location of the company is 6, Yulgok-ro, Jongno-gu, Seoul. the Company merged with K-solutions business group, P-solutions business group, Gas & Power business group, Battery business group and Industrial business group divided from SK Ecoplant Co., Ltd on February 1, 2022.

As of December 31, 2023, the Company’s capital amounts to KRW 75,512,200 thousand, and the shareholders and their ownership percentages of the Company are as follows:

Shareholders		Number of shares owned	Equity percentage (%)
SK ecoplant Co., Ltd.	Common Stock	7,551,182	52.65%
Eco Energy Holdings Inc.	Preferred Stock	6,791,257	47.35%
		14,342,439	100.00%

(2) Subsidiaries

The subsidiary as of December 31, 2023 and 2022 is as follows:

Company	Location	Main business	Largest shareholder	Share ratio	
				Dec. 31, 2023	Dec. 31, 2022
Ecoengineering Canada Ltd.	Canada	Construction	SK ecoengineering Co., Ltd.	100.00%	-

(3) Changes in consolidated companies

The subsidiaries newly included in or excluded from the consolidated companies during the current year are as follows:

	Subsidiaries	Reasons
Included	Ecoengineering Canada Ltd.	Establishment of a new company

(4) Financial information of subsidiaries

Summarized financial information of subsidiaries as of December 31, 2023 is as follows (Korean won in thousands):

		Total assets	Total liabilities	Sales	Profit for the year
Ecoengineering Canada Ltd.	₩	36,693,795	2,337,477	1,959,346	637,901

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audit of Stock Companies, Etc. in the Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on February 14, 2024, and are expected to be submitted for approval at the shareholders’ meeting to be held on March 29, 2024.

(1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position, as described in the accounting policy below.

- (a) Financial assets and liabilities measured at fair value through profit or loss
- (b) Financial assets measured at fair value through other comprehensive income
- (c) Derivative instruments assets and liabilities
- (d) Defined benefit assets and liabilities measured at the present value of the defined benefit obligation less the fair value of the plan assets
- (e) Provisions for recoveries related to right-of-use assets

(2) Functional and presentation currency

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

(3) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

1) Judgments

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

- Note 10 - Right-of-use assets: Whether a lessee is reasonably certain to exercise an option to extend a lease

2) Assumptions and estimation uncertainties

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

- Note 17 - Employee benefits: key actuarial assumptions
- Note 18 - Income taxes: use of deductible temporary differences, effects of tax on corporate cash reserves
- Note 23 - Construction contracts: The uncertainty in connection with the estimated costs

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of preparation, Continued

3) Measurement of fair value

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

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

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

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

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 – inputs for the assets or liability that are not based on observable market data.

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

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

- Note 5 – Financial instruments

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Changes in Accounting Policies

New and amended standards and interpretations that have been applied from the year beginning on January 1, 2023 are as follows.

(1) Deferred tax related to assets and liabilities arising from a single transaction

From January 1, 2023, the Group applied amendments to K-IFRS 1012 “Income taxes” – deferred tax related to assets and liabilities arising from a single transaction. This amendment excludes transactions that give rise to equal taxable and deductible temporary differences at the time of transaction (e.g. leases, provisions related to decommissioning and recovery) from the initial recognition exception for deferred tax. This amendment does not have a material impact on the Group’s consolidated financial statements.

(2) Global minimum tax

The International Accounting Standards Board announced amendments to IAS 12 “Income taxes” in May 2023. This amendment includes a mandatory temporary exemption from accounting for deferred tax for the global minimum tax and new disclosure requirements for annual financial statements.

Accordingly, the Korea Accounting Institute revised K-IFRS 1012 “Income taxes” in 2023.

In Korea, the Corporate Tax Act was revised in 2022 to reflect the Pillar 2 model rules on global minimum tax, and it will apply from fiscal years beginning on or after January 1, 2024. In accordance with the global minimum tax law that will apply from 2024, the Group may be required to pay additional tax for the difference between the effective tax rate and the minimum tax rate of 15% for each jurisdiction in which each permanent establishment is located. The Group is reviewing the impact on its financial statements following the implementation of global minimum tax laws. Due to the complexity of the application of global minimum tax laws, it is difficult to reasonably estimate the impact on financial statements, and for this purpose, the Group is conducting a review by contracting with a tax expert.

(3) Material accounting policy information

From January 1, 2023, the Group applied amendments to K-IFRS 1001 “Presentation of financial statements” – disclosure of accounting policies. This amendment does not change the accounting policies themselves, but affect the accounting policy information disclosed in the Group’s consolidated financial statements.

This amendment requires disclosure of ‘material’ accounting policies rather than ‘significant’ accounting policies. In addition, it provides guidance on applying materiality to the disclosure of accounting policies, thereby providing company-specific accounting policy information that users of financial statements need to understand.

In accordance with the amendments, the Group explains material accounting policy information in Note 4.

4. Summary of Material Accounting Policies

(1) Elimination of internal transactions

Transactions within the Group, related balances, income and expenses, and unrealized gains and losses (excluding foreign exchange gains and losses) are all eliminated when preparing consolidated financial statements. Meanwhile, the Group is eliminating its share of unrealized gains arising from transactions with investments using equity method. And unrealized losses are eliminated in the same manner as unrealized gains, unless there is evidence of asset impairment.

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Summary of Material Accounting Policies, Continued

(2) Business combination between companies under common control

In the case of a combination of corporate entities or businesses under common control, the acquired assets and assumed liabilities are recognized at the carrying amount in the financial statements. The Group adds or subtracts the difference between the consideration transferred and the carrying amount of the acquired net assets from capital surplus.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value.

(4) Non-derivative financial assets

1) Recognition and initial measurement

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

2) Classification and subsequent measurement

a. Initial recognition

On initial recognition, a financial asset is classified as measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Assessment of the objective of the business Model

The Group makes an assessment of the objective of the business model in which a financial asset 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:

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

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

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

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Summary of Material Accounting Policies, Continued

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

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

In making this assessment, the Group considers:

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

b. Subsequent measurement and gains and losses

Financial assets at FVPL	These assets are subsequently measured at fair value. Net gains and losses, including an 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.

3) Offsetting

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

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

4. Summary of Material Accounting Policies, Continued

(5) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks, respectively. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives that is not designated as a hedging instrument are measured at fair value, and changes therein are recognized in profit or loss.

The Group designate specific derivative assets and non-derivative financial liabilities as hedging instruments to hedge the volatility of cash flows associated with likely future forecast transactions arising from changes in exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

(6) Impairment for financial assets

The Group recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost

If credit risk has increased significantly since the initial recognition, a loss allowance for lifetime expected credit loss is required to be measured at the end of every reporting period. If credit risk has not increased significantly since the initial recognition, a loss allowance is measured based on 12-month expected credit loss.

If the financial instrument has low credit risk at the end of the reporting period, the Group may assume that the credit risk has not increased significantly since initial recognition. However, a loss allowance for lifetime expected credit losses is required for trade receivables that do not contain a significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effect. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 12 months past due.

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 12 months past due.

The Group considers debt securities to have low credit risk if their credit risk rating is at a level that is internationally understood as the definition of 'investment grade'.

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4. Summary of Material Accounting Policies, Continued

1) Credit-impaired financial assets

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

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

- significant financial difficulty of the debtor
- a breach of contract such as a default or being more than 240 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

3) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(7) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations.

1) As a lessee

At inception or reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, the Group applies the practical simplicity of not separating the non-lease elements to real estate leases and accounts for the non-lease elements related to the lease elements as a single lease element.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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4. Summary of Material Accounting Policies, Continued

2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(8) Financial Liabilities

Financial liabilities are recognized in the consolidated statement of financial position only when they become a party to a contract of a financial instrument and are classified as FVTPL or other financial liabilities at initial recognition and measured at fair value.

(9) Employee benefits

1) Retirement benefits: Defined contribution plans

For defined contribution plans, when an employee has rendered service to the Group during a period, the contribution payable to the defined contribution plan in exchange for the work services is recognized in profit or loss for the current period, except when it is included in the cost of assets.

2) Retirement benefits: Defined benefit plans

Defined benefit liabilities are calculated annually by independent actuaries using the projected unit credit method. If the net amount calculated by subtracting the fair value of plan assets from the present value of the defined benefit obligation is an asset, the asset is recognized to the extent of the present value of economic benefits available through refunds from the plan or reductions in future contributions to the plan.

(10) Revenue from contracts with customers

Revenue is measured based on the consideration promised in the contract with the customer. The Group recognizes revenue when the control over a good or service is transferred to the customer.

The following are the revenue recognition policies for performance obligations in the contracts with customers in accordance with K-IFRS No. 1115.

1) Construction contracts

In the case of construction contracts where the Group renders construction services for plants, etc., the customer controls the assets as they are being constructed. This is because under those contracts, the Group performs construction or design services to meet the customer's specifications, and if a contract is terminated by the customer, the Group is entitled to reimbursement of all costs incurred to date, including a reasonable margin. When the outcome of the contract can be reliably estimated, the Group recognizes the contract revenue and contract cost as revenue and costs based on the progress of the contract activities as of the end of the reporting period. The percentage of completion is determined based on the proportion that contract costs incurred for work performed excluding contract cost incurred that do not reflect the stage of completion to date bear to the estimated total contract costs.

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For the years ended December 31, 2023 and 2022

4. Summary of Material Accounting Policies, Continued

2) Service

Revenue for the services performance included in the Group's product sales contracts is recognized over the period when in which the services are provided. Revenue is measured by reference to the degree to which the service has been completed. The billing date and payment terms is based on the contract.

(11) Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense
- Dividend income
- Net Gain(loss) on financial assets measured at fair value
- Gain or loss on change of lease contracts
- Gain or loss on derivative instruments assets and liabilities
- Lease interest expenses
- Loss on change of lease contracts
- The foreign currency gain or loss on financial assets and financial liabilities

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

(12) New and amended standards not yet adopted by the Group

A number of new standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted but the Group has not early adopted the new or amended standards in preparing these financial statements.

