

KEPCO Engineering & Construction Company, Inc.
And Its Subsidiary

Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
With The Independent Auditor's Report



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Independent auditor's report

The Shareholders and Board of Directors
KEPCO Engineering & Construction Company, Inc.

Opinion

We have audited the consolidated financial statements of KEPCO Engineering & Construction Company, Inc, and its subsidiaries. (collectively referred to as the "Group"), which comprise of the consolidated statements of financial position as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy 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 ("KIFRS").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, description is provided of how our audit addressed each matter is provided in the context.

The following are common matters related to the key audit matters described in this audit report.

Contract revenue and contract costs are recognized when the results of a service contract can be reliably estimated using the existing completion rate.

The progress rate of contract activities is measured by reflecting the progress of the design drawings, except for cases where it is necessary to revise the existing scheduled completion rate due to a delay in the service period. The amount of the contract revenue recognized based on the existing completion rate that exceeds progress billing amount, is recorded as 'due from customers for contract work' and the amount of the progress billing amount exceeding the amount of the contract revenue recognized based on the existing completion rate, is recorded as 'due to customers for contract work'.

(1) Calculation of the Project Progress Rate

In the case of a service contract in which revenue is recognized in accordance with the calculation method, the progress rate is a key factor that directly affects the contract revenue. We identified the calculation of the progress rate as a significant risk area as contract revenue and contract costs are not appropriately recognised if the progress rate is distorted.

We performed the following audit procedures to assess the accuracy of the calculation of the project progress rate.

- Obtained an understanding and evaluated the internal controls related to review and approval of authorized personnel when calculating and revising the estimated completion rate, and inputting of the actual completion rate into the system.
- Collected the underlying data used in determining the estimated completion rate for key projects and performed a comparison with the actual process rate at the end of the reporting period
- Performed an analysis of the projects that have significant differences between the estimated and actual completion rates

(2) Uncertainties in Estimating Total Contract Costs

If the results of a service contract can be reliably estimated using the completion rate, contract revenue and contract costs are recognized. We identified uncertainties in estimating the Group's total contract costs as a significant risk area, considering the increase in uncertainties in estimating the total contract costs, based on design changes, etc, and the im

pact of changes in estimates in profit or loss (or future profit or loss).

We performed the following audit procedures to review the effects of uncertainties in the Group's estimate of total contract costs on its consolidated financial statements.

- Obtained an understanding and evaluated the internal controls relating to review and approval of authorized personnel when calculating and revising total contract costs
- Collected sample documents of total contract costs from the relevant department and performed a comparison with the total contract costs at the end of the reporting period
- Performed an analysis of the causes of change for key contracts with significant changes in total contract costs
- Performed an analysis of the service contracts that were terminated during the current year and that have significant differences between the estimated total costs and actual costs
- Evaluated whether any additional costs were incurred subsequent to the end of the reporting period in relation to completed contracts and projects in which the accumulated costs are almost equivalent to the total contract costs

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 KIFRS, and for such internal control as management determines is necessary to enable the preparation of the 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KGAAS 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 based on these consolidated financial statements.

As part of an audit in accordance with KGAAS we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or an 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 but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

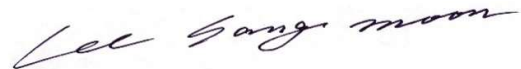
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



Representative Partner Lee Sang Moon

March 13, 2024

This audit report is effective as of March 13, 2024, the independent auditor's report date. Therefore, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications of this report.

KEPCO Engineering & Construction Company, Inc.
and its subsidiary

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

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Sung-Arm, Kim
President & CEO
KEPCO Engineering & Construction Company, Inc.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2023 and 2022

In thousands of won and in U.S. dollars	Note	Korean won		U.S. dollars (Note 5)	
		2023	2022	2023	2022
Assets					
Cash and cash equivalents	7,9,38,39	₩ 52,159,068	45,324,253	\$ 40,452,201	35,151,430
Current financial assets	7,10,11,12,13,39	53,166,456	4,066,428	41,233,485	3,153,737
Trade and other receivables	7,15,39,40	73,073,018	64,158,125	56,672,109	49,758,124
Due from customers for contract work	22,40	236,072,207	233,644,015	183,086,867	181,203,672
Current non-financial assets	16	20,810,042	12,403,137	16,139,324	9,619,308
Assets held for sale	19	16,779,708	16,779,708	13,013,578	13,013,578
Total current assets		452,060,499	376,375,666	350,597,564	291,899,849
Non-current financial assets	7,8,10,12,13,14,39	32,522,188	33,840,893	25,222,730	26,245,458
Non-current trade and other receivables	7,15,39,40	9,795,899	10,159,906	7,597,254	7,879,561
Property, plant and equipment	17	247,422,259	257,280,491	191,889,451	199,535,048
Intangible assets	18	24,980,076	26,924,782	19,373,411	20,881,636
Investments in associates and joint ventures	21,40	4,314,194	4,361,107	3,345,893	3,382,276
Deferred tax assets	35	40,216,251	42,796,564	31,189,896	33,191,069
Non-current non-financial assets	16	3,383,511	3,618,751	2,624,097	2,806,538
Defined benefit assets	25	40,313,896	61,145,142	31,265,624	47,421,392
Total non-current assets		402,948,274	440,127,636	312,508,356	341,342,978
Total assets		₩ 855,008,773	816,503,302	\$ 663,105,920	633,242,827
Liabilities					
Trade and other payables	7,20,23,39,40	₩ 87,200,060	139,525,707	\$ 67,628,401	108,209,793
Due to customers for contract work	22,40	106,785,068	52,174,090	82,817,642	40,463,851
Income tax liabilities	35	3,176,093	952,620	2,463,233	738,809
Current non-financial liabilities	26	12,281,159	13,719,343	9,524,710	10,640,098
Current provisions	27	40,744,113	37,494,654	31,599,281	29,079,149
Liabilities related to assets held for sale	19	-	900,000	-	697,999
Total current liabilities		250,186,493	244,766,414	194,033,267	189,829,699
Non-current trade and other payables	7,20,23,39,40	1,428,405	186,299	1,107,806	144,485
Non-current financial liabilities	7,24,38,39	10,000	10,000	7,756	7,756
Non-current non-financial liabilities	26	54,275,203	25,596,251	42,093,379	19,851,288
Provisions	27,42	1,800,260	2,530,525	1,396,200	1,962,560
Total non-current liabilities		57,513,868	28,323,075	44,605,141	21,966,089
Total liabilities		307,700,361	273,089,489	238,638,408	211,795,788
Equity					
Share capital	1,28	7,644,000	7,644,000	5,928,338	5,928,338
Reserves	29	535,695,821	507,429,912	415,461,314	393,539,562
Unappropriated retained earnings	29	14,256,948	39,032,220	11,057,041	30,271,615
Treasury shares	30	(10,300,329)	(10,300,329)	(7,988,466)	(7,988,466)
Accumulated other comprehensive loss	30	11,972	(391,990)	9,285	(304,010)
Total equity	38	547,308,412	543,413,813	424,467,512	421,447,039
Total liabilities and equity		₩ 855,008,773	816,503,302	\$ 663,105,920	633,242,827

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

In thousands of won and in U.S. dollars, except earnings per share	Note	Korean won		U.S. dollars (Note 5)	
		2023	2022	2023	2022
Sales:	6,22,40				
Service		₩ 432,145,530	400,128,756	\$ 335,152,420	310,321,666
Construction		112,946,242	105,162,017	87,595,969	81,558,877
		545,091,772	505,290,773	422,748,389	391,880,544
Cost of sales:	22,36,40				
Service		(307,617,184)	(292,581,334)	(238,573,898)	(226,912,777)
Construction		(109,590,067)	(101,722,239)	(84,993,072)	(78,891,142)
		(417,207,251)	(394,303,573)	(323,566,970)	(305,803,919)
Gross profit		127,884,521	110,987,200	99,181,419	86,076,625
Selling, general and administrative expenses	31,36,40	(99,322,123)	(97,047,175)	(77,029,722)	(75,265,375)
Operating profit		28,562,398	13,940,025	22,151,697	10,811,250
Finance income	7,32	6,509,139	3,187,118	5,048,193	2,471,784
Finance costs	7,32	(146,666)	(418,782)	(113,748)	(324,788)
Other income	33	11,017,913	12,745,289	8,544,991	9,884,666
Other expenses	33	(2,206,521)	(4,272,719)	(1,711,278)	(3,313,726)
Other losses, net	34	139,319	103,857	108,050	80,546
Share of gain of associates and joint ventures	21	197,536	450,797	153,200	349,618
Profit before income tax		44,073,118	25,735,585	34,181,105	19,959,350
Income tax expense	35	(11,418,670)	(7,781,610)	(8,855,801)	(6,035,063)
Net profit for the year		32,654,448	17,953,975	25,325,304	13,924,287
Other comprehensive income (loss), net of tax:					
Items that may be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of joint venture	21	18,463	(9,960)	14,319	(7,725)
Net changes in fair value of financial assets		(15,601)	(5,020)	(12,100)	(3,893)
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of the defined benefit liability	25	(17,993,740)	21,078,246	(13,955,126)	16,347,329
Share of remeasurements of associate	21	(2,660)	-	(2,063)	-
Other comprehensive income (loss) for the year, net of tax		(17,993,538)	21,063,266	(13,954,970)	16,335,711
Total comprehensive income for the year		₩ 14,660,910	39,017,241	11,370,334	30,259,998
Earnings per share (in won and U.S. dollars)					
Basic and diluted	37	₩ 858	472	\$ 0.67	0.37

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

<i>In thousands of won</i>		Share capital	Reserves	Unappropriated retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total equity
Balance as of January 1, 2022	₩	7,644,000	491,368,500	25,115,766	(10,300,329)	(377,010)	513,450,927
Total comprehensive income (loss) for the year:							
Net profit for the year		-	-	17,953,974	-	-	17,953,974
Remeasurements of net defined benefit liability, net of tax		-	-	21,078,246	-	-	21,078,246
Net changes in fair value of financial assets, net of tax		-	-	-	-	(5,020)	(5,020)
Share of remeasurements of associate, net of tax		-	-	-	-	(9,960)	(9,960)
Total comprehensive income for the year		-	-	39,032,220	-	(14,980)	39,017,240
Transactions with owners, recorded directly in equity:							
Transfer to voluntary reserves		-	16,061,412	(16,061,412)	-	-	-
Dividends		-	-	(9,054,354)	-	-	(9,054,354)
Total transactions with owners		-	16,061,412	(25,115,766)	-	-	(9,054,354)
Balance as of December 31, 2022	₩	7,644,000	507,429,912	39,032,220	(10,300,329)	(391,990)	543,413,813
Balance as of January 1, 2023	₩	7,644,000	507,429,912	39,032,220	(10,300,329)	(391,990)	543,413,813
Total comprehensive income (loss) for the year:							
Net profit for the year		-	-	32,654,448	-	-	32,654,448
Remeasurements of net defined benefit liability, net of tax		-	-	(17,993,740)	-	-	(17,993,740)
Net changes in fair value of financial assets, net of tax		-	-	-	-	(15,601)	(15,601)
Share of other comprehensive income of associates and joint ventures, net of tax		-	-	-	-	18,463	18,463
Share in remeasurements of associates		-	-	(2,660)	-	-	(2,660)
Total comprehensive income for the year		-	-	14,658,048	-	2,862	14,660,910
Replacement of retained earnings - disposal for fair value of financial assets		-	-	(401,100)	-	401,100	-
Transactions with owners, recorded directly in equity:							
Transfer to voluntary reserves		-	28,265,909	(28,265,909)	-	-	-
Dividends		-	-	(10,766,312)	-	-	(10,766,312)
Total transactions with owners		-	28,265,909	(39,032,221)	-	-	(10,766,312)
Balance as of December 31, 2023	₩	7,644,000	535,695,821	14,256,947	(10,300,329)	11,972	547,308,411

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2023 and 2022

<i>In USD</i>		Share capital	Reserves	Unappropriated retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total equity
Balance as of January 1, 2022	\$	5,928,339	381,083,062	19,478,646	(7,988,466)	(292,392)	398,209,189
Total comprehensive income (loss) for the year:							
Net profit for the year		-	-	13,924,286	-	-	13,924,286
Remeasurements of net defined benefit liability, net of tax		-	-	16,347,329	-	-	16,347,329
Net changes in fair value of financial assets, net of tax		-	-	-	-	(3,893)	(3,893)
Share of remeasurements of associate, net of tax		-	-	-	-	(7,725)	(7,725)
Total comprehensive income for the year		-	-	30,271,615	-	(11,618)	30,259,997
Transactions with owners, recorded directly in equity:							
Transfer to voluntary reserves		-	12,456,500	(12,456,500)	-	-	-
Dividends		-	-	(7,022,145)	-	-	(7,022,145)
Total transactions with owners		-	12,456,500	(19,478,645)	-	-	(7,022,145)
Balance as of December 31, 2022	\$	5,928,339	393,539,562	30,271,616	(7,988,466)	(304,010)	421,447,041
Balance as of January 1, 2023	\$	5,928,339	393,539,562	30,271,616	(7,988,466)	(304,010)	421,447,041
Total comprehensive income (loss) for the year:							
Net profit for the year		-	-	25,325,305	-	-	25,325,305
Remeasurements of net defined benefit liability, net of tax		-	-	(13,955,126)	-	-	(13,955,126)
Net changes in fair value of financial assets, net of tax		-	-	-	-	(12,100)	(12,100)
Share of other comprehensive income of associates and joint ventures, net of tax		-	-	-	-	14,319	14,319
Share in remeasurements of associates		-	-	(2,063)	-	-	(2,063)
Total comprehensive income for the year		-	-	11,368,116	-	2,219	11,370,335
Replacement of retained earnings - disposal for fair value of financial assets		-	-	(311,075)	-	311,075	-
Transactions with owners, recorded directly in equity:							
Transfer to voluntary reserves		-	21,921,753	(21,921,753)	-	-	-
Dividends		-	-	(8,349,862)	-	-	(8,349,862)
Total transactions with owners		-	21,921,753	(30,271,615)	-	-	(8,349,862)
Balance as of December 31, 2023	\$	5,928,339	415,461,315	11,057,042	(7,988,466)	9,284	424,467,514

