

Samsung Electro Mechanics Co., Ltd. and Subsidiaries

**Consolidated Financial Statements as of and for the Year Ended
December 31, 2024 and 2023**

ATTACHMENT : INDEPENDENT AUDITOR'S REPORT

Samsung Electro Mechanics Co., Ltd.

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INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on February 21, 2025

To the Shareholders and the Board of Directors of Samsung Electro-Mechanics Co., Ltd.

Audit Opinion

We have audited consolidated financial statements of Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and December 31, 2023, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2024 and December 31, 2023, respectively, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Group as of December 31, 2024, based on the criteria established in 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting', and our report dated February 21, 2025 expressed an unqualified opinion.

Basis for Audit Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 28 to the consolidated financial statements of the Group. As discussed in Note 28 to the consolidated financial statements, the Group classified the Network module business to discontinued operations for the year ended December 31, 2024. Accordingly, related gains or losses are classified and presented as the profit (loss) from discontinued operations in the consolidated statements of comprehensive income, and comparative consolidated statement of comprehensive income was restated.

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Key Audit Matters

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

Revenue recognition cut-off related to sales of goods (export sales)

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

As described in Note 2 to the consolidated financial statements, the Group is engaged in manufacturing and selling electronics components. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer with the relevant consideration.

The timing of the transfer of control of the Group's products may vary depending on transaction agreements with customers and export terms and conditions, and management's judgement on the timing of revenue recognition is required. Considering the possibility of deliberate manipulation or potential error, we determined the revenue recognition cut-off related to sales of goods as a key audit matter.

How our audit addressed the key audit matter

Key audit procedures we have performed in relation to the Group's revenue recognition cut-off are as follows.

- Evaluated reasonableness of the Group's accounting policy and standard for revenue recognition cut-off.
- Obtained an understanding of controls over sales and accounting systems and evaluated the design and operational effectiveness of those controls.
- Examined the relevant transaction agreements and evidences through audit sampling at transaction level from sales records that occurred before and after the end of the reporting period.
- Determined whether there are any unusual changes by analyzing monthly sales trend of major customers.
- Examined the cause of cancellation and the relevant evidences through audit sampling from sales records canceled within a short period after the end of the reporting period.

Other Matters

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

The accompanying consolidated financial statements as of and for the years ended December 31, 2024 and December 31, 2023, have been translated into the U.S. dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 2 to the consolidated financial statements.



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

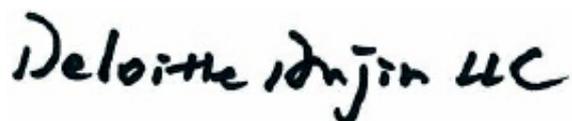
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dong Hwui Ahn.



February 21, 2025

Notice to Readers

This report is effective as of February 21, 2025, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2024 and 2023

	Notes	Korean won		U.S. dollar (Note 2)	
		2024	2023	2024	2023
Assets					
Current assets:					
Cash and cash equivalents	4,27	₩ 2,013,326,031,516	₩ 1,669,189,597,138	\$ 1,369,609,545	\$ 1,135,503,127
Other current financial assets	5,27	21,665,273,589	65,119,675,394	14,738,281	44,299,099
Trade and other receivables	6,24,27	1,484,142,850,415	1,235,009,440,897	1,009,620,987	840,142,477
Short-term loans	27	171,703,956	121,486,617	116,805	82,644
Advanced payments		25,537,835,363	22,667,419,488	17,372,677	15,420,013
Prepaid expenses		53,011,842,566	48,240,192,974	36,062,478	32,816,458
Prepaid income tax	22	24,804,621,912	25,421,553,191	16,873,892	17,293,574
Inventories, net	7	2,250,799,628,678	2,119,538,128,949	1,531,156,210	1,441,862,673
Right of return assets	15	18,286,700,320	23,110,826,498	12,439,932	15,721,651
		<u>5,891,746,488,305</u>	<u>5,208,418,321,146</u>	<u>4,007,990,808</u>	<u>3,543,141,715</u>
Non-current assets:					
Investment in associates	8	64,797,099,713	66,479,378,394	44,079,660	45,224,067
Financial assets measured at fair value	9,27	272,406,342,311	210,783,748,644	185,310,437	143,390,305
Long-term loans	27	4,884,230,260	4,159,967,818	3,322,606	2,829,910
Property, plant and equipment	10,18	5,933,216,998,733	5,603,337,560,847	4,036,202,040	3,811,794,259
Right-of-use assets	12	115,073,555,125	107,155,092,423	78,281,330	72,894,621
Intangible assets, net	11	145,642,951,741	151,368,146,277	99,076,838	102,971,528
Net employee defined benefit assets	16	189,691,166,273	125,719,439,733	129,041,610	85,523,428
Other non-current financial assets	5,27	75,886,212,317	14,162,945,763	51,623,274	9,634,657
Long-term advanced payments and prepaid expenses		49,845,359,003	40,144,644,353	33,908,407	27,309,282
Deferred tax assets	22	49,212,517,103	126,142,366,450	33,477,903	85,811,127
		<u>6,900,656,432,579</u>	<u>6,449,453,280,702</u>	<u>4,694,324,104</u>	<u>4,387,383,184</u>
Total assets		₩ 12,792,402,920,884	₩ 11,657,871,601,848	\$ 8,702,314,912	\$ 7,930,524,899

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2024 and 2023

	Notes	Korean won		U.S. dollar (Note 2)	
		2024	2023	2024	2023
Liabilities					
Current liabilities:					
Trade and other payables	13,24,27	₩ 1,156,563,946,583	₩ 1,283,198,829,232	\$ 786,778,195	\$ 872,924,374
Short-term borrowings	6,14,27	1,313,774,794,793	1,067,870,754,310	893,724,350	726,442,690
Advances received	18	200,572,952,181	196,206,367,419	136,444,185	133,473,719
Income tax payables		32,607,131,197	18,151,193,406	22,181,722	12,347,751
Current portion of long-term borrowings	14,27	244,127,399,380	237,120,413,218	166,073,061	161,306,404
Current lease liabilities	12,27	22,246,262,544	24,904,225,632	15,133,512	16,941,650
Provisions for product warranties	17	3,749,485,089	1,184,996,790	2,550,670	806,120
Refund liabilities	15	20,259,307,872	26,315,439,604	13,781,842	17,901,660
Other current liabilities	5,27	62,959,578,382	45,507,409,812	42,829,645	30,957,422
		<u>3,056,860,858,021</u>	<u>2,900,459,629,423</u>	<u>2,079,497,182</u>	<u>1,973,101,789</u>
Non-current liabilities:					
Long-term borrowings	14,27	-	216,522,309,951	-	147,294,088
Long-term other payables	13	84,335,247,043	79,828,943,115	57,370,916	54,305,403
Net employee defined benefit liabilities	16	26,358,068,446	20,872,781,397	17,930,659	14,199,171
Long-term advances received	18	551,428,051,615	358,469,092,654	375,121,124	243,856,526
Long-term lease liabilities	12,27	55,859,009,358	50,095,396,736	37,999,326	34,078,501
Deferred tax liabilities	22	1,707,654,631	1,298,473,124	1,161,670	883,315
		<u>719,688,031,093</u>	<u>727,086,996,977</u>	<u>489,583,695</u>	<u>494,617,005</u>
Total liabilities		<u>3,776,548,889,114</u>	<u>3,627,546,626,400</u>	<u>2,569,080,877</u>	<u>2,467,718,793</u>
Equity					
Issued capital	19	388,003,400,000	388,003,400,000	263,947,891	263,947,891
Share premium	19	1,053,516,215,437	1,053,516,215,437	716,677,698	716,677,698
Other components of equity	19	(146,701,455,500)	(146,701,455,500)	(99,796,909)	(99,796,909)
Accumulated other comprehensive income	19	1,003,947,273,489	679,817,803,853	682,957,329	462,461,091
Other capital reserves	19	3,965,465,257,472	3,842,665,257,472	2,697,595,413	2,614,057,998
Retained earnings		2,524,929,947,839	2,030,411,122,731	1,717,639,420	1,381,232,056
Equity attributable to owners of the parent		<u>8,789,160,638,737</u>	<u>7,847,712,343,993</u>	<u>5,979,020,843</u>	<u>5,338,579,826</u>
Non-controlling interests		226,693,393,033	182,612,631,455	154,213,193	124,226,280
Total equity		<u>9,015,854,031,770</u>	<u>8,030,324,975,448</u>	<u>6,133,234,035</u>	<u>5,462,806,106</u>
Total liabilities and equity		<u>₩ 12,792,402,920,884</u>	<u>₩ 11,657,871,601,848</u>	<u>\$ 8,702,314,912</u>	<u>\$ 7,930,524,899</u>

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.

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

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
December 31, 2024 and 2023

Notes	Korean won		U.S. dollar (Note 2)		
	2024	2023	2024	2023	
Continuing operations					
Sales	3,20,24 ₩	10,294,102,976,435 ₩	8,892,411,942,806 \$	7,002,791,140 \$	6,049,259,825
Cost of sales	20,24	8,334,880,175,421	7,173,051,968,878	5,869,986,514	4,879,627,190
Gross profit		1,959,222,801,014	1,719,359,973,928	1,332,804,627	1,169,632,635
Selling and administrative expenses	20	1,224,216,944,019	1,058,815,519,148	832,800,642	720,282,666
Operating profit		735,005,856,995	660,544,454,780	500,003,984	449,349,969
Financial income	21,27	72,006,051,126	52,727,909,704	48,983,708	35,889,326
Financial costs	21,27	72,690,315,725	67,685,474,650	49,449,194	46,044,541
Share of profit of associates	8,21	(952,114,882)	(4,742,266,088)	(647,697)	(3,226,031)
Other income	21,27	417,051,368,952	340,189,951,977	283,708,414	231,421,736
Other expenses	21,27	353,124,800,416	417,797,018,974	240,220,953	284,215,659
Profit before tax from continuing operations		797,296,046,050	563,237,556,749	542,378,263	383,154,801
Income tax expense	22	132,345,904,678	85,855,396,375	90,031,228	58,405,032
Profit for the year from continuing operations		664,950,141,372	477,382,160,374	452,347,035	324,749,769
Discontinued operations					
Profit (loss) for the year from discontinued operations	28	38,265,495,710	(26,900,035,201)	26,030,949	(18,299,344)
Profit for the year		₩ 703,215,637,082	₩ 450,482,125,173	\$ 478,377,984	\$ 306,450,425
Other comprehensive income:					
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Net gains (loss) on valuation of financial assets measured at fair value through OCI		49,663,520,851	(24,380,241,342)	33,784,708	(16,585,198)
Net gains (loss) on disposal of financial assets measured at fair value through OCI		-	71,922,189,390	-	48,926,659
Remeasurement gains (loss) on defined benefit plans		25,210,770,685	(11,600,503,793)	17,150,184	(7,891,499)
Capital changes in equity method		(547,622,849)	99,371,555	(372,533)	67,600
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Exchange differences on translation of foreign operations		296,566,334,751	10,666,132,276	201,745,806	7,255,872
Other comprehensive income (loss), net of tax		370,893,003,438	46,706,948,086	252,308,166	31,773,434
Total comprehensive income, net of tax		₩ 1,074,108,640,520	₩ 497,189,073,259	\$ 730,686,150	\$ 338,223,859

Notes	Korean won		U.S. dollar (Note 2)					
	2024	2023	2024	2023				
Profit for the year from continuing operations attributable to:								
Equity holders of the parent	₩	640,864,573,913	₩	449,856,741,813	\$	435,962,295	\$	306,024,994
Non-controlling interests		24,085,567,459		27,525,418,561		16,384,740		18,724,775
Profit for the year attributable to:								
Equity holders of the parent	₩	679,130,069,623	₩	422,956,706,612	\$	461,993,245	\$	287,725,651
Non-controlling interests		24,085,567,459		27,525,418,561		16,384,740		18,724,775
Total comprehensive income for the year attributable to:								
Equity holders of the parent	₩	1,028,470,309,944	₩	468,010,273,531	\$	699,639,667	\$	318,374,336
Non-controlling interests		45,638,330,576		29,178,799,728		31,046,483		19,849,524
Earnings per share:								
23								
Basic and diluted, profit for the year attributable to ordinary shareholders of the parent	₩	8,988	₩	5,597	\$	6.11	\$	3.81
Basic and diluted, profit for the year attributable to preferred shareholders of the parent	₩	9,038	₩	5,647	\$	6.15	\$	3.84
Basic and diluted, profit for the year from continuing operations attributable to ordinary shareholders of the parent	₩	8,481	₩	5,953	\$	5.77	\$	4.05
Basic and diluted, profit for the year from continuing operations attributable to preferred shareholders of the parent	₩	8,531	₩	6,003	\$	5.80	\$	4.08

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.
The above consolidated statements of comprehensive should be read in conjunction with the accompanying notes.