1) K-IFRS 1001 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

These amendments, issued in 2020 and 2022, clarify the requirements for the current classification of liabilities and require disclosure of information about non-current liabilities that have future borrowing covenants that must be followed. These amendments will become effective for the first fiscal year beginning on or after January 1, 2024.

2) K-IFRS 1007 "Statement of Cash Flows" and K-IFRS 1107 "Financial instruments: disclosures" – Supplier Finance arrangements

These amendments require disclosure of arrangements to help users of financial statements understand the impact of supplier finance arrangements on the entity's liabilities, cash flow and exposure to liquidity risk.

The Group has supplier finance arrangements. The Group is in the process of assessing the impact of the amendments on the disclosure of the arrangements. These amendments will become effective for the first fiscal year beginning on or after January 1, 2024.

3) The following new and amended standards are not expected to have a significant impact on the Group.

- K-IFRS 1116 "Leases" – Lease Liabilities in a Sale and Leaseback

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5. Segment information

(1) General information of segments

The Group makes decisions on resources to be allocated to the operating segments and evaluates the performance of the operating segments based on the operating profit. And the Group classifies operating segments based on internal reporting data that is periodically reviewed by the chief operating decision maker (Board of directors). As of the end of the current year, the main businesses by operating segment are as follows.

Segments	Nature of business
Plant	Construction of industrial, power generation and environment plants

(2) Details of the Group's segment as of and for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

	Plant	
	2023	2022
Sales	₩ 2,662,931,013	2,894,534,062
Gross profit	200,707,288	199,980,703
Operating profit	139,210,728	156,211,478
Property, plant and equipment and intangible assets	10,171,023	8,613,306

(3) Set out below is the disaggregation of the Group's segment revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	2022
1. Total sales	₩ 2,662,931,013	2,894,534,062
2. Type of goods or service:		
Construction sales	2,654,660,372	2,888,678,594
Service sales	8,270,641	5,855,468
	₩ 2,662,931,013	2,894,534,062
3. Timing of revenue recognition:		
Revenue recognized at a point in time	₩ -	-
Revenue recognized over time	2,662,931,013	2,894,534,062
	₩ 2,662,931,013	2,894,534,062

(4) Information about major customers who account for more than 10% of the revenue recognized in their contracts with customers for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
	Sales	Ratio	Sales	Ratio
SK GAS LTD	₩ 516,779,359	19.42%	-	-
SK on Hungary Kft	308,031,210	11.58%	882,767,930	30.50%
Ulsan GPS Corporation	-	-	352,633,656	12.18%
SK hi-tech Battery Materials	-	-	316,362,809	10.93%
SK hynix Inc.	-	-	305,099,825	10.54%
	₩ 824,810,569	31.00%	1,856,864,220	64.15%

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6. Financial Instruments by Category

(1) Financial assets

Details of financial assets as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023				
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Derivative assets designated as hedging instrument		Total
Current assets:						
Cash and cash equivalents	₩ -	-	141,459,103	-		141,459,103
Trade receivables	-	-	291,299,893	-		291,299,893
Non-trade receivables	-	-	11,698,752	-		11,698,752
Accrued revenues	-	-	828,551	-		828,551
Rental deposits provided	-	-	2,608,827	-		2,608,827
Business deposits provided	-	-	4,954,307	-		4,954,307
Short-term loans	-	-	1,287,694	-		1,287,694
Current derivative instruments assets	735,681	-	-	362,052		1,097,733
Subtotal (Current)	735,681	-	454,137,127	362,052		455,234,860
Non-current assets:						
Long-term financial instruments	-	-	2,000	-		2,000
Financial assets at fair value through profit or loss	18,248,541	-	-	-		18,248,541
Financial assets at fair value through other comprehensive income	-	144,441,432	-	-		144,441,432
Long-term loans	-	-	3,265,625	-		3,265,625
Rental Deposits provided	-	-	7,043,168	-		7,043,168
Non-current derivative instruments assets	-	-	-	1,907		1,907
Subtotal (Non-current)	18,248,541	144,441,432	10,310,793	1,907		173,002,673
	₩ 18,984,222	144,441,432	464,447,920	363,959		628,237,533

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For the years ended December 31, 2023 and 2022

6. Financial Instruments by Category, Continued

	December 31, 2022			
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Derivative assets designated as hedging instrument	Total
Current assets:				
Cash and cash equivalents	₩ -	410,388,831	-	410,388,831
Trade receivables	-	459,821,967	-	459,821,967
Non-trade receivables	-	13,379,016	-	13,379,016
Accrued Revenues	-	468,927	-	468,927
Rental Deposits provided	-	3,671,276	-	3,671,276
Business Deposits provided	-	46,461,463	-	46,461,463
Current derivative instruments assets	659,325	-	919,753	1,579,078
Subtotal (Current)	659,325	934,191,480	919,753	935,770,558
Non-current assets:				
Long-term financial instruments	-	2,000	-	2,000
Financial assets at fair value through profit or loss	18,349,893	-	-	18,349,893
Long-term loans	-	2,355,986	-	2,355,986
Rental Deposits provided	-	8,590,924	-	8,590,924
Business Deposits provided	-	22,711,507	-	22,711,507
Non-current derivative instruments assets	9,373	-	-	9,373
Subtotal (Non-current)	18,359,266	33,660,417	-	52,019,683
	₩ 19,018,591	967,851,897	919,753	987,790,241

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For the years ended December 31, 2023 and 2022

6. Financial Instruments by Category, Continued

(2) Financial liabilities

Details of financial liabilities as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities designated as hedging instrument	
Current liabilities:				
Trade payables	₩ -	234,310,200	-	234,310,200
Non-trade payables	-	19,561,460	-	19,561,460
Accrued expenses	-	13,077,125	-	13,077,125
Short-term borrowings	-	4,000,000	-	4,000,000
Guarantee deposit withholdings	-	39,561,644	-	39,561,644
Current lease liabilities	-	3,617,607	-	3,617,607
Current derivative instruments liabilities	499,001	-	1,923,965	2,422,966
Subtotal (Current)	499,001	314,128,036	1,923,965	316,551,002
Non-current liabilities:				
Long-term borrowings	-	94,738,596	-	94,738,596
Non-current lease liabilities	-	8,290,676	-	8,290,676
Non-current derivative instruments liabilities	3,029,320	-	1,390,441	4,419,761
Subtotal (Non-current)	3,029,320	103,029,272	1,390,441	107,449,033
	₩ 3,528,321	417,157,308	3,314,406	424,000,035

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	December 31, 2022			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities designated as hedging instrument	Total
Current liabilities:				
Trade payables	₩ -	350,787,918	-	350,787,918
Non-trade payables	-	31,344,175	-	31,344,175
Accrued expenses	-	13,024,087	-	13,024,087
Short-term borrowings	-	65,104,809	-	65,104,809
Guarantee deposit withholdings	-	63,820,448	-	63,820,448
Lease liabilities	-	4,251,826	-	4,251,826
Derivative liabilities	2,520,084	-	5,879,349	8,399,433
Subtotal (Current)	2,520,084	528,333,263	5,879,349	536,732,696
Non-current liabilities:				
Guarantee deposit withholdings	-	1,817,666	-	1,817,666
Non-current lease liabilities	-	11,521,673	-	11,521,673
Non-current derivative liabilities	52,168	-	1,315,087	1,367,255
Subtotal (Non-current)	52,168	13,339,339	1,315,087	14,706,594
	₩ 2,572,252	541,672,602	7,194,436	551,439,290

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For the years ended December 31, 2023 and 2022

6. Financial Instruments by Category, Continued

(3) Profit and loss of financial instruments by Category

Details of profit and loss of financial instruments by Category for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	2022
Financial assets measured at fair value through profit and loss		
Dividend income	₩ 261,738	10,736
Gain and loss on valuation – profit and loss	548,395	278,984
Financial assets measured at fair value through other comprehensive income		
Gain and loss on valuation – other comprehensive income (before tax)	8,296,078	-
Financial assets measured at amortized cost		
Reversal of allowance for doubtful accounts	34,468	-
Interest income	3,283,342	3,508,314
Foreign exchange profit and loss	24,075,208	25,198,551
Loss on disposition of trade receivables	(875,980)	-
Financial liabilities measured at amortized cost		
Interest expense	(5,581,908)	(1,750,040)
Foreign exchange profit and loss	(14,365,510)	(16,549,908)
Gain and loss on change of lease contract	(6,988)	-
Derivative instruments designated at hedging instruments		
Gain and loss on transaction and valuation of derivative instruments	1,172,980	(9,724)
Gain and loss on valuation – other comprehensive income (before tax)	48,376	(5,137,095)
Derivative instruments for trading		
Gain and loss on transaction and valuation of derivative instruments	(1,155,191)	(364,111)
	₩ 15,735,008	5,185,707

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6. Financial Instruments by Category, Continued

(4) Fair value measurement hierarchy

1) The measurements by fair value level for each type of financial instrument measured at fair value as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Financial assets at fair value through profit or loss	₩	-	-	18,248,541	18,248,541
Financial assets at fair value through other comprehensive income		-	-	111,247,630	111,247,630
Derivative instruments assets		-	1,099,640	-	1,099,640
	₩	-	1,099,640	129,496,171	130,595,811
Financial liabilities:					
Derivative instruments liabilities	₩	-	6,842,727	-	6,842,727

		December 31, 2022			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Financial assets at fair value through profit or loss	₩	-	-	18,349,893	18,349,893
Derivative instruments assets		-	1,588,451	-	1,588,451
	₩	-	1,588,451	18,349,893	19,938,344
Financial liabilities:					
Derivative instruments liabilities	₩	-	9,766,688	-	9,766,688

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6. Financial Instruments by Category, Continued

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 2 as of December 31, 2023 (Korean won in thousands).

		December 31, 2023		
		Fair Value	Valuation Technique	Level 3 inputs
Derivative instruments assets	₩	1,099,640	Present value method	Currency forward exchange rate, discount rate, etc.
Derivative instruments liabilities		6,842,727		

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 3 as of December 31, 2023 (Korean won in thousands).