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

<i>In thousands of won and in U.S. dollars</i>	Korean won		U.S. dollars (Note 5)		
	2023	2022	2023	2022	
Cash flows from operating activities					
Net profit for the period	₩	32,654,448	17,953,974 \$	25,325,305	13,924,286
Adjustments for:					
Income tax expense	35	11,418,670	7,781,610	8,855,801	6,035,063
Depreciation	17	15,548,236	15,313,253	12,058,505	11,876,263
Amortization	18	6,232,458	7,777,178	4,833,611	6,031,626
Retirement benefits	25	7,039,287	13,355,595	5,459,351	10,357,992
Interest costs		96,119	344,012	74,546	266,800
Loss on foreign currency translation		100,708	97,013	78,105	75,239
Loss on valuation of financial assets at fair value through profit or loss		-	49	-	38
Reversal of impairment loss on trade receivables		-	(203,800)	-	(158,058)
Loss on disposal of property, plant, and equipment		-	847	-	657
Loss on disposal of intangible assets		-	11,463	-	8,890
Impairment loss on intangible assets		282,983	-	219,469	-
Accrual for provisions for employee benefit	27	44,091,382	42,997,940	34,195,271	33,347,246
Accrual for provision for construction losses	27	19,630	388,930	15,224	301,636
Accrual for provision for construction warranties	27	55,261	67,115	42,858	52,052
Accrual for provision for litigation	27	-	2,200,000	-	1,706,220
Accrual for other provision	27	590,000	1,340,000	457,577	1,039,243
Loss on transaction of derivatives	21	-	46,520	-	36,079
Share of profit of associates and joint ventures		(197,536)	(450,797)	(153,200)	(349,618)
Gain on sale of property, plant, and equipment		(28,347)	(30,960)	(21,985)	(24,011)
Interest income		(6,318,581)	(2,966,270)	(4,900,404)	(2,300,504)
Dividend income		(6,852)	(12,562)	(5,314)	(9,743)
Gain on sale of intangible assets		(100,000)	(20,000)	(77,555)	(15,511)
Reversal of Impairment loss of intangible assets		(180,288)	-	(139,823)	-
Gain on foreign currency translation		(117,256)	(327,188)	(90,939)	(253,752)
Gain on valuation of financial assets at fair value through profit or loss	27	(165,883)	(21,270)	(128,652)	(16,496)
Gain on transaction of derivatives	27	-	(133,932)	-	(103,871)
Reversal of provision for construction losses	27	(327,131)	(298,078)	(253,708)	(231,176)
Reversal of provision for construction warranties	27	(452,644)	(71,245)	(351,050)	(55,255)
Reversal of provision for litigation		(80,801)	(2,247,320)	(62,666)	(1,742,919)
Reversal of other provision		-	(400)	-	(310)
Miscellaneous gains		(751)	-	(582)	-
Working capital adjustments:					
Trade receivables		(12,931,489)	(10,444,445)	(10,029,076)	(8,100,234)
Other receivables		2,042,623	7,663,842	1,584,166	5,943,727
Accrued income		(2,484,652)	(2,349,659)	(1,926,983)	(1,822,289)
Due from customers for contract work		(2,428,192)	(73,212,697)	(1,883,195)	(56,780,438)
Current non-financial assets		(8,185,365)	(4,753,346)	(6,348,196)	(3,686,479)
Non-current non-financial assets		575,692	722,164	446,481	560,078
Trade payables		(41,526,443)	23,911,641	(32,206,021)	18,544,781
Other payables		(10,866,030)	16,071,842	(8,427,199)	12,464,590
Accrued expenses		263,466	910,516	204,332	706,155
Due to customers for contract work		54,610,978	13,457,995	42,353,791	10,437,409
Other current liabilities		(11,771)	(94,169)	(9,129)	(73,033)
Current non-financial liabilities		(1,436,534)	4,102,403	(1,114,110)	3,181,637
Non-current non-financial liabilities		(46,947)	(597,293)	(36,410)	(463,233)
Payment of retirement benefits	25	(23,834,020)	(34,687,363)	(18,484,582)	(26,901,941)
Payment of retirement benefits of plan assets	25	23,538,758	33,811,700	18,255,590	26,222,817
contribution of retirement benefits of plan assets	25	(9,066,536)	(27,434,210)	(7,031,593)	(21,276,726)
Payment of provisions for employee benefit	27	(40,476,502)	(41,629,960)	(31,391,735)	(32,286,304)
Payment of provisions for other provision	27	(900,000)	(3,310,986)	(697,999)	(2,567,850)
Cash generated from operations		36,990,148	5,029,652	28,687,877	3,900,773

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2023 and 2022

<i>In thousands of won and in U.S. dollars</i>	Korean won		U.S. dollars (note 5)	
	2023	2022	2023	2022
Cash generated from operations	36,990,148	5,029,652	28,687,877	3,900,773
Interest received	4,975,597	1,904,137	3,858,848	1,476,762
Interest paid	(59,549)	(301,420)	(46,184)	(233,768)
Dividends received	371,737	381,302	288,302	295,721
Income tax paid (refund)	(1,460,901)	(255,563)	(1,133,008)	(198,203)
Net cash provided by (used in) operating activities	40,817,030	6,758,108	31,655,832	5,241,281
Cash flows from investing activities				
Proceeds from disposal of financial instruments	₩ -	316,156	\$ -	245,196
Proceeds from disposal of financial assets at fair value through profit or loss	55,000,000	20,000,000	42,655,499	15,511,090
Decrease in debt securities	21,001,200	60	16,287,576	47
Collection of loans	3,090,525	3,613,015	2,396,871	2,802,090
Collection of guarantee deposits	13,730,076	6,348,413	10,648,422	4,923,541
Proceeds from sale of property, plant and equipment	17 29,948	34,253	23,226	26,565
Proceeds from sale of intangible assets	18 -	7,394	-	5,734
Increase in long-term advance payments	28,726,650	23,938,875	22,279,083	18,565,903
Acquisition of financial assets at fair value through profit or loss	(90,700,000)	(20,110,000)	(70,342,795)	(15,596,401)
Acquisition of debt securities	(33,604,640)	(1,070)	(26,062,230)	(830)
Payments of loans	(2,421,440)	(3,590,750)	(1,877,958)	(2,784,822)
Payments of guarantee deposits	(8,724,647)	(9,147,333)	(6,766,439)	(7,094,253)
Acquisition of property, plant and equipment	(2,846,610)	(1,376,543)	(2,207,701)	(1,067,584)
Acquisition of intangible assets	(4,390,448)	(1,432,273)	(3,405,031)	(1,110,806)
Settlement of derivatives	-	87,411	-	67,792
Proceeds from redemption of debt held for sale	(900,000)	-	(697,999)	-
Net cash provided by investing activities	(22,009,386)	18,687,608	(17,069,476)	14,493,262
Cash flows from financing activities	41			
Proceeds from borrowings	71,743,108	311,187,001	55,640,692	241,342,486
Repayment of borrowings	(71,743,108)	(311,187,001)	(55,640,692)	(241,342,486)
Proceeds from debentures issued	-	10,000	-	7,756
Repayment of debentures issued	-	(10,000)	-	(7,756)
Dividends paid	(10,766,312)	(9,054,354)	(8,349,862)	(7,022,145)
Repayment of lease liabilities	20 (1,170,225)	(1,276,706)	(907,573)	(990,155)
Net cash used in financing activities	(11,936,537)	(10,331,060)	(9,257,435)	(8,012,300)
Effect of exchange rate fluctuation on cash held	(36,294)	5,158	(28,148)	4,001
Net increase in cash and cash equivalents	6,871,107	15,114,656	5,328,921	11,722,243
Cash and cash equivalents as of January 1	45,324,253	30,204,437	35,151,430	23,425,188
Cash and cash equivalents as of December 31	₩ 52,159,066	45,324,251	\$ 40,452,203	35,151,432

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

1. Reporting Entity

(a) Description of the Controlling Company

KEPCO Engineering & Construction Company, Inc. (the "Parent Company") was incorporated on October 1, 1975, as Korea Atomic Burns & Roe to engage in designing power plants, mainly nuclear power plants, and providing related engineering and construction services. As part of the Parent Company's business expansion and diversification to other areas in the power and utilities industry, the Parent Company changed its name to its current name in July 1982. In January 1997, the Parent Company was granted additional rights to offer Nuclear Steam Supply Systems design and engineering services pursuant to the government restructuring plan in the nuclear power industry.

The Parent Company's main business is engineering service, and its headquarters is located in 269 Hyeoksin-ro, Gimcheon-si, Gyeongsangbuk-do.

The Parent Company listed its shares on the Korea Stock Exchange on December 14, 2009. As of December 31, 2023, the Parent Company's share capital amounted to ₩7,644,000 thousand, and are currently holding 51.0% of the shares issued, as Korea Electric Power Corporation, the parent company, sold 14.8% of the shares as of December 29, 2023.

(b) Consolidated Subsidiary

(i) Percentage of ownership

(percentage of ownership)

Subsidiary	Location	Principal operation	Reporting date	2023	2022
KEPCO E&C Service Co., Ltd.	Korea	Facility management	December 31	100.00%	100.00%

(ii) Financial information of subsidiary

<i>In thousands of won</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income for the period	Total comprehensive income
KEPCO E&C Service Co., Ltd. W	6,741,359	425,904	1,905,728	32,422	16,454,200	1,505,005	1,450,682

As of December 31, 2023, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the subsidiary.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("KIFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the consolidated financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2024, and will be submitted for approval to the shareholders' meeting which will be held on March 28, 2024.

(b) 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:

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

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Preparation, Continued

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with KIFRS 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 in which the estimates are revised and in any future periods affected.

(i) Judgements

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

- Note 4: Revenue recognition by reference to the stage of completion of services
- Note 7: Classification of financial instruments
- Note 21: Investments in associate and joints ventures – whether the Group has significant influence or joint control or control over an investee

(ii) Assumptions and estimation uncertainties

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

- Note 10: Financial assets at fair value – assumption of fair value
- Notes 17 and 18: Property, plant and equipment and intangible assets – estimation of useful life
- Notes 18: Equipment and intangible assets – assumption of impairment review
- Note 25: Measurement of defined benefit obligations – key actuarial assumptions
- Notes 27 and 42: Recognition and measurement of provisions and contingencies – key assumptions about the likelihood and magnitude of an outflow of resources
- Note 35: Recognition of deferred tax assets – availability of future taxable profit against which temporary differences can be utilized

(iii) Measurement of fair value

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, which reports directly to the CFO.

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

Significant valuation issues are reported to the Group's internal auditor.

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

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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(d) Use of Estimates and Judgments, Continued

If the inputs used to measure the fair value of an asset or a liability shall 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.

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

- Note 7: Financial instruments
- Note 10: Financial assets at fair value

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Changes in Accounting Policies

(a) Changes in accounting policies following the application of the new standards

(i) Amendments to KIFRS 1001 'Presentation of Financial Statements' – 'Disclosure of 'Accounting Policies'

Important accounting policy information (important accounting policy information refers to the level of influence on the decision-making of major users of financial statements when considered together with other information included in the financial statements) was defined and disclosed. The amendment to this standard does not have a significant impact on the financial statements.

(ii) Amendments to K-IFRS 1001, 'Presentation of Financial Statements' - Disclosing Gains and Losses on Financial Instruments with Strike Price Adjustment Contingencies

If all or part of a financial product with a condition where the exercise price is adjusted according to changes in the issuer's stock price is classified as a financial liability, the book value of the financial liability and related profits and losses must be disclosed. The amendment to this standard does not have a significant impact on the financial statements.

(iii) Amendments to K-IFRS 1008, 'Accounting Policies, Changes and Errors in Accounting Estimates' – Definition of 'Accounting Estimates'

We have clarified how to define accounting estimates and distinguish them from changes in accounting policies. The amendment to this standard does not have a significant impact on the financial statements.

(iv) Amendments to K-IFRS 1012, 'Income Taxes' - Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction

To the initial recognition exception requirements for transactions in which assets or liabilities are recognized for the first time, a requirement has been added that the transaction does not create temporary differences to be added and temporary differences to be deducted at the same time of the transaction. The amendment to this standard does not have a significant impact on the financial statements.

(v) Enactment of K-IFRS 1117 'Insurance Contract'

KIFRS 1117, Insurance Contracts, replaces KIFRS 1104, Insurance Contracts. This standard requires that all cash flows under insurance contracts be estimated, and the insurance liability be measured using a discount rate that reflects the assumptions and risks at the reporting date, and that revenue be recognized on an accrual basis to reflect the services provided to the policyholder (insurance coverage) each fiscal year. In addition, investment components (surrender/maturity refunds) that are paid to policyholders regardless of whether the insurance event are excluded from insurance revenue, and insurance gains and losses are separately presented from investment gains and losses so that information users can identify the source of gains and losses. The adoption of this standard does not have a material impact on the financial statements.

(vi) Amendments to K-IFRS 1012 'Corporate Tax' – 'International Tax Reform – Pillar 2 Best Rules'

The revised standard temporarily eases the accounting treatment of deferred tax arising from the enforcement of laws reflecting the Pillar 2 model rules for reforming international taxation of multinational companies and requires disclosure of current corporate tax effects related thereto. The enactment of this standard does not have a significant impact on the financial statements.

(b) New Standards and Interpretations Not Yet Adopted

New and amended standards and interpretations that have been issued or promulgated but are not yet effective and therefore have not been adopted and interpretations that are not yet effective are as follows:

(i) Amendments to KIFRS 1001, "Presentation of Financial Statements" - Current and Non-current Classification of Liabilities, Commitments Non-current liabilities with covenants

A liability is classified as current or noncurrent based on the substantive rights that exist at the end of the reporting period, without consideration of the exercisability of the right to defer settlement of the liability or management's expectation that such right will be exercised. Settlement of a liability also includes the transfer of an equity instrument, except where the option to settle with an equity instrument in a compound financial instrument meets the definition of an equity instrument and is recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period do not affect the classification of the liability, and if a liability that is required to comply with a covenant within 12 months after the reporting period is classified as a noncurrent liability, the entity must disclose information about the risk that the liability will be repaid within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. The Organization is evaluating the impact of this amendment on its financial statements.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(b) New Standards and Interpretations Not Yet Adopted, continued

(ii) Amendments to K-IFRS 1007, "Statement of Cash Flows" and K-IFRS 1107, "Financial Instruments: Disclosures" - Disclosing Information about Supplier Financing Arrangements

If an entity applies supplier financing arrangements, it will be required to disclose information about the supplier financing arrangements to enable financial statement users to assess the impact of the arrangements on the entity's liabilities, cash flows, and liquidity risk exposure. The amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. The Organization is evaluating the impact of this amendment on its financial statements.

(iii) Amendments to K-IFRS 1116, Leases - Lease Liabilities Arising from Post-Sale Leases

When subsequently measuring the lease liability arising from a post-sale lease, the lease fee or modified lease fee is calculated in a manner that does not recognize the profit or loss related to the usage rights held by the seller-lessee. This amendment is effective for fiscal years beginning on or after January 1, 2024, and early application is permitted. The Organization is reviewing the impact of this revision on its financial statements.

4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in note 3 to the consolidated financial statements.

(a) Basis of Consolidation

(i) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Parent's interest in a subsidiary that do not result in a loss of control are accounted for equity transactions.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Loss of control

When the Parent Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized as profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

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

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when it has a short maturity with a specified redemption date.

(c) Non-derivative Financial Assets

(i) Recognition and Initial measurement

The Group recognizes trade receivable and debt securities initially when they are originated and subsequently measures them at amortized cost. The Group recognizes other financial assets when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (other than a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value and, for an item not at FVTPL, transaction costs that is directly attributable to its acquisition. An account receivable without a significant financing component is measured at its transaction price.

(ii) Classification

At initial recognition, a financial asset is classified as amortized cost, FVOCI-debt investment, FVOCI-equity investment or FVTPL. A financial asset is not reclassified without a change of the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset which changes its business model is reclassified on a first day of the first reporting period after its change.

① Financial assets at amortized cost

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

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

② FVOCI

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

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

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

③ FVTPL

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

A financial portfolio which satisfies the definition of short-term trading or is evaluated its performance based on the fair value is measured at FVTPL.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(c) Non-derivative Financial Assets, Continued

④ Business model

The Group assesses the purpose of the business model held at the portfolio level of financial assets because it best reflects how the business is managed and how information is provided to management. Such information considers the following:

- Stated accounting policies and objective about portfolio and management of the policy. This includes management strategies focusing on the earning of interest income, maintaining interest rate level, accordance with duration of debt and duration of financial assets, and expected cash flow outflow or realization through asset disposal.
- Evaluating the performance of financial assets held under the business model and reporting the evaluation to the management
- Managing risk that affect the performance of the business model (financial assets held under the business model)
- Compensations for management (Based on the fair value of the assets under management or on a contractual cash flow to be received)
- Expectation of frequency to selling financial assets in the past, amount, time, reason, future selling activities.
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If portfolio of financial assets satisfies the definition of short-term sale or the performance of the portfolio is evaluated at its fair value, the portfolio is measured at fair value through profit or loss.

⑤ An assessment of whether contractual cash flows consist solely of principal and interest

The principal is defined as the fair value at the initial recognition of the financial asset. Interest consists of consideration for the time value of money, consideration for credit risk associated with the principal in a particular period, as well as consideration for basic loan risk and costs (e.g., liquidity risk and operating costs) as well as profit.

In assessing whether contract cash flows consist solely of payments for principal and interest, the terms of the contract must be considered. If a financial asset has a contractual requirement to change the timing or amount of the contractual cash flow, the contractual consideration will consider whether it affects the composition of the contractual cash flow until maturity of the financial instrument.