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
December 31, 2024 and 2023

(in Korean won)

	Attributable to equity holders of the parent								
	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income	Other capital reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
January 1, 2023	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 623,163,733,141	₩ 3,315,765,257,472	₩ 2,304,746,822,612	₩ 7,538,493,973,162	₩ 154,990,706,123	₩ 7,693,484,679,285
Profit for the year	-	-	-	-	-	422,956,706,612	422,956,706,612	27,525,418,561	450,482,125,173
Other comprehensive income:									
Remeasurement gains on defined benefit plans	-	-	-	-	-	(11,600,503,793)	(11,600,503,793)	-	(11,600,503,793)
Net gains on valuation of									
financial assets measured at fair value	-	-	-	(24,380,241,342)	-	-	(24,380,241,342)	-	(24,380,241,342)
Net gains on disposal of									
financial assets measured at fair value	-	-	-	71,922,189,390	-	-	71,922,189,390	-	71,922,189,390
Capital changes in equity method	-	-	-	99,371,555	-	-	99,371,555	-	99,371,555
Foreign currency translation adjustments	-	-	-	9,012,751,109	-	-	9,012,751,109	1,653,381,167	10,666,132,276
Total comprehensive income	-	-	-	56,654,070,712	-	411,356,202,819	468,010,273,531	29,178,799,728	497,189,073,259
Dividends	-	-	-	-	-	(158,791,902,700)	(158,791,902,700)	(1,555,284,396)	(160,347,187,096)
Appropriation of retained earnings	-	-	-	-	526,900,000,000	(526,900,000,000)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	(1,590,000)	(1,590,000)
December 31, 2023	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 679,817,803,853	₩ 3,842,665,257,472	₩ 2,030,411,122,731	₩ 7,847,712,343,993	₩ 182,612,631,455	₩ 8,030,324,975,448
January 1, 2024	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 679,817,803,853	₩ 3,842,665,257,472	₩ 2,030,411,122,731	₩ 7,847,712,343,993	₩ 182,612,631,455	₩ 8,030,324,975,448
Profit for the year	-	-	-	-	-	679,130,069,623	679,130,069,623	24,085,567,459	703,215,637,082
Other comprehensive income:									
Remeasurement gains on defined benefit plans	-	-	-	-	-	25,210,770,685	25,210,770,685	-	25,210,770,685
Net gains on valuation of									
financial assets measured at fair value	-	-	-	49,663,520,851	-	-	49,663,520,851	-	49,663,520,851
Capital changes in equity method	-	-	-	(547,622,849)	-	-	(547,622,849)	-	(547,622,849)
Foreign currency translation adjustments	-	-	-	275,013,571,634	-	-	275,013,571,634	21,552,763,117	296,566,334,751
Total comprehensive income	-	-	-	324,129,469,636	-	704,340,840,308	1,028,470,309,944	45,638,330,576	1,074,108,640,520
Dividends	-	-	-	-	-	(87,022,015,200)	(87,022,015,200)	(1,564,678,998)	(88,586,694,198)
Appropriation of retained earnings	-	-	-	-	122,800,000,000	(122,800,000,000)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	7,110,000	7,110,000
December 31, 2024	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 1,003,947,273,489	₩ 3,965,465,257,472	₩ 2,524,929,947,839	₩ 8,789,160,638,737	₩ 226,693,393,033	₩ 9,015,854,031,770

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
December 31, 2024 and 2023

(in U.S. dollars (Note 2))

	Attributable to equity holders of the parent								Non-controlling interests	Total equity
	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income	Other capital reserves	Retained earnings	Sub-total			
January 1, 2023	\$ 263,947,891	\$ 716,677,698	\$ (99,796,909)	\$ 423,920,907	\$ 2,255,622,624	\$ 1,567,854,981	\$ 5,128,227,193	\$ 105,435,855	\$ 5,233,663,047	
Profit for the year	-	-	-	-	-	287,725,651	287,725,651	18,724,775	306,450,425	
Other comprehensive income:										
Remeasurement gains on defined benefit plans	-	-	-	-	-	(7,891,499)	(7,891,499)	-	(7,891,499)	
Net gains on valuation of financial assets measured at fair value	-	-	-	(16,585,198)	-	-	(16,585,198)	-	(16,585,198)	
Net gains on disposal of financial assets measured at fair value	-	-	-	48,926,659	-	-	48,926,659	-	48,926,659	
Capital changes in equity method	-	-	-	67,600	-	-	67,600	-	67,600	
Foreign currency translation adjustments	-	-	-	6,131,123	-	-	6,131,123	1,124,749	7,255,872	
Total comprehensive income	-	-	-	38,540,184	-	279,834,152	318,374,336	19,849,524	338,223,859	
Dividends	-	-	-	-	-	(108,021,703)	(108,021,703)	(1,058,017)	(109,079,719)	
Appropriation of retained earnings	-	-	-	-	358,435,374	(358,435,374)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	(1,082)	(1,082)	
December 31, 2023	\$ 263,947,891	\$ 716,677,698	\$ (99,796,909)	\$ 462,461,091	\$ 2,614,057,998	\$ 1,381,232,056	\$ 5,338,579,826	\$ 124,226,280	\$ 5,462,806,106	
January 1, 2024	\$ 263,947,891	\$ 716,677,698	\$ (99,796,909)	\$ 462,461,091	\$ 2,614,057,998	\$ 1,381,232,056	\$ 5,338,579,826	\$ 124,226,280	\$ 5,462,806,106	
Profit for the year	-	-	-	-	-	461,993,245	461,993,245	16,384,740	478,377,984	
Other comprehensive income:										
Remeasurement gains on defined benefit plans	-	-	-	-	-	17,150,184	17,150,184	-	17,150,184	
Net gains on valuation of financial assets measured at fair value	-	-	-	33,784,708	-	-	33,784,708	-	33,784,708	
Capital changes in equity method	-	-	-	(372,533)	-	-	(372,533)	-	(372,533)	
Foreign currency translation adjustments	-	-	-	187,084,062	-	-	187,084,062	14,661,744	201,745,806	
Total comprehensive income	-	-	-	220,496,238	-	479,143,429	699,639,667	31,046,483	730,686,150	
Dividends	-	-	-	-	-	(59,198,650)	(59,198,650)	(1,064,407)	(60,263,057)	
Appropriation of retained earnings	-	-	-	-	83,537,415	(83,537,415)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	4,837	4,837	
December 31, 2024	\$ 263,947,891	\$ 716,677,698	\$ (99,796,909)	\$ 682,957,329	\$ 2,697,595,413	\$ 1,717,639,420	\$ 5,979,020,843	\$ 154,213,193	\$ 6,133,234,035	

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.

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

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
December 31, 2024 and 2023

	Notes	Korean won		U.S. dollar (Note 2)	
		2024	2023	2024	2023
Cash flows from operating activities					
Cash generated from operations	25	₩ 1,440,782,149,573	₩ 1,314,815,645,800	\$ 980,123,911	\$ 894,432,412
Interest received		70,782,853,763	51,793,182,252	48,151,601	35,233,457
Income tax paid		(81,745,996,616)	(186,248,712,534)	(55,609,522)	(126,699,804)
Net cash inflow from operating activities		1,429,819,006,720	1,180,360,115,518	972,665,991	802,966,065
Cash flows from investing activities					
Decrease in other financial assets		14,190,087,872	12,958,028,043	9,653,121	8,814,985
Increase in other financial assets		(30,885,176,639)	(6,217,840,407)	(21,010,324)	(4,229,823)
Disposal of financial assets measured at fair value		164,335,218	99,578,203,874	111,793	67,740,275
Acquisition of financial assets measured at fair value		(191,746,940)	(591,001,233)	(130,440)	(402,042)
Proceeds from disposal of property, plant and equipment		4,042,672,900	5,369,646,024	2,750,118	3,652,820
Acquisition of property, plant and equipment		(775,986,403,809)	(1,209,777,658,919)	(527,881,907)	(822,977,999)
Receipt of government grant		33,080,994,019	28,996,188,990	22,504,078	19,725,299
Proceeds from disposal of intangible assets		-	21,905,259	-	14,902
Acquisition of intangible assets		(50,654,755,607)	(47,074,391,786)	(34,459,017)	(32,023,396)
Dividends received		371,951,200	3,542,887,609	253,028	2,410,128
Net cash flow due to disposal of discontinued operations		-	90,344,648,615	-	61,458,945
Net cash outflow to investing activities		(805,868,041,786)	(1,022,849,383,931)	(548,209,552)	(695,815,907)
Cash flows from financing activities					
Proceeds from short-term borrowings		3,228,530,987,463	1,961,689,648,394	2,196,279,583	1,334,482,754
Repayment of short-term borrowings		(3,076,139,286,441)	(1,694,817,325,050)	(2,092,611,759)	(1,152,936,956)
Repayment of current portion of long-term borrowings		(257,056,813,032)	(282,200,897,428)	(174,868,580)	(191,973,400)
Proceeds from long-term borrowings		7,854,445,302	117,509,400,000	5,343,160	79,938,367
Repayment of lease liabilities		(26,309,698,653)	(25,573,574,034)	(17,897,754)	(17,396,989)
Interest paid		(97,424,136,340)	(89,393,958,971)	(66,274,923)	(60,812,217)
Dividends paid		(88,584,145,458)	(160,342,144,796)	(60,261,323)	(109,076,289)
Increase (decrease) in non-controlling interests		7,110,000	(1,590,000)	4,837	(1,082)
Net cash outflow to financing activities		(309,121,537,159)	(173,130,441,885)	(210,286,760)	(117,775,811)
Net increase (decrease) in cash and cash equivalents		314,829,427,775	(15,619,710,298)	214,169,679	(10,625,653)
Effects of exchange rate changes on cash and cash equivalents		29,307,006,603	7,742,207,788	19,936,739	5,266,808
Cash and cash equivalents at January 1		1,669,189,597,138	1,677,067,099,648	1,135,503,127	1,140,861,973
Cash and cash equivalents at December 31		₩ 2,013,326,031,516	₩ 1,669,189,597,138	\$ 1,369,609,545	\$ 1,135,503,127

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

1. Organization and business

1.1 The Company

Samsung Electro-Mechanics Co., Ltd. (the "Company") was incorporated on August 8, 1973 under the laws of the Republic of Korea to engage in manufacture and sales of various electronic components. The ordinary shares of the Company have been publicly traded on the Korea Exchange since 1979.

As of December 31, 2024, the Company's manufacturing plants are located in Suwon, Sejong and Busan. The Company maintains its overseas business operations through 13 direct subsidiaries and one indirect subsidiary located in the Americas, Europe and Asia.

