

PI Advanced Materials Co., Ltd.

Financial Statements

December 31, 2023 and 2022

PI Advanced Materials Co., Ltd.

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December 31, 2023 and 2022

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
PI Advanced Materials Co., Ltd.

Opinion

We have audited the accompanying financial statements of PI Advanced Materials Co., Ltd. (the Company), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PI Advanced Materials Co., Ltd. as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 11, 2024 expressed an unqualified opinion.

Basis for Opinion

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

Key Audit Matters

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

(1) Occurrence and cut-off of revenue related to the overseas sales

Reason why the matter was determined to be a Key Audit Matter

As described in Note 4 to the financial statements, the Company's overseas sales for the year ended December 31, 2023 amounted to ₩ 125,710 million, accounting for 58% of total revenue. Overseas sales for the current period decreased by ₩ 51,865 million compared to that of the previous period, resulting in a decrease of ₩ 58,801 million in the total revenue of the Company compared to that of the previous period.

There is a possibility of intentional adjustments or potential errors related to revenue recognition and cut-off of overseas sales due to the following reasons: 1) the timing of transfer of control varies depending on the contract and export conditions with the customers 2) the transfer of goods is made in overseas. Therefore, we focused on this area as we determined that there is a significant risk in relation to occurrence and cut-off of overseas sales.

How our audit addressed the Key Audit Matter

We have performed the following audit procedures to address the Key Audit Matter.

- Assessing the reasonableness of the Company's accounting policies relevant to revenue recognition and cut-off
- Testing the design and operating effectiveness of certain internal controls over accuracy of revenue recognition process and cut-off of overseas sales
- Performing an analytical review compared to the previous period and monthly trend analysis for each major clients
- Inspecting supporting documents by selecting samples of sales transactions during the reporting period
- Sending external confirmations by selecting samples for each customer regarding trade receivables corresponding to revenue recognition
- Verifying the appropriateness of cut-off of revenue recognition according to the transaction agreements and trade conditions by selecting samples of sales transactions which occurred during a certain period before and after end of the reporting period

Other Matters

The financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unqualified opinion on those statements on March 6, 2023.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is In-Kyoo Park, Certified Public Accountant.

Seoul, Korea

March 11, 2024

This report is effective as of March 11, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

PI Advanced Materials Co., Ltd.
Statements of Financial Position
December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	5,31,32	₩ 56,412,206,022	₩ 16,403,880,073
Trade receivables	6	31,722,473,008	30,019,257,602
Other receivables	7,31	409,369,733	364,247,991
Inventories	9	38,784,693,452	83,684,673,307
Current derivative assets	8	-	4,397,425
Other current assets	14	806,747,082	1,201,464,354
		<u>128,135,489,297</u>	<u>131,677,920,752</u>
Non-current assets			
Property, plant and equipment	10,16,30	366,567,080,803	342,915,897,549
Intangible assets	11	12,659,803,657	13,947,644,899
Investment property	12,16,30	95,167,717	95,167,717
Right-of-use assets	28	3,346,395,953	3,981,024,701
Other non-current financial assets	13,31	5,000,000	5,000,000
Other non-current receivables	7,31	2,579,787,208	2,440,275,809
Net defined benefit assets	17	3,194,787,098	2,743,773,016
Other non-current assets	14	1,362,398,170	1,189,911,274
		<u>389,810,420,606</u>	<u>367,318,694,965</u>
Total assets		<u>₩ 517,945,909,903</u>	<u>₩ 498,996,615,717</u>
Liabilities			
Current liabilities			
Trade payables	31,32	₩ 10,129,881,164	₩ 13,271,217,836
Short-term borrowings	16,30,31,32	53,359,127,308	20,182,175,439
Current portion of long-term borrowings	16,30,31,32	-	3,333,320,000
Current lease liabilities	28,31,32	2,061,771,147	1,955,031,381
Current provisions	18	323,340,194	268,956,237
Current tax liabilities	27	-	4,345,640,325
Other payables	15,32	19,349,586,795	19,558,892,741
Other current liabilities	19	2,735,700,308	1,620,651,238
		<u>87,959,406,916</u>	<u>64,535,885,197</u>
Non-current liabilities			
Long-term borrowings	16,31,32	100,050,000,000	73,000,000,000
Non-current lease liabilities	28,31,32	1,796,833,395	2,715,523,426
Deferred tax liabilities	27	12,195,559,171	16,258,747,792
Other non-current payables	15,32	1,025,175,534	1,033,242,783
		<u>115,067,568,100</u>	<u>93,007,514,001</u>
Liabilities		<u>203,026,975,016</u>	<u>157,543,399,198</u>
Equity			
Issued capital	20	14,683,161,000	14,683,161,000
Other capital	20	109,408,821,733	109,408,821,733
Retained earnings	21	190,826,952,154	217,361,233,786
Total equity		<u>314,918,934,887</u>	<u>341,453,216,519</u>
Total equity and liabilities		<u>₩ 517,945,909,903</u>	<u>₩ 498,996,615,717</u>

The above statements of financial position should be read in conjunction with the accompanying notes.

PI Advanced Materials Co., Ltd.
Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023		2022	
Revenue	4,22	₩	217,639,383,722	₩	276,440,430,491
Cost of sales	24		<u>192,335,417,319</u>		<u>196,877,245,452</u>
Gross profit			25,303,966,403		79,563,185,039
Selling, general and administrative expenses	23,24		<u>29,241,860,115</u>		<u>27,428,095,279</u>
Operating income (expenses)			(3,937,893,712)		52,135,089,760
Finance income	25		829,368,884		668,996,828
Finance costs	25		3,530,824,403		704,297,397
Other non-operating income	26		3,354,495,431		10,466,352,151
Other non-operating expenses	26		<u>3,362,583,925</u>		<u>8,587,742,162</u>
Profit (loss) before tax			(6,647,437,725)		53,978,399,180
Income tax expense (benefit)	27		<u>(4,851,761,906)</u>		<u>8,267,913,625</u>
Profit (loss)		₩	<u>(1,795,675,819)</u>	₩	<u>45,710,485,555</u>
Other comprehensive income					
Other comprehensive income, net of tax, that will not be reclassified to profit or loss					
Defined benefit plan remeasurement	17	₩	(2,421,639,760)	₩	2,457,897,090
Tax effect	27		<u>559,398,785</u>		<u>(594,811,096)</u>
Other comprehensive income, net of tax			<u>(1,862,240,975)</u>		<u>1,863,085,994</u>
Total comprehensive income (loss)		₩	<u>(3,657,916,794)</u>	₩	<u>47,573,571,549</u>
Earnings (losses) per share					
Basic earnings (losses) per share	29	₩	(61)	₩	1,557

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

PI Advanced Materials Co., Ltd.
Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

(in Korean won)

	Other Capital				
	Issued capital	Share premium	Losses on capital reduction	Retained Earnings	Total Equity
Balance at January 1, 2022	₩ 14,683,161,000	₩ 187,504,923,733	₩ (78,096,102,000)	₩ 201,796,953,217	₩ 325,888,935,950
Dividend payment	-	-	-	(32,009,290,980)	(32,009,290,980)
Total comprehensive income					
Profit	-	-	-	45,710,485,555	45,710,485,555
Other comprehensive income, net of tax	-	-	-	1,863,085,994	1,863,085,994
Balance at December 31, 2022	<u>₩ 14,683,161,000</u>	<u>₩ 187,504,923,733</u>	<u>₩ (78,096,102,000)</u>	<u>₩ 217,361,233,786</u>	<u>₩ 341,453,216,519</u>
Balance at January 1, 2023	₩ 14,683,161,000	₩ 187,504,923,733	₩ (78,096,102,000)	₩ 217,361,233,786	₩ 341,453,216,519
Dividend payment	-	-	-	(22,876,364,838)	(22,876,364,838)
Total comprehensive loss					
Loss	-	-	-	(1,795,675,819)	(1,795,675,819)
Other comprehensive income, net of tax	-	-	-	(1,862,240,975)	(1,862,240,975)
Balance at December 31, 2023	<u>₩ 14,683,161,000</u>	<u>₩ 187,504,923,733</u>	<u>₩ (78,096,102,000)</u>	<u>₩ 190,826,952,154</u>	<u>₩ 314,918,934,887</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