The Group consider the followings:

- Conditions that change the amount or timing of cash flows
- Provision to adjust contractual nominal interest rate, including variable interest rate characteristics
- Characteristics of repayment and maturity extension
- Terms and conditions that limit claims on cash flows arising from specific assets (e.g. non-recourse features).

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

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

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(c) Non-derivative Financial Assets, Continued

(iii) Subsequent measurement

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

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires or transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group determines whether it has retained control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(v) Offsetting between financial assets and financial liabilities

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

(d) Derivative Financial Instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value.

Changes in the fair value of derivative financial instrument not designated as a hedging instrument are immediately recognized as profit or loss.

(e) Impairment of Financial Assets

(i) Financial instruments and contract assets

The Group measures loss allowances for the following financial assets at an amount equal to ECLs:

- Financial assets at amortized cost
- Debt investments at FVOCI
- Contract assets recognized in accordance with KIFRS 1115

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

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

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(e) Impairment of Financial Assets, Continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. 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.

Total expected credit losses are the expected credit losses due to any default event that may occur during the expected life of the instrument. The 12-month expected credit loss is a fraction of the total expected credit loss, which represents the expected credit loss due to a default of a financial instrument that may occur within 12 months (or less if the expected life of the instrument is less than 12 months) after the end of the reporting period. The longest period to consider when measuring expected credit losses is the longest contract period for which the Group is exposed to credit risk.

(ii) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit loss is measured as the present value of all cash deficiency (i.e. the difference between all contract cash flows that are expected to be paid and all contract cash flows that are expected to be received). ECLs are discounted at the effective interest rate of the financial asset.

(iii) Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as a default past due
- Inevitable mitigation of initial borrowing conditions for economic or contractual reasons related to the borrower's financial difficulties.
- It is probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for the financial assets due to financial difficulties

(iv) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and for debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

(v) Write-off

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.

(f) Property, Plant and Equipment

Property, plant, and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(f) Property, Plant and Equipment, Continued

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as profit or loss.

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

	Useful lives (years)
Buildings	40
Structures	15, 20
Machinery	15
Vehicles	4
Tools	4
Furniture and fixtures	4

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(g) Intangible Assets

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

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which facility usage rights are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

	Useful lives (years)
Industrial property and other rights	5,10
Software	5
Other intangible assets	3

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as profit or loss when incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(h) Borrowing Costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.

(i) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 40 years as estimated useful lives, but as of December 31, 2023 and 2022 depreciable investment property doesn't exist as they are classified as assets held for sale.

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

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

(j) Government Grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

Government grants which are intended to compensate the Group for expenses incurred are recognized as other income in profit or loss over the periods in which the Group recognizes the related costs as expenses.

(k) Investments in Associates and Joint Ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) and have rights to the net assets of the arrangement.

Associates and interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of associates and joint ventures, until the date on which significant influence ceases. Distributions received from an investee reduce the carrying amount of the investment.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(l) Leases

The Group classifies a contract to transfer control of the identified asset over a period in exchange for consideration as a lease and leases offices, vehicle, etc.

The Group determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. However, 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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.

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

- fixed payments, including substantial fixed payments and deducting lease incentives to be received;
 - variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
 - amounts expected to be payable under a residual value guarantee; and
 - the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(m) Impairment of Non-financial Assets

The Group shall review whether there is an indication of impairment at the end of each reporting period for all non-financial assets except for contractual assets recognized in accordance with revenue from contracts with customers, assets arising from costs incurred to enter or perform contracts, assets arising from employee benefits, deferred tax assets and non-current assets classified as held for sale.

If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable company of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(n) Construction Work in Progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as an asset in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as a liability in the statement of financial position. In addition, the Group recognizes revenue and costs by applying an output method-based progress and reflects the adjustments made to IFRS for matching of costs with revenue.

Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

(o) Assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount is recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. If impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell occurs, an impairment loss is recognized immediately as profit or loss. When reversal of an impairment loss is recognized, it can also be recognized as profit or loss to the extent that an accumulated impairment loss on the same asset was previously recognized in profit or loss.

Non-current asset or disposal group classified as held for sale are not depreciated.

(p) Non-derivative Financial Liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the issuance. Subsequent to initial recognition, financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

(iii) Derecognition of financial liabilities

The Group removes a financial liability from its statement of financial position only when the obligation specified in the contract is discharged or cancelled or expires. If the contractual term is changed and the cash flow becomes substantially changed, the Group extinguishes the original financial liability and recognizes a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(q) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iii) Retirement benefits: defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), considering any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(r) Provisions

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

The risks and uncertainties that inevitably surround many events and circumstances are considered in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The reimbursement is treated as a separate asset.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(r) Provisions, Continued

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

In order to cover defects in construction contracts and service contracts, the Group shall recognize provision for construction warranties based on past experience rates. In the event of actual defects repair, the Group shall initially offset it from the provision for defects, and the excess amount is recognized in profit or loss.

If losses are expected to occur in the service and construction contracts, the Group recognizes the expected loss as immediate loss provisions. If a loss occurs in the future, the amount equivalent to the loss will be reversed within the balance of the loss allowance and the amount will be reported after deducting the cost for the current year.

The Group accrues bonuses payable to its employees based on its management performance as employee benefit provision and accrues lawsuit provisions for the outflow as a result of the lawsuit. As well, If the outflow of future economic benefits is expected due to the economic condition of the country in relation to the overseas construction, the estimated amount is accounted for as other provision.

A provision is used only for expenditures for which the provision was originally recognized.

(s) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. If gains or losses on non-monetary items are recognized in other comprehensive income, the effects of changes in foreign exchange rates are recognized in other comprehensive income. When the gain or loss is recognized in profit or loss, changes in foreign exchange rates are recognized in profit or loss.

(t) Equity Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(u) Revenue

(i) Revenue Recognition model

The revenues from contracts with customers consist of contract revenues and service revenues and others. The Group recognizes revenues in accordance with the following five steps revenue recognition model from the beginning of the contract with the customer at a point in time or over the period when the control is transferred to a customer.

① Identifying the contract

The Group identifies agreements that create enforceable rights and obligations with customers to a contract. In case of being identified as a contract, the Group determines whether revenue is recognized with further review of the subsequent steps, such as identification of performance obligations and others. The Group recognizes as a liability if it is not identified by the contract but has been paid by the customer.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(u) Revenue, Continued

② Identifying performance obligations

A performance obligation refers to a promise of transfer to a customer a set of distinct goods or services that are distinct in a contract with the customer, or that are substantially transferred to the customer in the same way. At contract inception, the Group reviews the goods or services promised in the contract with the customer to identify performance obligations.

③ Determining the transaction price

Transaction price is the amount of the right that the entity is expected to receive in return of the promised goods or services to the customer. The expected amount is determined by considering variable consideration, significant financial factors, non-cash consideration, and the consideration payable to the customer. The Group determines that there is no significant financing component because the period between the point in time when the performance obligation is transferred and when the customer pays for it is less than 12 months.

④ Allocating the transaction price

For contracts with multiple performance obligations within one contract, the transaction price is measured at the consideration for each performance obligation indicated in the contract. The consideration for each performance obligation specified in the contract is determined by the stand-alone selling price of each good or service.

⑤ Recognizing revenue

At contract inception, the Group determines whether revenue should be recognized when the performance obligation is satisfied in respect of the contract or over the period which the performance obligation is satisfied. The Group recognizes the revenue over the period when the customer simultaneously benefits and consumes the benefit of the obligation as the Group performs the obligation, and when the customer controls the asset in proportion to the creation or increase in value of the asset, or when the asset created by the obligation has an enforceable right to payment for performance completed to date and the entity has no alternative use in itself.

The group measures progress using input-cost based input methods for service contracts and construction contracts. Otherwise for service contracts of performance settlements, the group measures progress using output methods and use the practical simple methods for recognizing revenue at the amount for which there is a claim.

(ii) Incremental costs of obtaining a contract and costs of implementing a contract

The Group recognizes the incremental costs of obtaining a recoverable contract and the costs of fulfilling the terms as an asset. These assets are amortised on a systematic basis consistent with the transfer of the related goods or services to the customer. They are recognised as an impairment loss if the difference between the balance that the entity expects to receive and the direct costs to be recognised as future expenses is less than the carrying amount of the asset.

(v) Finance Income and Finance Costs

Finance income comprises of interest income, dividend income, gains on financial assets at FVTPL, foreign exchange differences from translation of monetary items, and changes in fair value of derivative assets that are recognized in profit or loss.

Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive dividend is established.

The effective interest rate is the rate at which the present value of the future cash payments or receivables estimated in the expected life of a financial instrument exactly matches the carrying amount of the financial asset or the amortized cost of the financial liability.

When calculating interest income or interest expense, the effective interest rate applies to the total carrying amount of the asset (if the credit of the asset is not impaired) or the amortized cost of the liability. However, for financial assets subsequent to initial recognition that are impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer viewed as impaired, interest income is calculated by applying an effective interest rate to the total carrying amount.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Significant Accounting Policies, Continued

(w) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except subject to an extent which relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Current tax assets and liabilities are offset only if, the Group:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets are recognized for temporary differences that will be deductible to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. Future taxable income is determined by the expiration of the temporary difference to be added.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. If income tax expense is incurred in connection with the payment of dividends, the Group recognizes the income tax expense at the time when the liability related to the payment of dividends is recognized.

(x) Earnings per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

5. Convenience Translation of Financial Statements

The consolidated financial statements are expressed in Korean won and have been translated into U.S. dollars at the rate of ₩1,289.84 to \$1, the basic exchange rate on December 31, 2023, posted by Seoul Money Brokerage Services, solely for the convenience of the reader. This translation does not comply with KIFRS and should not be construed as a representation that any or all the amounts shown could be converted into U.S. dollars at this or any other rate.

6. Geographic and Other Information

The Group's chief operating decision maker does not receive and therefore does not review discrete financial information for any component of the Group in assessing performance or allocating resources. Accordingly, no operating segment information is included in these consolidated financial statements. The Group has provided the required entity-wide disclosures.

(a) Information about the Group's revenue by the type of project for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Nuclear power plant	₩	281,067,959	271,315,871
Other power plant		167,596,059	161,148,078
Nuclear reactor		96,427,754	72,826,824
	₩	545,091,772	505,290,773

(b) Geographic information about the Group's revenue, based on the location where the service or construction occurs, for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023			2022		
		Korea	Foreign country	Total	Korea	Foreign country	Total
Service	₩	366,169,943	65,975,587	432,145,530	340,693,732	59,435,024	400,128,756
Construction		97,885,052	15,061,190	112,946,242	105,149,842	12,175	105,162,017
	₩	464,054,995	81,036,777	545,091,772	445,843,574	59,447,199	505,290,773

Non-current assets located outside of Korea are not material to the Group's consolidated financial statements.

(c) Revenues from major customers which amount to more than 10 percent of the Group's total revenues for the years ended December 31, 2023 and 2022 are as follows:

<i>Major customers</i>	2023	2022
Korea Hydro & Nuclear Power Co., Ltd. and others (*)	61.0%	63.6%

(*) The Group that are perceived to be under common control were considered single customers.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

7. Financial Instruments

(a) The carrying amount of each category of financial assets as of December 31, 2023 are as follows:

In thousands of won	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
Cash and cash equivalents	52,159,068	-	-	52,159,068
Current financial assets				
– financial assets at fair value	-	35,745,088	-	35,745,088
– Debt securities	13,604,830	-	-	13,604,830
– Loans	3,816,538	-	-	3,816,538
Total current financial assets	17,421,368	35,745,088	-	53,166,456
Trade and other receivables	73,073,018	-	-	73,073,018
Non-current financial assets				
– Financial assets at fair value	-	1,783,321	-	1,783,321
– Debt securities	10,015	-	-	10,015
– Loans	30,710,537	-	-	30,710,537
– Financial instruments	18,315	-	-	18,315
Total non-current financial assets	30,738,867	1,783,321	-	32,522,188
Trade and other receivables	9,795,899	-	-	9,795,899
	183,188,220	37,528,409	-	220,716,629

(b) The carrying amount of each category of financial assets as of December 31, 2022, are as follows:

In thousands of won		Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
Cash and cash equivalents	W	45,324,253	-	-	45,324,253
Current financial assets					
– Debt securities		1,001,200	-	-	1,001,200
– Loans		3,065,228	-	-	3,065,228
Total current financial assets		4,066,428	-	-	4,066,428
Trade and other receivables		64,158,125	-	-	64,158,125
Non-current financial assets					
– Financial assets at fair value		-	1,662,526	14,198	1,676,724
– Debt securities		10,205	-	-	10,205
– Loans		32,135,964	-	-	32,135,964
– Financial instruments		18,000	-	-	18,000
Total non-current financial assets		32,164,169	1,662,526	14,198	33,840,893
Trade and other receivables		10,159,906	-	-	10,159,906
	W	155,872,881	1,662,526	14,198	157,549,605

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
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For the years ended December 31, 2023 and 2022

7. Financial Instruments, Continued

(c) The carrying amount of each category of financial liabilities as of December 31, 2023 and 2022 are as follows:

In thousands of won		Financial liabilities measured at amortized cost	
		2023	2022
Trade and other payables	₩	87,200,060	139,525,707
Debentures issued		10,000	10,000
Non-current trade and other payables		1,428,405	186,299
	₩	88,638,465	139,722,006

(d) Details of finance income (costs) by categories for the years ended December 31, 2023 and 2022 are as follows:

In thousands of won		2023	2022
Cash and cash equivalents	Interest income	₩ 1,480,978	107,750
	Gain (loss) on foreign currency	(34,471)	23,500
Financial assets at FVTPL	Interest income	986,416	32,618
	Dividend income	6,852	12,562
	Gain on valuation	165,883	21,221
Derivatives	Gain on transaction	-	87,411
Trade and other receivables	Interest income	3,851,034	2,825,763
	Impairment loss	-	(203,800)
Long-term financial instruments	Gain (loss) on foreign currency	69,140	250,589
	Gain (loss) on foreign currency	315	1,203
Debt securities	Interest income	153	139
	Interest costs of debentures issued	59,549	307,503
Financial liabilities measured at amortized cost	Interest costs of trade and other payables	36,570	36,509
	Gain (loss) on foreign currency	45,959	(185,202)
		₩ 6,668,378	3,317,766

The accompanying notes are an integral part of the consolidated financial statements.

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7. Financial Instruments, Continued

(e) Financial assets and liabilities classified by fair value hierarchy

(i) The fair value measurements classified by fair value hierarchy as of December 31, 2023 are as follows:

<i>In thousands of won</i>	Carrying amount	Level 1	Level 2	Fair value Level 3
Financial assets:				
– Financial assets at FVTPL (*)	₩ 37,018,409	-	35,745,088	1,273,321

(ii) The fair value measurements classified by fair value hierarchy as of December 31, 2022 are as follows:

<i>In thousands of won</i>	Carrying amount	Level 1	Level 2	Fair value Level 3
Financial assets:				
– Financial assets at FVTPL (*)	₩ 1,252,526	-	-	1,252,526

(*) Some of the financial assets at FVTPL were excluded from the fair value disclosure because more recent information available to determine fair value is insufficient, or because the range of possible fair value measurements is wide, and the acquisition cost represents the best estimate of its fair value.

(iii) Changes in Level 3 fair value of financial instruments for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Balance as of January 1	₩	1,252,526	1,231,306
Gain on valuation of derivative financial assets		20,795	21,220
Balance as of December 31	₩	1,273,321	1,252,526

8. Restricted Financial Assets

Financial assets restricted in use as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Cash and cash equivalents	Government project deposit	₩ 15,528,824	15,370,130
Long-term financial instruments	Overseas branch bank account opening deposit	18,315	18,000
Other short-term instruments	Restrictions on withdrawal related to financial support agreements	1,000,000	1,000,000
		₩ 16,547,139	16,388,130

9. Cash and Cash Equivalents

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

<i>In thousands of won</i>		2023	2022
Demand deposits			
Ordinary deposit	₩	32,004,712	12,954,117
Corporate Free Savings Deposits		15,528,824	15,370,130
Short-term investments classified as cash equivalents			
Money Market Deposit account		4,225,532	17,000,006
Money Market trust		400,000	-
	₩	52,159,068	45,324,253

The accompanying notes are an integral part of the consolidated financial statements.