1.2 Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2024 are as follows (Korean won in thousands):

Subsidiary	Issued capital	Number of shares	Equity interest	Principal activities	Domicile
Tianjin Samsung Electro-Mechanics Co., Ltd. (*1)	331,501,389	-	81.76%	Passive component manufacturing	China
Samsung Electro-Mechanics Philippines, Corp.	53,917,212	4,046,711	100.00%	Passive component manufacturing	Philippines
Samsung High-Tech Electro-Mechanics(Tianjin) Co., Ltd. (*1)	38,972,998	-	95.00%	Camera module manufacturing	China
Samsung Electro-Mechanics Vietnam Co., Ltd. (*1)	112,840,500	-	100.00%	Camera module manufacturing	Vietnam
Samsung Electro-Mechanics America, Inc.	3,420,160	5,000	100.00%	Trading	USA
Samsung Electro-Mechanics GmbH (*1)	3,089,662	-	100.00%	Trading	Germany
Calamba Premier Realty Corporation (*2)	3,383	398	39.80%	Real estate	Philippines
Samsung Electro-Mechanics Pte, Ltd.	1,215,800	1,760,200	100.00%	Trading	Singapore
Samsung Electro-Mechanics (Shenzhen) Co., Ltd. (*1)	2,368,283	-	100.00%	Trading	China
Samsung Electro-Mechanics Japan Co., Ltd.	4,696,119	330,000	100.00%	Trading	Japan
Batino Realty Corporation	2,704	1,000	39.80%	Real estate	Philippines
Samsung Electro-Mechanics Software India Bangalore Private Limited	16,790	100,000	100.00%	Software development	India
Samsung Electro-Mechanics Mexico S.A. de C.V. (*1)	4,936,338	-	100.00%	Camera module manufacturing	Mexico
SVIC#47 (*1)	26,116,000	-	99.00%	Investment	Korea

The fiscal year for all the subsidiaries ends on December 31.

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

1.2 Consolidated subsidiaries (cont'd)

(*1) These subsidiaries are limited liability entities that do not issue shares in accordance with local law.

(*2) The subsidiary owns 100% of Batino Realty Corporation, an indirect subsidiary.

Although the Company's equity interests in Calamba Premier Realty Corporation and Batino Realty Corporation are less than 50%, it is assessed that the Group holds *de facto* control over these entities as it has rights arising from contractual agreements.

The summary of the consolidated subsidiaries' financial position as of December 31, 2024 and the results of their financial performance for the year then ended, which have been included in the accompanying consolidated financial statements are as follows (Korean won in thousands):

Subsidiary	Total assets	Total liabilities	Sales	Profit (loss) for the year
Tianjin Samsung Electro-Mechanics Co., Ltd.	₩ 1,961,207,615	₩ 807,647,408	₩ 2,899,287,455	₩ 122,933,737
Samsung Electro-Mechanics Philippines, Corp.	1,049,205,707	589,254,859	1,389,237,070	27,317,998
Samsung High-Tech Electro-Mechanics (Tianjin) Co., Ltd.	580,357,979	263,994,000	1,344,033,557	22,939,609
Samsung Electro-Mechanics Vietnam Co., Ltd.	2,782,125,616	1,838,895,939	2,718,503,370	102,557,798
Samsung Electro-Mechanics America, Inc.	119,654,435	78,582,200	367,890,550	4,353,165
Samsung Electro-Mechanics GmbH	132,659,707	65,982,008	332,892,150	8,574,918
Calamba Premier Realty Corporation	11,363,159	8,499,569	-	(262,004)
Samsung Electro-Mechanics Pte, Ltd.	107,470,562	58,046,352	283,215,532	4,878,630
Samsung Electro-Mechanics (Shenzhen) Co., Ltd.	840,197,359	549,651,495	2,793,330,511	30,869,989
Samsung Electro-Mechanics Japan Co., Ltd.	24,628,540	16,567,086	89,865,954	1,740,346
Batino Realty Corporation	11,072,470	8,573,846	-	931,538
Samsung Electro-Mechanics Software India Bangalore Private Limited	11,012,889	5,553,012	13,560,563	1,353,146
Samsung Electro-Mechanics Mexico S.A. de C.V.	4,531,499	-	-	(1,010,249)
SVIC#47	18,630,872	144,314	-	(5,183,404)
	<u>₩ 7,654,118,409</u>	<u>₩ 4,291,392,088</u>	<u>₩ 12,231,816,712</u>	<u>₩ 321,995,217</u>

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

1.2 Consolidated subsidiaries (cont'd)

Profit attributable to non-controlling interests

Details of profit or loss attributable to non-controlling interests for the year ended December 31, 2024 are as follows (Korean won in thousands):

Subsidiary	Non-controlling ownership	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Remaining non-controlling interests
Tianjin Samsung Electro-Mechanics Co., Ltd.	18.24%	₩ 22,512,781	₩ 1,227,611	₩ 209,788,566
Samsung High-Tech Electro-Mechanics (Tianjin) Co., Ltd.	5.00%	1,221,561	337,068	15,416,716
Calamba Premier Realty Corp.	60.20%	(157,726)	-	105,052
Batino Realty Corporation	60.20%	560,786	-	1,413,834
SVIC#47	1.00%	(51,833)	-	(30,775)
		<u>₩ 24,085,569</u>	<u>₩ 1,564,679</u>	<u>₩ 226,693,393</u>

Subsidiary excluded from the consolidation for the year ended December 31, 2024 is as follows:

Subsidiary	Description
Kunshan Samsung Electro-Mechanics Co., Ltd.	Liquidation

2. Significant Accounting Policies

2.1 Basis of consolidated financial statements preparation

Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (collectively referred to as the "Group") prepare statutory consolidated financial statements in the Korean language in accordance with Korean International Financial Reporting Standards enacted by the *Act on External Audit of Stock Companies*.

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value and when otherwise noted. The consolidated financial statements are presented in Korean won (KRW) with all values rounded to the nearest thousands, except when otherwise indicated. The accompanying consolidated financial statements have been condensed, restructured, and translated into English from the Korean language financial statements.

United States dollar amounts

The U.S. dollar amounts provided herein represent supplementary information solely for the convenience of the reader. All Korean won amounts of the 2024 and 2023 consolidated financial statements are translated to U.S. dollars at US\$1:₩ 1,470.00, the exchange rates in effect on December 31, 2024. Such presentation is not in accordance with Korean International Financial Reporting Standards and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

2.2 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2.2 Principles of consolidation (cont'd)

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

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

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity while any related gain or loss is recognized in profit or loss. Any remaining investment is recognized at fair value.

2.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as of the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Korean IFRS 1109 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statements of profit or loss in accordance with Korean IFRS 1109. Other contingent consideration that is not within the scope of Korean IFRS 1109 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

2.3 Business combinations and goodwill (cont'd)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 Investment in associates and joint arrangements

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of financial performance of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the statements of profit or loss and other comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The consolidated financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statements of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

2.4 Investment in associates and Joint arrangements (cont'd)

Joint arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.5 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Foreign currency translation

The Group's consolidated financial statements are presented in Korean won, which is also its functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.6 Foreign currency translation (cont'd)

Foreign operations

The assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive incomes are translated at average exchange rate during the applicable period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the gain or loss on translation of foreign operations recorded in other comprehensive income is reclassified to the statements of profit or loss and other comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.7 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which represent cash and cash equivalents on the consolidated statements of cash flows.

2.8 Financial instruments: Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under Korean IFRS 1115.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets measured at amortised cost (debt instruments)
- Financial assets measured at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets measured at fair value through OCI with no recycling of cumulative gains and losses (equity instruments)
- Financial assets measured at fair value through profit or loss

2.8 Financial instruments: Initial recognition and subsequent measurement (cont'd)

Financial assets measured at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets measured at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments measured at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statements of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets measured at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under Korean IFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2.8 Financial instruments: Initial recognition and subsequent measurement (cont'd)

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets measured at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.8 Financial instruments: Initial recognition and subsequent measurement (cont'd)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Debt instruments at fair value through OCI
- Trade receivables, including contract assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of Korean IFRS 1039 are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payable, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Korean IFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statements of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Korean IFRS 1109 are satisfied. The Group has not designated any financial liability as of fair value through profit or loss.

2.8 Financial instruments – impairment of financial assets (cont'd)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.9 Fair value measurement

The Group measures financial instruments, at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	<u>Notes</u>
Quantitative disclosures of fair value measurement hierarchy	27
Investment in unquoted equity shares	9
Financial instruments (including those carried at amortised cost)	27

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2.9 Fair value measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.10 Inventories

Inventories are valued at the lower of cost and net realizable value. Purchase costs, transfer costs and costs incurred in bringing each product to its present location and conditions are accounted for initial cost of inventories. Unit costs of inventories are measured by weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of property, plant and equipment are calculated by using the straight-line method over the estimated useful life of the assets as follows:

	<u>Estimated useful life</u>
Buildings	17 – 52
Structures	20 – 40
Machinery	4 – 5
Equipment	4 – 5
Vehicles	4 – 5

2.12 Leases

The Group assess whether the contract contains lease when the contract is settled, by considering if the right to control the use of the identified asset is transferred in exchange for price.

Group as lessee

The Group applies a single approach on identification and measurement, except for short-term leases and leases of low-value assets. The Group identifies lease liability, as obligation to pay for the lease, and right-of-use asset, as right to control the underlying asset.

At the commencement date, the day that the underlying asset of the lease becomes available, the Group identifies the right-of-use asset. The right-of-use asset is measured as cost initially, and as cost model in subsequent measurements. Besides of accumulated depreciation and impairment loss being deducted, adjustments from remeasurement of lease liability is reflected in the cost model. The cost of right-of-use assets includes the amount of the recognized lease liability, the initial direct cost, and the lease fee paid on lease commencement date or before, less the incentive received. Right-of-use assets are depreciated on a straight-line basis over a short period of the lease term and the estimated useful life of the following assets:

If the ownership on the underlying asset is transferred to the Group when the lease is terminated, or the exercise price of a purchase option is reflected on the cost of right-of-use asset, depreciation will be calculated based on estimated useful life of the underlying asset.

Rights-of-use assets are also susceptible to impairment. See Note 2.15, accounting policy on the impairment of non-financial assets.

On the commencement date, the Group measures the lease liability with the present value of the lease payments to be made during the lease term. The lease payments consist of fixed payments (including in-substance fixed payments), less lease incentives receivable, variable payments that depend on an index or a rate and amounts expected to be payable under residual value guarantees. Lease payments also contains exercise price, when it is reasonably certain that the purchase option will be exercised, and penalties for terminating lease when the lease term reflects the Group's exercise of an option to terminate the lease.

The variable payments that do not depend on an index or a rate will be recognized as expense in the period in which the event or condition that triggers those payments occurs, unless the payments are accrued in regard of manufacturing the inventory assets.

The Group utilizes incremental borrowing rate on the commencement date as the interest rates implicit in the lease are cannot be readily determined to calculate the present value of the lease payment. After the commencement date, lease liability will be increased by the interests accrued and decreased by payments made. Additionally, book value of lease liability will be remeasured with the change in lease term, lease payments (e.g., fluctuation of unpaid lease payments occurred by an index or a rate) or reassessment on exercise of purchase option on underlying asset.

The Group's lease liabilities are included in interest bearing debts (See Note 27).

The Group applies recognition exemption on short-term leases of machineries and equipment. It is same on lease of low-value assets, furniture and fixtures. Lease payments on those leases will be recognized on a straight-line basis.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

2.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statements of profit or loss and other comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statements of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of loss or profit when the asset is derecognized.

Research and development costs

Expenditures on research activities are recognized as expense in the period in which they incur. Expenditures on development activities are capitalized as intangible assets (development costs) when the assets become ready to use (development activities for the project are finished). The expenditures on specific projects are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Goodwill

Goodwill is accounted for as an intangible asset and is initially measured consideration paid which exceeds the cost of the investment over the Company's share of the fair value of the subsidiary's net identifiable assets.

Patents, licenses, software, and membership

The patents have been granted for a period of 7~10 years by the relevant government agency with the option of renewal at the end of this period. Licenses for the use of intellectual property and software are granted for periods 5 and 4~5 years, respectively. Memberships for usage rights that are not kept for investment purposes, are regarded to have indefinite useful lives and are not amortised.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Estimated useful life</u>
Patents	7~10 years
Industrial property rights	5 years
Other intangible assets	5 years
Software	4 ~ 5 years

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net fair value costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for property previously revalued with the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period.