PI Advanced Materials Co., Ltd.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023	2022
Cash flows from operating activities			
Profit (loss)	₩	(1,795,675,819)	₩ 45,710,485,555
Non-cash expense (income) adjustment			
Income tax expense (benefit)		(4,851,761,906)	8,267,913,625
Interest expense		3,530,824,403	704,206,767
Post-employment benefits		2,464,070,316	2,790,993,588
Loss on valuation of inventories		1,737,410,096	635,339,331
Depreciation		26,084,844,151	22,186,022,808
Depreciation of right-of-use assets		1,389,640,525	1,282,607,361
Amortization		1,808,545,748	2,346,916,847
Loss on disposal of property, plant and equipment		172,151,386	544,051,173
Gain on lease termination		(308,676)	(778,153)
Loss on lease termination		3,327,263	-
Loss on foreign currency translation		279,190,130	127,537,789
Gain on valuation of derivatives		-	(17,875,779)
Interest income		(829,361,663)	(651,121,049)
Reversals of emissions liabilities		(55,000,000)	(261,412,180)
Addition in provision for product warranty		(14,542,963)	(31,388,061)
		<u>31,719,028,810</u>	<u>37,923,014,067</u>
Changes in operating assets and liabilities			
Trade receivables		(1,930,216,897)	12,818,548,713
Non-trade receivables		43,523,635	15,537,229
Advance payments		32,896,894	(21,198,031)
Prepaid expenses		575,900	8,530,460
Prepaid value added tax		588,219,111	2,714,502,366
Inventories		43,162,569,759	(42,239,007,922)
Trade payables		(3,097,496,878)	(9,712,644,596)
Non-trade payables		2,363,934,153	(7,441,154,342)
Advance from customers		196,570,296	811,929,730
Accrued expense		(313,781,524)	734,020,779
Withholdings		918,478,774	(10,599,122)
Long-term non-trade payables		(121,553,674)	69,564,091
Long-term accrued expense		113,486,425	(63,128,148)
Long-term prepaid expenses		(774,751,849)	(970,635,520)
Provision for returns		123,926,920	(34,628,887)
Payment of severance pay		(4,582,535,303)	(1,828,673,899)
Plan assets		(754,188,855)	(951,196,681)
Right of return goods		(91,415,472)	23,661,538
Emissions liabilities		-	(35,956,720)
		<u>35,878,241,415</u>	<u>(46,112,528,962)</u>
Interest received		721,800,736	567,531,883
Interest paid		(3,400,998,267)	(457,353,747)
Income taxes paid		(3,109,895,775)	(20,193,974,856)
Cash flows from operating activities		<u>60,012,501,100</u>	<u>17,437,173,940</u>

Cash flows from (used in) Investing activities

Decrease in short-term loans	339,708,830	273,134,990
Proceeds from sales of short-term financial instruments	-	15,000,000,000
Increase in long-term loans	(430,000,000)	(50,000,000)
Increase in guarantee deposits	(34,651,602)	(297,550,000)
Decrease in guarantee deposits	-	4,000,000
Purchase of intangible assets	(50,012,297)	(4,793,998,398)
Purchase of property, plant and equipment	(52,190,085,705)	(107,792,826,604)
Proceeds from sales of property, plant and equipment	2,900,000	27,595,500
Proceeds from sales of right-of-use assets	(3,926,197)	-
Decrease in derivative liabilities	-	(132,315,558)
Decrease (increase) in derivative assets	4,397,425	(4,018,450)
Cash flows used in Investing activities	(52,361,669,546)	(97,765,978,520)

Cash flows from financing activities

Increase (decrease) in short-term borrowings	33,214,745,522	(7,315,427,031)
Increase in long-term borrowings	27,050,000,000	59,000,000,000
Repayment of current portion of long-term borrowings	(3,333,320,000)	(13,333,280,000)
Repayment of lease liabilities	(1,559,592,270)	(1,258,275,544)
Payment of dividends	(22,876,364,838)	(32,009,290,980)
Cash flows from financing activities	32,495,468,414	5,083,726,445

Effects of exchange rate changes on cash and cash equivalents

	(137,974,019)	1,184,599,075
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Increase (decrease) in cash and cash equivalents

	40,008,325,949	(74,060,479,060)
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Cash and cash equivalents at the beginning of period

	16,403,880,073	90,464,359,133
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Cash and cash equivalents at the end of period	6	₩ 56,412,206,022	₩ 16,403,880,073
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The above statements of cash flows should be read in conjunction with the accompanying notes.

PI Advanced Materials Co., Ltd.

Notes to the Financial Statements

December 31, 2023 and 2022

1. General Information

PI Advanced Materials Co., Ltd. (the “Company”) was established on June 2, 2008 as a spot investment in SKC Co., Ltd. and Kolon Co., Ltd., manufacturing and selling polyimide films, and listed on the KOSDAQ market in the Korea Exchange in 2014, and transferred the stock exchange listing to the KOSPI Market in August, 2021.

The Company’s largest shareholder changed to Arkema Korea Holding Co., Ltd. in December 2023. On May 27, 2020, the Company changed its name from SKC Kolon PI Co., Ltd. to PI Advanced Materials Co., Ltd. As at December 31, 2023, the Company has factories in Jincheon-gun, Chungcheongbuk-do, Gumi-si, Gyeongsangbuk-do, and the main shareholders are as follows as at December 31, 2023 with a paid-in capital of ₩ 14,683,161 thousand.

Shareholder name	Number of shares	Percentage of ownership (%)
Arkema Korea Holding Co., Ltd.	15,877,400	54.07
Others	13,488,922	45.93
	29,366,322	100

2. Material Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

The financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

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

- Financial assets and liabilities (including derivative instruments) – measured at fair value
- Non-current assets held for sale – measured at fair value less costs to sell, and

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· defined benefit plans – plan assets measured at fair value

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023.

(a) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the financial statements.

(c) Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities

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using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard does not have a significant impact on the financial statements.

(f) Korean IFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The amendments does not have a significant impact on the financial statements.

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier

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application is permitted. The amendments do not have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1116 Leases - Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require for an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

(e) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Korean won, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of hedges of net investments, or are attributable to monetary part of the net investment in a foreign operation.

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Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement within 'other income or other expenses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.4 Financial Assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

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Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the income statement within 'other income or expenses' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the income statement as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The

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impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as 'borrowings' in the statement of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.5 Derivative

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'finance income (costs)' based on the nature of transactions.

2.6 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses.

2.7 Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. The cost is determined according to the average law except for the items that have not been arrived. The acquisition cost of inventories includes purchase cost, conversion cost, and other costs necessary to prepare the inventory in a usable state. Net realizable value is the expected additional completion cost and sales cost less than the expected sales price of the normal operating process.

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

2.8 Non-current Assets (or Disposal Group) Held for sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.9 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings	40 years
Structures	20
Machinery	10 - 20
Tools and equipment	5
Office equipment	5
Other property plant and equipment	5

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.11 Government Grants

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Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.12 Intangible Assets

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Industrial property rights	5 - 10 years
Facility use rights	20
Software	5

2.13 Investment Property

Investment property is property (including right-of-use assets) held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Company depreciates investment properties, except for land, using the straight-line method over their useful lives of 20 ~ 40 years.

2.14 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30~60 days of recognition. Trade and other payables are presented as current liabilities, unless payment is

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not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Provisions

Provisions for service warranties, returns, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

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.

2.17 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

2.18 Employee Benefits

The Company operates both defined contribution and defined benefit plans.

For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the

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defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by applying the yield curve method. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

2.19 Revenue Recognition

(a) Revenue from contracts with customers

The Company measures revenue minus value-added tax, returns, and discounts from the fair value of the consideration received or receivable from the customer. The Company recognize revenue when we can reliably measure the amount of revenue, future economic benefits are likely to flow into us, and meet our activity-specific revenue recognition requirements described in:

i) Sales of goods

Revenue is recognized when the promised goods are transferred to the customer and the following performance obligations are satisfied.

- The Company currently has claims for payment for assets
- The customer has legal ownership of the assets
- The Company transfers physical ownership of assets
- Significant risks and rewards of ownership of an asset exist in the customer's
- Customer takes over an assets

ii) Rental income

Rental income from investment property are recognized over the lease term.

2.20 Leases

(a) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

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(b) Lessee

The Company leases offices, warehouses and cars. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-

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use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise office equipment and others.

2.21 Approval of Issuance of the Financial Statements

The financial statements 2023 were approved for issue by the Board of Directors on February 5, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Income tax

The Company's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increase in wages or dividends for a certain period, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects for such period. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(b) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate.

(c) Revenue recognition

A refund liability and a right to the returned goods are recognized for the products expected to be returned once they are sold. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and the Company's revenue is affected by changes in expected return rate.

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4. Operating segment

In order to make decisions on resources to be allocated to the segment and to evaluate the performance of the segment, the Company classifies the segment on the basis of internal reports that are periodically reviewed by the chief operating decision maker.

(a) Information about regions

The Company operate in two major regions: Korea and China. Information on revenue from our external customers segmented by region is as follows:

<i>(in thousands of Korean won)</i>	Revenue from external customers			
	2023		2022	
Korea	₩	91,929,221	₩	98,864,674
China		106,460,216		155,138,818
Others		19,249,947		22,436,938
	₩	<u>217,639,384</u>	₩	<u>276,440,430</u>

(b) Information about major customers

Finished goods and merchandise sales of ₩ 217,627,489 thousand (2022: ₩ 276,336,956 thousand) include about ₩ 57,696,837 thousand (2022: ₩ 77,036,688 thousand) for major customers who account for more than 10% of our sales.