		December 31, 2023			
		Fair Value	Valuation Technique	Level 3 inputs	Correlation between input variables and fair value measurements
Financial assets at fair value through profit or loss					
Member's contribution	₩	18,248,541	Net asset valuation method	Fair value of net worth	As net worth increases, fair value increases.
Financial assets at fair value through other comprehensive income					
Redeemable convertible preferred shares		111,247,630	DCF method	Future cash flow	As future cash flow increases, fair value increases.
				Risk adjusted discount rate	As discount rate increases, fair value decreases.
			Tsiveriotis-Fernandes and Hull	Volatility of underlying assets	As volatility increases, fair value increases.

The Group determines that the difference from the fair value of the book value of financial instruments that were not subsequently measured at fair value in the consolidated statement of financial position as of December 31, 2023 and 2022 is not material. As of December 31, 2023 and 2022, the book value of financial instruments that were not subsequently measured at fair value are as follows (Korean won in thousands):

Category	Financial instruments		December 31, 2023	December 31, 2022
Financial assets at FVOCI	Equity instruments	₩	33,193,802	-

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6. Financial Instruments by Category, Continued

2) Valuation techniques and inputs

Descriptions of the financial instruments categorized within Level 2 and Level 3 of the fair value hierarchy and the valuation techniques and the inputs used in the fair value measurements of them are as follows.

a. Currency forwards and swap

Fair value of currency forwards and swap is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forwards and swap, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates. The discount rate used to measure the fair value of currency forwards and swap was determined using the yield curve derived from the interest rates quoted in the market as of the end of the reporting period.

b. Debt instruments

Fair value of debt instruments is measured applying Net asset valuation method. It is measured by dividing the total capital of the issuer of debt instruments by the total number of investments.

c. Redeemable convertible preferred shares

Fair value of redeemable convertible preferred shares was measured by adding the fair value of equity securities without conversion rights and the fair value of conversion rights, which are embedded derivatives. Fair value of equity securities without conversion rights is measured by discounting future cash flows by applying the market interest rate applicable to companies with similar credit ratings to the company being evaluated and fair value of conversion rights was measured by using option pricing model. Stock price volatility, a significant input variable used to measure the fair value of conversion rights, was estimated based on past stock price movements. The Group determined that fair value of the conversion rights accounts for a significant proportion of the fair value of the entire redeemable convertible preferred shares, and classified the fair value measurement of the entire redeemable convertible preferred shares as level 3 in the fair value hierarchy.

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7. Trade and other receivables

Details of trade and other receivables as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables and contract assets (*)	₩ 484,588,882	-	637,929,992	-
Other receivables:				
Non-trade receivables	11,698,752	-	13,379,016	-
Accrued income	828,551	-	468,927	-
Rental deposits provided	2,608,827	7,043,168	3,671,276	8,590,924
Business deposits provided	4,954,307	-	46,461,463	22,711,507
Loans	1,287,694	3,265,625	-	2,355,986
Sub total	21,378,131	10,308,793	63,980,682	33,658,417
	₩ 505,967,013	10,308,793	701,910,674	33,658,417

(*) In the statement of financial position, the contract assets are distinct from trade receivables, but due to its nature, it is included in this note. Amount of the contract assets is KRW 193,288,990 thousand as of December 31, 2023 (KRW 178,108,025 thousand as of December 31, 2022).

8. Other current assets

Details of other current assets as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023	December 31, 2022
Advance payments	₩ 17,255,165	41,389,403
Pre-paid expenses	2,365,943	626,674
Pre-paid construction on costs	2,761,721	505,153
Pre-paid VAT	31,203,608	-
	₩ 53,586,437	42,521,230

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For the years ended December 31, 2023 and 2022

9. Property, plant and equipment

(1) Changes in property, plant and equipment (“PP&E”) for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023				
		Vehicles	Tools and appliances	Equipment	Leasehold improvements	Total
Beginning balance	₩	79,838	7,235	45,027	5,211,404	5,343,504
Acquisition		-	37,907	62,646	580,994	681,547
Disposals		(46,860)	-	(26,481)	-	(73,341)
Depreciation		(19,603)	(7,287)	(61,270)	(1,330,104)	(1,418,264)
Others (*)		9,224	(2,255)	234,461	-	241,430
Ending balance	₩	22,599	35,600	254,383	4,462,294	4,774,876
Acquisition cost	₩	37,443	42,862	309,658	6,432,309	6,822,272
Accumulated depreciation		(14,844)	(7,262)	(55,275)	(1,970,015)	(2,047,396)

(*) Others consist of net foreign exchange differences, etc.

		2022				
		Vehicles	Tools and appliances	Equipment	Leasehold improvements	Total
Beginning balance	₩	-	-	-	-	-
Business Combinations		100,299	5	65,542	-	165,846
Acquisition		-	8,627	1,300	5,851,314	5,861,241
Disposals		-	(6)	(4,154)	-	(4,160)
Depreciation		(18,665)	(387)	(17,661)	(648,522)	(685,235)
Others		(1,796)	(1,004)	-	8,612	5,812
Ending balance	₩	79,838	7,235	45,027	5,211,404	5,343,504
Acquisition cost	₩	98,521	7,616	62,569	5,851,314	6,020,020
Accumulated depreciation		(18,683)	(381)	(17,542)	(639,910)	(676,516)

(2) As of December 31, 2023, there are no assets being provided as collateral in relation to borrowings.

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10. Right-of-use assets and lease

(1) Details of right-of-use assets and lease liabilities as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023	December 31, 2022
Right-of-use assets:			
Properties	₩	9,593,187	12,403,161
Vehicles		327,815	667,522
Others		6,832	219,586
	₩	9,927,834	13,290,269
Lease liabilities:			
Current liabilities		3,617,607	4,251,826
Non-current liabilities		8,290,676	11,521,673
	₩	11,908,283	15,773,499

(2) The amounts recognized in profit or loss relating to lease for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Depreciation expenses of right-of-use assets	₩	4,313,545	4,768,600
Interest expenses on lease liabilities		653,141	711,759
Expense relating to short-term leases		20,587,016	11,210,996
Expense relating to leases of low-value assets		641,871	745,834
Loss on change of lease contracts		7,126	-
Gain on change of lease contracts		(138)	(7,348)
	₩	26,202,561	17,429,841

(3) Changes in right-of-use assets for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023			
		Properties	Vehicles	Others	Total
Beginning balance	₩	12,403,161	667,522	219,586	13,290,269
Acquisition		1,137,905	71,106	-	1,209,011
Cancellation of contracts		-	(7,914)	-	(7,914)
Depreciation		(3,936,326)	(420,201)	(212,754)	(4,569,281)
Others(*)		(11,553)	17,302	-	5,749
Ending balance	₩	9,593,187	327,815	6,832	9,927,834

(*) Other consists of net foreign exchange differences.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

10. Right-of-use assets and lease, Continued

		2022			Total
		Properties	Vehicles	Others	
Beginning balance	₩	-	-	-	-
Business Combinations		881,950	631,133	37,635	1,550,718
Acquisition		17,025,809	888,761	423,189	18,337,759
Cancellation of contracts		(1,421,898)	(243,423)	(71,871)	(1,737,192)
Depreciation		(4,082,700)	(608,275)	(169,367)	(4,860,342)
Others(*)		-	(674)	-	(674)
Ending balance	₩	12,403,161	667,522	219,586	13,290,269

(*) Other consists of net foreign exchange differences.

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

		2023	
		Current	Non-current
Beginning balance	₩	4,251,826	11,521,673
Acquisition		-	1,175,723
Payments		(5,057,634)	-
Interest expenses		-	653,141
Payments of Interest		(653,141)	-
Others(*)		-	17,620
Transfer to current liabilities		5,076,556	(5,076,556)
Cancellation of contracts		-	(925)
Ending balance	₩	3,617,607	8,290,676

(*) Other consists of net foreign exchange differences.

		2022	
		Current	Non-current
Beginning balance	₩	-	-
Acquisition		-	19,649,161
Business Combinations		739,669	405,795
Payments		(3,275,909)	-
Interest expenses		-	711,759
Payments of Interest		(711,759)	-
Others(*)		-	(677)
Transfer to current liabilities		7,499,825	(7,499,825)
Cancellation of contracts		-	(1,744,540)
Ending balance	₩	4,251,826	11,521,673

(*) Other consists of net foreign exchange differences.

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For the years ended December 31, 2023 and 2022

10. Right-of-use assets and lease, Continued

(5) Total cash outflows for lease for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Cash flows from operating activities	₩	21,882,027	12,668,589
Cash flows from financing activities		5,057,634	3,275,909

(6) Some lease contracts include renewable options which can extend the lease by one year. For the efficiency of the Group's operations, the Group strives to include renewable options for our new lease, if possible. The renewable options can only be exercised by the lessee. The Group evaluates whether it is quite certain to exercise the renewable options on the lease commencement date. The Group re-evaluates whether it is fairly certain to exercise the renewable options when a significant event occurs or there is a significant change in the situation within our control.