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10. Financial Assets at Fair Value

(a) Changes in financial assets at fair value as of December 31, 2023 are as follows:

<i>In thousands of won</i>	January 1 2023	Acquisitio n	Disposal	Valuation	December 31 2023
Financial assets at FVTPL:					
– Money Market trust	₩ -	90,600,000	(55,000,000)	145,088	35,745,088
– Construction Guarantee	875,800	-	-	8,793	884,593
– Information & Communication Financial Cooperative	21,038	-	-	503	21,541
– Electric Contractors' Financial Cooperative	105,832	-	-	1,057	106,889
– Engineering Financial Cooperative	204,396	-	-	9,082	213,478
– Korea Electric Engineering Association	45,460	-	-	1,360	46,820
– Energy Innovation Growth Fund	400,000	100,000	-	-	500,000
– Da Vinci Sky Co., Ltd.	10,000	-	-	-	10,000
Total	1,662,526	90,700,000	(55,000,000)	165,883	37,528,409
Financial assets at FVOCI:					
– KEPCO-Uhde, Inc.	₩ 14,198	-	(14,198)	-	-
Total	14,198	-	(14,198)	-	-
Current financial assets at fair value	-	90,600,000	(55,000,000)	145,088	35,745,088
Non-current financial assets at fair value	₩ 1,676,724	100,000	(14,198)	20,795	1,783,321

(b) Changes in financial assets at fair value as of December 31, 2022, are as follows:

<i>In thousands of won</i>	January 1 2022	Acquisition	Disposal	December 31 2022
Financial assets at FVTPL:				
– Construction Guarantee	873,459	-	2,341	875,800
– Information & Communication Financial Cooperative	21,087	-	(49)	21,038
– Electric Contractors' Financial Cooperative	101,203	-	4,629	105,832
– Engineering Financial Cooperative	191,377	-	13,019	204,396
– Korea Electric Engineering Association	44,180	-	1,280	45,460
– Energy Innovation Growth Fund	300,000	100,000	-	400,000
– Da Vinci Sky Co., Ltd.	-	10,000	-	10,000
Total	1,531,306	110,000	21,220	1,662,526
Financial assets at FVOCI:				
– KEPCO-Uhde, Inc.	14,198	-	-	14,198
Total	14,198	-	-	14,198
Current financial assets at fair value	-	-	-	-
Non-current financial assets at fair value	1,545,504	110,000	21,220	1,676,724

(c) Details of Financial assets at fair value as of December 31, 2023, are as follows:

<i>In thousands of won, Shares</i>	Shares	Ownership	Acquisition cost	Carrying amount	Fair value
Financial assets at FVTPL:					
– Money Market trust	-	-	35,600,000	35,745,088	35,745,088
– Construction Guarantee	571	0.01%	853,131	884,593	884,593
– Information & Communication Financial Cooperative	51	0.00%	15,864	21,541	21,541
– Electric Contractors' Financial Cooperative	300	0.01%	58,584	106,889	106,889
– Engineering Financial Cooperative	263	0.02%	34,621	213,478	213,478
– Korea Electric Engineering Association	200	0.10%	20,000	46,820	46,820
– Energy Innovation Growth Fund (*)	-	1.10%	500,000	500,000	500,000
– Da Vinci Sky Co., Ltd. (*)	2,000	10.00%	10,000	10,000	10,000
	3,385		37,092,200	37,528,409	37,528,409

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
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10. Financial Assets at Fair Value, Continued

(*) Financial assets that do not have a market price in an active market and whose fair value cannot be reliably measured or is similar to their carrying amount, are measured at cost.

(d) Details of Financial assets at fair value as of December 31, 2022, are as follows:

<i>In thousands of won, Shares</i>	Shares	Ownership	Acquisition cost	Carrying amount	Fair value
Financial assets at FVTPL:					
– Construction Guarantee	571	0.02%	853,131	875,800	875,800
– Information & Communication Financial Cooperative	51	0.01%	15,864	21,038	21,038
– Electric Contractors' Financial Cooperative	300	0.01%	58,584	105,832	105,832
– Engineering Financial Cooperative	263	0.03%	34,621	204,396	204,396
– Korea Electric Engineering Association	200	0.12%	20,000	45,460	45,460
– Energy Innovation Growth Fund (*)	-	-	400,000	400,000	400,000
– Da Vinci Sky Co., Ltd. (*)	2,000	12.50%	10,000	10,000	10,000
Financial assets at FVOCI:					
– KEPCO-Uhde, Inc. (*)	103,230	2.40%	516,150	14,198	14,198
	106,615	-	1,908,350	1,676,724	1,676,724

(*) Financial assets that do not have a market price in an active market and whose fair value cannot be reliably measured or is similar to their carrying amount, are measured at cost.

11. Derivatives

Finance income (costs) from derivatives for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023		2022	
	Valuation	Transaction	Valuation	Transaction
Currency forward	₩	-	-	87,411

12. Debt Securities

(a) Changes in debt securities as of December 31, 2023, are as follows:

<i>In thousands of won</i>	January 1 2023	Acquisition	Disposal	Others	December 31 2023
Government bonds	₩ 6,410	1,640	(1,200)	-	6,850
Municipal bonds	4,995	-	-	-	4,995
Other short-term instruments (*)	1,000,000	23,603,000	(21,000,000)	10,000,000	13,603,000
Other long-term instruments (*)	-	10,000,000	-	(10,000,000)	-
	1,011,405	33,604,640	(21,001,200)	-	13,614,845
Current	1,001,200	23,603,000	(21,001,200)	10,001,830	13,604,830
Non-current	10,205	10,001,640	-	(10,001,830)	10,015

(*) As discussed in Note 8 to the consolidated financial statements, the above other short-term instruments are restricted in use.

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
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12. Debt Securities, Continued

(b) Changes in debt securities as of December 31, 2022, are as follows:

<i>In thousands of won</i>		January 1 2022	Acquisition	Disposal	Others	December 31 2022
Government bonds	₩	5,400	1,070	(60)	-	6,410
Municipal bonds		4,995	-	-	-	4,995
Other short-term instruments (*)		1,000,000	-	-	-	1,000,000
	W	1,010,395	1,070	(60)	-	1,011,405
Current		1,000,060	-	(60)	1,200	1,001,200
Non-current	W	10,335	1,070	-	(1,200)	10,205

(*) As discussed in Note 8 to the consolidated financial statements, the above other short-term instruments are restricted in use.

13. Loans

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

<i>In thousands of won</i>		2023		2022	
		Current	Non-current	Current	Non-current
Loans for tuition	₩	3,410,342	26,436,061	2,411,927	26,771,193
Loans for housing		845,861	7,471,795	892,404	8,757,621
	₩	4,256,203	33,907,856	3,304,331	35,528,814
Less: present value discounts		(439,665)	(3,197,320)	(239,103)	(3,392,850)
	₩	3,816,538	30,710,536	3,065,228	32,135,964

14. Long-term Financial Instruments

Long-term financial instruments as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Overseas branch bank account opening deposit	₩	18,315	18,000

As discussed in Note 8 to the consolidated financial statements, the above deposits are restricted in use.

The accompanying notes are an integral part of the consolidated financial statements.

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For the years ended December 31, 2023 and 2022

15. Trade and Other Receivables

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

<i>In thousands of won</i>	2023				2022			
	Gross amount	Present value discounts	Allowance account	Carrying amount	Gross amount	Present value discounts	Allowance account	Carrying amount
Current:								
– Trade receivables	₩ 45,517,975	-	-	45,517,975	32,568,625	-	-	32,568,625
– Other receivables	33,542,327	(294,718)	(5,692,566)	27,555,043	37,568,596	(286,530)	(5,692,566)	31,589,500
Subtotal	79,060,302	(294,718)	(5,692,566)	73,073,018	70,137,221	(286,530)	(5,692,566)	64,158,125
Non-current:								
– Trade receivables	4,001,975	-	(3,990,934)	11,041	4,001,976	-	(3,990,934)	11,042
– Other receivables	10,006,696	(221,838)	-	9,784,858	10,291,468	(142,604)	-	10,148,864
Subtotal	14,008,671	(221,838)	(3,990,934)	9,795,899	14,293,444	(142,604)	(3,990,934)	10,159,906
Total	₩ 93,068,973	(516,556)	(9,683,500)	82,868,917	84,430,665	(429,134)	(9,683,500)	74,318,031

(b) Other receivables as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023				2022			
	Gross amount	Present value discounts	Allowance account	Carrying amount	Gross amount	Present value discounts	Allowance account	Carrying amount
Current:								
– Non-trade receivables	₩ 10,645,419	-	(5,692,566)	4,952,853	10,175,180	-	(5,692,566)	4,482,614
– Accrued income	9,561,484	-	-	9,561,484	6,875,753	-	-	6,875,753
– Guarantee deposits	13,335,424	(294,718)	-	13,040,706	20,517,663	(286,530)	-	20,231,133
	33,542,327	(294,718)	(5,692,566)	27,555,043	37,568,596	(286,530)	(5,692,566)	31,589,500
Non-current:								
– Guarantee deposits	10,006,696	(221,838)	-	9,784,858	10,291,468	(142,604)	-	10,148,864
	₩ 43,549,023	(516,556)	(5,692,566)	37,339,901	47,860,064	(429,134)	(5,692,566)	41,738,364

The accompanying notes are an integral part of the consolidated financial statements.

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15. Trade and Other Receivables, Continued

(c) The aging schedule of trade receivables as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Neither overdue nor impaired	₩	45,517,975	32,568,626
Overdue but not impaired		-	-
Impaired		4,001,975	4,001,975
		49,519,950	36,570,601
Less: allowance account		-	-
Less: present value discounts		(3,990,934)	(3,990,934)
Total	₩	45,529,016	32,579,667

(d) The aging schedule of other receivables as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Neither overdue nor impaired	₩	37,856,457	42,167,498
Overdue but not impaired		-	-
Impaired		5,692,566	5,692,566
		43,549,023	47,860,064
Less: present value discounts		(516,556)	(429,134)
Less: allowance account		(5,692,566)	(5,692,566)
Total	₩	37,339,901	41,738,364

16. Non-financial Assets

Non-financial assets as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023		2022	
		Current	Non-current	Current	Non-current
Advance payments	₩	12,982,167	-	8,251,444	-
Prepaid expenses		7,827,875	3,383,512	4,151,693	3,618,751
	₩	20,810,042	3,383,512	12,403,137	3,618,751

The accompanying notes are an integral part of the consolidated financial statements.

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17. Property, Plant and Equipment

(a) Changes in property, plant and equipment for the year ended December 31, 2023 are as follows:

<i>In thousands of won</i>	Land	Buildings , structure s	Machine ry	Vehicles	Tools, furniture and fixtures	Right-of-use assets	Total
Balance as of January 1, 2023:							
Acquisition cost	55,609,139	182,390,109	95,796,674	986,126	48,972,052	7,958,871	391,712,971
Accumulated depreciation		(37,429,777)	(47,872,911)	(799,187)	(41,727,717)	(6,602,888)	(134,432,480)
Carrying amount	55,609,139	144,960,332	47,923,763	186,939	7,244,335	1,355,983	257,280,491
Movement:							
Acquisitions	-	-	-	45,333	3,454,122	-	3,499,455
Increase in right-of-use assets	-	-	-	-	-	2,192,151	2,192,151
Disposals	-	-	-	(1)	(1,600)	-	(1,601)
Depreciation	-	(5,011,641)	(6,386,445)	(122,888)	(2,334,507)	(1,692,754)	(15,548,235)
	-	(5,011,641)	(6,386,445)	(77,556)	1,118,015	499,397	(9,858,230)
Balance as of December 31, 2023:							
Acquisition cost	55,609,139	182,390,109	95,796,674	1,025,601	52,284,581	5,945,423	393,051,527
Accumulated depreciation		(42,441,417)	(54,259,357)	(916,219)	(43,922,231)	(4,090,043)	(145,629,267)
Carrying amount	55,609,139	139,948,692	41,537,317	109,382	8,362,350	1,855,380	247,422,260

The accompanying notes are an integral part of the consolidated financial statements.

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17. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the year ended December 31, 2022, are as follows:

<i>In thousands of won</i>	Land	Buildings, structures	Machinery	Vehicles	Tools, furniture and fixtures	Right-of-use assets	Total
Balance as of January 1, 2022:							
Acquisition cost	55,609,139	182,390,109	95,796,674	1,106,605	50,056,695	7,129,688	392,088,910
Accumulated depreciation	-	(32,418,136)	(41,486,466)	(792,426)	(42,079,814)	(4,919,909)	(121,696,751)
Carrying amount	55,609,139	149,971,973	54,310,208	314,179	7,976,881	2,209,779	270,392,159
Movement:							
Acquisitions	-	-	-	-	1,376,543	-	1,376,543
Increase in right-of-use assets	-	-	-	-	-	829,183	829,183
Disposals	-	-	-	(1)	(4,140)	-	(4,141)
Depreciation	-	(5,011,641)	(6,386,445)	(127,239)	(2,104,949)	(1,682,979)	(15,313,253)
	-	(5,011,641)	(6,386,445)	(127,240)	(732,546)	(853,796)	(13,111,668)
Balance as of December 31, 2022:							
Acquisition cost	55,609,139	182,390,109	95,796,674	986,126	48,972,052	7,958,871	391,712,971
Accumulated depreciation	-	(37,429,777)	(47,872,911)	(799,187)	(41,727,717)	(6,602,888)	(134,432,480)
Carrying amount	55,609,139	144,960,332	47,923,763	186,939	7,244,335	1,355,983	257,280,491

The accompanying notes are an integral part of the consolidated financial statements.

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18. Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2023 are as follows:

<i>In thousands of won</i>		Industrial property and other rights (*)	Facility usage rights	Software	Other intangible assets	Intangible assets under development	Total
Balance as of January 1, 2023:							
Acquisition cost	₩	75,331,060	1,832,681	11,680,128	23,839,521	384,661	113,068,051
Accumulated amortization		(44,378,477)	-	(10,208,224)	(22,187,397)	-	(76,774,098)
Accumulated impairment		(9,177,883)	(191,288)	-	-	-	(9,369,171)
Carrying amount	₩	21,774,700	1,641,393	1,471,904	1,652,124	384,661	26,924,782
Movement:							
Acquisitions	₩	-	-	676,810	1,991,930	1,721,707	4,390,447
Amortization		(4,339,897)	-	(687,387)	(1,205,174)	-	(6,232,458)
Disposals		-	(102,695)	-	-	-	(102,695)
Transfers		212,302	-	927,900	-	(1,140,202)	-
Total	₩	(4,127,595)	(102,695)	917,323	786,756	581,505	(1,944,706)
Balance as of December 31, 2023:							
Acquisition cost	₩	75,543,360	1,832,681	13,284,840	25,874,952	966,167	117,502,000
Accumulated amortization		(48,718,373)	-	(10,895,610)	(23,436,074)	-	(83,050,057)
Accumulated impairment		(9,177,883)	(293,983)	-	-	-	(9,471,866)
Carrying amount	₩	17,647,104	1,538,698	2,389,230	2,438,878	966,167	24,980,077

The accompanying notes are an integral part of the consolidated financial statements.