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5. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023		2022	
Foreign currency ordinary deposits	₩	4,852,479	₩	1,777,438
Ordinary deposits		132,089		2,626,442
Other deposits		51,400,000		12,000,000
Foreign currency other deposits		27,638		-
	₩	<u>56,412,206</u>	₩	<u>16,403,880</u>

6. Trade Receivables

Trade receivables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Total carrying amount of trade receivables ¹	₩	31,722,473	₩	30,019,258
Allowance for doubtful accounts		-		-
Net carrying amount of trade receivables	₩	<u>31,722,473</u>	₩	<u>30,019,258</u>

¹ The amount transferred to a trade receivable discount but not fully or partially met the derecognition conditions (2023: ₩ 3,359,127 thousand, 2022: ₩ 182,175 thousand) is included (Notes 16, 30).

7. Other Receivables

Other receivables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Current	Non-current	Current	Non-current
Loans	₩ 281,496	₩ 691,206	₩ 255,852	₩ 626,559
Non-trade receivables	64,816	-	108,396	-
Accrued income	63,058	-	-	-
Guarantee deposits	-	2,013,515	-	1,978,863
Less: present value discount	-	(124,934)	-	(165,146)
	<u>₩ 409,370</u>	<u>₩ 2,579,787</u>	<u>₩ 364,248</u>	<u>₩ 2,440,276</u>

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8. Derivative Financial Instruments

Derivatives held by the Company for trading purposes are interest rate swap contracts as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

Description	Maturity	Interest paid	Interest credited	2023		2022	
				Contract amount	Derivative assets	Contract amount	Derivative assets
Purpose for trading	2023-01-17	Fixed rate 3.05%	Variable rate 3M CD+0.6%	₩ -	₩ -	₩ 3,333,320	₩ 4,397

9. Inventories

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

(in thousands of Korean won)

	2023			2022		
	Acquisition cost	Inventory provision	Carrying amount	Acquisition cost	Inventory provision	Carrying amount
Finished goods	₩ 29,608,991	₩ (2,380,383)	₩ 27,228,608	₩ 54,632,573	₩ (468,563)	₩ 54,164,010
Merchandise	765,593	-	765,593	1,283,567	-	1,283,567
Semi-finished goods	3,176,424	(275,492)	2,900,932	7,627,301	(449,901)	7,177,400
Raw materials	4,489,438	-	4,489,438	16,028,422	-	16,028,422
Sub materials	2,866,358	-	2,866,358	4,553,501	-	4,553,501
Packaged goods	15,545	-	15,545	-	-	-
Materials-in-transit	518,219	-	518,219	477,773	-	477,773
	<u>₩ 41,440,568</u>	<u>₩ (2,655,875)</u>	<u>₩ 38,784,693</u>	<u>₩ 84,603,137</u>	<u>₩ (918,464)</u>	<u>₩ 83,684,673</u>

Gain or loss on valuation of inventories recognized at cost of sales for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023	2022
Loss on valuation of inventories	₩ 1,737,410	₩ 635,339

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10. Property, Plant and Equipment

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

(in thousands of
Korean won)

	2023						
	Land	Buildings	Structures	Machinery	Construction- in-progress	Others	Total
Acquisition cost:							
Beginning balance	₩ 11,983,227	₩ 61,084,473	₩ 2,780,363	₩ 425,748,858	₩ 35,273,207	₩ 6,603,916	₩ 543,474,044
Acquisitions ¹	-	-	-	-	49,911,079	-	49,911,079
Disposals	-	(52,624)	-	(192,900)	-	-	(245,524)
Others	33,315	450,025	-	1,550,976	(2,185,116)	150,800	-
Ending balance	₩ 12,016,542	₩ 61,481,874	₩ 2,780,363	₩ 427,106,934	₩ 82,999,170	₩ 6,754,716	₩ 593,139,599
Accumulated depreciation and impairment loss:							
Beginning balance	₩ -	₩ (10,541,128)	₩ (557,609)	₩ (185,056,619)	₩ -	₩ (4,177,304)	₩ (200,332,660)
Depreciation	-	(1,545,942)	(139,657)	(23,696,960)	-	(722,044)	(26,104,603)
Disposals	-	2,770	-	67,702	-	-	70,472
Ending balance	₩ -	₩ (12,084,300)	₩ (697,266)	₩ (208,685,877)	₩ -	₩ (4,899,348)	₩ (226,366,791)
Government grants:							
Beginning balance	₩ -	₩ -	₩ -	₩ (220,437)	₩ -	₩ (5,049)	₩ (225,486)
Decrease	-	-	-	14,710	-	5,049	19,759
Ending balance	₩ -	₩ -	₩ -	₩ (205,727)	₩ -	₩ -	₩ (205,727)
Net carrying amount:							
Beginning balance	₩ 11,983,227	₩ 50,543,345	₩ 2,222,754	₩ 240,471,801	₩ 35,273,207	₩ 2,421,564	₩ 342,915,898
Ending balance	₩ 12,016,542	₩ 49,397,574	₩ 2,083,097	₩ 218,215,330	₩ 82,999,170	₩ 1,855,368	₩ 366,567,081

¹ As at December 31, 2023, there were payables of ₩ 5,848,475 thousand related to the acquisition of construction-in-progress and borrowing cost capitalized amount of ₩ 2,154,560 thousand. The capitalized interest rate is 3.26%.

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(in thousands of
Korean won)

	2022							
	Land	Buildings	Structures	Machinery	Construction- in-progress	Others	Total	
Acquisition cost:								
Beginning balance	₩ 11,914,674	₩ 44,940,927	₩ 1,223,452	₩ 346,645,672	₩ 24,256,159	₩ 6,175,870	₩ 435,156,754	
Acquisitions ¹	-	-	-	-	107,928,165	-	107,928,165	
Disposals	-	-	-	(1,593,515)	-	(628,796)	(2,222,311)	
Others ²	68,553	16,143,546	1,556,911	80,696,701	(96,911,117)	1,056,842	2,611,436	
Ending balance	₩ 11,983,227	₩ 61,084,473	₩ 2,780,363	₩ 425,748,858	₩ 35,273,207	₩ 6,603,916	₩ 543,474,044	
Accumulated depreciation and impairment loss:								
Beginning balance	₩ -	₩ (9,303,662)	₩ (462,437)	₩ (165,861,869)	₩ -	₩ (4,148,320)	₩ (179,776,288)	
Depreciation	-	(1,237,466)	(95,172)	(20,216,783)	-	(657,617)	(22,207,038)	
Disposals	-	-	-	1,022,033	-	628,633	1,650,666	
Ending balance	₩ -	₩ (10,541,128)	₩ (557,609)	₩ (185,056,619)	₩ -	₩ (4,177,304)	₩ (200,332,660)	
Government grants:								
Beginning balance	₩ -	₩ -	₩ -	₩ (235,147)	₩ -	₩ (11,353)	₩ (246,500)	
Decrease	-	-	-	14,710	-	6,304	21,014	
Ending balance	₩ -	₩ -	₩ -	₩ (220,437)	₩ -	₩ (5,049)	₩ (225,486)	
Net carrying amount:								
Beginning balance	₩ 11,914,674	₩ 35,637,265	₩ 761,015	₩ 180,548,656	₩ 24,256,159	₩ 2,016,197	₩ 255,133,966	
Ending balance	₩ 11,983,227	₩ 50,543,345	₩ 2,222,754	₩ 240,471,802	₩ 35,273,207	₩ 2,421,563	₩ 342,915,898	

¹ As at December 31, 2022, there were payables of ₩ 8,232,070 thousand related to the acquisition of construction-in-progress and borrowing cost capitalized amount of ₩ 1,977,018 thousand. The capitalized interest rate is 3.03%.

² The amount transferred from intangible assets of ₩ 2,611,436 thousand is included.

Collateral provision

Property, plant and equipment with a carrying amount of ₩ 213,592,942 thousand as at December 31, 2023 are provided as collateral (Notes 16,30).

PI Advanced Materials Co., Ltd.
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11. Intangible Assets

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

(in thousands of Korean won)

	2023			
	Industrial property rights	Facility use rights	Others	Total
Acquisition cost:				
Beginning balance	₩ 2,337,176	₩ 7,708,643	₩ 23,116,101	₩ 33,161,920
Acquisitions	-	-	90,601	90,601
Replacement ¹	602,265	(172,161)	-	430,104
Ending balance	₩ 2,939,441	₩ 7,536,482	₩ 23,206,702	₩ 33,682,625
Accumulated amortization and Impairment loss:				
Beginning balance	₩ (1,019,683)	₩ (1,029,800)	₩ (17,164,792)	₩ (19,214,275)
Amortization	(468,636)	269,501	(1,609,411)	(1,808,546)
Ending balance	₩ (1,488,319)	₩ (760,299)	₩ (18,774,203)	₩ (21,022,821)
Net carrying amount:				
Beginning balance	₩ 1,317,493	₩ 6,678,843	₩ 5,951,309	₩ 13,947,645
Ending balance	₩ 1,451,121	₩ 6,776,183	₩ 4,432,499	₩ 12,659,804

¹ The amount replaced by long-term prepaid expenses of ₩ 602,265 thousand is included.