11. Intangible Assets

Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023			
		Software	Construction in Progress	Memberships	Total
Beginning balance	₩	481,471	2,558,334	229,997	3,269,802
Acquisition		2,177,845	2,564,226	-	4,742,071
Amortization		(2,641,526)	-	-	(2,641,526)
Transfer from (to) other accounts		3,453,400	(3,453,400)	-	-
Amortization		25,800	-	-	25,800
Ending balance	₩	3,496,990	1,669,160	229,997	5,396,147

		2022			
		Software	Construction in Progress	Memberships	Total
Beginning balance	₩	-	-	-	-
Acquisition		2,453,540	2,558,334	229,997	5,241,871
Amortization		(1,972,069)	-	-	(1,972,069)
Ending balance	₩	481,471	2,558,334	229,997	3,269,802

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12. Trade and other payables

Details of trade and other payables as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Trade payables	₩ 234,310,200	-	350,787,918	-
Other payables :				
Non-trade payables	19,561,460	-	31,344,175	-
Accrued expenses	13,077,125	-	13,024,087	-
Guarantee deposit withholdings	39,561,644	-	63,820,447	1,817,666
Sub total	72,200,229	-	108,188,709	1,817,666
	₩ 306,510,429	-	458,976,627	1,817,666

13. Borrowings

(1) Details of short-term borrowings as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

Type of borrowings	Financial institution	Interest rate	Maturity	December 31, 2023	December 31, 2022
Korean won borrowings	Standard Chartered Bank Korea Ltd	4.10%~5.56%	2023-07-17	₩ -	65,104,808
	KOOKMIN BANK	6.77%	2024-12-31	4,000,000	-
				₩ 4,000,000	65,104,808

(2) Details of long-term borrowings as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

Type of borrowings	Financial institution	Interest rate	Maturity	December 31, 2023	December 31, 2022
Korean won borrowings	KOOKMIN BANK	6.77%	2026-05-26	₩ 5,666,667	-
	LOTTE CAPITAL CO., LTD.	6.30%	2025-09-14	20,000,000	-
	IBK Capital Corporation	6.00%	2025-09-15	20,000,000	-
	Woori Investment Bank Co.,Ltd	6.00%	2025-09-14	20,000,000	-
	LOTTE CARD Co.,ltd.	6.00%	2025-09-13	10,000,000	-
	Suhyup Bank	6.00%	2025-09-14	5,000,000	-
	KDB Capital Corp.	6.00%	2025-09-13	5,000,000	-
	JB Woori Capital Co., Ltd.	6.00%	2025-11-10	10,000,000	-
Total long-term borrowings				95,666,667	-
Less : Present value discount				(928,071)	-
Net carrying amount				₩ 94,738,596	-

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14. Provisions

Changes in provisions for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023				
	Beginning Balance	Contribution	Decrease	Reversal	Ending Balance
Current:					
Provision for onerous contracts	₩ 10,020,457	-	-	(9,494,926)	525,531
Provision for construction warranties	3,800,176	680,005	(232,920)	-	4,247,261
Sub total	13,820,633	680,005	(232,920)	(9,494,926)	4,772,792
Non-current:					
Provision for recoveries	1,046,855	33,948	-	-	1,080,803
	₩ 14,867,488	713,953	(232,920)	(9,494,926)	5,853,595

	2022				
	Beginning Balance	Business Combinations	Contribution	Decrease	Ending Balance
Current:					
Provision for onerous contracts	₩ -	4,880,611	5,139,846	-	10,020,457
Provision for construction warranties	-	2,052,712	1,974,199	(226,735)	3,800,176
Sub total	-	6,933,323	7,114,045	(226,735)	13,820,633
Non-current:					
Provision for recoveries	-	-	1,046,855	-	1,046,855
	₩ -	6,933,323	8,160,900	(226,735)	14,867,488

15. Other liabilities

Details of other liabilities as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023	December 31, 2022
Other current liabilities:		
Withholdings	₩ 1,922,714	2,106,599
VAT payables	115,175	-
Sub total	2,037,889	2,106,599
Other non-current liabilities:		
Other long-term employee benefits	723,959	542,372
Total	₩ 2,761,848	2,648,971

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For the years ended December 31, 2023 and 2022

16. Derivative assets and liabilities

(1) Details of derivative assets and liabilities as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Forward and swap contract:				
Assets	₩ 1,097,733	1,907	1,579,078	9,372
Liabilities	2,422,966	4,419,761	8,399,433	1,367,255

(2) The Group enters into derivative transaction such as currency forwards and currency swaps in order to avoid the risk of exchange rate fluctuations of foreign currency assets and liabilities. Details of major derivative instruments held by the Group for trading or hedging purposes as of the end of the current period.

Purpose of transaction	Type of derivatives	Financial institution
Cash flow hedges	Currency forwards and swaps	KEB Hana Bank, Woori Bank, Standard Chartered Bank Korea Ltd, etc
Held for trading	Currency forwards and swaps	KEB Hana Bank, HSBC, Standard Chartered Bank Korea Ltd, etc

(3) The amounts of the effective portion of the hedging instruments as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	2022
The effective portion of gain and loss on the hedging instrument recognized in OCI	₩ 230,891	(10,758,096)
The amount of reclassification adjustment from the cash flow hedge reserve to PL	(182,515)	5,621,001
The cash flow hedge reserve (*)	48,376	(5,137,095)

(*) The amount is before deduction of deferred tax effects.

(4) The amount of the ineffective portion of gain or loss on the hedging instrument is KRW 323,126 thousand as of December 31, 2023 (KRW 496,785 thousand as of December 31, 2022).

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17. Retirement benefit plan

(1) The expenses related to the retirement benefit plans recognized in the statements of profit or loss for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Expenses related to the defined benefit plans	₩	7,550,112	7,555,828
Payment for defined contribution plan		2,389,973	1,783,973
Termination benefits		70,339	1,242
Others		-	4,651
	₩	10,010,424	9,345,694

(2) The amounts of net defined benefit assets and net defined benefit liabilities recognized in the statements of financial position related to the retirement benefit plans as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023	December 31, 2022
Fair value of plan assets	₩	(89,421,612)	(83,744,979)
Present value of funded defined benefit obligations		74,828,059	64,687,928
Net defined benefit liabilities (assets)		(14,593,553)	(19,057,051)

(3) Changes in the defined benefit obligations and the fair value of plan assets for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023		Total
		Defined benefit obligations	Fair value of plan assets	
Beginning balance	₩	64,687,928	(83,744,979)	(19,057,051)
<u>Pension cost charged to profit or loss:</u>				
Current service cost		8,367,353	-	8,367,353
Interest cost(income)		3,379,733	(4,196,974)	(817,241)
Sub Total		11,747,086	(4,196,974)	7,550,112
<u>Remeasurements:</u>				
Return on plan assets		-	(66,146)	(66,146)
Actuarial gains and losses, etc		7,600,001	-	7,600,001
Sub Total		7,600,001	(66,146)	7,533,855
Contribution by employer		-	(10,500,000)	(10,500,000)
Benefits paid		(4,836,857)	4,716,388	(120,469)
Transfer		1,954,786	(1,954,786)	-
Others (*)		(6,324,885)	6,324,885	-
Ending balance	₩	74,828,059	(89,421,612)	(14,593,553)

(*) It consists of the amount that was converted to the Defined Contribution plan.

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17. Retirement benefit plan, Continued

		2022		Total
		Defined benefit obligations	Fair value of plan assets	
Beginning balance	₩	3,401,289	(3,213,191)	188,098
Pension cost charged to profit or loss:				
Current service cost		7,125,470	-	7,125,470
Interest cost(income)		1,714,730	(1,284,372)	430,358
Sub Total		8,840,200	(1,284,372)	7,555,828
Remeasurements:				
Return on plan assets		-	615,197	615,197
Actuarial gains and losses, etc		(7,371,564)	-	(7,371,564)
Sub Total		(7,371,564)	615,197	(6,756,367)
Benefits paid		(7,110,263)	7,040,147	(70,116)
Contribution by employer		-	(20,000,000)	(20,000,000)
Business Combinations		64,641,633	(64,641,633)	-
Transfer		4,533,890	(4,411,580)	122,310
Others(*)		(2,247,257)	2,150,453	(96,804)
Ending balance	₩	64,687,928	(83,744,979)	(19,057,051)

(*) It consists of the amount that was converted to the Defined Contribution plan.

(4) Plan assets as of December 31, 2023 and 2022 consist of the following (Korean won in thousands):

		December 31, 2023	December 31, 2022
Insurance product	₩	33,222,038	17,698,270
Time deposit, etc.		56,138,542	65,985,677
Contribution to national pension plan		61,032	61,032
	₩	89,421,612	83,744,979

(5) The principal actuarial assumptions as of December 31, 2023 and 2022 are as follows:

Purpose of transaction	2023	2022
Salary growth rate	4.01%	4.14%
Discount rate	4.47%	5.59%

(6) The weighted average maturity of the defined benefit obligations is 4.433 years as of December 31, 2023.

(7) The sensitivity analysis of the defined benefit obligations as of December 31, 2023 to changes in the weighted principal assumptions is as follows (Korean won in thousands):

	Effect on defined benefit obligations		
	The extent of fluctuations in the assumption	The effects on increasing assumption	The effects on decreasing assumption
Discount rate	0.50%	(1,506,668)	1,573,617
Future wage growth rate	0.50%	1,609,906	(1,554,496)

The above sensitivity analysis is based on an estimate of the impact on defined benefit obligations if major actuarial assumptions change within the reasonable extent possible as of December 31, 2023.

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18. Income taxes

(1) The Group calculated corporate income tax expense by adding the current period adjustments to the accumulated tax expense (income), reflecting deferred tax expense (income) due to changes in temporary differences and considering adjustments not related to the profit or loss.