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18. Intangible Assets, Continued

(b) Changes in intangible assets for the year ended December 31, 2022 are as follows:

<i>In thousands of won</i>		Industrial property and other rights (*)	Facility usage rights	Software	Other intangible assets	Intangible assets under development	Total
Balance as of January 1, 2022:							
Acquisition cost	₩	75,191,194	1,832,681	11,437,498	24,334,394	312,192	113,107,959
Accumulated amortization		(38,205,301)	-	(9,661,927)	(22,583,016)	-	(70,450,244)
Accumulated impairment		(9,177,883)	(191,288)	-	-	-	(9,369,171)
Carrying amount	₩	27,808,010	1,641,393	1,775,571	1,751,378	312,192	33,288,544
Movement:							
Acquisitions	₩	-	-	196,270	973,259	262,744	1,432,273
Amortization		(6,177,222)	-	(546,297)	(1,053,659)	-	(7,777,178)
Disposals		(3)	-	-	(18,854)	-	(18,857)
Transfers		143,915	-	46,360	-	(190,275)	-
Total	₩	(6,033,310)	-	(303,667)	(99,254)	72,469	(6,363,762)
Balance as of December 31, 2022:							
Acquisition cost	₩	75,331,060	1,832,681	11,680,128	23,839,521	384,661	113,068,051
Accumulated amortization		(44,378,477)	-	(10,208,224)	(22,187,397)	-	(76,774,098)
Accumulated impairment		(9,177,883)	(191,288)	-	-	-	(9,369,171)
Carrying amount	₩	21,774,700	1,641,393	1,471,904	1,652,124	384,661	26,924,782

(*) As of December 31, 2022, industrial property rights of ₩20,871,066 thousand received design approval from regulatory agencies in relation to the new nuclear reactor project. As the project was delayed, the Group performed an impairment assessment.

The recoverable amount of industrial property rights was measured based on the present value of future cash flows expected to occur after winning a new reactor project using the technology. The discount rate used to measure the present value of future cash flows is 15.49%.

As a result of the above impairment assessment, it was determined that the recoverable amount of industrial property rights exceeded the carrying amount, thus no impairment was recognized.

The accompanying notes are an integral part of the consolidated financial statements.

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19. Assets Held for Sale

(a) In 2022, the Group decided to sell the old building in Yongin, Gyeonggi-do, and decided that carrying amount of the old building would be mainly recovered through disposal rather than continued use, and accordingly, the buildings, structures, and land were reclassified as assets held for sale.

(b) Assets held for sale as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023			2022		
	Acquisition Cost	Accumulated depreciation	Carrying amount	Acquisition Cost	Accumulated depreciation	Carrying amount
Land	₩ 2,907,120	-	2,907,120	2,907,120	-	2,907,120
Buildings and structures	41,022,329	(27,149,740)	13,872,589	41,022,329	(27,149,740)	13,872,589
	₩ 43,929,449	(27,149,740)	16,779,709	43,929,449	(27,149,740)	16,779,709

(c) Liabilities held for sale as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023	2022
Leasehold deposit (*)	₩ -	900,000

(*) Leasehold deposit of ₩900,000 thousand related to assets held for sale was all repaid in 2023.

(d) According to the resolution of the board of directors on April 1, 2022, the Group signed a sales contract for the assets as of April 13, 2022, and recognized the related down payment and middle payment of ₩52,665,525 thousand as a long-term advance.

20. Leases

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

<i>In thousands of won</i>	2023	2022
Balance as of January 1	₩ 974,722	1,813,249
Increase	1,519,788	374,893
Interest costs	36,570	36,509
Repayments	(1,170,225)	(1,276,706)
Effect of exchange rate fluctuation	19,941	26,776
Balance as of December 31	1,380,796	974,721
Current	693,648	823,422
Non-current	687,148	151,299
	₩ 1,380,796	974,721

The incremental borrowing rate at the date of initial application used to measure the Group's lease liability is 2.32% ~ 4.82%.

(b) Repayment schedule for lease liabilities as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023		2022	
	Minimum lease payments	Present value	Minimum lease payments	Present value
Within 1 year	₩ 708,184	693,648	832,049	823,422
Between 1 and 5 years	788,497	687,148	156,737	151,299
	₩ 1,496,681	1,380,796	988,786	974,721

The accompanying notes are an integral part of the consolidated financial statements.

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20. Leases, Continued

(c) short-term leases and underlying asset leases recognized costs as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
short-term leases	₩	1,758,252	2,276,281
underlying asset leases		13,357	14,231

(d) Changes in right-of-use assets for the year ended December 31, 2023 are as follows:

<i>In thousands of won</i>		Building	Vehicle	Total
Balance as of January 1, 2023		1,059,859	296,123	1,355,982
Increase		1,700,795	491,356	2,192,151
Depreciation		(1,339,544)	(353,210)	(1,692,754)
Balance as of December 31, 2023		1,421,110	434,269	1,855,379

(e) Changes in right-of-use assets for the year ended December 31, 2022 are as follows:

<i>In thousands of won</i>		Building	Vehicle	Total
Balance as of January 1, 2022	₩	1,646,080	563,699	2,209,779
Increase		730,344	98,839	829,183
Depreciation		(1,316,565)	(366,414)	(1,682,979)
Balance as of December 31, 2022	₩	1,059,859	296,124	1,355,983

The accompanying notes are an integral part of the consolidated financial statements.

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21. Investments in Associates and Joint Ventures

(a) Details of investments in associates and joint ventures as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		Reporting period end date	Location	Percentage of ownership	2023		2022	
Company	Key operation				Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Jeju Hanlim Offshore Wind Power Co., Ltd. (*1)	Construction, management, operation of power plants	December 31	Korea	5.0%	₩ 4,400,000	3,229,943	4,400,000	3,440,033
Suwon New Power Co., Ltd. (*2)	Construction, management, operation of power plants	December 31	Korea	20.0%	400,000	618,274	400,000	556,012
ACE Co., Ltd. (*3)	Research and development	December 31	Korea	20.0%	25,000	2,473	25,000	20,000
DP TECH Co., Ltd. (*5)	Research and development	December 31	Korea	20.0%	125,000	254,154	-	-
MOMENTUM (*4)	International thermonuclear experimental reactor construction management	December 31	France	33.3%	1,280	209,350	1,280	345,062
					₩ 4,951,280	4,314,194	4,826,280	4,361,107

(*1) In 2022, the share was changed to 5.0% due to the participation of the unequal paid-in capital increase in Jeju Hanlim Offshore Wind Power Co., Ltd. As the Group has the right to appoint one director of Jeju Hanlim Offshore Wind Power Co., Ltd., we continue to have significant influence on Jeju Hanlim Offshore Wind Power Co., Ltd. The share of Jeju Hanlim Offshore Wind Power Co., Ltd. is provided as collateral in relation to borrowings of Jeju Hanlim Marine Wind Power Co., Ltd.

(*2) The Group invested in Suwon New Power Co., Ltd. on November 21, 2019. The Group has significant influence over the investee as it holds a 20.0% share.

(*3) The Group acquired 20.0% shares of ACE Co., Ltd. on July 20, 2022, in return for transferring technology. The Group has significant influence over the investee as it holds a 20.0% share and has the right to appoint one director of ACE Co., Ltd.

(*4) The Group acquired 33.3% share of MOMENTUM on July 7, 2016. As the Company has joint control over MOMENTUM and has rights to the net assets of MOMENTUM, the share of MOMENTUM is classified as joint venture.

(*5) The Company acquired 20.0% share of DP TECH Co., Ltd. on July 27, 2023, through investment in-kind. The Company has significant influence over the investee as it holds a 20.0% share and has the right to appoint one director of DP TECH Co., Ltd.

(b) Changes in investments in associates and joint ventures for the years ended December 31, 2023 and 2022 are as follows:

(i) For the year ended December 31, 2023

<i>In thousands of won</i>	January 1 2023	Acquisition	Dividend	Share of profit or loss	Share of comprehensive income or loss	December 31 2023
Jeju Hanlim Offshore Wind Power Co., Ltd.	3,440,033	-	-	(209,499)	(591)	3,229,943
Suwon New Power Co., Ltd.	556,012	-	-	62,262	0	618,274
ACE Co., Ltd.	20,000	-	-	(17,527)	0	2,473
DP TECH Co., Ltd.	-	100,000	-	154,154	0	254,154
MOMENTUM	345,062	-	(364,885)	208,146	21,027	209,350
	4,361,107	100,000	(364,885)	197,536	20,436	4,314,194

The accompanying notes are an integral part of the consolidated financial statements.

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21. Investments in Associates and Joint Ventures, Continued

(ii) For the year ended December 31, 2022

<i>In thousands of won</i>	January 1 2022	Acquisition	Dividend	Share of profit or loss	Share of comprehe nsive income or loss	December 31 2022
Jeju Hanlim Offshore Wind Power Co., Ltd.	3,359,317	-	-	94,396	(13,680)	3,440,033
Suwon New Power Co., Ltd.	544,876	-	-	11,136	-	556,012
ACE Co., Ltd.	-	20,000	-	-	-	20,000
MOMENTUM	367,886	-	(368,740)	345,265	651	345,062
	4,272,079	20,000	(368,740)	450,797	(13,029)	4,361,107

As of December 31, 2023, the Group used unaudited (unreviewed) financial statements of the above equity method accounted investees when applying the equity method of accounting. The Group performed procedures to verify the unaudited (unreviewed) financial statements.

(c) Financial information of associates and joint ventures are as follows:

(i) As of and for the year ended December 31, 2023

<i>In thousands of won</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income (l oss) for the pe riod	Total comprehensive income (loss)
Jeju Hanlim Offshore Wind Power Co., Ltd.	16,923,927	442,286,638	11,113,507	377,518,412	-	(3,511,368)	(3,523,100)
Suwon New Power Co., Ltd.	1,272,327	2,175,872	1,099,689	30,126	2,317,605	340,571	340,571
ACE Co., Ltd.	372,269	13,038	347,940	-	52,780	(29,724)	(29,724)
DP TECH Co., Ltd.	1,922,511	116,657	75,965	567,435	1,664,270	93,199	93,199
MOMENTUM	13,448,575	-	12,765,031	55,494	23,159,757	624,438	687,519

(ii) As of and for the year ended December 31, 2022

<i>In thousands of won</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income (l oss) for the pe riod	Total comprehensive income (loss)
Jeju Hanlim Offshore Wind Power Co., Ltd.	8,219,228	176,302,741	6,571,041	105,884,644	-	(5,493,618)	(5,549,797)
Suwon New Power Co., Ltd.	215,814	1,925,888	135,756	28,132	89	11,259	11,259
ACE Co., Ltd.	422,222	17,647	376,577	-	181,818	(73,663)	(73,663)
MOMENTUM	7,315,185	-	6,214,808	65,191	30,864,055	1,035,795	1,037,749

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21. Investments in Associates and Joint Ventures, Continued

(d) Reconciliation of the investee's financial information to the carrying amount of the Group's investment in subsidiary, associate and joint venture are as follows:

(i) As of December 31, 2023

In thousands of won, except percentage of ownership	Percentage of ownership	Net assets	Share of net assets	Unrealized profit	Carrying amount
Jeju Hanlim Offshore Wind Power Co., Ltd.	5.04%	₩ 70,578,647	3,557,228	(327,285)	3,229,943
Suwon New Power Co., Ltd.	20.00%	2,318,384	463,676	154,598	618,274
ACE Co., Ltd.	20.00%	37,366	7,473	(5,000)	2,473
DP TECH Co., Ltd.	20.00%	1,395,768	279,154	(25,000)	254,154
MOMENTUM	33.33%	628,049	209,350	-	209,350

(ii) As of December 31, 2022

In thousands of won, except percentage of ownership	Percentage of ownership	Net assets	Share of net assets	Unrealized profit	Carrying amount
Jeju Hanlim Offshore Wind Power Co., Ltd.	5.04%	₩ 72,066,284	3,632,207	(192,174)	3,440,033
Suwon New Power Co., Ltd.	20.00%	1,977,814	395,563	160,449	556,012
ACE Co., Ltd.	20.00%	100,000	20,000	-	20,000
MOMENTUM	33.33%	1,035,186	345,062	-	345,062

(e) As of December 31, 2022, there are no significant restrictions on the ability of the investee to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

(f) As of December 31, 2022, there are no contingent liabilities incurred relating to the investment in associate and joint venture.

22. Service and Construction Contracts

(a) Changes in construction contract amounts for the year ended December 31, 2023 and 2022 are summarized as follows:

In thousands of won	2023				2022			
	Balance as of January 1	Net contract increase	Revenue recognized	Balance as of December 31	Balance as of January 1	Net contract increase	Revenue recognized	Balance as of December 31
Service	₩ 1,540,841,027	803,934,683	432,145,530	1,912,630,180	1,337,891,379	603,078,404	400,128,756	1,540,841,027
Construction	184,247,967	451,864,858	112,946,242	523,166,583	289,697,009	(287,024)	105,162,017	184,247,968
	₩ 1,725,088,994	1,255,799,541	545,091,772	2,435,796,763	1,627,588,388	602,791,380	505,290,773	1,725,088,995

(b) Cumulative profit from service and construction contracts in progress as of December 31, 2023 and 2022 are as follows:

In thousands of won	2023			2022		
	Cumulative revenue	Cumulative cost	Cumulative profit	Cumulative revenue	Cumulative cost	Cumulative profit
Service	₩ 3,624,557,798	2,413,989,530	1,210,568,268	3,296,328,805	2,181,045,385	1,115,283,420
Construction	295,237,345	288,847,790	6,389,555	182,243,372	178,420,773	3,822,599
	₩ 3,919,795,143	2,702,837,320	1,216,957,823	3,478,572,177	2,359,466,158	1,119,106,019

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22. Service and Construction Contracts, Continued

(c) Details of construction contracts of which the contract amount is more than 5% of prior year's revenue and recognized revenue based on input method as of December 31, 2023, are summarized as follows:

<i>In thousands of won</i>	Contract date	Due date	Stage of completion	Due from customers for contract work	Trade receivables - construction
Jeju Hanlim Offshore Wind Power	Dec.2019	May 2015	87.90%	7,431,665	-
Nonsan Biomass Development	May.2021	Apr.2024	-	-	-
Gas Cogeneration Project	May 2021	Nov.2023	91.30%	5,109,836	-
Indonesia gas engine powerplant					
Sumbawa-2 EPC Project	Dec.2023	Mar.2025	25.10%	3,475,657	-
Indonesia gas engine powerplant					
Tobelo Package EPC Project	Dec.2023	Mar.2025	24.90%	3,518,469	-
Conneted device reserch	Nov. 2022	Dec. 2029	0.9%	-	39,058,580
Linked comprehensive design reserch	Nov. 2022	Dec. 2029	11.8%	-	3,061,230
System performance optimization and maintenance support equipment development	Nov. 2022	Dec. 2029	14.1%	-	16,434,094
Offshore plant construction-based research	Nov. 2022	Dec. 2029	9.9%	-	382,875
				19,535,627	58,936,779

(d) Due from customers for contract work and due to customers for contract work as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023		2022	
	Due from customers for contract work	Due to customers for contract work	Due from customers for contract work	Due to customers for contract work
Service	₩ 214,099,123	67,726,488	183,327,591	52,174,090
Construction	21,973,084	39,058,580	50,316,424	-
	₩ 236,072,207	106,785,068	233,644,015	52,174,090

The amount of ₩45,557,586 thousand recognized in contract liabilities at the beginning of the period has been recognized as revenue for this period.

(e) Total contract revenue and cost on progress projects in progress were revised due to variations in the design of construction and service contract in 2023. As of December 31, 2023, the impact on current year and future profit (loss) are in below:

<i>In thousands of won</i>	Provision for construction losses	Change in estimated contract revenue	Change in estimated contract cost	Impact on current year profit	Impact on future year profit	Revenue recognized for performance obligations fulfilled in previous period	Changes in due from customers for contract work
Nuclear power plant	₩ -	-	-	-	-	-	-
Nuclear reactor	-	-	-	-	-	-	-
Other power plant	74,860	5,001,218	5,901,664	(876,438)	(24,009)	3,724,857	(24,009)
	₩ 74,860	5,001,218	5,901,664	(876,438)	(24,009)	3,724,857	(24,009)

The revenue recognized in the current period for the performance obligations fulfilled in the previous period generated in the service contract is ₩56,353,302.

The accompanying notes are an integral part of the consolidated financial statements.