(in thousands of Korean won)

	2022			
	Industrial property rights	Facility use rights	Others	Total
Acquisition cost:				
Beginning balance	₩ 1,669,826	₩ 7,349,488	₩ 21,303,406	₩ 30,322,720
Acquisitions	-	-	4,783,286	4,783,286
Replacement ¹	667,350	359,155	(2,970,591)	(1,944,086)
Ending balance	₩ 2,337,176	₩ 7,708,643	₩ 23,116,101	₩ 33,161,920
Accumulated amortization and Impairment loss:				
Beginning balance	₩ (667,480)	₩ (582,392)	₩ (15,617,486)	₩ (16,867,358)
Amortization	(352,203)	(447,408)	(1,547,306)	(2,346,917)
Ending balance	₩ (1,019,683)	₩ (1,029,800)	₩ (17,164,792)	₩ (19,214,275)
Net carrying amount:				
Beginning balance	₩ 1,002,346	₩ 6,767,096	₩ 5,685,920	₩ 13,455,362
Ending balance	₩ 1,317,493	₩ 6,678,843	₩ 5,951,309	₩ 13,947,645

¹ The amount replaced by long-term prepaid expenses of ₩ 667,350 thousand and the amount transferred to property, plant and equipment of ₩ 2,611,436 thousand are included.

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12. Investment Properties

Details of investment properties as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Land	₩ 95,168	₩ 95,168	₩ 95,168	₩ 95,168

Gain or loss related to investment property

Gain or loss related to investment property recognized for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Rental income from investment property	₩ 11,896	₩ 10,915

The investment property of the Company is evaluated using the cost method, the frequency of transactions in the market is very low, and it is not possible to apply an alternative estimation method because the expected future cash flow is not reliably predictable. The fair value of the investment property has not been calculated. Meanwhile, as at the end of the reporting period, the official land price of land classified as investment property exceeds the book amount.

13. Other Financial Assets

Other non-current financial assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Long-term financial instruments ¹	₩ 5,000	₩ 5,000

¹ Usage is limited as deposit for checking account.

14. Other Assets

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

<i>(in thousands of Korean won)</i>	2023		2022	
	Current	Non-current	Current	Non-current
Prepaid value added tax	₩ 291,350	₩ -	₩ 879,568	₩ -
Advance payments	-	-	32,897	-
Prepaid expenses	300,137	1,362,398	277,382	1,189,911
Prepaid corporation tax	112,228	-	-	-
Others	103,032	-	11,617	-
	<u>₩ 806,747</u>	<u>₩ 1,362,398</u>	<u>₩ 1,201,464</u>	<u>₩ 1,189,911</u>

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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15. Other Payables

Other payables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Current	Non-current	Current	Non-current
Non-trade payables	₩ 15,412,857	₩ 434,486	₩ 15,568,298	₩ 556,039
Accrued expense	3,936,730	590,690	3,990,595	477,204
	<u>₩ 19,349,587</u>	<u>₩ 1,025,176</u>	<u>₩ 19,558,893</u>	<u>₩ 1,033,243</u>

16. Borrowings

Details of carrying amount of borrowings as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

Creditor	Type of borrowing	Longest Maturity	Annual interest rate (%) as at December 31, 2023		2023		2022
Short-term borrowings							
Shinhan Bank	Trade receivable factoring	2024-01-18	6.99	₩	231,381	₩	29,721
KEB Hana Bank		2024-02-28	6.28~6.69		2,024,453		152,454
Woori Bank		2024-03-25	4.18~6.56		1,103,293		-
Shinhan Bank	General loan	2024-01-30	5.1		10,000,000		-
NongHyup Bank		2024-01-30	5.2		10,000,000		-
Korea Development Bank		2024-05-15	5.07		30,000,000		20,000,000
					53,359,127		20,182,175
Long-term borrowings							
Korea Development Bank	Facility purpose				-		3,333,320
		2029-11-23	2.91		14,000,000		14,000,000
		2029-11-23	3.94		27,000,000		27,000,000
		2029-11-23	4.53		19,000,000		19,000,000
		2029-04-05	4.53		13,000,000		13,000,000
Shinhan Bank		2029-04-05	5.34		27,000,000		-
		2028-11-23	5.23		50,000		-
Less: current portion of long-term borrowings:					-		(3,333,320)
				₩	100,050,000	₩	73,000,000

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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Details of property, plant and equipment provided as collateral as at December 31, 2023, are as follows (Notes 10 and 30):

(in thousands of Korean won and USD)

	Secured assets	Carrying amount	Secured amount	Type of borrowing	Amount of borrowing	Secured party
Property, plant and equipment	Land and buildings and others	₩ 213,592,942	₩ 144,000,000 USD 45,000,000	Facility purpose/ general loan	₩ 130,000,000	Korea Development Bank

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17. Employee Benefits

The amounts of expenses recognized in employee benefits for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Salary ¹	₩	34,139,625	₩	28,328,483
Expenses related to the defined benefit plans		2,464,070		2,790,994
Expenses related to the defined contribution plans		276,774		263,241
Welfare expense		6,755,831		6,713,763
	₩	<u>43,636,300</u>	₩	<u>38,096,481</u>

¹ Salary recognized as construction in progress is included.

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

<i>(in thousands of Korean won)</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit liabilities	
	2023	2022	2023	2022	2023	2022
Beginning balance	₩ 21,506,559	₩ 22,629,409	₩ (24,250,332)	₩ (22,926,408)	₩ (2,743,773)	₩ (296,999)
Recognition in profit or loss						
Current service cost	2,622,309	2,802,535	-	-	2,622,309	2,802,535
Interest cost (revenue)	<u>1,158,446</u>	<u>715,793</u>	<u>(1,316,684)</u>	<u>(727,334)</u>	<u>(158,238)</u>	<u>(11,541)</u>
	3,780,755	3,518,328	(1,316,684)	(727,334)	2,464,071	2,790,994
Recognition in other comprehensive income						
Financial assumptions	1,146,266	(3,403,882)	247,168	354,607	1,393,434	(3,049,275)
Adjust other experiences	<u>1,028,205</u>	<u>591,378</u>	<u>-</u>	<u>-</u>	<u>1,028,205</u>	<u>591,378</u>
	<u>2,174,471</u>	<u>(2,812,504)</u>	<u>247,168</u>	<u>354,607</u>	<u>2,421,639</u>	<u>(2,457,897)</u>
Other						
Contributions paid	-	-	(4,500,000)	(3,200,000)	(4,500,000)	(3,200,000)
Payroll	(4,582,535)	(1,828,674)	3,695,493	2,212,457	(887,042)	383,783
Management fee	<u>-</u>	<u>-</u>	<u>50,318</u>	<u>36,346</u>	<u>50,318</u>	<u>36,346</u>
	<u>(4,582,535)</u>	<u>(1,828,674)</u>	<u>(754,189)</u>	<u>(951,197)</u>	<u>(5,336,724)</u>	<u>(2,779,871)</u>
Ending balance ¹	<u>₩ 22,879,250</u>	<u>₩ 21,506,559</u>	<u>₩ (26,074,037)</u>	<u>₩ (24,250,332)</u>	<u>₩ (3,194,787)</u>	<u>₩ (2,743,773)</u>

¹ The excess amount of plan assets as at December 31, 2023 and 2022, are classified as net defined benefit assets in the statement of financial position.

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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Plans assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Cash and cash equivalents	₩	26,068,770	₩	24,245,065
Others		5,267		5,267
	₩	<u>26,074,037</u>	₩	<u>24,250,332</u>

The Company invests most of its plan assets in principal and interest guaranteed products.

The major actuarial assumptions used in the valuation of defined benefit obligation as at December 31, 2023 and 2022, are as follows:

	2023	2022
Discount rate	4.88%	5.71%
Expected salary growth	5.00%	5.00%

As at December 31, 2023, when all other assumptions are maintained, if each significant actuarial assumption changes within a reasonable range, the impact on the defined benefit obligation, is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Discount rate (1% movement)	₩	(1,336,624)	₩	1,519,883
Expected salary growth (1% movement)		1,504,179		(1,348,157)

Since there is a correlation between actuarial assumptions, the sensitivity analysis above will not represent the actual change in the defined benefit obligation because changes in the assumptions will not occur independently. In addition, in the sensitivity analysis above, the present value of the defined benefit obligation was measured using the projected unit credit method applied to measure the defined benefit obligation in the statement of financial position.

The Company reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund.

Expected contributions to post-employment benefit plans for the year ending December 31, 2024, are ₩ 2,726 million.

The weighted average duration of the defined benefit obligation is 6.5 years (2022: 6.0 years). The expected maturity analysis of undiscounted pension benefits as at December 31, 2023, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years		Total
Pension benefits									
December 31, 2023	₩	2,610,719	₩	3,825,436	₩	6,989,355	₩	19,367,776	₩ 32,793,286
December 31, 2022		2,273,387		4,882,710		6,546,152		18,306,400	32,008,649

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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18. Provisions

Details and changes in provisions for other liabilities and charges for the years ended December 31, 2023 and 2022, are as follows:

*(in thousands of
Korean won)*

	2023			2022		
	Emission liabilities	Provision for returns	Provision for litigation	Emission liabilities	Provision for returns	Provision for litigation
Beginning balance	₩ 55,000	₩ 16,570	₩ 197,387	₩ 352,369	₩ 51,199	₩ 228,775
Net transfer (reversal)	(55,000)	679,592	6,382	(297,369)	50,035	205,620
Use	-	(555,666)	(20,925)	-	(84,664)	(237,008)
Ending balance	₩ -	₩ 140,496	₩ 182,844	₩ 55,000	₩ 16,570	₩ 197,387

19. Other Liabilities

Other liabilities for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023	2022
Withholdings	₩ 1,530,257	₩ 611,778
Advance from customers	1,205,443	1,008,873
	₩ 2,735,700	₩ 1,620,651

¹ The amount of revenue recognized that was included in the contract liability balance at the beginning of the year is ₩ 206 million.