(2) Calculation of income tax expense recognized in the statements of profit or loss for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Income tax payment	₩	65,130,628	45,292,712
Changes in deferred tax due to temporary differences		1,008,958	(2,545,736)
Deferred tax directly charged or credited to equity		(2,463,854)	994,618
Income tax expense(income)	₩	63,675,732	43,741,594

(3) The calculated income tax expense based on statutory rate to the actual amount of taxes recorded by the Group for the years ended December 31, 2023, and 2022 were as follows (Korean won in thousands):

		2023	2022
Profit before income tax	₩	148,199,445	167,576,232
Income tax expense computed at statutory rate		33,772,072	39,672,049
Adjustments:			
Income not subjected to tax		(2,639,777)	(779)
Expenses not deductible for tax purpose		102,710	293,982
Temporary differences caused by different tax rate level		-	111,433
Temporary differences caused by applicable tax rate		11,655	(120,527)
Tax on non-reflux income		7,350,311	-
Foreign tax credit		26,315,095	1,951,236
Others		(1,236,334)	1,834,200
Income tax expenses	₩	63,675,732	43,741,594
Effective income tax rate		42.97%	26.10%

(4) Details of deferred tax directly charged or credited to equity for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Remeasurement gain (loss) on defined benefit plans	₩	1,826,019	(1,569,369)
Net gain (loss) on valuation of FVOCI		(1,916,394)	-
Net gain (loss) on cash flow hedges		(16,312)	1,191,806
Exchange differences on translation of foreign operations		(2,357,167)	1,372,181
	₩	(2,463,854)	994,618

(5) The Group recognized the deferred tax assets in full, judging that the tax effect could be realized because the sum of the expected taxable income and temporary difference to be added exceeds the deductible temporary difference utilized in each reporting period. Meanwhile, deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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18. Income taxes, Continued

(6) The movement in deferred income tax assets and liabilities for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023			
		Beginning balance	Effect on profit or loss	Effect on other comprehensive income	Ending balance
Net gain (loss) on valuation of derivatives	₩	1,748,685	(405,720)	(16,312)	1,326,653
Provision for onerous contracts		2,324,746	(2,203,348)	-	121,398
Provision for construction warranties		881,641	99,476	-	981,117
Defined benefit obligation		10,479,909	1,426,654	1,826,019	13,732,582
Plan assets		(16,456,355)	1,612,655	-	(14,843,700)
Financial assets measured at FVPL		(64,724)	(126,400)	-	(191,124)
Financial assets measured at FVOCI		-	-	(1,916,394)	(1,916,394)
Right-of-use assets		(3,083,342)	794,834	-	(2,288,508)
Lease liabilities		3,902,322	(906,864)	-	2,995,458
Exchange differences on translation of foreign operations		1,372,181	-	(2,357,167)	(984,986)
Annual allowance		526,668	831,673	-	1,358,341
Depreciation		328,352	112,917	-	441,269
Others		638,948	219,019	-	857,967
	₩	2,599,031	1,454,896	(2,463,854)	1,590,073

		2022			
		Beginning balance	Effect on profit or loss	Effect on other comprehensive income	Ending balance
Net gain (loss) on valuation of derivatives	₩	-	556,879	1,191,806	1,748,685
Provision for onerous contracts		-	2,324,746	-	2,324,746
Provision for construction warranties		-	881,641	-	881,641
Defined benefit obligation		-	12,049,278	(1,569,369)	10,479,909
Plan assets		-	(16,456,355)	-	(16,456,355)
Financial assets measured at FVPL		-	(64,724)	-	(64,724)
Right-of-use assets		-	(3,083,342)	-	(3,083,342)
Lease liabilities		-	3,902,322	-	3,902,322
Exchange differences on translation of foreign operations		-	-	1,372,181	1,372,181
Annual allowance		53,293	473,375	-	526,668
Depreciation		-	328,352	-	328,352
Others		-	638,948	-	638,948
	₩	53,293	1,551,120	994,618	2,599,031

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19. Share capital

Details of issued capital as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023	December 31, 2022
Number of shares authorized	160,000,000 shares	160,000,000 shares
Number of ordinary shares issued	7,551,182 shares	7,551,182 shares
Number of preferred shares issued	6,791,257 shares	7,551,258 shares
Par value (in won)	5,000	5,000
Ordinary share capital	₩ 37,755,910	37,755,910
Preferred share capital (*)	37,756,290	37,756,290

(*) These preferred shares are convertible, redeemable preferred shares with voting rights. The redemption right is held by the Company, and the convertible right can be exercised at a rate of 1 ordinary share per 1 preferred share after 1-year from the date of issuance. And the conversion ratio may be adjusted according to the conversion price adjustment. These preferred shares are cumulative and participatory, and carry preferential dividends according to the dividend rate of 6.35% until one month from the date of the general shareholders' meeting in the fourth year after issuance.

20. Other paid-up capital

Details of other paid-up capital as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	December 31, 2023	December 31, 2022
Additional paid in capital	₩ 74,087,776	74,087,776

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21. Retained earnings

(1) Details of retained earnings as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023	December 31, 2022
Legal reserves (*)	₩	2,896,423	-
Unappropriated retained earnings		130,105,244	128,440,762
	₩	133,001,667	128,440,762

(*) The Korean Commercial Act requires the Group to appropriate, as an earned surplus reserve, an amount equal to a minimum of 10% of annual cash dividends paid, until the reserve equals 50% of share capital. The reserve is not available for cash dividends payment but may be transferred to share capital or used to reduce accumulated deficit.

(2) Details of dividends paid by the Group for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		Redeemable convertible preferred shares	
		2023	2022
Dividend per share (won)	₩	3,872	3,836
Dividend rate		70.00%	77.00%
Number of shares issued	₩	6,791,257	7,551,258
Total dividend	₩	26,292,842	28,964,233

22. Other components of equity

Details of other components of equity as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023	December 31, 2022
The cash flow hedge reserve	₩	(3,913,225)	(3,945,289)
Exchange differences on translation of foreign operations		2,851,067	(4,542,392)
Net Gain (loss) on valuation of FVOCI		6,379,684	-
	₩	5,317,526	(8,487,681)

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

23. Construction contracts

(1) The amounts recognized as revenue related to construction contracts for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Contract work:			
Plant	₩	2,654,660,372	2,888,678,594

(2) Details of contract assets and liabilities as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023	December 31, 2022
Contract assets:			
<Unclaimed construction>			
Plant	₩	193,288,990	178,108,025
Contract liabilities:			
<Overclaimed construction>			
Plant	₩	193,489,145	423,633,692

(3) Details of construction contracts in progress or completed for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023				
		Accumulated revenue	Accumulated cost	Accumulated profit	Progress billing amount	Retention
Plant	₩	9,099,646,342	8,359,636,278	740,010,064	9,099,846,497	4,954,307

		2022				
		Accumulated revenue	Accumulated cost	Accumulated profit	Progress billing amount	Retention
Plant	₩	6,506,981,697	5,944,531,321	562,450,376	6,752,507,364	69,207,439

(4) The amount of change in profit or loss due to changes in accounting estimates related to contracts that apply the progress criteria by the cost-based input method for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Plant:			
Changes in estimated construction revenues	₩	529,033,410	908,163,171
Changes in estimated construction costs		472,409,007	856,342,769
Impact on current profit and loss		23,696,630	28,216,716
Impact on future profit and loss		32,927,773	23,603,686
Changes in unclaimed construction		7,647,663	2,528,962
Changes in over claimed construction		(16,048,967)	(25,687,754)
Provision for construction losses		525,531	10,020,456

The impact on current and future profit and loss is calculated based on the total construction costs estimated based on situations that occurred from the start of the construction contract until the current period and the total construction revenue as of the end of the current period. And the estimates of total construction cost and revenue may vary in the future period.

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

23. Construction contracts, Continued

(5) Among the contracts that apply the progress criteria by the cost-based input method, the construction contracts of which the total contract revenues exceed 5% of current year's revenues are as follows (Korean won in thousands):

Contract	Customer Name	Contract date	Contractual completion deadline	Progress rate (%)	December 31, 2023			
					Unclaimed construction		Trade receivables	
					Total	Provision for losses	Total	Provision for losses
SKBA Phase 2 Project	SK Battery America	2020.07	2023.10	99.78%	₩ 648,814	-	-	-
SKOH2 Project	SK on Hungary Kft.	2021.04	2023.10	98.77%	47,745,857	-	5,296,791	-
Poland LIBS Project		2019.08	2022.12	97.99%	-	-	-	-
Poland LIBS ph-2 Project	SK hi-tech Battery Materials	2021.02	2023.05	94.98%	-	-	-	-
Poland LIBS ph-3&4 Project		2021.06	2024.06	85.32%	-	-	49,874,190	-
Ulsan PP Project	ULSAN PP CO., LTD	2018.07	2021.04	100.00%	-	-	-	-
GEP1 Project	IGE Co., Ltd.	2021.05	2023.04	99.81%	17,970,209	-	603,481	-
Smart energy center construction Project(Icheon)	SK hynix Inc.	2020.01	2023.02	99.66%	-	-	62,696,000	-
Smart energy center construction Project(Cheongju)		2020.01	2024.05	90.03%	-	-	-	-
Construction of Yeosu Natural Gas Power Plant	Yeosu Energy Service	2019.11	2023.10	99.90%	32,977,979	-	550,000	-
Boryeong LNG Terminal Project	Boryeong LNG Terminal Co., Ltd.	2013.05	2021.12	100.00%	-	-	-	-
Ulsan GPS CAPP Project	Ulsan GPS Corporation	2022.01	2024.08	91.52%	38,880,185	-	8,510,170	-
Ulsan LNG-Oil Terminal Project	Korea Energy terminal Co.,Ltd.	2020.06	2024.06	95.97%	1,820,241	-	-	-
Ulsan SKMU Project	SK multi utility Co., Ltd.	2022.06	2025.06	67.94%	4,225,080	-	-	-
CEC Phase1 Project		2022.09	2024.1	69.73%	-	-	-	-
CEC Phase2 Project	SK GAS LTD	2022.12	2026.12	9.10%	-	-	1,487,200	-
SK siltron N-Project	SK Siltron Co., Ltd.	2022.08	2024.04	65.05%	-	-	151,603,320	-
Daejeon Infra Construction Project		2022.07	2024.06	73.46%	8,743,521	-	8,748,300	-
Seosan 3 rd Plant Battery Project	SK On Co., Ltd.	2022.10	2024.12	24.96%	6,345,061	-	-	-
					₩ 159,356,947	-	289,369,452	-

(6) Details of the major joint contract as of December 31, 2023 are as follows:

Contract name	Location	Participatory ratio	Main contractor
Ulsan GPS CAPP Project	Korea	51.00%	SK ecoengineering Co., Ltd.
Ulsan LNG-Oil Terminal Project	Korea	49.00%	DAEWOO ENGINEERING & CONSTRUCTION CO.,LTD
Ulsan LNG Terminal Project	Korea	49.00%	DAEWOO ENGINEERING & CONSTRUCTION CO.,LTD
Boryeong LNG Terminal Project	Korea	45.00%	GS Engineering & Construction Corp
Seosan 3 rd Plant Battery Project	Korea	40.00%	HYUNDAI ENGINEERING & CONSTRUCTION CO.,LTD

SK ecoengineering Co., Ltd. and its subsidiaries

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24. Selling, general and administrative expenses