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22. Service and Construction Contracts, Continued

(f) Total contract revenue and cost on progress projects in progress were revised due to variations in the design of construction and service contract in 2022. As of December 31, 2022, the impact on current year and future profit (loss) are in below:

<i>In thousands of won</i>	Provision for construction losses	Change in estimated contract revenue	Change in estimated contract cost	Impact on current year profit	Impact on future year profit	Revenue recognized for performance obligations fulfilled in previous period	Changes in due from customers for contract work
Nuclear power plant	₩ -	-	-	-	-	-	-
Nuclear reactor	-	-	-	-	-	-	-
Other power plant	73,206	977,273	1,373,523	(240,868)	(155,381)	684,816	(155,381)
	₩ 73,206	977,273	1,373,523	(240,868)	(155,381)	684,816	(155,381)

The revenue recognized in the current period for the performance obligations fulfilled in the previous period generated in the service contract is ₩61,582,669.

The impact on current year profit or loss, future year profit or loss and due from customers for contract work is calculated by the Group based on a change in total estimated contract revenue and estimated total contract cost as of December 31, 2022. Contracts newly entered and completed contracts during the current year have been excluded. These amounts are subject to change in the future.

23. Trade and Other Payables

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

<i>In thousands of won</i>	2023		2022	
	Current	Non-current	Current	Non-current
Trade payables	₩ 23,910,582	-	65,439,642	-
Other payables	25,807,960	-	36,020,208	-
Accrued expenses	36,626,996	-	36,363,530	-
Dividend payables	-	-	1	-
Lease liabilities	693,648	687,148	823,422	151,299
Leasehold deposits received	-	741,257	706,257	35,000
Other deposits received	160,875	-	172,647	-
	₩ 87,200,061	1,428,405	139,525,707	186,299

24. Debentures Issued

(a) Details of debentures issued as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	Issue date	Maturity	Annual interest rate		2023	2022
Privately placed debentures	Jun. 15, 2022	Jun. 15, 2027	4.31%	₩	10,000	10,000
					10,000	10,000
Current					-	-
Non-current					10,000	10,000
					10,000	10,000

(b) The above debentures issued are scheduled to be repaid at the date of maturity.

The accompanying notes are an integral part of the consolidated financial statements.

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25. Retirement Benefits Plans

The Group operates defined benefit plans. According to these plans, the Group pays retirement benefits calculated under the plan's benefit formula at the time employees leave the Group. The defined benefit obligations are calculated annually using the projected unit credit method.

(a) The components of retirement benefits for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023	2022
Profit or loss		
- Current service cost	₩ 10,037,657	13,728,419
- past service cost	-	-
- Net interest on net defined benefit liabilities	(2,998,370)	(372,824)
	<u>7,039,287</u>	<u>13,355,595</u>
Other comprehensive income (loss):		
- Remeasurements of net defined benefit liabilities before tax	23,085,082	(27,441,298)
	<u>₩ 30,124,369</u>	<u>(14,085,703)</u>

Expenses as described above are recognized in those items below in the consolidated financial statements for the years ended December 31, 2023 and 2022.

<i>In thousands of won</i>	2023	2022
Cost of sales	₩ 5,082,062	9,305,608
Selling and administrative expenses	1,184,292	2,228,761
Others (development expenses and others)	772,934	1,821,226
	<u>₩ 7,039,287</u>	<u>13,355,595</u>

The details of contributions paid by the Group for the years ended December 31, 2023 and 2022.

<i>In thousands of won</i>	2023	2022
Cost of sales	₩ 4,398,800	3,923,404
Selling and administrative expenses	1,023,331	974,165
Others (development expenses and others)	686,690	807,082
	<u>₩ 6,108,821</u>	<u>5,704,651</u>

The accompanying notes are an integral part of the consolidated financial statements.

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For the years ended December 31, 2023 and 2022

25. Retirement Benefits Plans, Continued

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

<i>In thousands of won</i>	2023	2022
Balance at beginning of year	₩ (61,145,142)	(18,749,566)
Retirement benefits	7,039,287	13,355,595
Payments	(295,262)	(875,663)
Payments into plan assets	(9,066,536)	(27,434,210)
Remeasurements of net defined benefit liabilities before tax	23,153,758	(27,441,298)
Balance at end of year	₩ (40,313,896)	(61,145,142)
Statements of financial position:		
- Present value of defined benefit obligations	₩ 133,966,349	117,701,128
- Fair value of plan assets	(174,280,244)	(178,846,270)
Net defined benefit liabilities	₩ (40,313,896)	(61,145,142)

(c) Changes in defined benefit obligations for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023	2022
Balance at beginning of year	₩ 117,701,128	162,879,889
Current service costs	10,037,657	13,728,419
Interest expense	5,661,804	3,679,767
Payments	(23,834,020)	(34,687,363)
Past service costs	-	-
Remeasurements of net defined benefit liabilities before tax	24,399,780	(27,899,584)
Balance at end of year	₩ 133,966,349	117,701,128

(d) Changes in plan assets for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023	2022
Balance at beginning of year	₩ 178,846,271	181,629,455
Interest income	8,660,174	4,052,591
Payments into plan assets	9,066,536	27,434,210
Payments	(23,538,758)	(33,811,700)
Remeasurements of net defined benefit liabilities before tax	1,246,022	(458,286)
Balance at end of year	₩ 174,280,244	178,846,270

Actual returns on plan assets for the years ended December 31, 2023 and 2022 are ₩9,906,196 thousand and ₩3,594,305 thousand, respectively.

(e) The amount of remeasurements of net defined benefit liabilities in other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023	2022
Actuarial losses (gains) before tax:		
- Changes in demographic assumptions	₩ (4,240,084)	-
- Changes in financial assumptions	(14,981,279)	30,441,943
- Experience adjustments	(5,178,416)	(2,542,360)
The return on plan assets, excluding interest income on plan assets	1,246,022	(458,286)
Remeasurements of net defined benefit liabilities before tax	(23,153,757)	27,441,297
Tax effect	5,160,018	(6,363,051)
Remeasurements of net defined benefit liabilities, net of tax	₩ (17,993,739)	21,078,246

The accompanying notes are an integral part of the consolidated financial statements.

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25. Retirement Benefits Plans, Continued

(f) The components of plan assets as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Deposit	₩	21,717,323	13,688,107
Investments in equity securities		47,474	29,482
Investments in debt securities		20,768,004	7,102,697
Others		131,747,443	158,025,984
	₩	174,280,244	178,846,270

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

	2023	2022
Rate of salary increases	2.5%~4.94%	2.50% ~ 3.68%
Discount rate	4.13%~4.35%	5.17% ~ 5.27%

For the purpose of calculating present value of the defined benefit obligations, the Group used the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds consistent with the currency and estimated term of the defined benefit obligations.

(h) The effect of changes in each significant actuarial assumption on defined benefit obligations as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023		2022	
		1 percentage point increase	1 percentage point decrease	1 percentage point increase	1 percentage point decrease
Rate of salary increases	₩	11,007,016	(9,994,564)	10,418,103	(9,299,589)
Discount rate		(10,176,509)	11,769,330	(9,453,199)	10,923,255

As of December 31, 2023, the weighted average duration of the defined benefit obligations was 6.2 ~ 8.2 years.

26. Non-financial Liabilities

Non-financial liabilities as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023		2022	
		Current	Non-current	Current	Non-current
Advance receipts	₩	4,363,154	52,665,525	4,707,925	23,938,875
Withholdings		7,918,005	1,344,154	9,011,418	1,384,010
Deferred income		-	265,524	-	273,366
	₩	12,281,159	54,275,203	13,719,343	25,596,251

The accompanying notes are an integral part of the consolidated financial statements.

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27. Provisions

(a) Changes in provisions for the year ended December 31, 2023, are as follows:

<i>In thousands of won</i>	January 1 2023	Increase	Reversal	Payment	Reclassifi- cation	December 31 2023
Current liabilities:						
Provision for employee benefit	₩ 36,767,830	44,091,382	-	(40,476,502)	-	40,382,710
Provision for construction warranties	416,211	-	(416,211)	-	30,790	30,790
Other provision	310,614	590,000	-	(900,000)	330,000	330,614
Non-current liabilities:						
Provision for construction warranties	105,220	55,261	(36,433)	-	(30,790)	93,258
Provision for service losses	1,773,816	19,630	(309,156)	-	-	1,484,290
Provision for construction losses	73,206	-	(17,975)	-	-	55,231
Provision for litigation	248,284	-	(80,801)	-	-	167,483
Other provision	330,000	-	-	-	(330,000)	-
	₩ 40,025,181	44,756,273	(860,576)	(41,376,502)	-	42,544,376

(b) Changes in provisions for the year ended December 31, 2022, are as follows:

<i>In thousands of won</i>	January 1 2022	Increase	Reversal	Payment	Reclassifi- cation	December 31 2022
Current liabilities:						
Provision for employee benefit	₩ 35,399,850	42,997,939	-	(41,629,960)	-	36,767,829
Provision for construction warranties	16,147	-	(16,147)	-	416,211	416,211
Other provision	2,612,000	700,000	(400)	(3,310,986)	310,000	310,614
Non-current liabilities:						
Provision for construction warranties	509,414	67,115	(55,098)	-	(416,211)	105,220
Provision for service losses	1,575,924	388,929	(191,038)	-	-	1,773,815
Provision for construction losses	180,246	-	(107,040)	-	-	73,206
Provision for litigation	295,604	2,200,000	(2,247,320)	-	-	248,284
Other provision	-	640,000	-	-	(310,000)	330,000
	₩ 40,589,185	46,993,983	(2,617,043)	(44,940,946)	-	40,025,179

28. Share Capital

Details of share capital as of December 31, 2023 and 2022 are as follows:

	2023	2022
Number of shares authorized	300,000,000	300,000,000
Number of shares issued	38,220,000	38,220,000
Par value in won	₩ 200	200
Share capital in thousands of won	₩ 7,644,000	7,644,000

The accompanying notes are an integral part of the consolidated financial statements.

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29. Retained Earnings

(a) Details of retained earnings as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Legal reserve	₩	3,822,000	3,822,000
Voluntary reserve		531,873,820	503,607,912
Unappropriated retained earnings		14,256,948	39,032,220
	₩	549,952,768	546,462,132

The Commercial Code requires the Group to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to dispose of deficit or may be transferred to ordinary shares in connection with a free issue of shares.

(b) Details of voluntary reserves as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Reserve for business development	₩	45,710,120	45,710,120
Reserve for business expansion		486,163,700	457,897,792
	₩	531,873,820	503,607,912

(c) Changes in unappropriated retained earnings for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Balance at the beginning of the year	₩	39,032,220	25,115,766
Profit for the year		32,654,448	17,953,974
Other comprehensive income (loss) for the year		(17,993,740)	21,078,246
Share of remeasurements of associate		(2,660)	-
Replacement of gain on disposal for fair value of financial assets		(401,100)	-
Transfer to voluntary reserves		(28,265,909)	(16,061,412)
Dividends		(10,766,312)	(9,054,354)
Balance at the end of the year	₩	14,256,947	39,032,220

(d) Statements of appropriation of retained earnings of the Parent Company for the years ended December 31, 2023 and 2022 are as follows:

Date of appropriation for 2023: March 28, 2024

Date of appropriation for 2022: March 29, 2023

<i>In thousands of won</i>		2023	2022
Unappropriated retained earnings:			
Balance at the beginning of the year	₩	-	-
Profit for the year		32,653,637	17,953,974
Remeasurements of the net defined benefit liabilities, net of tax		(17,939,417)	20,958,695
Share of remeasurements of associate		(56,983)	119,551
Replacement of gain on disposal for fair value of financial assets		(401,100)	-
Unappropriated retained earnings		14,256,137	39,032,220
Transfer from voluntary reserves		-	-
Unappropriated retained earnings available for appropriation		14,256,137	39,032,220
Appropriation of retained earnings:			
Reserve for business expansion		(5,336,268)	28,265,908
Dividends		19,592,405	10,766,312
Unappropriated retained earnings to be carried over to subsequent year	₩	-	-

The accompanying notes are an integral part of the consolidated financial statements.

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29. Retained Earnings, Continued

(e) Dividends and dividends per share for the years ended December 31, 2023 and 2022 are as follows:

		2023	2022
Number of shares issued		38,043,505	38,043,505
Dividends per share in won	₩	283	238
Total dividends in thousands of won		10,766,312	9,054,354

30. Other Equity Components

Details of other equity components as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Treasury shares	₩	(10,300,329)	(10,300,329)
Accumulated other comprehensive loss (net changes in fair value of financial assets FVOCI)		-	(385,499)
Accumulated other comprehensive income (share of other comprehensive income (loss) of joint venture)		11,972	(6,491)
	₩	(10,288,357)	(10,692,319)

Treasury shares held by the Group as of December 31, 2023 and 2022 are 176,495 shares, respectively.

31. Selling, General and Administrative Expenses

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

<i>In thousands of won</i>		2023	2022
Salaries	₩	31,990,147	27,985,825
Retirement benefits		2,207,623	3,202,927
Employee welfare benefits		3,736,358	3,737,020
Employee welfare fund		236,953	138,990
Subcontracts		702,419	847,241
Depreciation		2,633,692	2,645,711
Amortization		1,047,643	1,344,571
Impairment loss on trade receivables		-	(203,800)
Commissions and fees		3,046,391	2,244,051
Advertising		551,643	528,854
Educations and training		214,111	233,604
Rent		1,126,639	1,061,777
Communications		42,444	43,129
Taxes and dues		661,892	638,464
Utilities		378,197	310,161
Maintenance		100,606	90,035
Research and development		48,133,075	52,619,090
Travel		488,558	475,357
Association fees		14,562	16,315
Others		2,009,171	(912,147)
	₩	99,322,124	97,047,175

The accompanying notes are an integral part of the consolidated financial statements.

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32. Finance Income and Costs

(a) Details of finance income for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Interest income	₩	6,318,581	2,966,270
Dividend income		6,852	12,562
Gain on foreign currency transactions		2,779	20,418
Gain on foreign currency translation		15,044	32,666
Gain on valuation of financial assets at fair value		165,883	21,270
Gain on transaction of derivatives		-	133,932
	₩	6,509,139	3,187,118

(b) Details of interest income for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Deposits	₩	1,480,978	107,750
Money Market Trust		986,416	32,618
Debt securities		153	139
Trade and other receivables		2,453,596	1,471,204
Loans		812,497	888,116
Others		584,941	466,443
	₩	6,318,581	2,966,270

(c) Details of finance costs for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Interest costs	₩	96,119	344,012
Loss on foreign currency transactions		956	2,077
Loss on foreign currency translation		49,592	26,124
Loss on valuation of financial assets at fair value		-	49
Loss on transaction of derivatives		-	46,520
	₩	146,667	418,782

(d) Details of interest costs for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Debentures	₩	431	386
Borrowings		59,118	307,117
Lease liabilities		36,570	36,509
	₩	96,119	344,012

33. Other Income and Expenses

(a) Details of other income for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Rental Income	₩	570,767	952,032
Revenue from assigned research projects		9,272,534	7,709,362
Others		1,174,611	4,083,894
	₩	11,017,912	12,745,288

(b) Details of other expenses for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Donations	₩	2,142,585	3,109,011
Others		63,937	1,163,708
	₩	2,206,522	4,272,719

The accompanying notes are an integral part of the consolidated financial statements.

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34. Other Gains (Losses)

Details of other gains (losses) for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Gain on foreign currency transactions	₩	432,907	287,131
Gain on foreign currency translation		102,212	294,523
Gain on disposal of property, plant and equipment		28,347	30,960
Gain on disposal of intangible assets		100,000	20,000
Reversal of Impairment loss of intangible assets		180,288	-
Loss on foreign currency transactions		(370,335)	(445,559)
Loss on foreign currency translation		(51,117)	(70,889)
Loss on disposal of property, plant and equipment		-	(847)
Loss on disposal of intangible assets		-	(11,463)
Impairment loss of intangible assets		(282,983)	-
	₩	139,319	103,856

35. Income Taxes

(a) The components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Current income tax expense:			
Current income tax expense	₩	3,775,517	1,096,769
Adjustments recognized in the period for current tax of prior periods		(91,143)	(49,575)
Current income tax directly recognized in equity		5,153,983	(6,365,002)
		8,838,357	(5,317,808)
Deferred tax expense:			
Generation and realization of temporary differences	₩	2,580,313	13,099,418
	₩	11,418,670	7,781,610

(b) Income tax directly adjusted to shareholders' equity for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Current income tax	₩	-	-
Deferred tax:			
Remeasurements of the net defined benefit liabilities	₩	5,160,018	(6,363,051)
Share of other comprehensive income(loss) of joint venture		(4,632)	3,068
Gains and loss on valuation of financial assets at fair value		(1,403)	(5,019)
	₩	5,153,983	(6,365,002)

The accompanying notes are an integral part of the consolidated financial statements.