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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20. Issued Capital and Other Paid-in Capital Components

Issued capital as at December 31, 2023 and 2022, are summarized as follows:

<i>(in thousands of Korean won and in number of shares)</i>	2023	2022
Authorized shares	100,000,000	100,000,000
Face amount per share <i>(in Korean won)</i>	₩ 500	₩ 500
Issued shares	29,366,322	29,366,322
Issued capital	₩ 14,683,161	₩ 14,683,161

Other paid-in capital components as at December 31, 2023 and 2022, are as follows

<i>(in thousands of Korean won)</i>	2023	2022
Share premium	₩ 187,504,924	₩ 187,504,924
Losses on capital reduction ¹	(78,096,102)	(78,096,102)
	₩ 109,408,822	₩ 109,408,822

¹ In 2010 and 2014, the Company carried out stock redemption, resulting in a loss on capital reduction of ₩ 43,368,702 thousand and ₩ 34,727,400 thousand, respectively.

21. Retained Earnings

Retained earnings as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023	2022
Legal reserves ¹	₩ 7,341,581	₩ 7,341,581
Unappropriated retained earnings	183,485,371	210,019,653
	₩ 190,826,952	₩ 217,361,234

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. in accordance with a resolution of the shareholders' meeting.

PI Advanced Materials Co., Ltd.
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Changes in retained earnings for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 217,361,234	₩ 201,796,953
Profit (loss)	(1,795,676)	45,710,486
Remeasurements of defined benefit liabilities	(1,862,241)	1,863,086
Dividend	(22,876,365)	(32,009,291)
Ending balance	<u>₩ 190,826,952</u>	<u>₩ 217,361,234</u>

Details of dividend payments for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won and in number of shares)</i>		2023			
	Types of shares	Total number of issued shares	Dividend shares	Dividend per share (in Korean won)	Dividend total
2023	Ordinary share	29,366,322	29,366,322	₩ 779	₩ 22,876,365
2022	Ordinary share	29,366,322	29,366,322	₩ 1,090	₩ 32,009,291

The appropriation of retained earnings for the year ended December 31, 2023, is expected at the shareholders' meeting on March 20, 2024. The appropriation date for the year ended December 31, 2022, was March 23, 2023.

The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Unappropriated retained earnings carried over from prior year	₩ 187,143,288	₩ 162,446,081
Profit (loss)	(1,795,676)	45,710,486
Remeasurements of defined benefit liabilities	(1,862,241)	1,863,086
Retained earnings available for appropriation	<u>183,485,372</u>	<u>210,019,653</u>
Appropriation of retained earnings		
Dividends <i>(in Korean won)</i>		
Dividend per share: 2023 ₩ –		
2022 ₩ 779	-	22,876,365
Unappropriated retained earnings to be carried forward	<u>₩ 183,485,372</u>	<u>₩ 187,143,288</u>

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Notes to the Financial Statements
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22. Revenue

22.1 Revenue

Revenue for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Revenue from finished goods	₩ 212,051,686	₩ 271,581,076
Revenue from merchandise	5,575,802	4,755,880
Rental income	11,896	103,474
	<u>₩ 217,639,384</u>	<u>₩ 276,440,430</u>

22.2 Contracts with Customers

(a) Revenue streams

The Company has recognized the following amounts relating to revenue in the income statement:

<i>(in thousands of Korean won)</i>	2023	2022
Revenue from contracts with customers	₩ 217,639,384	₩ 276,440,430

(b) Disaggregation of revenue

The disaggregated revenue for the years ended December 31, 2023 and 2022, is as follow:

<i>(in thousands of Korean won)</i>	2023	2022
Region		
Republic of Korea	₩ 91,929,221	₩ 98,864,674
China	106,460,216	155,138,818
Others	19,249,947	22,436,938
	<u>₩ 217,639,384</u>	<u>₩ 276,440,430</u>
Timing of revenue recognition		
Recognized when the goods are delivered	₩ 217,627,488	₩ 276,429,515
Recognized over time as services are provided	11,896	10,915

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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23. Selling and Administrative Expenses

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

<i>(in thousands of Korean won)</i>	2023	2022
Salaries	₩ 7,548,698	₩ 6,383,837
Post-employment benefits	1,161,021	940,896
Employee welfare	1,750,702	1,578,233
Travel	247,612	183,208
Automobile maintenance	103,054	119,460
Telecommunications	108,538	103,054
Taxes and dues	89,971	82,275
Rent	27,324	44,769
Depreciation	1,354,389	1,240,255
Amortization	910,864	997,471
Insurance	90,524	155,261
Entertainment	289,270	304,983
Domestic transportation	220,667	242,671
Export expenses	1,692,873	2,516,336
Office expenses	212,667	239,827
Advertising	110,969	85,202
Education and training	432,980	415,122
Ordinary development costs	10,395,670	9,934,818
Supplies expenses	-	148
Utility expenses	418	2,390
Conference	38,851	25,381
Samples expense	257,959	211,960
Service charges	2,190,457	1,414,919
Warranty expenses	6,382	205,619
	<u>₩ 29,241,860</u>	<u>₩ 27,428,095</u>

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24. Breakdown of Expenses by Nature

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

<i>(in thousands of Korean won)</i>	2023	2022
Changes in inventories	₩ 30,465,536	₩ (42,491,475)
Purchase of merchandise	3,618,810	3,895,950
Use of raw materials and sub materials	53,972,881	134,017,076
Employee benefits	43,413,237	36,374,693
Energy expenses	27,749,575	29,655,070
Depreciation and amortization	29,283,030	25,734,236
Service charges and sales commissions	18,619,366	20,187,078
Other expenses	14,454,842	16,932,712
	<u>₩ 221,577,277</u>	<u>₩ 224,305,340</u>

¹ Total expenses consist of cost of sales and selling, general and administrative expenses.

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
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25. Finance Income and Costs

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

(in thousands of Korean won)

	2023	2022
Finance income		
Interest income	₩ 829,362	₩ 651,121
Gains on transaction of derivatives	7	-
Gains on valuation of derivatives	-	17,876
	<u>829,369</u>	<u>668,997</u>
Finance costs		
Interest expense	3,530,824	704,206
Loss on transaction of derivatives	-	91
	<u>3,530,824</u>	<u>704,297</u>
Net financial gain or loss recognized in profit or loss	<u>₩ (2,701,456)</u>	<u>₩ (35,300)</u>

26. Other Non-operating Income and Expenses

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

(in thousands of Korean won)

	2023	2022
Other non-operating income		
Foreign exchange difference ¹	₩ 3,159,804	₩ 10,189,583
Gain on lease termination	309	778
Miscellaneous income	194,382	275,991
	<u>3,354,495</u>	<u>10,466,352</u>
Other non-operating expenses		
Foreign exchange difference ¹	3,052,508	7,428,698
Loss on disposal of property, plant, and equipment	172,151	544,051
Loss on disposal of intangible assets	3,327	-
Donation	46,621	47,557
Miscellaneous expenses ²	87,977	567,436
	<u>3,362,584</u>	<u>8,587,742</u>
	<u>₩ (8,089)</u>	<u>₩ 1,878,610</u>

¹ The Company recognizes foreign exchange differences arising from foreign currency transactions and translations as other non-operating income and other non-operating expenses.

² The legal costs of the case described in Note 30 are included.