Details of selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Salaries expenses	₩	25,986,453	20,468,591
Expenses related to defined benefit plans		2,864,817	2,908,861
Employee benefits		3,610,590	2,256,851
Travel expenses		408,527	619,803
Vehicle maintenance expenses		88,071	99,264
Communication expenses		120,809	45,056
Safety management expenses		-	34,722
Publication expenses		40,691	44,805
Repairs expenses		85,619	28,430
Taxes and dues		2,080,138	976,390
Insurance premium		908,834	880,147
Rental expenses		110,960	17,289
Leasing fees		91,528	18,308
Utilities expenses		393,842	459,702
Commissions		15,919,493	8,836,924
Training and research expenses		88,494	291,197
Advertising expenses		6,286,813	3,198,598
Depreciation expenses of PP&E		1,158,610	639,911
Amortization expenses		5,460	297
Depreciation expenses of right-in-use		830,826	982,761
Supplies expenses		63,994	163,790
Entertainment expenses		37,704	66,287
Conference expenses		75,737	69,913
Warranty expenses		238,550	661,328
	₩	61,496,560	43,769,225

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

25. Expenses classified based on nature of expense

Details of expenses classified based on nature of expense for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Use of raw materials	₩	600,580,340	714,604,442
Employee benefits		175,336,645	160,242,041
Outsourcing expenses		1,514,395,937	1,652,287,098
Commissions		155,059,302	140,372,872
Insurance premium		18,589,445	11,290,941
Safety management expenses		12,276,881	10,485,699
Taxes and dues		7,941,825	5,682,540
Depreciation and amortization		8,340,167	7,440,287
Advertising expenses		6,287,308	3,208,853
Other expenses		24,912,435	32,707,811
	₩	2,523,720,285	2,738,322,584

26. Other income and expenses

Details of other income and expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Other income:			
Others	₩	1,854,895	1,039,242
Gains on disposal of PP&E		552	-
Reversal of allowances for doubtful accounts		34,468	-
Total		1,889,915	1,039,242
Other expenses:			
Losses on disposal of PP&E		18,039	4,160
Others		239,245	479
Losses on disposal of trade receivables		875,980	-
Total	₩	1,133,264	4,639

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

27. Finance income and expenses

Details of finance income and expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Finance income:			
Interest income	₩	3,283,342	3,508,314
Dividend income		261,738	10,736
Gains on foreign currency transaction		15,512,314	28,748,898
Gains on foreign currency translation		15,876,066	5,310,180
Gains on valuation of derivatives		3,067,501	333,297
Gains on derivatives transactions		7,680,172	6,736,510
Gains on valuation of FVPL		548,395	278,984
Gains on change of lease contracts		138	7,348
Total	₩	46,229,666	44,934,267
Finance expenses:			
Interest expenses	₩	4,894,820	1,000,416
Interest expenses on lease liabilities		687,088	749,624
Losses on foreign currency transaction		15,160,151	21,076,065
Losses on foreign currency translation		6,518,531	4,334,368
Losses on valuation of derivatives		4,279,713	2,733,636
Losses on derivatives transactions		6,450,171	4,710,007
Losses on change of lease contracts		7,126	-
Total	₩	37,997,600	34,604,116

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

28. Information on the statement of cash flows

(1) Adjustments to reconcile profit for the period to net cash flows provided by operating activities for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Losses on foreign currency translation	₩	6,518,531	4,334,368
Depreciation expenses of PP&E		1,418,264	685,235
Amortization expenses		2,641,526	1,972,069
Losses on disposal of PP&E		18,039	4,160
Depreciation expenses of right-in-use		4,569,281	4,860,342
Interest expenses		4,894,820	1,000,416
Interest expenses on lease liabilities		687,088	749,624
Losses on change of lease contracts		7,126	-
Contribution to provisions for onerous contracts		-	5,139,846
Contribution to provisions for construction warranties		680,005	1,974,199
Losses on transaction of derivatives		6,450,171	4,710,007
Losses on valuation of derivatives		4,279,713	2,733,636
Severance benefits		7,550,112	7,555,828
Long-term employee benefits		181,587	-
Income tax expenses		63,675,732	43,741,594
Other expenses		232,537	-
Gains on foreign currency translation		(15,876,066)	(5,310,180)
Dividend income		(261,738)	(10,736)
Interest income		(3,283,342)	(3,508,314)
Gains on valuation of derivatives		(3,067,501)	(333,297)
Gains on valuation of FVPL		(548,395)	(278,984)
Gains on change of lease contracts		(138)	(7,348)
Gains on transaction of derivatives		(7,680,172)	(6,736,510)
Reversal of allowances for doubtful accounts		(34,468)	-
Reversal of provisions for onerous contracts		(9,494,926)	-
Gains on disposal of PP&E		(552)	-
Other revenues		(32,916)	(213,575)
	₩	63,524,318	63,062,380

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

28. Information on the statement of cash flows, Continued

(2) Working capital adjustments for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Decrease (increase) in trade receivables	₩	168,550,459	(491,763,088)
Decrease (increase) in contract assets		(8,396,751)	15,575,666
Decrease (increase) in other current receivables		(7,703,075)	(12,279,301)
Decrease (increase) in prepaid expenses		(840,110)	(4,700,325)
Decrease (increase) in advance payments		21,617,391	7,681,401
Decrease (increase) in rental deposits provided		(1,531,369)	(297,924)
Decrease (increase) in business deposits provided		64,253,131	(16,553,936)
Decrease (increase) in VAT receivables		(25,209,289)	-
Decrease (increase) in long-term loans		(909,639)	(1,114,720)
Decrease (increase) in derivative instruments designated as hedging instruments		(3,598,986)	640,803
Increase (decrease) in trade payables		(110,068,717)	351,137,298
Increase (decrease) in contract liabilities		(230,144,547)	110,314,282
Increase (decrease) in other current liabilities		(183,890)	1,785,100
Increase (decrease) in non-trade payables		(12,767,251)	31,219,715
Increase (decrease) in guarantee deposit withholdings		(26,176,758)	39,275,659
Increase (decrease) in accrued expenses		700,571	13,544,124
Increase (decrease) in VAT payables		115,175	-
Increase (decrease) in current portion of provisions		(232,920)	(226,735)
Benefits paid from benefit obligations		(4,836,857)	(7,110,263)
Benefits paid from plan assets		4,716,388	7,040,147
Contribution to plan assets by employer		(10,500,000)	(20,000,000)
Transfer on defined benefit obligations		1,954,786	4,533,890
Transfer on plan assets		(1,954,786)	(4,411,580)
	₩	(183,147,044)	24,290,213

(3) Major non-cash transactions not stated on the statement of cash flows for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Acquisition of asset by lease	₩	1,209,011	20,658,152
Increase of assets by business combinations		-	501,166,199
Increase of liabilities by business combinations		-	353,505,360
Transfer of lease liabilities to current portion		5,076,556	7,499,825
Transfer of borrowings to current portion		4,333,333	-

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29. Contingencies and commitments

(1) Guarantees provided by financial institution as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

Financial institution	Descriptions		December 31, 2023	December 31, 2022
Construction Guarantee		₩	88,251,453	1,150,243,901
Engineering Guarantee Insurance			132,054,042	162,026,668
Seoul Guarantee Insurance	Guarantees for domestic construction		1,119,679	7,720,772
KOOKMIN BANK			15,581,794	10,127,078
Woori Bank			17,406,900	17,108,550
Construction Guarantee	Guarantees for overseas construction		-	26,148,339
Total		₩	254,413,868	1,373,375,308

(2) Details of the performance guarantees provided by third parties as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

Financial institution	Descriptions		December 31, 2023	December 31, 2022
Seoul Guarantee Insurance		₩	4,324,350	406,134
Construction Guarantee	Performance guarantee		461,092,108	-
Engineering Guarantee Insurance			151,639,557	156,046,871
Total		₩	617,056,015	156,453,005

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

29. Contingencies and commitments, Continued

(3) Details of the commitments as of December 31, 2023 and 2022 are as follows (Each foreign currency unit in thousands and Korean won in thousands):

Financial institution	Description	December 31, 2023		
		Currency	Limit of commitments	Execution amount
KOOKMIN BANK	Open L/C	EUR	3,801	3,801
		USD	25,000	7,879
	Term Loan	KRW	10,000,000	9,666,667
Construction Guarantee	Upper limit of assurance	KRW	1,724,383,000	-
	Upper limit of financing	KRW	10,050,000	-
KEB Hana Bank	Secured loan of credit sales	KRW	15,000,000	12,221,537
	Limited loan agreement	KRW	10,000,000	-
Suhyup Bank	Limited loan agreement	KRW	15,000,000	5,000,000
BUSAN BANK	Open L/C	USD	15,000	EUR 3,456
	Limited loan agreement	KRW	20,000,000	-
NongHyup Bank	Secured loan of credit sales	KRW	140,000,000	-
	Limited loan agreement	KRW	15,000,000	-
LOTTE CAPITAL CO., LTD.	Limited loan agreement	KRW	20,000,000	20,000,000
IBK Capital Corporation	Limited loan agreement	KRW	20,000,000	20,000,000
Woori Investment Bank Co.,Ltd.	Limited loan agreement	KRW	20,000,000	20,000,000
LOTTE CARD Co.,ltd.	Limited loan agreement	KRW	10,000,000	10,000,000
JB Woori Capital Co.,Ltd.	Limited loan agreement	KRW	10,000,000	10,000,000
Woori Bank	Limit of derivative transaction	USD	20,000	522
KDB Capital Corp.	Limited loan agreement	KRW	5,000,000	5,000,000

Financial institution	Description	December 31, 2022		
		Currency	Limit of commitments	Execution amount
Standard Chartered Bank Korea Ltd	Open L/C	USD	48,626	35,882
KOOKMIN BANK	Comprehensive foreign currency payment guarantee	EUR	3,801	3,801
		JPY	303,200	151,600
		USD	25,000	9,449
Construction guarantee	Upper limit of assurance	KRW	1,724,383,000	-
	Upper limit of financing	KRW	10,050,000	-
Woori Bank	Limited loan agreement	KRW	30,000,000	-
KEB Hana Bank	Secured loan of credit sales	KRW	20,000,000	9,151,052
	Factoring loan	KRW	30,000,000	-
	Limited loan agreement	KRW	10,000,000	-

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

29. Contingencies and commitments, Continued

(4) Contingencies, etc.