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35. Income Taxes, Continued

(c) Reconciliation between actual income tax expense and amount computed by applying the statutory tax rate to income before income taxes for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won, except tax rate information</i>		2023	2022
Profit before income tax	₩	44,073,118	25,735,585
Statutory tax rate		22.29%	24.20%
Expense for income taxes at statutory tax rate		9,823,898	6,228,012
Adjustment:			
- Non-taxable income		(11,157)	(12,005)
- Non-deductible expenses		94,388	71,343
- Effect of tax credits		(93,988)	-
- Adjustments recognized in the period for current tax of prior periods		(91,143)	(49,575)
- Changes of tax rate		1,334,315	1,844,679
- Others		362,357	(300,844)
Income tax expense	₩	11,418,670	7,781,610
Effective tax rate		25.91%	30.24%

(d) Changes in deferred tax assets (liabilities) recognized in the statements of financial position for the years ended December 31, 2023 and 2022 are as follows:

(i) For the year ended December 31, 2023

<i>In thousands of won</i>		January 1 2023	Profit or loss	Other comprehensive income	December 31 2023
Net defined benefit liabilities	₩	(8,721,148)	1,228,936	5,160,018	(2,332,194)
Property, plant and equipment		1,488,855	(13,056)	-	1,475,799
Intangible assets		44,379	21,150	-	65,529
Financial assets at fair value		(5,200)	(144,345)	(1,403)	(150,948)
Investments in associate and joint venture		(63,830)	14,836	(4,632)	(53,626)
Deferred revenue		19,434,780	(1,044,097)	-	18,390,683
Provisions		11,291,953	(426,296)	-	10,865,657
Other financial liabilities		8,103,400	(320,151)	-	7,783,249
Accrued income		(2,213)	(46,969)	-	(49,182)
Leases		(88,453)	(17,163)	-	(105,616)
Unused tax loss		6,692,670	(6,692,670)	-	-
Others		4,621,370	(294,471)	-	4,326,899
	₩	42,796,563	(7,734,296)	5,153,983	40,216,250

(ii) For the year ended December 31, 2022

<i>In thousands of won</i>		January 1 2022	Profit or loss	Other comprehensive income	December 31 2022
Net defined benefit liabilities	₩	(3,272,349)	914,252	(6,363,051)	(8,721,148)
Property, plant and equipment		1,258,848	230,008	-	1,488,856
Intangible assets		46,292	(1,913)	-	44,379
Financial assets at fair value		(289)	108	(5,019)	(5,200)
Investments in associate and joint venture		(65,848)	(1,051)	3,068	(63,831)
Deferred revenue		21,965,086	(2,530,306)	-	19,434,780
Provisions		11,635,953	(343,999)	-	11,291,954
Other financial liabilities		8,281,408	(178,006)	-	8,103,402
Accrued income		(1,561)	(653)	-	(2,214)
Leases		(95,961)	7,508	-	(88,453)
Unused tax loss		9,069,788	(2,377,118)	-	6,692,670
Others		7,074,615	(2,453,246)	-	4,621,369
	₩	55,895,982	(6,734,416)	(6,365,002)	42,796,564

(e) Deferred tax assets have been recognized to the extent the Group has determined it is probable that future profits will be available against which the Group can utilize the related benefit.

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35. Income Taxes, Continued

(f) The amount of deductible temporary differences which are not recognized as deferred tax assets as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Unused tax loss and tax credits	₩	(95,306)	204,333

36. Expenses Classified by Nature

Expenses classified by nature for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023			2022		
	Cost of sales	Selling, general and administrative expenses	Total	Cost of sales	Selling, general and administrative expenses	Total
Construction materials	₩ 84,017,266	-	84,017,266	86,836,285	-	86,836,285
Salaries	156,273,954	31,990,147	188,264,101	154,637,749	27,985,825	182,623,574
Retirement benefits	9,480,861	2,207,623	11,688,484	13,349,179	3,202,927	16,552,106
Employee welfare benefits	16,791,595	3,736,358	20,527,953	16,028,849	3,737,020	19,765,869
Employee welfare fund	868,887	236,953	1,105,840	601,752	138,990	740,742
Subcontracts	71,291,611	702,419	71,994,030	63,788,489	847,241	64,635,730
Depreciation	11,088,242	2,633,692	13,721,934	10,567,017	2,645,711	13,212,728
Amortization	4,342,203	1,047,643	5,389,846	5,309,852	1,344,571	6,654,423
Impairment loss on trade receivables	-	-	-	-	(203,800)	(203,800)
Commissions and fees	31,224,467	3,046,391	34,270,858	18,971,397	2,244,051	21,215,448
Advertising	-	551,643	551,643	-	528,854	528,854
Education and training	577,098	214,111	791,209	706,882	233,604	940,486
Rent	4,200,718	1,126,639	5,327,357	3,622,143	1,061,777	4,683,920
Communications	173,870	42,444	216,314	165,027	43,129	208,156
Taxes and dues	2,581,378	661,892	3,243,270	2,309,123	638,464	2,947,587
Utilities	1,587,921	378,197	1,966,118	1,229,791	310,161	1,539,952
Maintenance	316,003	100,606	416,609	230,341	90,035	320,376
Research and development	-	48,133,075	48,133,075	-	52,619,090	52,619,090
Travel	3,401,931	488,558	3,890,489	2,886,989	475,357	3,362,346
Association fees	236,183	14,562	250,745	238,248	16,315	254,563
Others	18,753,063	2,009,171	20,762,234	12,824,460	(912,147)	11,912,313
	₩ 417,207,251	99,322,124	516,529,375	394,303,573	97,047,175	491,350,748

The accompanying notes are an integral part of the consolidated financial statements.

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37. Earnings per Share

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

		2023	2022
Net profit for the year in thousands of won	₩	32,654,448	17,953,974
Weighted-average number of ordinary shares outstanding (*)		38,043,505	38,043,505
Basic and diluted earnings per share in won	₩	858	472

(*) Weighted-average number of ordinary shares outstanding was calculated as follows:

<i>In shares</i>		2023	2022
Issued shares at beginning of year		38,220,000	38,220,000
Effect of treasury shares held		(176,495)	(176,495)
		38,043,505	38,043,505

The accompanying notes are an integral part of the consolidated financial statements.

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38. Capital Management

The Group's policy is to maintain a strong capital base to maintain investor, creditor, and market confidence and to sustain future development of the business. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Group monitors capital using the ratio of net debt to equity. For this purpose, net debt is defined as total interest-bearing liabilities, comprising interest-bearing borrowings and debentures issued, less cash and cash equivalents. The Group applied the same capital management strategy that was applied in the previous year.

As of December 31, 2023 and 2022, the Group's net debt-to-equity ratio was as follows:

<i>In thousands of won, except net debt-to-equity ratio</i>		2023	2022
Borrowings and debentures issued	₩	10,000	10,000
Less: cash and cash equivalents		(52,159,068)	(45,324,253)
Net debt		(52,149,068)	(45,314,253)
Equity		547,308,412	543,413,813
Net debt-to-equity ratio		(*)	(*)

(*) Since the net borrowings amounted to a negative balance, the net debt-to-equity ratio was not calculated.

39. Risk Management

(a) Overview

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk including quantitative disclosures.

(b) Risk management framework

The purpose of managing financial risks is to identify the potential risk factors that may affect the Group's financial performance, and minimize, eliminate and avoid it to an acceptable extent. One of the principal responsibilities of the treasury department is to manage the financial risks arising from the Group's underlying operations. The treasury department monitors and manages the financial risk arising from the Group's underlying operations in accordance with the risk management policies and procedures authorized by the board of directors. In addition, the internal auditor consistently observes the compliance of the risk management policy and procedure and reviews the risk exposure limit of the Group. The Group applied the same financial risk management strategy that was applied in the previous period.

The accompanying notes are an integral part of the consolidated financial statements.

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39. Risk Management, Continued

(c) Management of financial risks

Credit Risk

The Group has exposure to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has transacted with customers with high credit ratings to manage credit risk and has implemented and operated policies and procedures for credit enhancements of the financial assets. Counterparty credit risk is managed by evaluating its credit rating and limiting the aggregate amount and duration of exposure before sales commence, and the Group has been provided collateral and guarantees. The credit ratings of all counterparties and the level of collateral and guarantees are reviewed regularly. Analysis of financial assets past due has been reported quarterly and appropriate measures have been taken to secure the Group's assets.

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Cash and cash equivalents	₩	52,159,068	45,324,253
Short-term and long-term financial instruments		18,315	18,000
Financial assets at FVTPL		37,528,409	1,662,526
Financial assets at FVOCI		-	14,198
Debt securities		13,614,845	1,011,405
Loans		34,527,075	35,201,192
Trade and other receivables		82,868,917	74,318,031
	₩	220,716,629	157,549,605

The Group has made deposits on cash, cash equivalents and other financial instruments in KEB Hana Bank and several financial institutions with high credit ratings, thus the credit risks from these financial institutions are very limited.

Liquidity Risk

The Group has exposure to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's management has established short-term and long-term financial management plans to manage the liquidity risk, and analyzed cash outflows occurred and cash outflows budgeted, to match the maturity structure of financial assets and financial liabilities. The Group's management determines whether the financial liabilities are repayable with the operating cash flows and cash inflows from financial assets.

The following are expected maturities for non-derivative of financial liabilities as of December 31, 2023 and 2022, including estimated interest payments:

(i) For the year ended December 31, 2023

<i>In thousands of won</i>		Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 years	Total
Borrowings and debentures	₩	431	431	10,625	-	11,487
Trade and other payables		86,506,412	741,257	-	-	87,247,669
Lease liabilities		708,184	408,128	214,924	165,445	1,496,681
	₩	87,215,027	1,149,816	225,549	165,445	88,755,837

(ii) For the year ended December 31, 2022

<i>In thousands of won</i>		Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 years	Total
Borrowings and debentures	₩	431	431	11,058	-	11,920
Trade and other payables		138,702,285	35,000	-	-	138,737,285
Lease liabilities		832,049	141,508	15,229	-	988,786
		139,534,765	176,939	26,287	-	139,737,991

The above financial liabilities are presented at the nominal value of undiscounted future cash flows, including estimated interests, and as of the earliest period at which the Group can be required to pay.

The Group is required to include information on non-derivative financial assets to understand the liquidity risk management based on net assets and net liabilities.

The accompanying notes are an integral part of the consolidated financial statements.

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39. Risk Management, Continued

(c) Management of financial risks, continued

The expected maturities for non-derivative financial assets as of December 31, 2023 and 2022 are as follows:

(i) For the year ended December 31, 2023

<i>In thousands of won</i>		Within 1 year	Between 1 year and 5 years	More than 5 years	Other	Total
Cash and cash equivalents	₩	52,159,068	-	-	-	52,159,068
Financial assets at FVTPL		35,745,088	-	-	1,783,321	37,528,409
Financial assets at FVOCI		-	-	-	-	-
Debt securities		13,604,830	10,015	-	-	13,614,845
Loans		4,256,203	3,715,817	30,192,039	-	38,164,059
Financial instruments		-	-	-	18,315	18,315
Trade and other receivables		73,073,018	10,017,737	-	-	83,090,755
		178,838,207	13,743,569	30,192,039	1,801,636	224,575,451

(ii) For the year ended December 31, 2022

<i>In thousands of won</i>		Within 1 year	Between 1 year and 5 years	More than 5 years	Other	Total
Cash and cash equivalents	₩	45,324,253	-	-	-	45,324,253
Financial assets at FVTPL		-	-	-	1,662,526	1,662,526
Financial assets at FVOCI		-	-	-	14,198	14,198
Debt securities		1,001,200	10,205	-	-	1,011,405
Loans		3,344,527	3,569,615	31,919,003	-	38,833,145
Financial instruments		-	-	-	18,000	18,000
Trade and other receivables		64,158,124	10,302,510	-	-	74,460,634
		113,828,104	13,882,330	31,919,003	1,694,724	161,324,161

(d) Market Risk

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

Currency Risk

The Group has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates arising from foreign services and construction contracts. The Group's management has measured the currency risk internally and regularly and has entered foreign currency forward contracts to hedge foreign currency risk in case of need.

The carrying amounts of monetary assets and liabilities denominated in a currency other than the functional currency as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023		2022	
		Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
AED	₩	1,340,520	111,794	640,951	192,632
EUR		1,929,339	428,892	1,195,086	202,616
IDR		23,730	20,074	30,870	44,686
CAD		-	-	83,197	-
SAR		-	-	4,385	-
USD		1,419,250	699,165	2,200,978	-
SEK		-	360,365	-	-
	₩	4,712,839	1,620,290	4,155,467	439,934

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY
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39. Risk Management, Continued

(d) Market risk, continued

As of December 31, 2023 and 2022, the effects of a 10% strengthening or weakening of functional currency against foreign currencies on profit before tax are as follows:

<i>In thousands of won</i>	2023		2022	
	10% strengthening	10% weakening	10% strengthening	10% weakening
Profit (loss) before income taxes	₩ 309,255	(309,255)	371,553	(371,553)

The above sensitivity analysis was applied to monetary assets and liabilities denominated in foreign currencies other than the functional currency at the end of the reporting period.

Interest rate Risk

The Group has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's management has monitored the level of interest rates regularly and has maintained the balance of borrowings at variable rates and fixed rates. As of December 31, 2023 and 2022, there is no significant effect on cash flows or the fair value of financial liabilities from the interest rate fluctuation, considering the amounts of interest-bearing liabilities.

(e) Measurement of Fair value

The fair value of financial instruments traded in an active market is calculated based on market prices announced at the end of the reporting period. The publicly announced market price of financial assets held by our company is the bid price.

The fair value of financial products (over-the-counter derivatives, etc.) that are not traded in an active market is determined using valuation techniques. Company utilizes a variety of valuation techniques and make assumptions based on current market conditions at the end of the reporting period.

In the case of trade receivables and trade payables, the carrying amount minus impairment losses is an approximation of fair value, and for disclosure purposes, the fair value of financial liabilities is the contractual future cash flows discounted at the current market interest rate that the company applies to similar financial products. It is estimated at one amount.

(i) Carrying amount and fair value

The carrying amount and fair value measurements of financial assets and financial liabilities as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets recognized as fair value	₩			
- Financial assets at FVTPL	37,528,409	37,528,409	1,662,526	1,662,526
- Financial assets at FVOCI	-	-	14,198	14,198
	37,528,409	37,528,409	1,676,724	1,676,724
Assets recognized as amortized cost				
- Cash and cash equivalents	52,159,068	52,159,068	45,324,253	45,324,253
- Debt securities	13,614,845	13,614,845	1,011,405	1,011,405
- Loans	34,527,075	34,527,075	35,201,192	35,201,192
- Financial instruments	18,315	18,315	18,000	18,000
- Trade and other receivables	82,868,917	82,868,917	74,318,031	74,318,031
	183,188,220	183,188,220	155,872,881	155,872,881
Liabilities recognized as amortized cost				
- debentures	10,000	10,000	10,000	10,000
- Trade and other payables	1,380,796	1,380,796	974,721	974,721
- Lease liabilities	87,256,453	87,256,453	138,098,802	138,098,802
	88,638,465	88,638,465	139,722,006	139,722,006

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(e) Measurement of Fair value, Continued

(ii) Interest rates used to determine fair value

The interest rate used to discount expected cash flows was determined by adding the credit spread to the yield on government and public bonds as of the end of the reporting period.