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27. Tax Expense

Income tax expenses for the years ended December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023	2022
Current income tax expense	₩ -	₩ 10,113,667
Changes in deferred income tax due to temporary differences	(4,063,189)	317,718
Changes in deferred tax due to changes in tax rates	-	(759,097)
Income tax in arrears for prior periods (refund amount)	(1,347,972)	(809,563)
Total income tax expense (benefit)	<u>(5,411,161)</u>	<u>8,862,725</u>
Income tax expense added to or subtracted from capital	559,399	(594,811)
Income tax expense (benefit)	<u>₩ (4,851,762)</u>	<u>₩ 8,267,914</u>

Reconciliation of effective tax rate for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Profit (loss) before income tax expense	₩ (6,647,438)	₩ 53,978,399
Income tax using the Company's statutory tax rate	(1,535,558)	12,600,773
Adjustment for:		
Non-deductible expenses	128,393	106,309
Tax credits	(2,090,507)	(3,464,705)
Income tax in arrears for prior periods (refund amount)	(1,347,972)	(809,564)
Changes in deferred tax due to changes in tax rates	-	(759,097)
Others	(6,117)	594,198
Income tax expense (benefit)	<u>₩ (4,851,762)</u>	<u>₩ 8,267,914</u>

The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurements of defined benefit liabilities	₩ (2,421,640)	₩ 559,399	₩ (1,862,241)	₩ 2,457,897	₩ (594,811)	₩ 1,863,086

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

(in thousands of Korean won)

	2023			
	Beginning balance	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Ending balance
Deferred tax on temporary differences				
Accrued income	₩ -	₩ (14,566)	₩ -	₩ (14,566)
Provision for inventory valuation	212,165	401,342	-	613,507
Fair value of plan assets	(4,744,579)	(521,999)	-	(5,266,578)
Provision for retirement benefits	4,744,579	(37,400)	559,399	5,266,578
Yearly allowance	577,228	(25,224)	-	552,004
Depreciation	(17,423,899)	(1,095,845)	-	(18,519,744)
Impairment loss on intangible assets	9,664	-	-	9,664
Long-term accrued expenses	110,234	26,215	-	136,449
Emission liabilities	12,705	(12,705)	-	-
Derivatives assets	(1,016)	1,016	-	-
Provision for returns	3,828	28,627	-	32,455
Provision for product warranties	45,596	(3,359)	-	42,237
Tax deficit	-	2,675,482	-	2,675,482
Tax credit carried forward	-	2,090,507	-	2,090,507
Other	194,747	(8,301)	-	186,446
	<u>₩ (16,258,748)</u>	<u>₩ 3,503,790</u>	<u>₩ 559,399</u>	<u>₩ (12,195,559)</u>

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	2022			
	Beginning balance	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Ending balance
Deferred tax on temporary differences				
Accrued income	₩ (30,017)	₩ 30,017	₩ -	₩ -
Provision for inventory valuation	68,516	143,649	-	212,165
Fair value of plan assets	(5,238,509)	493,930	-	(4,744,579)
Provision for retirement benefits	5,238,509	100,881	(594,811)	4,744,579
Yearly allowance	568,033	9,195	-	577,228
Depreciation	(17,815,962)	392,063	-	(17,423,899)
Impairment loss on intangible assets	10,124	(460)	-	9,664
Long-term accrued expenses	130,760	(20,526)	-	110,234
Emission liabilities	85,273	(72,568)	-	12,705
Derivatives liabilities	36,255	(37,271)	-	(1,016)
Provision for returns	12,390	(8,562)	-	3,828
Provision for product warranties	55,363	(9,767)	-	45,596
Other	179,138	15,609	-	194,747
	<u>₩ (16,700,127)</u>	<u>₩ 1,036,190</u>	<u>₩ (594,811)</u>	<u>₩ (16,258,748)</u>

As at the end of the reporting period, there are no deferred tax assets (liabilities) that the Company has not recognized.

The timing of collection and payment of deferred tax assets and liabilities, are as follows:

(in thousands of Korean won)

	2023	2022
Deferred tax assets (liabilities)		
Current deferred tax assets (liabilities)	₩ 3,355,409	₩ 848,838
Non-current deferred tax assets (liabilities)	<u>(15,550,968)</u>	<u>(17,107,586)</u>
Deferred tax assets (liabilities), net	<u>₩ (12,195,559)</u>	<u>₩ (16,258,748)</u>

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28. Lease Liabilities

28.1 Lessee

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

(in thousands of Korean won)

	2023			
	Buildings	Vehicles	Land	Total
Beginning balance	₩ 3,353,383	₩ 542,528	₩ 85,114	₩ 3,981,025
Depreciation	(1,068,009)	(299,901)	(21,732)	(1,389,642)
Termination of the lease contract	(51,217)	(53,060)	-	(104,277)
Additions to right-of-use assets	499,918	359,372	-	859,290
Ending balance	₩ 2,734,075	₩ 548,939	₩ 63,382	₩ 3,346,396

(in thousands of Korean won)

	2022			
	Buildings	Vehicles	Land	Total
Beginning balance	₩ 3,921,662	₩ 348,229	₩ -	₩ 4,269,891
Depreciation	(1,003,187)	(255,878)	(23,542)	(1,282,607)
Disposal of right-of-use assets	-	(40,261)	-	(40,261)
Additions to right-of-use assets	434,909	490,437	108,656	1,034,002
Ending balance	₩ 3,353,384	₩ 542,527	₩ 85,114	₩ 3,981,025

(b) Lease liabilities

*(in thousands of
Korean won)*

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Buildings	₩ 1,753,393	₩ 1,481,886	₩ 3,235,279	₩ 1,661,358	₩ 2,374,864	₩ 4,036,222
Vehicles	285,677	272,840	558,517	270,957	277,274	548,231
Land	22,702	42,107	64,809	22,716	63,386	86,102
	₩ 2,061,772	₩ 1,796,833	₩ 3,858,605	₩ 1,955,031	₩ 2,715,524	₩ 4,670,555

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(c) Amounts recognized in profit or loss

(in thousands of Korean won)

		2023		2022
Interest expense on lease liabilities	₩	111,589	₩	73,122
Expenses relating to short-term lease		29,918		51,666
Expense relating to leases of low-value assets that are not short-term leases		89,456		76,984
	₩	<u>230,963</u>	₩	<u>201,772</u>

(d) Amounts recognized in statement of cash flows

(in thousands of Korean won)

		2023		2022
Total cash outflow for leases	₩	1,792,727	₩	1,386,926

28.2 Lessor

The Company is providing investment property for lease. For such leases, the Company classifies them as operating leases because most of the risks and rewards of ownership of the asset are not transferred (Note 12). The following is the maturity analysis table for operating lease payments, and the lease payments to be received after the end of the reporting period are presented in undiscounted amounts.

(in thousands of Korean won)

		2023		2022
Not later than one year	₩	11,896	₩	10,915

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29. Earnings (Losses) per Share

Earnings (losses) per share for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean won and in number of shares)</i>	2023	2022
Profit (loss) attributable to the ordinary equity holders	₩ (1,795,675,819)	₩ 45,710,485,555
Weighted average shares	29,366,322	29,366,322
Basic earnings (losses) per share	₩ (61)	₩ 1,557

Calculation history of weighted average number of ordinary shares outstanding for the years ended December 31, 2023 and 2022, are as follows:

<i>(in number of shares)</i>	2023			
	Data	Number of shares	Weighted average (In days)	Weighted average number of shares
Beginning balance	2023-01-01	29,366,322	365/365	29,366,322
				<u>29,366,322</u>

<i>(in number of shares)</i>	2022			
	Data	Number of shares	Weighted average (In days)	Weighted average number of shares
Beginning balance	2022-01-01	29,366,322	365/365	29,366,322
				<u>29,366,322</u>

As the Company has no dilutive securities as at December 31, 2023 and 2022, diluted earnings per share has not been calculated.

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30. Contingencies and Commitments

Details of limit agreements with financial institutions as at December 31, 2023, are summarized as follows:

(in thousands of Korean won, USD and JPY)

Financial institutions		Amount	
KEB Hana Bank	General loan	₩	10,000,000
	Credit line	USD	3,000,000
Shinhan Bank	General loan		30,000,000
	Facility loan		12,000,000
	Bills bought	USD	1,000,000
	Opening Import L/C	USD	1,000,000
Woori Bank	General loan		10,000,000
	Credit line	USD	600,000
	Opening Import L/C	JPY	170,000,000
NongHyup Bank	General loan		10,000,000
Kookmin Bank	General loan		10,000,000
Korea Development Bank ¹	Facility loan		60,000,000
	Facility loan		60,000,000
	General loan		30,000,000
	KRW loan agreements	₩	232,000,000
	Foreign currency loan agreements	USD	5,600,000
		JPY	170,000,000

¹ Property, plant and equipment with a carrying amount of ₩ 213,592,942 thousand as at December 31, 2023 are provided as collateral (Notes 10 and 16).

As at December 31, 2023, there are no payment guarantees provided by the Company.

As at December 31, 2023, there are no guarantees that the Company receive from others.

As at December 31, 2023, the company has entered into insurance contracts with the Seoul Guarantee Insurance and Korea Trade Insurance Corporation in the amount of insurance coverage (USD 11,899,672, JPY 14,673,527, EUR 21,238, CNY 29,390,844 and KRW 35,940,000,000) in relation to export claims.

During 2010, KANEKA CORPORATION ("KANEKA") filed a US patent infringement lawsuit in US court for our sales in the US. The lawsuit is not ultimately concluded, but the jury reached a verdict on November 19, 2015 that some of our products indirectly did infringe KANEKA's patents, thus requiring the compensation of approximately USD 13.5 million as compensatory damages for the profits. SKC Co., Ltd ("SKC") and Kolon Industry Co., Ltd ("Kolon Industry") have submitted a confirmation to the Korea Exchange for the fulfilment of their responsibility to bear 50% of the above damages and

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additional damages respectively. Since then, the Company has received payment from SKC and Kolon Industry for 2020 according to the above commitment and paid it to KANEKA. Such case will be followed by the procedure for Accounting for Supplemental Damages, but the related schedule has not yet been settled. As for the amount of additional damage, it is impossible to estimate the amount.