1) As of December 31, 2023, the Group provided ordering organization and cooperative with 20 blank check as collateral in relation to the construction contracts.

2) As of December 31, 2023, there is 1 pending litigation cases as defendants in relation to payment, etc., and the litigation value is approximately KRW 5,995 million.

(5) For some contracts, the Group has obligations to return a portion of the construction fee already paid if the Group fails to fulfil its completion responsibility obligations.

(6) Financial assets with restricted use

Details of financial instruments with restricted use as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022	Reasons for use restriction
Financial assets measured at FVPL	₩	18,182,601	17,634,107	Collateral of performance guarantee

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

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30. Related party disclosures

(1) Parent and subsidiaries which are in related party relationship with the Group as of December 31, 2023 are as follows:

Relationship	Related parties
Ultimate controlling company	SK Inc.
Parent company (*1)	SK ecoplant Co., Ltd.
Associate (*2)	Eco Energy Holdings Inc.
Other related parties (*3)	ABSOLICS INC DE, SK Battery America, SK Hi-Tech Battery MATERIALS Poland, SK Hi-Tech Battery Materials(Jiang Su) Co.,Ltd., SK on Hungary Kft., SK GAS LTD, SK multi utility Co., Ltd., SK Energy Co. Ltd., SK Innovation Co., Ltd., Boryeong LNG Terminal Co., Ltd., IGE Co., Ltd., SK E&S Co., Ltd., SK Enmove Co., Ltd., SK On Co., Ltd., SK Geo Centric Co., Ltd., SK picglobal Co.,LTD., SK hynix Inc., Yeosu Energy Service, Ulsan GPS Corporation, ULSAN PP CO., LTD, Korea Energy terminal Co.,Ltd., KOREA NEXLENE COMPANY, SK Incheon Petrochem Co.,Ltd, SK PINX Co.,Ltd., SKEC Nanjing Ltd., Ko-one energy service co.,ltd., Chungcheong energy service Co.,Ltd, Narae Energy Service Co., SK shieldus Co.,Ltd, SKNetworksCompanyLimited, HAPPYNARAE Co., Ltd., SK Magic Co., Ltd, SK RENT A CAR CO.,LTD, SK TELECOM CO.,LTD, SK Broadband Co., Ltd., SK m&service Co.,Ltd., SK Siltron Co., Ltd., SK ie technology Co., Ltd., KO ON(YANCHENG) CO., LTD, SK Forest Co. Ltd., Environment Management Corporation CO.,LTD, honam environmental energy corporation, Sunlake Co., Ltd, TES Sustainable Battery Solutions B.V., SK Nexilis Co., Ltd., Yeongnam energy service, SK Chemicals Co., Ltd., TES-ENVIROCORP PTE. LTD., etc.

(*1) The Group resolved to partially repay the redeemable convertible preferred shares at the board of directors meeting on March 17, 2023. After repaying part of the shares on April 4, 2023, the Group canceled the shares, and as a result, SK ecoplant Co., Ltd. increased its stake in the Group to 52.65% and gained control.

(*2) The associate has a significant influence on the Group by holding more than 20% of the shares.

(*3) Other related parties is not a related party as defined in K-IFRS No.1024 paragraph 9. But they are classified as a related parties by the Securities and Future Commission' resolution that large business group affiliates are the substantial related party as defined in K-IFRS No.1024 paragraph 10.

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

Relationship	Related parties	2023		Acquisition of facility resources
		Revenues	Expenses	
Ultimate controlling company	SK Inc.	₩ -	5,782,668	680,800
Parent company	SK ecoplant Co., Ltd.	6,720,483	28,096,515	-
Other related parties	ABSOLICS INC DE	83,453,768	-	-
	SK Battery America	102,958,771	-	-
	SK Hi-Tech Battery MATERIALS Poland	222,197,271	-	-
	SK Hi-Tech Battery Materials(Jiang Su) Co.,Ltd.	-	-	-
	SK on Hungary Kft.	308,031,210	-	-
	SK GAS LTD	173,216,112	-	-
	SK multi utility Co., Ltd.,	216,225,379	-	-
	SK Energy Co. Ltd.	24,747,403	-	-
	SK Innovation Co., Ltd.	5,964,450	356,358	-
	Boryeong LNG Terminal Co., Ltd.	19,208,477	-	-
	IGE Co., Ltd.	184,556,540	-	-
	SK E&S Co., Ltd.	582,036	-	-
	SK Enmove Co., Ltd	41,717	-	-
	SK On Co., Ltd.	205,525,461	-	-
SK Geo Centric Co., Ltd.	23,613,305	-	-	

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For the years ended December 31, 2023 and 2022

30. Related party disclosures, Continued

Relationship	Related parties		2023		Acquisition of facility resources
			Revenues	Expenses	
Other related parties	SK picglobal Co.,LTD.	₩	1,026,140	1,381,033	-
(Continued)	SK hynix Inc.		231,283,183	-	-
	Yeoju Energy Service		90,075,104	-	-
	Ulsan GPS Corporation		343,563,248	-	-
	ULSAN PP CO., LTD		3,612,461	-	-
	Korea Energy terminal Co.,Ltd.		121,190,180	-	-
	KOREA NEXLENE COMPANY		-	-	-
	SK Incheon Petrochem Co.,Ltd		44,947	146,579	-
	SK PINX Co.,Ltd.		-	30,000	-
	SKEC Nanjing Ltd.		3,217,690	50,308	-
	Ko-one energy service co.,Ltd.		-	336	-
	Chungcheong energy service Co.,Ltd		-	305	-
	Narae Energy Service Co.		-	653,850	-
	SK shieldus Co.,Ltd		-	2,898,910	18,400
	SKNetworksCompanyLimited		-	66,558	-
	HAPPYNARAE Co., Ltd.		-	9,277,647	6,022
	SK Magic Co., Ltd		-	910	-
	SK RENT A CAR CO.,LTD		-	414,353	-
	SK TELECOM CO.,LTD		-	16,021	-
	SK Broadband Co., Ltd.		-	57,353	-
	SK m&service Co.,Ltd.		-	40,086	-
	SK Siltron Co., Ltd.		259,591,163	-	-
	SK ie technology Co., Ltd.		1,145,591	-	-
	SK ON(YANCHENG) CO., LTD		1,387,875	-	-
	SK Forest Co. Ltd.		-	1,637,735	-
	Environment Management Corporation CO.,LTD		-	543,048	-
	honam environmental energy corporation		-	326,076	-
	Sunlake Co., Ltd		2,102,756	-	-
	TES Sustainable Battery Solutions B.V.		241,595	-	-
	SK Nexilis Co., Ltd.		4,057,278	-	-
	Yeongnam energy service		-	1,139	-
	SK Chemicals Co., Ltd.		120,000	291,799	-
	SK Bioscience Co.,Ltd		126,637	-	-
	renewenergy Metro Co., Ltd		39,599	-	-
	renewland Cheongju Co.,Ltd.		-	392,045	-
		₩	2,639,867,830	52,461,632	705,222

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

30. Related party disclosures, Continued

Relationship	Related parties	2022	
		Revenues	Expenses
Ultimate controlling company	SK Inc.	₩ -	3,226,679
Parent company	SK ecoplant Co., Ltd.	3,086,096	23,423,918
Other related parties	ABSOLICS INC DE	17,278,198	-
	SK Battery America	269,855,785	-
	SK Hi-Tech Battery MATERIALS Poland	316,362,809	-
	SK Hi-Tech Battery Materials(Jiang Su) Co.,Ltd.	2,069,871	-
	SK on Hungary Kft.	882,767,930	-
	SK GAS LTD	19,202,596	-
	SK multi utility Co., Ltd.,	130,281,101	-
	SK Energy Co. Ltd.	1,995,638	-
	SK Innovation Co., Ltd.	27,775,436	308,084
	Boryeong LNG Terminal Co., Ltd.	26,689,094	2,458
	IGE Co., Ltd.	172,083,020	-
	SK E&S Co., Ltd.	2,269,195	-
	SK Enmove Co., Ltd	456,196	-
	SK On Co., Ltd.	30,553,087	-
	SK Geo Centric Co., Ltd.	3,130,116	-
	SK picglobal Co.,LTD.	7,761,095	5,843,031
	SK hynix Inc.	305,099,825	2,368
	Yeoju Energy Service	138,026,286	-
	Ulsan GPS Corporation	352,633,656	64,571
	ULSAN PP CO., LTD	5,523,954	-
	Korea Energy terminal Co.,Ltd.	92,708,072	-
	KOREA NEXLENE COMPANY	718,905	-
	SK Incheon Petrochem Co.,Ltd	354,953	22,214
	SK PINX Co.,Ltd.	-	210,000
	SKEC Nanjing Ltd.	2,443,303	243,424
	Ko-one energy service co.,ltd.	-	31,036
	Chungcheong energy service Co.,Ltd	-	10,211
	Narae Energy Service Co.	-	990,000
	SK shieldus Co.,Ltd	-	1,329,295
	SKNetworksCompanyLimited	-	100,857
HAPPYNARAE Co., Ltd.	-	6,947,906	
SK Magic Co., Ltd	-	2,705	
SK RENT A CAR CO.,LTD	-	338,084	
SK TELECOM CO.,LTD	-	7,325	
SK Broadband Co., Ltd.	-	21,567	
SK m&service Co.,Ltd.	-	42,966	
SK Siltron Co., Ltd.	22,318,968	-	
SK ON(YANCHENG) CO., LTD	23,857,050	-	
SK Forest Co. Ltd.	-	939,550	
Environment Management Corporation CO.,LTD	-	245,769	
honam environmental energy corporation	-	236,118	
Yeongnam energy service	-	6,891	
PS&Marketing Corporation	-	8,382	
		₩ 2,857,302,235	44,605,409