2.17 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for product warranties

The Group accrues provision for warranty corresponding to the estimated costs of future repairs and returns, based on the past experience. The provision for product warranties is charged to selling and administrative expenses when the goods covered by warranties are sold to customers.

Asset (allowance) and liability (emission obligation)

The Group is allocated with emission allowances free of charge by the government in accordance with the Act on Allocation and Trading of Emission Allowances in the Republic of Korea. The allowances are allocated to the Group every year for planned periods, and the Group should submit the equivalent number of emission allowances for actual emissions.

The Group measures the emission allowances that it receives from the government free of charge at nil, and measures any purchased emission allowances at cost. In addition, emission allowances are derecognized in the consolidated financial statements when they are delivered to the government or sold.

A liability (emission obligation) is recognized only where actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as an operating cost. The liability is measured by adding the following (1) and (2).

- (1) The carrying value of emission allowances for the year to be delivered to the government
- (2) The best estimate of expenditures, as of the end of a reporting period, in performing emission obligations exceeding the above emission allowances

2.18 Employee benefits

Post employment benefits

The Group operates both defined contribution and defined benefit pension plans.

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

The Group operates a defined benefit pension plan in Korea, and The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'Cost of sales' and 'Selling and administrative expenses' in consolidated statement of comprehensive income.

Other long-term employee benefits

The Group provides long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

2.19 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statements of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital reserves.

2.20 Cash dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.21 Revenue recognition

Sale of goods

The Group is in the business of manufacturing and selling electronics equipment. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

Royalty revenue

The Group is obligated to provide know-how to customers over the service period; therefore, the Group will recognize a certain amount of the allocated transaction price for each performance obligation over the service period as revenue.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*. See the Note 16 on warranty provisions.

Assets and liabilities arising from rights of return

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. See above accounting policy on variable consideration.

2.22 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill.
- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.22 Taxes (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the consolidated statements 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.

2.24 Greenhouse Gas Emission Permits and Obligations

Emission permits and emission obligations for compliance

With enforcement of The Act on the Allocation and Trading of Greenhouse Gas Emission Permits, emission permits that are allocated free of charge from the government are measured at zero, and emission permits purchased are recognized at acquisition cost by including any directly attributable costs incurred during the normal course of business. Emission permits are carried at cost less accumulated impairment losses, and those to be submitted to the government within one year from the end of reporting period are classified as current assets.

2.24 Greenhouse Gas Emission Permits and Obligations (cont'd)

Emission obligation is a present obligation of submitting the allowances to the government. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The emission obligations to be settled within one year from the end of the reporting period are classified as current liabilities.

The Group derecognizes the emission permits when the emission allowance is disposed or submitted to the government or becomes unable to be disposed or submitted, and accordingly, the future economic benefits are no longer expected to be probable. The Group derecognizes the emission obligations when the Group submits the emission permits to the government. The emission permits and emission obligations are classified as intangible assets and provisions, respectively, in the consolidated statements of financial position.

Emission permits held for trading

Emission permits held for trading are classified as current assets and measured at fair value, and changes in fair value are recognized as profit or loss for the year. Changes in fair value and gain (loss) on disposal are recognized as other income and other expenses, respectively.

2.25 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2024.

K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent (Amendment)

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

K-IFRS 1001 Presentation of Financial Statements – Non-current Liabilities with Covenants (Amendment)

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

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

K-IFRS 1007 Statement of Cash Flows and K-IFRS 1107 Financial Instruments: Disclosures - Supplier Finance Arrangements (Amendment)

The amendments add a disclosure objective to K-IFRS 1007 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, K-IFRS 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

2.25 New and amended standards adopted by the Group (cont'd)

K-IFRS 1116 Leases - Lease Liability in a Sale and Leaseback (Amendment)

The amendments to K-IFRS 1116 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in K-IFRS 1115 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

K-IFRS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets (Amendment)

The amendments to K-IFRS 1001 add additional disclosure requirements required by other standards for transactions related to virtual assets, setting out disclosure requirement for each case of 1) holding virtual assets, 2) holding virtual assets on behalf of customer, and 3) issuing virtual assets.

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

2.26 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Group.

K-IFRS 1021 Effects of Exchange Rate Fluctuations and K-IFRS 1101 First Adoption of K-IFRS – Lack of Exchangeability (Amendment)

The amendment defines situations in which exchange for other currencies is possible for accounting purposes, and clarifies the evaluation of exchangeability with other currencies, estimation of the spot exchange rate, and disclosure requirements to be used in the absence of exchangeability.

If exchange is not possible for other currencies, the spot exchange rate should be estimated at the measurement date, and the observable exchange rate should be used without adjustment or other estimation techniques. The amendments are applied prospectively for annual reporting periods beginning on or after 1 January 2025. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

K-IFRS 1109 Financial Instruments and K-IFRS 1107 Financial Instruments: Disclosure – Financial Instruments Classification and Measurement (Amendment)

The amendments clarify the conditions related to the fulfillment of financial liabilities before the settlement date when settling financial liabilities using electronic payment systems, the characteristics of interest and contingencies that should be considered when assessing that the contractual cash flow is consistent with the basic loan agreement, financial assets with non-appropriate characteristics, and contractual financial instruments. It also includes investments in equity instruments designated at fair value through other comprehensive income and additional disclosure requirements for terms and conditions that could change the timing or amount of the contractual cash flow. The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

2.26 New standards and interpretations not yet adopted by the Group (cont'd)

K-IFRS 1109 Financial Instruments – Accounting for Elimination of Lease Liabilities and Definition of Transaction Price

The amendment made it clear that gains or losses incurred in removing lease liabilities should be recognized in profit or loss. In addition, the definition of transaction price has been revised to be consistent with K-IFRS 1115. The amendments are applied for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

K-IFRS 1110 Consolidated Financial Statements – Determination of a de facto agent

This amendment has amended the expression in K-IFRS 1110 regarding the judgment of the agent to resolve the discrepancy between the paragraphs of the Standard. The amendments are applied for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

K-IFRS 1101 First Adoption of K-IFRS – Application of Risk Hedge Accounting

This amendment specifies that the conditions for application of hedge accounting refer to the specific paragraphs of K-IFRS 1109 Financial Instruments and matches the relevant terms. The amendments are applied for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

K-IFRS 1107 Financial Instruments: Disclosure – Profit and Loss from Elimination

This amendment refers to K-IFRS 1113 Fair Value in relation to fair value measurement and matches the relevant terms. The amendments are applied for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

K-IFRS 1007 Statement of Cash Flows – Cost Method

This amendment deleted the term 'cost method' and replaced it with 'cost'. The amendments are applied for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

2.27 Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group'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.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Other non-financial assets are tested for impairment when circumstances indicate that its carrying amount may not be recoverable. In determining a value in use, management estimates future cash flows to be derived from the asset or CGU and applies the appropriate discount rate to those future cash flows.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses in the extent that it is probable that future taxable income will be available for tax losses. Management of the associate makes key judgments to determine the amount of deferred tax assets that are recognized based on the timing and level of future tax strategy and tax benefits.

Net defined benefit liabilities

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.28 Approval of the financial statements

Approval of the consolidated financial statements of the Group for the year ended December 31, 2024 were approved by the Board of Directors' meeting on January 24, 2025 for submission to the general shareholders' meeting.

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
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3. Operating segment information

The Group has three reportable operating segments, which are organized based on each segment's products and sales.

- Component: Passive components (MLCC, inductors, chip resistors and others)
- Package Solution: Semiconductor PKG board
- Optics Solution: Camera module

Sales to Samsung Electronics Co., Ltd. and its subsidiaries are more than 10% of its total sales, amounted to ₩2,986 billion (2023: ₩2,873 billion) for the year ended December 31, 2024

The following table summarizes the results of financial performance of the Group by operating segment for the years ended December 31, 2024 and 2023 (Korean won in millions):

	2024			
	Component	Package Solution	Optics Solution	Consolidated
Sales	₩ 4,462,050	₩ 2,034,657	₩ 3,797,396	₩ 10,294,103
Depreciation	424,286	267,314	72,289	763,889
Amortisation	19,882	13,138	17,290	50,310
Depreciation of right-of use assets	15,971	3,410	6,654	26,035
Operating profit	439,744	157,642	137,620	735,006
	2023			
	Component	Package Solution	Optics Solution	Consolidated
Sales	₩ 3,903,022	₩ 1,717,378	₩ 3,272,012	₩ 8,892,412
Depreciation	492,187	184,356	88,844	765,387
Amortisation	20,842	6,558	20,288	47,688
Depreciation of right-of use assets	14,620	2,747	6,229	23,596
Operating profit	361,594	176,599	122,351	660,544
Impairment of Assets	-	-	35,432	35,432

Geographic information is as follows:

	Major products	Major customers
Korea	Passive component, camera module, semiconductor package substrate, and others	Samsung Electronics, TSMC, Google, and others
China and Southeast Asia	Passive component, camera module and others	Samsung Electronics, Xiaomi, Tesla, and others
Japan	Passive component, semiconductor package substrate and others	Shinko, Sony, and others
America	Passive component, semiconductor package substrate and others	Intel, Future, Bosch and others
Europe	Passive component and others	Bosch, Continental, Rutronik and others

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3. Operating segment information (cont'd)

The results of financial performance of the Group by geographic segment for the years ended December 31, 2024 and 2023 (Korean won in millions) are as follows:

	Korea		Overseas					Adjustment	Consolidated
	Domestic	Export	China	Southeast Asia	America	Europe	Japan		
	2024		2023						
Sales(*1)	₩ 445,707	3,022,024	₩ 4,054,406	₩ 1,990,016	₩ 363,763	₩ 328,321	₩ 89,866	₩ -	₩ 10,294,103
Non-current assets(*2)	2,302,131		1,315,145	2,582,058	4,991	925	400	(11,716)	6,193,934
	2024		2023						
	Domestic	Export	China	Southeast Asia	America	Europe	Japan	Adjustment	Consolidated
Sales(*1)	₩ 447,435	2,369,503	₩ 3,393,488	₩ 1,917,253	₩ 368,331	₩ 295,063	₩ 101,339	₩ -	₩ 8,892,412
Non-current assets(*2)	2,282,949		1,359,399	2,252,883	1,787	1,582	833	(37,572)	5,861,861

(*1) This amount excludes internal sales within the Group.

(*2) This amount excludes financial assets, deferred tax assets, investment in associates and others.

4. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Cash on hand	₩ 33,154	₩ 25,289
Short-term deposits	2,013,292,878	1,669,164,308
	<u>₩ 2,013,326,032</u>	<u>₩ 1,669,189,597</u>

5. Other assets and liabilities

Other assets as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Current	Non-current	Current	Non-current
Other assets:				
Financial instruments	₩ -	₩ 55,019,407	₩ 39,000,000	₩ 19,170
Government and public bonds	-	-	8,060	-
Accrued income	7,357,502	-	6,040,339	-
Business guarantee deposits	1,861,334	-	181,700	-
Lease guarantee deposits	12,446,438	20,866,805	19,889,576	14,143,776
	<u>₩ 21,665,274</u>	<u>₩ 75,886,212</u>	<u>₩ 65,119,675</u>	<u>₩ 14,162,946</u>

Other liabilities as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Current	Non-current	Current	Non-current
Other liabilities:				
Withholdings	₩ 51,446,511	₩ -	₩ 37,598,088	₩ -
Withholding deposits	4,348,198	-	4,428,312	-
Unearned income	7,164,869	-	3,481,010	-
	<u>₩ 62,959,578</u>	<u>₩ -</u>	<u>₩ 45,507,410</u>	<u>₩ -</u>

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5. Financial assets and liabilities (cont'd)

Restricted deposits as of December 31, 2024 and 2023 consist of the following (Korean won in thousands):

	Financial institution	2024	2023	Description
Short-term financial instruments	Woori Bank and 1 other bank	₩ -	₩ 39,000,000	Financial support reserve for strategic alliances
Long-term financial instruments	Woori Bank and 1 other bank	55,000,000	-	Financial support reserve for strategic alliances
Long-term financial instruments	Woori Bank and 6 other banks	19,407	19,170	Overdraft facilities
		<u>₩ 55,019,407</u>	<u>₩ 39,019,170</u>	

6. Trade and other receivables

Trade and other receivables as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,390,503,186	₩ -	₩ 1,126,444,181	₩ -
Other receivables	93,793,968	150,820	108,717,097	280,820
Allowance for doubtful accounts	(154,304)	(150,820)	(151,837)	(280,820)
	<u>₩ 1,484,142,850</u>	<u>₩ -</u>	<u>₩ 1,235,009,441</u>	<u>₩ -</u>

The changes in allowance for doubtful accounts for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
As of January 1	₩ 432,657	₩ 467,285
Allowance (reversal) for doubtful accounts - others	(130,000)	(31,355)
Write-off	2,467	(3,273)
As of December 31	<u>₩ 305,124</u>	<u>₩ 432,657</u>

As of December 31, 2024, and 2023, the aging analysis of trade and other receivables are as follows (Korean won in thousands):

	2024	2023
Neither past due nor impaired	₩ 1,450,173,913	₩ 1,147,232,559
Past due but not impaired:		
Within 30 days	25,717,461	50,849,850
31 - 180 days	3,010,560	13,108,674
181 - 365 days	5,542,645	24,063,760
Over 365 days	3,395	187,255
	<u>34,274,061</u>	<u>88,209,539</u>
	<u>₩ 1,484,447,974</u>	<u>₩ 1,235,442,098</u>

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6. Trade and other receivables (Cont'd)

The Group disposed of its trade receivables in accordance with a factoring agreement entered into with various financial institutions. The Group did not derecognize the trade receivables, as the financial institutions hold recourse rights, and the Group retains the related risk and rewards. The financial liability was recognized as short-term borrowings on the consolidated statements of financial position for the years ended December 31, 2024 and 2023 (Note 14).

Trade receivables factored with recourse as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Book value of trade receivables disposed(*)	₩ 708,294,579	₩ 725,592,791
Book value of related borrowings	708,294,579	725,592,791

(*) Trade receivables disposed include inter-company trade-receivables.

7. Inventories

Inventories as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024			2023		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Finished goods and merchandise	₩ 772,037,651	₩ (63,412,673)	₩ 708,624,978	₩ 640,218,841	₩ (41,646,868)	₩ 598,571,973
Work-in-process	996,986,455	(37,503,824)	959,482,631	936,646,159	(17,285,891)	919,360,268
Raw materials	436,958,819	(10,639,465)	426,319,354	460,102,887	(5,673,980)	454,428,907
Supplies	94,102,720	-	94,102,720	82,881,973	-	82,881,973
Materials in-transit	62,269,945	-	62,269,945	64,295,008	-	64,295,008
	<u>₩ 2,362,355,590</u>	<u>₩ (111,555,962)</u>	<u>₩ 2,250,799,628</u>	<u>₩ 2,184,144,868</u>	<u>₩ (64,606,739)</u>	<u>₩ 2,119,538,129</u>

Changes in inventories included in cost of sales and loss on valuation of inventories (reversal) included in cost of sales for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Inventories recognized as an expense(*)	₩ 8,324,562,124	₩ 7,219,006,074
Loss on valuation of inventories (reversal)(*)	37,441,791	(30,431,918)
	<u>₩ 8,362,003,915</u>	<u>₩ 7,188,574,156</u>

(*) Includes profit (loss) for the year from discontinued operations.

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8. Investment in associates

Investment in associates as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	Stemco Co., Ltd.		Samsung Global Research	
	2024	2023	2024	2023
Number of shares	1,440,000	1,440,000	2,856,000	2,856,000
Equity interest	30.00%	30.00%	23.80%	23.80%
Acquisition cost	₩ 7,200,000	₩ 7,200,000	₩ 14,280,000	₩ 14,280,000
Shareholder portion	₩ 46,182,887	₩ 47,310,582	₩ 18,614,213	₩ 19,168,797
Book value	₩ 46,182,887	₩ 47,310,582	₩ 18,614,213	₩ 19,168,797
Domicile	Korea	Korea	Korea	Korea
Fiscal year end	December 31	December 31	December 31	December 31
Principal activities	Manufacturing and trading of semiconductor parts	Manufacturing and trading of semiconductor parts	Research and development, human resource development	Research and development, human resource development

The following table summarizes the financial position of associates as of December 31, 2024 and 2023, and the results of their financial performance for the years then ended December 31, 2024 and 2023 (Korean won in thousands):

	Stemco Co., Ltd.		Samsung Global Research	
	2024	2023	2024	2023
Current assets	₩ 66,200,551	₩ 65,084,660	₩ 154,084,270	₩ 118,870,344
Non-current assets	215,087,175	170,085,118	68,967,296	66,501,823
Total assets	₩ 281,287,726	₩ 235,169,778	₩ 223,051,566	₩ 185,372,167
Current liabilities	₩ 63,972,500	₩ 55,589,440	₩ 128,896,368	₩ 87,335,754
Non-current liabilities	63,372,271	21,878,399	15,944,218	17,495,250
Total liabilities	₩ 127,344,771	₩ 77,467,839	₩ 144,840,586	₩ 104,831,004
Total equity	₩ 153,942,955	₩ 157,701,939	₩ 78,210,980	₩ 80,541,163

	Stemco Co., Ltd.		Samsung Global Research	
	2024	2023	2024	2023
Sales	₩ 204,601,246	₩ 179,188,069	₩ 250,271,043	₩ 219,537,369
Profit (loss) for the year	(3,692,883)	(14,780,440)	654,412	(1,294,681)
Other comprehensive income (expense)	(66,101)	973,182	(2,984,595)	(669,996)
Total comprehensive income (expense)	(3,758,984)	(13,807,258)	(2,330,183)	(1,964,677)

Details of changes in the carrying amount of equity method investments (Korean won in thousands):

	Jan. 1, 2024	Share of profit or loss in investee	Equity adjustments of investment in associates	Dec. 31, 2024
	Stemco Co., Ltd.	₩ 47,310,582	₩ (1,107,865)	₩ (19,830)
Samsung Global Research	19,168,797	155,750	(710,334)	18,614,213
	₩ 66,479,379	₩ (952,115)	₩ (730,164)	₩ 64,797,100

	Jan. 1, 2023	Share of profit in investee	Equity adjustments of investment in associates	Dec. 31, 2023
	Stemco Co., Ltd.	₩ 51,452,759	₩ (4,434,132)	₩ 291,955
Samsung Global Research	19,636,390	(308,134)	(159,459)	19,168,797
	₩ 71,089,149	₩ (4,742,266)	₩ 132,496	₩ 66,479,379

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8. Investment in associates (cont'd)

Details of changes in the book value of investment in associates based on their net assets as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024			
	Net assets (A)	Ownership (B)	Shareholder portion (A*B)	Book value
Stemco Co., Ltd.	₩ 153,942,955	30.00%	₩ 46,182,887	₩ 46,182,887
Samsung Global Research	78,210,980	23.80%	18,614,213	18,614,213
	<u>₩ 232,153,935</u>		<u>₩ 64,797,100</u>	<u>₩ 64,797,100</u>

	2023			
	Net assets (A)	Ownership (B)	Shareholder portion (A*B)	Book value
Stemco Co., Ltd.	₩ 157,701,939	30.00%	₩ 47,310,582	₩ 47,310,582
Samsung Global Research	80,541,163	23.80%	19,168,797	19,168,797
	<u>₩ 238,243,102</u>		<u>₩ 66,479,379</u>	<u>₩ 66,479,379</u>

9. Financial assets measured at fair value

Details of financial assets measured at fair value as of December 31, 2024 and 2023 are as follows (Korea won in thousands):

	2024	
	Acquisition cost	Book value
Marketable securities	₩ 111,775,522	₩ 210,010,678
Non-marketable securities	38,948,442	62,395,664
	<u>₩ 150,723,964</u>	<u>₩ 272,406,342</u>

	2023	
	Acquisition cost	Book value
Marketable securities	₩ 111,775,522	₩ 145,936,961
Non-marketable securities	38,955,152	64,846,788
	<u>₩ 150,730,674</u>	<u>₩ 210,783,749</u>

Marketable securities

Marketable securities as of December 31, 2024 and 2023 are as follows (Korea won in thousands):

	2024				
	Number of shares	Equity interest	Acquisition cost	Book value	Domicile
Samsung Heavy Industries Co., Ltd.	18,150,855	2.06%	₩ 111,468,896	₩ 205,104,662	Korea
iMarketkorea Inc.	613,252	1.83%	306,626	4,906,016	Korea
			<u>₩ 111,775,522</u>	<u>₩ 210,010,678</u>	

	2023				
	Number of shares	Equity interest	Acquisition cost	Book value	Domicile
Samsung Heavy Industries Co., Ltd.	18,150,855	2.06%	₩ 111,468,896	₩ 140,669,126	Korea
iMarketkorea Inc.	613,252	1.83%	306,626	5,267,835	Korea
			<u>₩ 111,775,522</u>	<u>₩ 145,936,961</u>	

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9. Financial assets measured at fair value (cont'd)

Details of changes in accumulated other comprehensive income arising from the valuation of financial instruments measured at fair value for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024			
	January 1	Increase	Current year tax effect	December 31
Marketable securities	₩ 25,621,078	₩ 64,073,716	₩ (16,018,429)	₩ 73,676,365
Non-marketable securities	25,642,728	2,144,311	(536,078)	27,250,961
	<u>₩ 51,263,806</u>	<u>₩ 66,218,027</u>	<u>₩ (16,554,507)</u>	<u>₩ 100,927,326</u>

	2023			
	January 1	Increase	Current year tax effect	December 31
Marketable securities	₩ 49,315,643	₩ (31,592,754)	₩ 7,898,189	₩ 25,621,078
Non-marketable securities	26,328,404	(914,235)	228,559	25,642,728
	<u>₩ 75,644,047</u>	<u>₩ (32,506,989)</u>	<u>₩ 8,126,748</u>	<u>₩ 51,263,806</u>

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10. Property, plant and equipment

Property, plant and equipment as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024			2023		
	Acquisition cost	Accumulated depreciation(*)	Book value	Acquisition cost	Accumulated depreciation(*)	Book value
Land	₩ 207,645,880	₩ -	₩ 207,645,880	₩ 206,484,586	₩ -	₩ 206,484,586
Buildings	3,366,409,191	(1,033,519,017)	2,332,890,174	2,799,025,705	(885,657,969)	1,913,367,736
Structures	179,747,261	(94,286,123)	85,461,138	174,933,802	(85,225,390)	89,708,412
Machinery	8,768,424,529	(6,879,578,298)	1,888,846,231	7,496,290,100	(5,958,224,384)	1,538,065,716
Vehicles	11,277,965	(5,450,450)	5,827,515	6,363,648	(4,577,517)	1,786,131
Equipment	558,957,047	(448,053,038)	110,904,009	491,184,381	(374,039,086)	117,145,295
Construction-in-progress and others	1,301,642,052	-	1,301,642,052	1,736,779,685	-	1,736,779,685
	<u>₩ 14,394,103,925</u>	<u>₩ (8,460,886,926)</u>	<u>₩ 5,933,216,999</u>	<u>₩ 12,911,061,907</u>	<u>₩ (7,307,724,346)</u>	<u>₩ 5,603,337,561</u>

(*) Accumulated impairment losses and government grants are included.