As at December 31, 2023, the amount of commitments for the acquisition of property, plant and equipment and intangible assets that are not yet occurred amounts to ₩ 17,233,434 thousand.

31. Financial Instruments

Carrying amount and fair value of financial instruments by category as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		
	Financial assets measured at amortized cost	Total carrying amount	Fair value
Financial assets			
Cash and cash equivalents	₩ 56,412,206	₩ 56,412,206	₩ 56,412,206
Trade receivables	31,722,473	31,722,473	31,722,473
Other receivables	2,989,157	2,989,157	2,989,157
Other non-current financial assets	5,000	5,000	5,000
	<u>₩ 91,128,836</u>	<u>₩ 91,128,836</u>	<u>₩ 91,128,836</u>

(in thousands of Korean won)

	2023			
	Financial liabilities measured at amortized cost	Other liabilities	Total carrying amount	Fair value
Financial liabilities				
Trade payables	₩ 10,129,881	₩ -	₩ 10,129,881	₩ 10,129,881
Other payables	16,984,326	-	16,984,326	16,984,326
Borrowings	153,409,127	-	153,409,127	153,409,127
Lease liabilities	-	3,858,605	3,858,605	3,858,605
	<u>₩ 180,523,334</u>	<u>₩ 3,858,605</u>	<u>₩ 184,381,939</u>	<u>₩ 184,381,939</u>

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(in thousands of Korean won)

(in thousands of Korean won)

	2022					
	Financial assets measured at fair value through profit or loss		Financial assets measured at amortized cost		Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	₩	-	₩	16,403,880	₩ 16,403,880	₩ 16,403,880
Trade receivables		-		30,019,258	30,019,258	30,019,258
Other receivables		-		2,804,524	2,804,524	2,804,524
Other non-current financial assets		-		5,000	5,000	5,000
Derivative financial assets		4,397		-	4,397	4,397
	₩	4,397	₩	49,232,662	₩ 49,237,059	₩ 49,237,059

(in thousands of Korean won)

	2022			
	Financial liabilities measured at amortized cost		Total carrying amount	Fair value
Financial liabilities				
Trade payables	₩	13,271,218	₩ 13,271,218	₩ 13,271,218
Other payables		20,592,136	20,592,136	20,592,136
Borrowings		96,515,495	96,515,495	96,515,495
Lease liabilities		4,670,555	4,670,555	4,670,555
	₩	135,049,404	₩ 135,049,404	₩ 135,049,404

Net profit(loss) of the financial instruments by categories as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023	2022
Financial assets measured at fair value through profit or loss		
Gain on valuation of derivative assets	₩ -	₩ 17,876
Gain on transaction of derivative assets	7	-
Loss on transaction of derivative assets	-	(91)
Financial assets measured at amortized cost		
Interest income	₩ 829,362	₩ 651,121
Interest expense	(3,530,825)	(704,207)
	(2,701,456)	(35,301)

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Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			
	Level 1	Level 2	Level 3	Total
Derivative financial assets (held for trading)	₩ -	₩ -	₩ -	-

<i>(in thousands of Korean won)</i>	2022			
	Level 1	Level 2	Level 3	Total
Derivative financial assets (held for trading)	₩ -	₩ 4,397	₩ -	4,397

For financial instruments recognized at amortized cost for which the carrying amount is determined to be a reasonable approximation of fair value, the carrying amount is disclosed at fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Separate, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Instruments included in level 1 are comprised primarily of listed stocks.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The valuation techniques used to measure the fair value of financial instruments at Level 2 are as follows.

- Market-proven input
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value

The main valuation technique for Level 2 financial instruments is the discounted cash flow model, and the Company calculates the fair value of the custodial financial institution's valuation based on this valuation technique.

Transfer of financial assets of the Company is carried out in a form that is not entirely derecognized,

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and the counterparty to the related liabilities has the right to recourse to the transferred assets. As at December 31, 2023 and 2022, the transfer of financial assets of the Company is the transfer of trade receivables, and related liabilities are recorded as short-term borrowings. Details related to this are as follows (Notes 6 and 16):

(in thousands of
Korean won)

	2023			2022		
	Transferred assets	Associated liabilities	Net position	Transferred assets	Associated liabilities	Net position
Carrying amount	₩ 3,359,127	₩ 3,359,127	₩ -	₩ 182,176	₩ 182,176	₩ -
Fair value	3,359,127	3,359,127	-	182,176	182,176	-

32. Financial Risk Management

In relation to financial instruments, the Company is exposed to credit risk, liquidity risk and market risk. This note discloses information on the above risks to which the Company are exposed, the Company risk management goals, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout these financial statements.

32.1 Risk Management System

The Board of Directors is responsible for establishing and overseeing our risk management system.

The Company's risk management policy has been established to identify and analyze the risks the Company faces, establish appropriate risk limits and controls, and ensure that risks do not exceed these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. Through our management standards, procedures and training, the Company aims to create a rigorous and structured control environment where all employees understand their roles and responsibilities.

The Company's Audit Committee oversees how management manages compliance with the company's risk management policies and procedures, and reviews the appropriateness of our risk management system.

32.2 Credit Risk

Credit risk refers to the risk that the Company will incur financial loss if a customer or counterparty fails to fulfil its contractual obligations for financial instruments. It arises mainly from trade receivables to customers.

The Company's exposure to credit risk is primarily affected by the characteristics of each customer. Customer distribution, such as bankruptcy risk in the industry and country in which the customer operates, does not significantly affect credit risk. For the years ended December 31, 2023 and 2022, the proportion of sales to major customers who account for more than 10% of our sales was 26.51% and 27.87% of sales, respectively, but credit risk is not concentrated geographically.

The Company has established a credit policy that requires each new customer to be individually reviewed for credit before determining the standard payment criteria. When reviewing, external ratings and bank ratings are taken into consideration. The highest possible purchase limit is set for each individual customer without a separate request for approval, and this limit is reviewed on a semi-annual basis. Customers classified as "high risk" are included in the restricted customer list and managed, and sales are possible only when payment is made in advance.

The Company has established provisions for losses expected to occur on trade receivables, and historical experience shows that losses on trade receivables are not significant.

The maximum exposure to credit risk of financial assets measured at amortized cost is similar to the carrying amount.

32.3 Liquidity Risk

Liquidity risk is the risk that the Company will have difficulty meeting its obligations related to financial liabilities. The Company's liquidity management approach is to ensure that the Company has sufficient liquidity to repay the Company liabilities at maturity without the risk of incurring unacceptable losses or damaging the company's reputation, even in difficult financial situations.

The Company calculates the cost of products and services at the cost of each activity. These methods help monitor cash flow requirements and optimize cash return on investment. In general, the Company has sufficient cash and cash equivalents to cover estimated operating costs for 60 days, including repayment of financial liabilities. This does not include potential effects due to extreme conditions that cannot be reasonably foreseen.

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The contractual maturities of financial liabilities held by the Company as at December 31, 2023 and 2022, are as follows.

(in thousands of Korean won)

	2023					
	Carrying amount	Contractual cash flow	Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years
Non-derivative financial liabilities						
Trade receivables	₩ 10,129,881	₩ (10,129,881)	₩ (10,129,881)	₩ -	₩ -	₩ -
Short-term borrowings	53,359,127	(53,951,094)	(53,951,094)	-	-	-
Long-term borrowings	100,050,000	(114,978,451)	(2,182,608)	(2,182,608)	(21,017,403)	(89,595,832)
Lease liabilities	3,858,605	(3,991,131)	(712,486)	(975,427)	(1,479,165)	(824,053)
Other payables	15,959,150	(15,959,150)	(15,959,150)	-	-	-
Other non-current payables	1,025,176	(1,025,176)	-	-	-	(1,025,176)
	<u>₩ 184,381,939</u>	<u>₩ (200,034,883)</u>	<u>₩ (82,935,219)</u>	<u>₩ (3,158,035)</u>	<u>₩ (22,496,568)</u>	<u>₩ (91,445,061)</u>

(in thousands of Korean won)

	2022					
	Carrying amount	Contractual cash flow	Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years
Non-derivative financial liabilities						
Trade receivables	₩ 13,271,218	₩ (13,271,218)	₩ (13,271,218)	₩ -	₩ -	₩ -
Short-term borrowings	20,182,175	(20,455,479)	(20,455,479)	-	-	-
Current Portion of long-term borrowings	3,333,320	(3,363,301)	(3,363,301)	-	-	-
Long-term borrowings	73,000,000	(86,435,165)	(1,450,010)	(1,470,790)	(2,934,501)	(80,579,864)
Lease liabilities	4,670,555	(4,842,310)	(647,152)	(902,528)	(1,501,440)	(1,791,190)
Other payables	19,558,893	(19,558,893)	(19,558,893)	-	-	-
Other non-current payables	1,033,243	(1,033,243)	-	-	-	(1,033,243)
	<u>₩ 135,049,404</u>	<u>₩ (148,959,609)</u>	<u>₩ (58,746,053)</u>	<u>₩ (2,373,318)</u>	<u>₩ (4,435,941)</u>	<u>₩ (83,404,297)</u>

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32.4 Market Risk

Market risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to fluctuations in market prices such as exchange rates and interest rates. The purpose of market price management is to manage and control market risk exposure within acceptable limits while optimizing returns.