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

30. Related party disclosures, Continued

(3) Outstanding balances with related parties as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		Receivables (*)		Payables (*)	
		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Ultimate controlling company	SK Inc.	₩ -	-	628,980	-
Parent company	SK ecoplant Co., Ltd.	531,654	752,701	9,148,578	9,659,905
Other related parties	SK Innovation Co., Ltd.	-	-	58,410	59,226
	SK Energy Co. Ltd.	300	300	-	-
	SK Geo Centric Co., Ltd.	853,769	-	-	-
	SK Siltron Co., Ltd.	151,603,320	6,674,360	-	-
	SK BATTERY AMERICA	5,573,540	46,461,464	-	-
	SK ON Hungary Kft.	5,296,791	87,226,822	-	-
	SK Hi-Tech Battery MATERIALS Poland	49,874,190	43,909,217	-	-
	SK On Co., Ltd.	8,748,300	-	-	-
	SK Forest Co. Ltd.	-	-	-	696,830
	SKEC Nanjing Ltd.	532,061	-	70,089	90,378
	Environment Management Corporation CO.,LTD	-	-	-	45,180
	honam environmental energy corporation	-	-	98,937	259,730
	SK Nexilis Co., Ltd.	1,232,000	-	-	-
	SK picglobal Co.,LTD.	-	1,468,005	-	2,211,649
	SK GAS LTD	2,895,311	536,580	-	-
	Narae Energy Service Co.	-	-	92,400	649,000
	Ulsan GPS Corporation	6,332,900	23,144,591	-	-
	Yeoju Energy Service	550,000	-	-	-
	IGE Co., Ltd.	603,481	73,346,535	273,137	180,495
	SK Chemicals Co., Ltd.	-	-	34,233	-
	SK shieldus Co.,Ltd	-	39	1,420,636	1,308,515
	SKNetworksCompanyLimited	-	-	638	7,920
	HAPPYNARAE Co., Ltd.	-	-	1,038,401	2,294,384
	SK Magic Co., Ltd	-	-	1,151	1,151
	SK RENT A CAR CO.,LTD	-	-	45,253	51,229
	SK TELECOM CO.,LTD	200	-	-	-
	SK hynix Inc.	62,696,000	228,887,489	-	-
	SK m&service Co.,Ltd.	-	-	4,620	-
	renewenergy Metro Co., Ltd	26,039	-	-	-
	SK Bioscience Co.,Ltd	50,820	-	-	-
	Yeongnam energy service	-	-	175	-
		₩ 297,400,676	512,408,103	12,915,638	17,515,592

(*) Receivables and payables do not include contract assets and contract liabilities.

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

30. Related party disclosures, Continued

(4) Details of financial transactions with related parties for the year ended December 31, 2023 are as follows (Korean won in thousands):

			Investment	Loan	Dividends for RCPS	Redemption of RCPS
Associate	Eco Energy Holdings Inc.	₩	-	-	28,964,233	45,290,740
Other related parties	TES-ENVIROCORP PTE. LTD.		102,951,552	-	-	-
Other related parties	World Energy GH2 Limited Partnership		33,193,802	1,287,694	-	-
		₩	136,145,354	1,287,694	28,964,233	45,290,740

Meanwhile, there are no financial transactions with related parties for the year ended December 31, 2022.

(5) There are no guarantees provided by the Group for related parties as of December 31, 2023 and 2022.

(6) During the previous year, the Group has merged the business division divided from SK ecoplant Co., Ltd. by a special resolution of the general shareholders' meeting pursuant to Article 530-3, paragraph 1 and 2 of The Korean Commercial Act. Accordingly, in accordance with Article 530-9, paragraph 1 of the same Act, SK ecoplant Co., Ltd. is responsible for jointly repaying the pre-division debt of the Group.

(7) Details of compensation paid or payable to key management personnel for the years ended December 31, 2023 and 2022 are as follows (Korean won in thousands):

		2023	2022
Salary expenses	₩	404,089	465,564
Severance benefits		247,500	1,512,613
	₩	651,589	1,978,177

Compensation for directors and Key management personnel is determined by the board of directors, considering individual performance and market trends. Key management personnel include all directors (regardless of whether they are executive directors) and those directly or indirectly who have authority and responsibility for the planning, command, and control of the relevant corporate activities.

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

31. Financial risk management

The Group's major financial liabilities consist of trade payables and other payables, which were incurred to raise funds for operational activities. In addition, the Group have various financial assets such as trade receivables and non-trade receivables arising from operating activities.

The major risks that may arise from financial assets and financial liabilities are market risk, credit risk, and liquidity risk. Key management of the Group maintains management policies for each risk and ensures that their operations are in line with the policies, as described below.

(1) Market risk

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

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's hedging activities are regularly assessed to properly align interest rate status with defined risk tendencies and ensure that optimal hedging strategies are applied. The impact of market interest rates fluctuation on the Group is considered insignificant.

2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk due to sales and purchases and regularly measures the foreign currency risk of changes in Korean won exchange internally.

Details of foreign currency financial assets and liabilities as of December 31, 2023 and 2022 are as follows (Each foreign currency in thousands and Korean won in thousands):

	Currency	December 31, 2023	
		Amount in foreign currency in thousands	Amount in Korean won in thousands
Foreign currency financial assets (*)	EUR	29,029	₩ 41,412,555
	HUF	152,754	569,772
	PLN	185,215	60,955,990
	USD	6,015	7,756,341
	SGD	113,883	111,247,630
	Others		604,551
Total (Assets)			₩ 222,546,839
Foreign currency financial liabilities (*)	EUR	29,476	₩ 42,050,699
	HUF	216	807
	PLN	47,876	15,756,434
	USD	13,275	17,117,404
	Others		1,134,734
Total (Liabilities)			₩ 76,060,078

(*) Derivative financial assets and liabilities contracted to avoid foreign exchange risk are excluded.

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

31. Financial risk management, Continued

	Currency	December 31, 2022	
		Amount in foreign currency in thousands	Amount in Korean won in thousands
Foreign currency financial assets (*)	CNY	12,749	₩ 2,313,197
	EUR	70,269	94,948,006
	JPY	669,314	6,379,763
	PLN	151,210	43,654,187
	TRY	49	3,286
	USD	39,265	49,760,696
Total (Assets)			₩ 197,059,135
Foreign currency financial liabilities (*)	CNY	479	₩ 86,833
	EUR	179,632	242,718,376
	GBP	7	11,368
	HUF	48,362	163,464
	JPY	80,356	765,939
	PLN	82,713	23,879,143
	TRY	650	44,046
	USD	15,037	19,056,177
Total (Liabilities)			₩ 286,725,346

(*) Derivative financial assets and liabilities contracted to avoid foreign exchange risk are excluded.

Effect of changes in foreign currency on profit before tax for the year ended December 31, 2023 are as follows (Korean won in thousands):

		2023	
		Increase (10%)	Decrease (10%)
Increase (decrease) in profit before tax	₩	14,648,676	(14,648,676)

3) Other price risk

The Group is exposed to price risk related to financial instruments. Details of financial instruments exposed to price risk as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		Dec 31, 2023	Dec 31, 2022
Financial assets measured at FVPL	₩	18,248,541	17,699,815
Financial assets measured at FVOCI		144,441,432	-

(2) Credit risk

The Group is exposed to credit risk that one of the parties to the financial instruments will incur financial losses to the other party for failing to fulfill its obligations. In order to manage credit risk, the Group's management is transacting with customers whose credit rating is above a certain level.

The maximum exposure due to credit risk is the same as the book value and maximum guarantee amount of all financial instruments (excluding equity instruments) including cash and cash equivalents deposited in a financial institution, trade and other receivables.

SK ecoengineering Co., Ltd. and its subsidiaries

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For the years ended December 31, 2023 and 2022

31. Financial risk management, Continued

(3) Liquidity risk

Liquidity risk is the risk of not being able to raise funds to meet all financial contractual commitments by maturity. In order to manage liquidity risk, the Group establishes short-term and mid- to long-term fund management plans and checks liquidity strategies and plans to manage risks due to insufficient funds.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31, 2023 and 2022. The amount include interest expenses and exclude effects of setoff agreements (Korean won in thousands):

		December 31, 2023				
		Book value	On demand	Less than 3 months	3-12 months	1-5 years
Trade payables	₩	234,310,200	234,310,200	234,310,200	-	-
Non-trade payables		19,561,460	19,561,460	19,561,460	-	-
Accrued expenses		13,077,125	13,077,125	336,619	12,740,506	-
Borrowings		98,738,596	109,754,888	2,169,449	7,428,889	100,156,550
Guarantee deposit withholdings		39,561,644	39,561,644	-	39,561,644	-
Lease liabilities		11,886,550	12,781,110	1,349,006	2,622,722	8,809,382
Derivative liabilities		6,842,727	6,842,727	401,325	2,021,641	4,419,761
	₩	423,978,302	435,889,154	258,128,059	64,375,402	113,385,693

		December 31, 2022				
		Book value	On demand	Less than 3 months	3-12 months	1-5 years
Trade payables	₩	350,787,918	350,787,918	350,787,918	-	-
Non-trade payables		31,344,175	31,344,175	31,344,175	-	-
Accrued expenses		13,024,087	13,024,087	12,039,935	984,152	-
Short-term borrowings		65,104,809	65,104,809	-	65,104,809	-
Guarantee deposit withholdings		65,638,114	65,638,114	-	63,820,448	1,817,666
Lease liabilities		15,773,499	22,233,284	1,503,729	4,141,332	16,588,223
Derivative liabilities		9,766,688	9,766,688	521,267	7,878,166	1,367,255
	₩	551,439,290	557,899,075	396,197,024	141,928,907	19,773,144

SK ecoengineering Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

31. Financial risk management, Continued

(4) Capital management

The purpose of the Group's capital management is to maintain a sound financial structure. The Group uses the debt-to-equity ratio as an indicator of capital management, which is calculated by dividing total debt by total equity. As of December 31, 2023, the Group maintains a debt-to-equity ratio of 221.82%, and most of the liabilities arise from business activities, so the repayment burden is not large.

The Group's debt-to-equity ratio as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		December 31, 2023	December 31, 2022
Total debt	₩	639,227,024	1,016,901,531
Total equity		287,919,169	269,553,057
Debt-to-equity ratio		222.02%	377.25%