Changes in the book value of property, plant and equipment for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024						
	January 1	Additions	Disposals and scrap	Transfers	Depreciation	Others (*)	December 31
Land	₩ 206,484,586	₩ -	₩ -	₩ -	₩ -	₩ 1,161,294	₩ 207,645,880
Buildings	1,913,367,736	125,503	(422,795)	342,383,015	(98,255,640)	175,692,355	2,332,890,174
Structures	89,708,412	19,464	(4)	-	(7,224,600)	2,957,866	85,461,138
Machinery	1,538,065,716	24,582,364	(8,678,056)	839,110,679	(604,435,996)	100,201,524	1,888,846,231
Vehicles	1,786,131	6,204	(81)	4,218,351	(679,438)	496,348	5,827,515
Equipment	117,145,295	15,081,900	(72,325)	23,977,365	(53,292,840)	8,064,614	110,904,009
Construction-in-progress and others	1,736,779,685	651,045,638	-	(1,209,689,410)	-	123,506,139	1,301,642,052
	<u>₩ 5,603,337,561</u>	<u>₩ 690,861,073</u>	<u>₩ (9,173,261)</u>	<u>₩ -</u>	<u>₩ (763,888,514)</u>	<u>₩ 412,080,140</u>	<u>₩ 5,933,216,999</u>

	2023							
	January 1	Additions	Disposals and scrap	Transfers	Depreciation	Impairment losses	Others (*)	December 31
Land	₩ 206,208,095	₩ -	₩ -	₩ 16,523	₩ -	₩ -	₩ 259,968	₩ 206,484,586
Buildings	1,922,650,584	505,003	(10,432,293)	77,831,349	(88,122,368)	-	10,935,461	1,913,367,736
Structures	87,511,333	13,380	(5,397)	9,287,160	(7,256,994)	-	158,930	89,708,412
Machinery	1,579,290,787	33,741,260	(2,365,643)	576,293,406	(618,177,820)	(35,432,239)	4,715,965	1,538,065,716
Vehicles	2,103,938	107,552	(2,188)	292,320	(733,198)	-	17,707	1,786,131
Equipment	139,439,105	9,527,833	(77,061)	19,189,605	(51,095,790)	-	161,603	117,145,295
Construction-in-progress and others	1,298,077,152	1,141,531,036	-	(682,910,363)	-	-	(19,918,140)	1,736,779,685
	<u>₩ 5,235,280,994</u>	<u>₩ 1,185,426,064</u>	<u>₩ (12,882,582)</u>	<u>₩ -</u>	<u>₩ (765,386,170)</u>	<u>₩ (35,432,239)</u>	<u>₩ (3,668,506)</u>	<u>₩ 5,603,337,561</u>

(*) Others represent transfer to another account foreign exchange rate adjustments and others.

Line items including depreciation in the statements of comprehensive income for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Cost of sales	₩ 710,251,428	₩ 723,196,638
Selling and administrative expenses	53,637,086	42,189,532
Total amount(*)	<u>₩ 763,888,514</u>	<u>₩ 765,386,170</u>

(*) Includes expenses for the year from discontinued operations.

10. Property, plant and equipment (cont'd)

If a tangible asset is acquired at a price less than its fair value due to government subsidies, the acquisition cost of the tangible asset is the fair value at the acquisition date. Government subsidies are deducted when calculating the book value of the asset and are depreciated over the useful life of the asset. The amount offset by depreciation is ₩21,596,725 thousand (2023: ₩31,144,480 thousand).

Borrowing costs incurred amounting to ₩26,059,249 thousand (2023: ₩23,998,155 thousand) for the year ended December 31, 2024, which were directly attributable to the acquisition and construction of qualifying property, plant and equipment, are capitalized as part of the cost of those assets. The capitalization interest rate used to calculate the borrowing costs is 5.39% (2023: 6.21%).

The Group revalued certain property, plant and equipment in accordance with the *Korean Asset Revaluation Act* on January 1, 1981 and July 1, 1998. The revalued amounts are recorded as deemed cost at the revaluation date in accordance with Korean IFRS 1101. The difference between the revaluation amount and the book value prior to revaluation is recorded as a revaluation surplus in retained earnings and may not be utilized for cash dividends.

Property, plant and equipment are insured against fire and other casualty losses for up to ₩15,759,990,172 thousand (2023: ₩12,946,901,870 thousand).

The Group conducted an impairment test as there were signs that the future expected economic performance of the cash generating unit of LENS would not meet expectations due to falling demand for LENS products and market changes, and recognized ₩35,432 million in impairment losses for the years ended December 31, 2023. The amount of impairment losses was allocated to machinery among the tangible assets because there was no goodwill allocated to the cash generating unit. The recoverable amount of the cash generating unit was calculated based on the value in use, and the impairment losses were counted as other expenses. The discount rate used to calculate the value in use is 13.77%.

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11. Intangible assets

Intangible assets as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024			2023		
	Acquisition cost	Accumulated amortisation(*)	Book value	Acquisition cost	Accumulated amortisation(*)	Book value
Patent/industrial proprietary rights	₩ 92,114,338	₩ (49,431,634)	₩ 42,682,704	₩ 83,852,405	₩ (42,591,138)	₩ 41,261,267
Software and others	334,420,219	(265,151,913)	69,268,306	282,605,352	(226,553,876)	56,051,476
Construction in progress	5,647,379	-	5,647,379	26,072,523	-	26,072,523
Membership	30,761,156	(2,716,593)	28,044,563	30,699,473	(2,716,593)	27,982,880
	<u>₩ 462,943,092</u>	<u>₩ (317,300,140)</u>	<u>₩ 145,642,952</u>	<u>₩ 423,229,753</u>	<u>₩ (271,861,607)</u>	<u>₩ 151,368,146</u>

(*) Accumulated impairment losses are included.

Changes in the book value of intangible assets for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024						December 31
	January 1	Additions	Disposals and scrap	Transfers	Amortisation	Others (*)	
Patent/industrial proprietary rights	₩ 41,261,267	₩ 12,395,252	₩ (176,480)	₩ -	₩ (10,797,335)	₩ -	₩ 42,682,704
Software and others	56,051,476	13,928,673	(22)	36,734,155	(39,512,362)	2,066,386	69,268,306
Construction in progress	26,072,523	16,309,011	-	(36,734,155)	-	-	5,647,379
Membership	27,982,880	-	-	-	-	61,683	28,044,563
	<u>₩ 151,368,146</u>	<u>₩ 42,632,936</u>	<u>₩ (176,502)</u>	<u>-</u>	<u>₩ (50,309,697)</u>	<u>₩ 2,128,069</u>	<u>₩ 145,642,952</u>

(*) Others represent transfer to another account foreign exchange rate adjustments and others.

	2023						December 31
	January 1	Additions	Disposals and scrap	Transfers	Amortisation	Others (*)	
Patent/industrial proprietary rights	₩ 37,118,017	₩ 14,272,751	₩ (252,882)	₩ -	₩ (9,876,619)	₩ -	₩ 41,261,267
Software and others	71,563,790	14,810,851	(19)	5,323,250	(37,810,451)	2,164,055	56,051,476
Construction in progress	13,392,540	18,003,233	-	(5,323,250)	-	-	26,072,523
Membership	27,979,046	-	-	-	-	3,834	27,982,880
	<u>₩ 150,053,393</u>	<u>₩ 47,086,835</u>	<u>₩ (252,901)</u>	<u>-</u>	<u>₩ (47,687,070)</u>	<u>₩ 2,167,889</u>	<u>₩ 151,368,146</u>

(*) Others represent transfer to another account foreign exchange rate adjustments and others.

11. Intangible assets (cont'd)

Line items including Amortisation in the consolidated statements of comprehensive income for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Cost of Sales(*)	₩ 27,294,081	₩ 25,087,330
Selling and administrative expenses(*)	23,015,616	22,599,740
	<u>₩ 50,309,697</u>	<u>₩ 47,687,070</u>

(*) Includes expenses for the year from discontinued operations.

Details of expensed research and development costs incurred in 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Cost of Sales(*)	₩ 91,906,667	₩ 59,751,064
Selling and administrative expenses(*)	589,203,510	528,065,242
	<u>₩ 681,110,177</u>	<u>₩ 587,816,306</u>

(*) Includes expenses for the year from discontinued operations.

Impairment tests for intangible assets with indefinite useful lives

The Group conducted impairment tests on membership and on intangible assets with indefinite useful lives and did not recognize any impairment loss in 2024.

The recoverable amount of a membership is the higher of a membership's fair value costs of disposal and its value in use. The Group uses net fair value if it is available. If it is not available, the Group estimates value in use and determines the recoverable amount.

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12. Leases

Changes in book value of right-of-use assets and lease liabilities for the years ended December 31, 2024 and 2023 (Korean Won in thousands).

	2024				
	Right-of-use assets				Lease Liability
	Land and Buildings	Vehicles and transportation equipment	Other equipment	Total	
As of January 1, 2024	₩ 90,906,741	₩ 15,820,768	₩ 427,584	₩ 107,155,093	₩ 74,999,623
New and renewal of contract	25,837,064	3,587,210	276,121	29,700,395	28,268,936
Write-off due to early termination of contract	(2,641,532)	(18,112)	(61,330)	(2,720,974)	(2,821,708)
Depreciation	(15,645,076)	(10,240,856)	(149,120)	(26,035,052)	-
Interest cost	-	-	-	-	2,495,656
Payment	-	-	-	-	(26,309,699)
Others(*)	5,939,027	972,224	62,842	6,974,093	1,472,464
As of December 31, 2024	₩ 104,396,224	₩ 10,121,234	₩ 556,097	₩ 115,073,555	₩ 78,105,272

(*) Including effect of foreign currency transaction and translation.

	2023				
	Right-of-use assets				Lease Liability
	Land and Buildings	Vehicles and transportation equipment	Other equipment	Total	
As of January 1, 2023	₩ 100,602,269	₩ 16,221,431	₩ 215,622	₩ 117,039,322	₩ 83,982,421
New and renewal of contract	18,959,723	9,992,149	560,751	29,512,623	29,041,368
Write-off due to early termination of contract	(12,572,875)	(122,492)	(12,500)	(12,707,867)	(13,105,469)
Depreciation	(13,696,914)	(9,681,006)	(217,850)	(23,595,770)	-
Interest cost	-	-	-	-	2,365,348
Payment	-	-	-	-	(25,573,574)
Others(*)	(2,385,462)	(589,314)	(118,439)	(3,093,215)	(1,710,471)
As of December 31, 2023	₩ 90,906,741	₩ 15,820,768	₩ 427,584	₩ 107,155,093	₩ 74,999,623

(*) Including effect of foreign currency transaction and translation.

In 2024, the Group recognized ₩9,238,442 thousand (2023: ₩13,445,680 thousand) and ₩1,728,332 thousand (2023: ₩1,646,033 thousand) from short-term leases and leases of low-value assets, respectively.

The total cash outflow for leases in 2024 was ₩37,276,473 thousand (2023: ₩40,665,287 thousand).

13. Trade and other payables

Trade and other payables as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Current	Non-current	Current	Non-current
Trade payables	₩ 502,147,822	₩ -	₩ 595,941,913	₩ -
Other payables	248,295,258	3,440,923	387,903,856	2,852,419
Accrued expenses	406,103,387	80,894,324	299,335,766	76,976,524
Dividends payables	17,480	-	17,294	-
	<u>₩ 1,156,563,947</u>	<u>₩ 84,335,247</u>	<u>₩ 1,283,198,829</u>	<u>₩ 79,828,943</u>

The Group enters into a supplier financial agreement to facilitate early settlement by the supplier, and the financial liabilities related to the supplier financial agreement are included in the purchase and other liabilities in the statement of financial position. As of the end of the current year, out of the amount of purchase and other liabilities, the financial liabilities related to the supplier financial agreement are ₩24,815 million, and the amount that the supplier has already received from the financial institution as of the end of the current year is ₩19,793 million. There is no significant difference between the payment date of the financial liabilities corresponding to the supplier financial agreement and the financial liabilities not corresponding to the supplier financial agreement.

The Group determines that the amount to be paid to financial institutions under the supplier financial agreement is part of the working capital used during the Group's normal business cycle and has similar characteristics and functions to Trade and other payables, and classifies the relevant cash flows as operating cash flows in the cash flow statement.

The Group analyzes liquidity risk by including the amount to be paid under the supplier's financial agreement in Trade and other payables, such as the Group's general Trade and other payables.