The Company buys and sells derivatives to manage market risk.

The carrying amounts of interest-bearing financial instruments held by the Company as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Fixed rate instruments		
Financial assets	₩ 56,412,206	₩ 16,403,880
Financial liabilities	<u>(157,217,732)</u>	<u>(97,852,730)</u>
	<u>₩ (100,805,526)</u>	<u>₩ (81,448,850)</u>
Variable rate instruments		
Financial liabilities	₩ (50,000)	₩ (3,333,320)
	<u>₩ (50,000)</u>	<u>₩ (3,333,320)</u>

The Company is exposed to interest rate risk because it has variable rate financial liabilities. Assuming that other variables such as exchange rates do not change, if the interest rate changes by 100bp, the impact on the Company's profit or loss for the year ended December 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	100bp increase	100bp decrease
Variable rate financial instruments		
Profit or loss	₩ (500)	₩ 500

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32.5 Currency Risk

The Company is exposed to exchange risk for sales, purchases, and borrowing in currencies other than the Korean won, which is the Company's functional currency. The main currencies in which these transactions are displayed are USD, EUR, JPY, CNY and others.

(a) Exposure to currency risk

The Company's exposure to foreign currency risk based on notional amounts as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won, CNY, EUR, GBP, JPY and USD)

	2023			2022		
	Foreign currency	Exchange rate	KRW conversion amount	Foreign currency	Exchange rate	KRW conversion amount
Foreign currency assets						
Cash and cash equivalents	USD 2,608,158	₩ 1,289	₩ 3,362,959	USD 1,175,905	₩ 1,267	₩ 1,490,224
	CNY 6,788,885	181	1,227,702	CNY -	-	-
	JPY 31,715,619	9	289,456	JPY 30,132,183	10	287,214
Trade receivables	USD 13,085,680	1,289	16,872,676	USD 13,497,031	1,267	17,104,788
	JPY 12,463,386	9	113,748	JPY 3,160,934	10	30,129
	CNY 24,137,652	181	4,365,053	CNY 7,224,862	181	1,310,879
	GBP 36,984	1,642	60,719	GBP -	-	-
	EUR 21,783	1,427	31,075	EUR 103,060	1,351	139,255
Non-trade receivables	USD 12,207	1,289	15,740	USD 18,497	1,267	23,441
Total	USD 15,706,046	₩ 1,289	₩ 26,339,128	USD 14,691,433	₩ 1,267	₩ 20,385,930
	JPY 44,179,005	9		JPY 33,293,117	10	
	CNY 30,926,537	181		CNY 7,224,862	181	
	EUR 21,783	1,427		EUR 103,060	1,351	
	GBP 36,984	1,642		GBP -	-	
Foreign currency liabilities						
Trade payables	USD 3,198,854	₩ 1,289	₩ 4,124,602	USD 3,239,694	₩ 1,267	₩ 4,105,665
	JPY 14,942,400	9	136,373	JPY 14,928,000	10	142,291
Non-trade payables	USD 304,215	1,289	392,255	USD 355,090	1,267	450,005
	JPY 80,000	9	730	JPY 1,748,904	10	16,670
	EUR 871	1,427	1,243	EUR 4,534	1,351	6,127
Short-term borrowings	USD 1,546,106	1,289	1,993,549	USD 143,751	1,267	182,175
	CNY 7,551,308	181	1,365,579	CNY -	-	-
Total	USD 5,049,174	₩ 1,289	₩ 8,014,330	USD 3,738,535	₩ 1,267	₩ 4,902,933
	JPY 15,022,400	9		JPY 16,676,904	10	
	CNY 7,551,308	181		CNY -	-	
	EUR 871	1,427		EUR 4,534	1,351	

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
December 31, 2023 and 2022

(b) Sensitivity analysis

The Company regularly measures the foreign exchange risk of changes in the KRW exchange rate internally. As at December 31, 2023 and 2022, a 10% change in the won exchange rate against foreign currencies has the following effects on the profit or loss of the exchange rate change.

(in thousands of Korean won)

	2023		2022	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 1,374,097	₩ (1,374,097)	₩ 1,388,061	₩ (1,388,061)
JPY	26,610	(26,610)	15,838	(15,838)
CNY	422,718	(422,718)	131,088	(131,088)
EUR	2,983	(2,983)	13,313	(13,313)
GBP	6,072	(6,072)	-	-
	<u>₩ 1,832,480</u>	<u>₩ (1,832,480)</u>	<u>₩ 1,548,300</u>	<u>₩ (1,548,300)</u>

The above sensitivity analysis is based on monetary assets and liabilities denominated in foreign currencies other than the functional currency at the end of the reporting period.

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
December 31, 2023 and 2022

33. Related Party

As at December 31, 2023, related parties with the Company are as follows:

Type	2023	2022
Ultimate parent company	ARKEMA SA	Glenwood Co-Investment 3rd Private Equity Fund
The parent company	Arkema Korea Holding Co., Ltd.	Korea PI Holdings Co., Ltd

There are no transactions with related parties as at December 31, 2023 and 2022.

There are no receivables or liabilities to related parties as at December 31, 2023 and 2022.

The Company determined that registered executives with important authority and responsibility for the planning, operation, and control of corporate activities were the main management. The amounts paid for compensation to key management for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Short-term employee benefits	₩ 329,495	₩ 331,000
Post-employment benefits	72,771	106,771
	<u>₩ 402,266</u>	<u>₩ 437,771</u>

There are no payment guarantees which the Company provides for related parties as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, there are no payment guarantees provided by related parties.

There were no financial transactions with related parties for the years ended December 31, 2023 and 2022.

The dividends paid by the Company to related parties for the years ended December 31, 2023 and 2022, are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Korea PI Holdings Co., Ltd.	₩ 12,368,495	₩ 17,306,666

¹ On December 1, 2023, the largest shareholder of the Company changed from Korea PI Holdings Co., Ltd. to Arkema Korea Holding Co., Ltd.

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
December 31, 2023 and 2022

34. Cash Flows

Significant non-cash investment activities and non-cash financing activities not included in the statement of cash flows for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Reclassification of construction-in-progress	₩	2,333,257	₩	104,193,533
Reclassification of Industrial property rights of long-term prepaid expenses		602,265		667,350
Reclassification of current portion of long-term borrowings		-		3,333,320
Increase (decrease) in non-trade payables related to acquisition of property, plant and equipment		(2,383,595)		(46,638)
Reclassification of current portion of long-term loans		365,353		263,575
Adjustment of acquisition cost of right of fuse assets		751,933		1,034,002

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

<i>(in thousands of Korean won)</i>	2023			2022		
	Borrowings	Lease liabilities	Accrued dividend	Borrowings	Lease liabilities	Accrued dividend
Beginning balance	₩ 96,515,495	₩ 4,670,555	₩ -	₩ 58,180,918	₩ 4,940,261	₩ -
Changes in financial cash flows	56,931,426	(1,559,592)	(22,876,365)	38,351,293	(1,258,276)	(32,009,291)
Addition of lease liabilities	-	854,998	-	-	955,177	-
Lease interest expense	-	113,760	-	-	74,432	-
Payments of lease interest expense	-	(113,760)	-	-	-	-
Removal of lease liabilities following termination	-	(107,356)	-	-	(41,039)	-
Exchange rate fluctuation effect	(37,794)	-	-	(16,716)	-	-
Resolution dividend	-	-	22,876,365	-	-	32,009,291
Ending balance	₩ 153,409,127	₩ 3,858,605	₩ -	₩ 96,515,495	₩ 4,670,555	₩ -

PI Advanced Materials Co., Ltd.
Notes to the Financial Statements
December 31, 2023 and 2022

35. Capital Management

The Company's capital management policy is to maintain sound capital for the confidence of investors, creditors and markets, and for the future development of our business. The board of directors manages the return on capital ratio, which is the ratio of net operating income divided by total stockholders' equity. The Company's annual target return on capital is 10% to 15%.

The Company's capital management indicators for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Operating income (expenses)	₩ (3,937,894)	₩ 52,135,090
Total equity	314,918,935	341,453,217
Gearing ratio	(1.25%)	15.27%

Independent Auditor's Report on Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
PI Advanced Materials Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited PI Advanced Materials Co., Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the financial statements of the Company, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements including material accounting policy information, and our report dated March 11, 2024 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying ICFR Operating Status Report by CEO.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is In-Kyoo Park, Certified Public Accountant.

Seoul, Korea

March 11, 2024

This report is effective as at March 11, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Management's Report on the Effectiveness of
Internal Control over Financial Reporting**

ICFR Operating Status Report by CEO

To the Shareholders, Board of Directors, and Audit Committee of
PIAM Company

We, as the Chief Executive Officer and the Internal Accounting Manager of PIAM Company ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ending December 31, 2023.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, "We", "Our" or "Us").

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.


We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee")' as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we

have reviewed and verified this report with sufficient care.

March 4, 2024

[Kevin Song] (Signature) 
Chief Executive Officer

[Jinhong Lee] (Signature)
Internal Accounting Manager 