The interest rate applied as of December 31, 2023, are as follows:

<i>In thousands of won</i>	2023	2022
Lease	2.32%~4.82%	2.32%~4.34%
Debentures	4.31%	4.31%

(iii) Fair value hierarchy

The fair value measurements classified by fair value hierarchy as of December 31, 2023, are as follows:

<i>In thousands of won</i>	Carrying amount	Level 1	Level 2	Fair value Level 3
Financial assets:				
– Financial assets at FVTPL (*)	₩ 37,018,409	-	35,745,088	1,273,321

(ii) The fair value measurements classified by fair value hierarchy as of December 31, 2022, are as follows:

<i>In thousands of won</i>	Carrying amount	Level 1	Level 2	Fair value Level 3
Financial assets:				
– Financial assets at FVTPL (*)	₩ 1,252,526	-	-	1,252,526

(*) Some of the financial assets at FVTPL were excluded from the fair value disclosure because more recent information available to determine fair value is insufficient, or because the range of possible fair value measurements is wide, and the acquisition cost represents the best estimate of its fair value.

(iii) Changes in Level 3 fair value of financial instruments for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023	2022
Balance as of January 1	₩ 1,252,526	1,231,306
Gain on valuation of derivative financial assets	20,795	21,220
Balance as of December 31	₩ 1,273,321	1,252,526

The accompanying notes are an integral part of the consolidated financial statements.

KEPCO ENGINEERING & CONSTRUCTION COMPANY, INC. AND ITS SUBSIDIARY

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40. Transactions and Balances with Related Parties

(a) Details of parent and subsidiary relationships as of December 31, 2023 and 2022 are as follows:

Type	2023	2022
Parent company	Korea Electric Power Corporation	Korea Electric Power Corporation
Subsidiary	KEPCO E&C Service Co., Ltd.	KEPCO E&C Service Co., Ltd.

(b) Details of other related parties as of December 31, 2023 and 2022 are as follows:

Type	2023	2022
Associate	Jeju Hanlim Offshore Wind Power Co.,Ltd. Suwon New Power Co., Ltd., ACE Co., Ltd., DP TECH Co., Ltd.	Jeju Hanlim Offshore Wind Power Co.,Ltd. Suwon New Power Co., Ltd.
Joint venture	MOMENTUM	MOMENTUM
Companies under common control (*1)	Korea Hydro & Nuclear Power Co., Ltd., Korea South-East Power Co., Ltd., Korea Midland Power Co., Ltd., Korea Western Power Co., Ltd., Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd., KEPCO Nuclear Fuel Co., Ltd., KEPCO KDN Co., Ltd., Korea Offshore Wind Power Corporation	Korea Hydro & Nuclear Power Co., Ltd., Korea South-East Power Co., Ltd., Korea Midland Power Co., Ltd., Korea Western Power Co., Ltd., Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd., KEPCO Nuclear Fuel Co., Ltd., KEPCO KDN Co., Ltd., Korea Offshore Wind Power Corporation
Others (*2)	GS Donghae Electric Power Co., Ltd., Gangneung Eco Power Co., Ltd., Gwangyang Green Energy Co., Ltd. Nawah Energy Company, Korea Development Bank	GS Donghae Electric Power Co., Ltd., Gangneung Eco Power Co., Ltd., Gwangyang Green Energy Co., Ltd. Nawah Energy Company, Korea Development Bank

(*1) Companies under common control comprise of subsidiaries of Korea Electric Power Corporation.

(*2) Others comprise of associates or joint ventures of Korea Electric Power Corporation and their subsidiaries.

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40. Transactions and Balances with Related Parties, Continued

(c) Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2023 and 2022 are as follows:

(i) For the year ended December 31, 2023

<i>In thousands of won</i>							
Type	Company	Sales	Operating expenses	Dividends	Equity investment	Other expense	
Parent	Korea Electric Power Corporation	₩ 1,939,393	7,114,250	-	-	-	
Associate	Jeju Hanlim Offshore Wind Power Co., Ltd	-	-	-	14,450	-	
	Suwon New Power Co., Ltd.	-	-	-	-	-	
	ACE Co., Ltd.	-	-	-	-	-	
	DP TECH Co., Ltd.	-	-	125,000	-	-	
Joint venture	MOMENTUM	-	-	-	-	-	
Companies under common control		222,457,911	1,386,490	-	-	-	
	Korea Hydro & Nuclear Power Co., Ltd.						
	Korea South-East Power Co., Ltd	9,164,374	-	-	-	-	
	Korea Midland Power Co., Ltd.	8,652,662	-	-	-	-	
	Korea Western Power Co., Ltd.	8,388,418	-	-	-	-	
	Korea Southern Power Co., Ltd.	5,597,645	-	-	-	-	
	Korea East-West Power Co., Ltd.	8,486,785	-	-	-	-	
	KEPCO KPS Co., Ltd.	-	18,000	-	-	-	
	KEPCO Nuclear Fuel Co., Ltd.	246,346	1,050,856	-	-	-	
	Korea Off Shore Wind Power Corporation	-	-	-	-	-	
	KEPCO KDN Co., Ltd.	-	1,992,885	-	-	-	
	PT KPJB	-	-	-	-	-	
Others	GS Donghae Electric Power Co., Ltd.	427,941	-	-	-	-	
	Gangneung Eco Power Co., Ltd.	341,793	-	-	-	-	
	Gwangyang Green Energy Co., Ltd.	513,765	-	-	-	-	
	Nawah Energy Company	10,399,817	-	-	-	-	
	Korea Development Bank	120,000	-	-	-	-	
		W	382,066,830	6,387,624	7,114,250	125,000	14,450

The accompanying notes are an integral part of the consolidated financial statements.

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40. Transactions and Balances with Related Parties, Continued

(ii) For the year ended December 31, 2022

<i>In thousands of won</i>							
Type	Company	Sales	Operating expenses	Dividends	Equity investment	Other expense	
Parent	Korea Electric Power Corporation	₩ 21,194,139	1,604,742	5,983,009	-	-	-
Associate	Jeju Hanlim Offshore Wind Power Co., Ltd	70,271,510	-	-	-	26,920	-
	Suwon New Power Co., Ltd.	81,976	-	-	-	-	-
	ACE Co., Ltd.	-	-	-	20,000	-	-
Joint venture	MOMENTUM	3,421,227	-	-	-	-	-
Companies under common control	Korea Hydro & Nuclear Power Co., Ltd.	214,132,280	1,039,745	-	-	4,396	-
	Korea South-East Power Co., Ltd	6,692,910	-	-	-	-	-
	Korea Midland Power Co., Ltd.	7,805,641	-	-	-	-	-
	Korea Western Power Co., Ltd.	9,542,115	-	-	-	-	-
	Korea Southern Power Co., Ltd.	3,610,463	-	-	-	-	-
	Korea East-West Power Co., Ltd.	8,213,673	-	-	-	-	-
	KEPCO Nuclear Fuel Co., Ltd.	666,019	352,579	-	-	-	-
	KEPCO KDN Co., Ltd.	-	1,250,158	-	-	-	-
	PT KPJB	-	-	-	-	-	-
	Korea Offshore Wind Power Corporation	52,093	-	-	-	-	-
Others	GS Donghae Electric Power Co., Ltd.	885,697	-	-	-	-	-
	Gangneung Eco Power Co., Ltd.	872,140	-	-	-	-	-
	Gwangyang Green Energy Co., Ltd.	724,834	-	-	-	-	-
	Nawah Energy Company	10,060,600	-	-	-	-	-
	Korea Development Bank	120,000	-	-	-	-	-
		₩ 358,347,317	4,247,224	5,983,009	20,000	31,316	

The accompanying notes are an integral part of the consolidated financial statements.

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40. Transactions and Balances with Related Parties, Continued

(d) Account balances with related parties as of December 31, 2023 and 2022 are as follows:

(i) As of December 31, 2023

In thousands of won

Type	Company		Trade receivables	Due from customers for contract Work (*)	Other payables
Parent	Korea Electric Power Corporation	₩	-	74,579,047	-
Associate	Jeju Hanlim Offshore Wind Power Co., Ltd		4,162,465	7,431,665	659
	Suwon New Power Co., Ltd.		875,600	560,079	-
Joint venture	MOMENTUM		-	-	167,627
Companies under control	Korea Hydro & Nuclear Power Co., Ltd.		18,597,157	141,266,433	-
	Korea South-East Power Co., Ltd.		5,824,439	3,343,911	-
	Korea Midland Power Co., Ltd.		4,784,618	1,391,274	-
	Korea Western Power Co., Ltd.		1,105,468	8,162,760	-
	Korea Southern Power Co., Ltd.		1,307,397	2,263,548	1,466,154
	Korea East-West Power Co., Ltd.		-	5,145,454	81,387
	KEPCO Nuclear Fuel Co., Ltd.		-	550,047	-
	Gwangyang Green Energy Co., Ltd.		-	716,244	-
	Nawah Energy Company		-	1,995,166	-
		₩	36,657,144	247,405,628	1,715,827

(*) The Group recognises revenue and costs by applying an output method-based progress and reflects the adjustments made to IFRS for matching of costs with revenue. However, the adjustments are excluded account balances with related parties.

(ii) As of December 31, 2022

In thousands of won

Type	Company		Trade receivables	Due from customers for contract Work (*)	Other payables
Parent	Korea Electric Power Corporation	₩	68,335	62,577,944	2,640
Associate	Jeju Hanlim Offshore Wind Power Co., Ltd		2,058,431	44,720,522	-
	Suwon New Power Co., Ltd.		-	1,279,886	-
Joint venture	MOMENTUM		-	-	498,572
Companies under control	Korea Hydro & Nuclear Power Co., Ltd.		726,667	125,709,748	5,000,355
	Korea South-East Power Co., Ltd.		3,990,934	1,306,475	-
	Korea Midland Power Co., Ltd.		2,442,185	2,545,424	-
	Korea Western Power Co., Ltd.		-	3,676,402	-
	Korea Southern Power Co., Ltd.		235,731	1,754,955	147,816
	Korea East-West Power Co., Ltd.		1,568,881	2,408,386	-
	KEPCO Nuclear Fuel Co., Ltd.		-	565,020	-
Others	GS Donghae Electric Power Co., Ltd.		493,922	288,780	-
	Gangneung Eco Power Co., Ltd.		-	477,569	-
	Gwangyang Green Energy Co., Ltd.		-	202,479	-
	Nawah Energy Company		-	5,222,553	-
		₩	11,585,086	252,736,143	5,649,383

(*) The Group recognises revenue and costs by applying an output method-based progress and reflects the adjustments made to IFRS for matching of costs with revenue. However, the adjustments are excluded account balances with related parties.

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40. Transactions and Balances with Related Parties, Continued

(e) Details of pledged assets which the Group had provided for the related parties above as of December 31, 2023 and 2022 are as follows:

(i) As of December 31, 2023

In thousands of won

<i>Provided</i>	<i>Related parties</i>	<i>Pledged assets</i>	<i>Lender</i>		<i>Carrying amount</i>
The Group	Jeju Hanlim Offshore Wind Power Co., Ltd	Investments in associates	KOOKMIN BANK	W	3,229,943 (*)

(*) The above amount is carrying amount of Jeju Hanlim Marine Wind Power Co., Ltd as of December 31, 2023.

(ii) As of December 31, 2022

In thousands of won

<i>Provided</i>	<i>Related parties</i>	<i>Pledged assets</i>	<i>Lender</i>		<i>Carrying amount</i>
The Group	Jeju Hanlim Offshore Wind Power Co., Ltd	Investments in associates	KOOKMIN BANK	W	3,440,033 (*)

(*) The above amount is carrying amount of Jeju Hanlim Marine Wind Power Co., Ltd as of December 31, 2022.

(f) Details of key management personnel compensation for the years ended December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>		2023	2022
Short-term employee benefits	₩	921,358	857,758
Retirement benefits		21,789	50,644
	₩	943,147	908,402

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41. Cash Flows

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

<i>In thousands of won</i>		2023	2022
Reclassification of guarantee deposits (leasehold deposits received)			
from non-current to current guarantee deposits (leasehold deposits received)	₩	7,896,685	11,911,101
Transfer from rent deposit to accounts receivable		2,463,049	-
Transfer of intangible assets under development		1,140,202	190,275
Increase in right-of-use assets		2,192,151	829,183
Transfer from loans to short-term loan		1,673,651	1,216,236
Transfer from current to non-current debt securities		10,001,830	1,200
Transfer to voluntary reserves		28,265,909	16,061,412

(b) Changes in liabilities arising from financing activities for the years ended December 31, 2023 and 2022 are as follows:

(i) For the year ended December 31, 2023

<i>In thousands of won</i>	Debentures issued	Borrowings	Leases liabilities	Total
Balance at beginning of year	10,000	-	974,722	984,722
Proceeds	-	71,743,108	-	71,743,108
Repayment	-	(71,743,108)	(1,170,225)	(72,913,333)
Increase	-	-	1,556,358	1,556,358
Effect of exchange rate fluctuation	-	-	19,941	19,941
Balance at end of year	10,000	-	1,380,796	1,390,796

(ii) For the year ended December 31, 2022

<i>In thousands of won</i>	Debentures issued	Borrowings	Leases liabilities	Total
Balance at beginning of year	10,000	-	1,813,249	1,823,249
Proceeds	10,000	311,187,001	-	311,197,001
Repayment	(10,000)	(311,187,001)	(1,276,706)	(312,473,707)
Increase	-	-	411,403	411,403
Effect of exchange rate fluctuation	-	-	26,776	26,776
Balance at end of year	10,000	-	974,722	984,722

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42. Contingent Liabilities and Commitments

Details of pending litigations as of December 31, 2023 and 2022 are as follows:

<i>In thousands of won</i>	2023		2022	
	Number of cases	Amount	Number of cases	Amount
Lawsuit cases where the Group is the defendant (*)	12	₩ 138,064,312	13	₩ 16,508,668
Lawsuit cases where the Group is the plaintiff	8	28,985,849	4	31,324,162

The Group has confirmed that retired executives are prosecuted for violating the Anti-Bribery Act against foreign officials in international transactions and disclosed it in accordance with the Securities Market Disclosure Regulations as of November 27, 2020. The case is not expected to have a material impact on the Group.

The Company confirmed that Korea Hydro & Nuclear Power Co., Ltd. applied for arbitration with the KCAP in a claim for damages arising from defects related to nuclear power plant structures and announced this in accordance with the stock market disclosure regulations as of October 17, 2023. Currently, it is not possible to clearly predict the outcome of the arbitration, and we believe that the impact of the arbitration on its financial position and business performance cannot be reasonably and reliably estimated. If the impact of this matter on our financial statements can be reasonably and reliably estimated during the subsequent arbitration process, it will be recognized immediately in our financial statements.

Details of commitments with financial institutions as of December 31, 2023, are as follows:

<i>In thousands of won and in EUR, CAD</i>					
Description	Financial institution		Limit amount	Exercised amount	
Credit line	KEB Hana Bank	KRW	8,000,000	4,920,252	
Loan commitments	KEB Hana Bank	KRW	30,000,000	-	
		KRW	1,000,000	-	
	Kookmin Bank	KRW	72,000,000	-	
Performance guarantee, etc	KEB Hana Bank	USD	400,000	- (*)	
		USD	120,000	- (*)	
		KRW	800,000	- (*)	
		USD	5,000,000	3,815,923 (*)	
		EUR	3,965,115	3,965,115	
		KRW	743,100	743,100	
		EUR	2,377,065	2,377,065	
		EUR	5,763,785	5,763,785	
		Engineering Financial Cooperative	KRW	12,263,790	2,796,722
		Construction Guarantee	KRW	30,094,743	30,094,743
Seoul Guarantee Insurance Co., Ltd.	KRW	50,330,413	50,330,413		
Letter of credit	KEB Hana Bank	EUR	30,634,922	30,634,922	

(*) Performance guarantees are included in the comprehensive credit guarantee.

The accompanying notes are an integral part of the consolidated financial statements.