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14. Borrowings

Short-term borrowings as of December 31, 2024 and 2023 consist of the following (Korean won in thousands):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2024	2024	2023
Woori Bank and 3 other banks	Discount of commercial paper	SOFR + 0.31~0.60	₩ 708,294,579	₩ 725,592,791
Shinhan Bank and 1 other bank	General borrowings	SOFR - 0.30~+0.40	255,780,000	109,599,000
Mizuho and 1 other bank	General borrowings	LPR - 1.65~-1.30(*)	102,740,216	232,678,963
Vietcom bank	General borrowings	3.40~3.80	246,960,000	-
			<u>₩ 1,313,774,795</u>	<u>₩ 1,067,870,754</u>

(*) LPR refers to the Loan Prime Rate informed by the People's Bank of China.

The Group entered into factoring agreements with recourse for its trade receivables with Woori Bank and others. Factored receivables that are not overdue as of December 31, 2024 are accounted for as short-term borrowings (Note 6).

Long-term borrowings as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2024	2024	2023
Metro bank	General borrowings	SOFR+ 0.30	₩ 132,300,000	₩ 116,046,000
HSBC	General borrowings	LPR -0.20	111,827,399	234,444,723
Citi bank and 1 other bank	General borrowings	-	-	103,152,000
Less current portion of borrowings			<u>(244,127,399)</u>	<u>(237,120,413)</u>
			<u>₩ -</u>	<u>₩ 216,522,310</u>

15. Refund liabilities and Right of return assets

Details of refund liabilities and right of return assets are follows (Korean won in thousands):

	2024	2023
Refund liabilities	₩ 20,259,308	₩ 26,315,440
Right of return assets	18,286,700	23,110,826

Refund liabilities are estimated obligation to refund some or all of the consideration received from customers and are measured at the amount the Group estimates. Rights of return assets show the right of the Group to receive return assets when customers exercise their rights.

16. Defined benefit liabilities

The Group has a defined benefit pension plan for its employees, for which the present value of defined benefits liabilities is calculated using the projected unit credit method by an independent actuary firm.

Details of net defined benefit assets recognized in the consolidated statements of financial position as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Present value of funded defined benefit obligations	₩ (908,679,631)	₩ (905,438,929)
Fair value of plan assets (*)	1,072,012,729	1,010,285,587
Net defined benefit assets	₩ 163,333,098	₩ 104,846,658

(*) The contributions to the National Pension Fund of ₩211,280 thousand are included in the fair value of plan assets as of December 31, 2024 (2023: ₩221,314 thousand).

Changes in defined benefit assets for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Changes in defined benefit assets:		
At January 1	₩ 104,846,658	₩ 94,981,114
Contributions by employer	80,311,135	80,076,297
Retirement benefits paid	14,817,756	11,671,752
Pension cost charged to profit or loss	(66,509,487)	(66,204,386)
Succession of defined benefit liabilities	(2,174,408)	(210,287)
Re-measurement losses in OCI	33,923,928	(15,079,690)
Exchange differences	(1,882,484)	(388,142)
At December 31	163,333,098	104,846,658
Defined benefit liabilities in the statement of financial position:		
Present value of defined benefit obligation	(908,679,631)	(905,438,929)
Fair value of plan assets	1,072,012,729	1,010,285,587
	₩ 163,333,098	₩ 104,846,658

Remeasurement gains on defined benefit plans (net of tax) amounting to ₩25,210,770 thousand (2023: ₩(-)11,600,504 thousand) was recognized as other comprehensive income.

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16. Defined benefit liabilities (cont'd)

Expenses recorded in relation to the defined benefit pension plan for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Current service cost	₩ 71,006,072	₩ 70,619,710
Interest cost on benefit obligation	43,773,879	47,780,626
Expected return on plan assets	(48,270,464)	(52,195,950)
	<u>₩ 66,509,487</u>	<u>₩ 66,204,386</u>

Changes in the present value of the defined benefit obligation for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
At January 1	₩ 905,438,929	₩ 842,112,242
Benefits paid	(70,770,451)	(53,146,711)
Current service cost	71,006,072	70,619,710
Interest cost	43,773,879	47,780,626
Succession of defined benefit obligation	2,174,408	210,287
Remeasurement losses (gains) based on changes of demographic assumptions	(716,584)	1,162,946
Remeasurement losses (gains) based on changes of financial assumptions	(59,217,983)	(14,943,198)
Remeasurement losses based on changes of experience adjustments	15,087,157	11,325,119
Exchange differences	1,904,204	317,908
At December 31	<u>₩ 908,679,631</u>	<u>₩ 905,438,929</u>

The weighted average duration of the defined benefit obligation is 8.78 years (2023: 6.84 years).

Changes in the fair value of plan assets for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
At January 1	₩ 1,010,285,588	₩ 937,093,357
Contributions by employer	80,311,135	80,076,297
Benefits paid	(55,952,695)	(41,474,959)
Expected return on plan assets	48,270,464	52,195,950
Re-measurement losses	(10,923,481)	(17,534,822)
Exchange differences	21,718	(70,235)
At December 31	<u>₩ 1,072,012,729</u>	<u>₩ 1,010,285,588</u>

The Group has funded 118% of its defined benefit obligation with Samsung Life Insurance Co., Ltd as of December 31, 2024. The Group's employees are individually nominated as the vested beneficiaries of the defined benefit plan assets. Contributions related to the defined benefit obligation are expected to be ₩96,981 million for the next fiscal year.

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16. Defined benefit liabilities(cont'd)

The major categories of the fair value of total plan assets as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Cash and cash equivalents	₩ 1,071,095,055	₩ 1,009,670,804
Others	917,674	614,784
	<u>₩ 1,072,012,729</u>	<u>₩ 1,010,285,588</u>

The principal assumptions used in actuarial calculation as of December 31, 2024 and 2023 are as follows:

	2024	2023
Discount rate	1.30% - 6.95%	1.50% - 7.45%
Future salary increases	1.90% - 8.00%	0.00% - 8.00%

The following table demonstrates a sensitivity analysis on the effect of changes in the principal assumptions used in actuarial calculation on the present value of defined benefit obligation as of December 31, 2024 and 2023, respectively (Korean won in thousands):

Effect of changes in the discount rate (Korean won in thousands):

	2024		2023	
	1% point decrease	1% point increase	1% point decrease	1% point increase
Impact on defined benefit liabilities	₩ 87,095,597	₩ (75,368,658)	₩ 67,551,330	₩ (59,416,666)

Effect of changes in future salary increases. (Korean won in thousands):

	2024		2023	
	1% point decrease	1% point increase	1% point decrease	1% point increase
Impact on defined benefit liabilities	₩ (76,715,815)	₩ 87,070,049	₩ (60,103,990)	₩ 67,073,033

The Group also operates a defined contribution pension plan for its employees. The Group's liabilities consist of fixed contributions to be made to a separate pension fund. Future retirement benefits are based on the contributions of the Group and investment gains from plan assets. Plan assets are managed in a separate fund by independent trustees. For the years ended December 31, 2024 and 2023, defined contribution pension plan expenses amounted to ₩19,215,197 thousand and ₩16,305,435 thousand, respectively.

17. Provisions

Details of provisions for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Provisions for product warranties	₩ 3,686,415	₩ 1,154,482
Emission liabilities	63,071	30,515
	<u>₩ 3,749,486</u>	<u>₩ 1,184,997</u>

Provisions for product warranties

Provisions for warranty-related costs are recognized when the product is sold to the customers. Initial recognition is based on past experience on the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year.

Emission liabilities

The quantities of emission permits allocated free of charge for the 3rd planning period (2021-2025) are as follows.

<i>(in KAU)</i>	2021	2023	2024	2024	2025	Total
Allocated emission permits	458,946	458,946	458,433	454,139	454,139	2,284,603

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17. Provisions (cont'd)

Changes in emission permits quantities and the carrying amounts for the years ended December 31, 2024 and 2023, are as follows.

	2024											
	2023		2024		2025		Total					
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
<i>(in KAU)</i>												
At January 1 and allocation	458,433	₩ -	454,139	₩ -	454,139	₩ -	1,366,711	₩ -				
Carry forward from prior period	(65)	-	-	-	-	-	(65)	-				
Additional allocation and Cancellation of allocation	513	-	-	-	-	-	513	-				
Surrendered to the government	(451,100)	-	-	-	-	-	(451,100)	-				
Sales	(2,333)	-	-	-	-	-	(2,333)	-				
Borrowing/Carry forward	(5,448)	-	5,448	-	-	-	-	-				
At December 31	-	₩ -	459,587	₩ -	454,139	₩ -	913,726	₩ -				

	2023											
	2022		2023		2024		2025		Total			
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
<i>(in KAU)</i>												
At January 1 and allocation	458,946	₩ -	458,433	₩ -	454,139	₩ -	454,139	₩ -	1,825,657	₩ -		
Carry forward from prior period	14,699	-	-	-	-	-	-	-	14,699	-		
Additional allocation and Cancellation of allocation	1,099	-	-	-	-	-	-	-	1,099	-		
Surrendered to the government	(474,809)	-	-	-	-	-	-	-	(474,809)	-		
Borrowing/Carry forward	65	-	(65)	-	-	-	-	-	-	-		
At December 31	-	₩ -	458,368	₩ -	454,139	₩ -	454,139	₩ -	1,366,646	₩ -		

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17. Provisions (cont'd)

Changes in emission liabilities for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands)

	2024	2023
Beginning	₩ 30,515	₩ 6,064
Addition	32,556	24,451
Ending	<u>₩ 63,071</u>	<u>₩ 30,515</u>

A liability (emission obligation) is recognized only when actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as a debt. Estimated emissions of the Group during 2024 are expected as 466,233KAU.

18. Commitments and contingencies

Significant lines of credit

Significant lines of credit with financial institutions as of December 31, 2024 are as follows (Korean won in thousands and U.S. dollar and Euro):

	Credit line (USD, EUR)	Credit line (₩)	Description
Woori Bank and 5 other banks	USD 36,000,000	₩ 68,000,000	Overdraft
	EUR 21,700,000		
	(Equivalent to ₩86,093,441)		
Shinhan Bank and 1 other bank	USD 7,000,000	-	Import letter of credit
	(Equivalent to ₩10,290,000)		
Woori Bank and 4 other banks	USD 1,010,000,000	₩ 100,000,000	Receivables factoring
	(Equivalent to ₩1,484,700,000)		

The Group provided security deposits for its bank overdraft facilities (Note 5).

In addition, the Group has loan facilities with accounts receivable pledged as collateral related to purchase payments with Woori Bank of Korea and 2 other banks (up to ₩103,600,000 thousand) and the Group entered into agreement for a general loan and others up to USD 1,875 million and RMB 3,702 million with BoA and other financial institutions.

In addition, the Group entered into a performance guarantee agreement amounting to ₩959,915,548 thousand with JPMorgan Chase Bank and others for product supply contracts and performance guarantee related to the license and deposit (Note 18).

Long-term supply contracts

At the end of the reporting period, the total amount of advances received in relation to long-term supply contracts entered into by the Group with major customers is USD 549 million. The Group is provided with payment guarantee from JPMorgan Chase Bank and others (Note 18).

Contractual obligations related to acquisition of property, plant and equipment and others

Contractual obligations to purchase property, plant and equipment as of December 31, 2024 are ₩10,733,513 thousand.

19. Issued capital

The Company is authorized to issue 200 million ordinary shares with a par value per share of ₩5,000. As of December 31, 2024, the Company holds 77,600,680 ordinary shares (including 2,906,984 preferred shares) amounting to ₩388,003,400 thousand, which were issued through a series of stock issuances since the Company's incorporation in 1973.

Under the Articles of Incorporation, the Company is authorized to issue 20 million shares of non-voting preferred shares. The Company may issue cumulative, participating and non-voting preferred shares with a dividend rate of more than 1% of par value of ordinary shares. As of December 31, 2024, 2,906,984 of non-cumulative and non-voting preferred shares have been issued and outstanding.

The Company's share premium as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Paid-in capital in excess of par value	₩ 931,477,700	₩ 931,477,700
Consideration for stock warrants	12,160,470	12,160,470
Gains on disposal of treasury stock	16,769,322	16,769,322
Exercise of stock option	1,201,580	1,201,580
Others	91,907,143	91,907,143
	<u>₩ 1,053,516,215</u>	<u>₩ 1,053,516,215</u>

Other components of equity as of December 31, 2024 and 2023 consist solely of treasury stock.

As of December 31, 2024, the Group's treasury stock comprising 2,000,000 ordinary shares and 53,430 preferred shares were repurchased by the Company to stabilize its stock price, which are expected to dispose depending on the stock price.

Accumulated other comprehensive income as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Fair value loss and gain on financial assets measured at FVOCI	₩ 100,927,326	₩ 51,263,805
Disposal loss and gain on financial assets measured at FVOCI	527,862,899	527,862,899
Equity adjustments of investment in associates	1,578,364	2,125,987
Exchange differences on translations of foreign operations	373,578,684	98,565,113
	<u>₩ 1,003,947,273</u>	<u>₩ 679,817,804</u>

Other capital reserves of the Company as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Legal reserve (*)	₩ 163,120,491	₩ 154,320,491
Business rationalization reserve	31,537,766	31,537,766
Capital expenditure reserve	7,895,000	7,895,000
Others	3,762,912,000	3,648,912,000
	<u>₩ 3,965,465,257</u>	<u>₩ 3,842,665,257</u>

(*) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of Issued Capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

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19. Issued capital (cont'd)

Details of dividends declared for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Attributable to ordinary shares (2024: ₩1,800 per share, 2023: ₩1,150 per share)	₩ 130,848,653	₩ 83,597,750
Attributable to preferred shares (2024: ₩1,850 per share, 2023: ₩1,200 per share)	5,279,075	3,424,265
	<u>₩ 136,127,728</u>	<u>₩ 87,022,015</u>

20. Operating profit

Revenue from contracts with customers. The Group's sales division was identified based on the organization and the type of revenue-generating product and consisted of Component, Package Solution, and Optics Solution as of the end of the reporting period.

Details of revenue from contracts with customers are as follows (Korean won in millions):

	2024			
	Component	Package Solution	Optics Solution	Total
Sales of Goods	₩ 4,443,098	₩ 1,680,718	₩ 3,747,133	₩ 9,870,949
Others	18,952	353,939	50,263	423,154
Total revenue from contracts with customers	<u>₩ 4,462,050</u>	<u>₩ 2,034,657</u>	<u>₩ 3,797,396</u>	<u>₩ 10,294,103</u>
	2023			
	Component	Package Solution	Optics Solution	Total
Sales of Goods	₩ 3,905,722	₩ 1,460,016	₩ 3,252,588	₩ 8,618,326
Others	(2,700)	257,362	19,424	274,086
Total revenue from contracts with customers	<u>₩ 3,903,022</u>	<u>₩ 1,717,378</u>	<u>₩ 3,272,012</u>	<u>₩ 8,892,412</u>

Details of cost of sales and operating expenses for the years ended December 31, 2024 and 2023 by nature of expense are as follows (Korean won in thousands):

	2024	2023
Changes in finished goods and work in progress and others	₩ (150,175,369)	₩ (46,900,427)
Use of raw materials and supplies	4,343,593,882	3,449,328,459
Employee benefit expense	2,249,968,340	2,069,580,709
Depreciation(*) and amortisation	840,233,262	836,669,010
Outsourcing expenses	318,798,223	249,427,538
Commissions	208,511,370	172,389,255
Other expenses	1,792,604,292	1,544,448,206
Less: classified as profit (loss) from discontinued operation	(44,436,881)	(43,075,262)
	<u>₩ 9,559,097,119</u>	<u>₩ 8,231,867,488</u>

(*) Includes depreciation of right-of-use assets.

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20. Operating profit (cont'd)

Details of employee benefit expenses for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Salaries expenses	₩ 1,788,889,516	₩ 1,629,410,875
Pension costs	87,483,546	85,077,588
Employee welfare benefits	373,595,278	355,092,246
	<u>₩ 2,249,968,340</u>	<u>₩ 2,069,580,709</u>

(*) Includes expenses for the year from discontinued operation.

Depreciation of property, plant and equipment and amortisation of intangible assets for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Depreciation (*1)(*2)	₩ 789,923,565	₩ 788,981,940
Amortisation(*2)	50,309,697	47,687,070
	<u>₩ 840,233,262</u>	<u>₩ 836,669,010</u>

(*1) Includes depreciation of right-of-use assets.

(*2) Includes expenses for the year from discontinued operation.

Details of selling and administrative expenses for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Salaries and bonuses	₩ 237,821,091	₩ 199,438,676
Post-employment benefits	20,547,387	10,410,441
Employee welfare benefits	72,630,269	68,380,996
Commissions	56,967,056	53,263,704
Depreciation(*) and amortisation	43,507,673	30,129,792
Education and training expenses	12,676,118	11,931,035
Utilities expenses	8,440,727	10,053,974
Sample expenses	7,606,806	6,564,221
Travel expenses	10,484,005	9,958,821
Research and development expense	580,404,031	509,233,340
IT expenses	42,311,118	37,346,863
Other expenses	130,820,663	112,103,656
	<u>₩ 1,224,216,944</u>	<u>₩ 1,058,815,519</u>

(*) Includes depreciation of right-of-use assets.

21. Non-operating profit and expenses

21.1 Finance income

Finance income consists solely of interest income and details for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023
Financial assets at amortised cost:			
Cash and cash equivalents	₩ 70,766,500	₩	51,422,435
Other financial assets	1,191,588		1,244,362
Loans	24,996		30,244
Financial assets measured at FVPL:			
Short-term financial instruments	22,967		30,869
	<u>₩ 72,006,051</u>	<u>₩</u>	<u>52,727,910</u>

21.2 Finance costs

Finance costs consist solely of interest costs and details for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023
Financial liabilities at amortised cost:			
Borrowings	₩ 40,862,542	₩	40,047,746
Other financial liabilities:			
Borrowings	29,332,118		25,272,381
Lease liabilities	2,495,656		2,365,348
	<u>₩ 72,690,316</u>	<u>₩</u>	<u>67,685,475</u>

21.3 Share of profit (loss) in associates

Details of share of profit (loss) in associates for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023
Share of profit (loss) in associates	₩ (952,115)	₩	(4,742,266)

21.4 Other income

Details of other income for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023
Dividend income	₩ 371,951	₩	3,542,888
Gain on disposal of financial assets at fair value through PL	-		520,809
Gain on valuation of financial assets at fair value through PL	1,827,507		543,972
Gain on disposal of property, plant and equipment	927,764		1,210,947
Gain on disposal of intangible assets	-		21,905
Gain on disposal of investment in subsidiaries	-		1,112,795
Reversal of allowance for other doubtful accounts	130,000		374,758
Gain on foreign currency translation	199,759,339		22,927,339
Gain on foreign currency transactions	203,406,573		305,996,132
Commissions received	1,209,069		-
Others	9,419,166		3,938,407
	<u>₩ 417,051,369</u>	<u>₩</u>	<u>340,189,952</u>

21. Non-operating profit and expenses (cont'd)

21.5 Other expenses

Details of other expenses for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Loss on disposal of property, plant and equipment	₩ 6,034,928	₩ 8,879,949
Impairment loss on property, plant and equipment	-	35,432,239
Loss on disposal of intangible assets	163,305	197,913
Loss on disposal of financial assets at fair value through OCI	200	7,058
Loss on disposal of financial assets at fair value through PL	4,655	-
Loss on valuation of financial assets at fair value through PL	6,445,498	439,614
Loss on disposal of trade receivables	12,373,428	17,318,704
Allowance for doubtful accounts - others	-	343,403
Loss on foreign currency translation	59,599,105	39,292,811
Loss on foreign currency transaction	228,412,051	307,749,269
Donations	2,633,115	4,149,918
Others	37,458,515	3,986,141
	<u>₩ 353,124,800</u>	<u>₩ 417,797,019</u>

22. Income tax expenses

The major components of income tax expense for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Current income tax	₩ 107,224,547	₩ 102,796,145
Adjustments in respect of prior years	(18,671,592)	4,136,537
Deferred income tax from temporary differences and tax credits	46,620,317	(15,213,248)
Income tax expense	<u>₩ 135,173,272</u>	<u>₩ 91,719,434</u>
Income tax expense from continuing operations	₩ 132,345,905	₩ 85,855,396
Income tax expense from discontinued operations	2,827,367	5,864,038

The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2024 and 2023 is as follows (Korean won in thousands):

	2024			2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gains on valuation of financial assets measured at fair value through OCI	₩ 66,218,028	₩ (16,554,507)	₩ 49,663,521	₩ (32,506,989)	₩ 8,126,748	₩ (24,380,241)
Gains on disposal of financial assets measured at fair value through OCI	-	-	-	95,896,252	₩ (23,974,063)	₩ 71,922,189
Re-measurement losses on net defined benefit plans	33,923,928	(8,713,158)	25,210,770	(15,079,690)	3,479,186	(11,600,504)
Capital changes in equity method	(730,164)	182,541	(547,623)	132,495	(33,124)	99,371
Foreign currency translation adjustments	283,209,172	(8,195,600)	275,013,572	8,929,366	83,385	9,012,751
	<u>₩ 382,620,964</u>	<u>₩ (33,280,724)</u>	<u>₩ 349,340,240</u>	<u>₩ 57,371,434</u>	<u>₩ (12,317,868)</u>	<u>₩ 45,053,566</u>

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22. Income tax expenses (cont'd)

A reconciliation of profit before tax at the Korea statutory tax rate to income tax expenses at the effective tax rate of the Group are summarized as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Profit before tax	₩ 838,388,909	₩ 542,201,559
Tax at domestic tax rates applicable to profits in the respective countries	203,323,744	117,112,732
Adjustments:		
Income not taxable for tax purposes	(1,843,847)	(20,071,635)
Expenses not deductible for tax purposes	10,624,421	17,025,576
Tax effects of investment in subsidiaries and associates	7,645,158	10,153,474
Tax credits	(61,278,856)	(37,069,316)
Adjustment in respect of prior years	(18,671,592)	4,136,537
Others	(4,625,756)	432,066
Income tax expenses	<u>₩ 135,173,272</u>	<u>₩ 91,719,434</u>
Effective income tax rate	16.12%	16.92%

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22. Income tax expenses (cont'd)

Significant changes in tax credit carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024				
	January 1	Recognized to income	Recognized to OCI	Effects of exchange rate changes	December 31
Inventories	₩ 17,823,112	₩ 3,460,296	₩ -	₩ 653,668	₩ 21,937,076
Property, plant and equipment	20,553,235	256,596	-	188,838	20,998,669
Defined benefit liabilities	(27,752,102)	19,422,228	(8,713,158)	(661)	(17,043,693)
Accrual expenses	51,665,529	12,062,706	-	409,012	64,137,247
Investment securities	(14,349,677)	-	(16,554,507)	-	(30,904,184)
Unused tax credit carry forwards from prior years	50,457,035	47,442,442	-	-	97,899,477
Investment in subsidiaries and associates	20,288,388	(129,654,619)	(8,013,059)	-	(117,379,290)
Others	6,158,363	390,034	-	1,311,163	7,859,560
	<u>₩ 124,843,883</u>	<u>₩ (46,620,317)</u>	<u>₩ (33,280,724)</u>	<u>₩ 2,562,020</u>	<u>₩ 47,504,862</u>
	2023				
	January 1	Recognized to income	Recognized to OCI	Effects of exchange rate changes	December 31
Inventories	₩ 24,309,451	₩ (6,528,136)	₩ -	₩ 41,797	₩ 17,823,112
Property, plant and equipment	22,890,041	(2,332,745)	-	(4,061)	20,553,235
Defined benefit liabilities	(25,697,673)	(5,534,191)	3,479,186	576	(27,752,102)
Accrual expenses	50,360,665	1,301,384	-	3,480	51,665,529
Investment securities	(22,476,424)	23,974,062	(15,847,315)	-	(14,349,677)
Unused tax credit carry forwards from prior years	35,783,440	14,673,595	-	-	50,457,035
Investment in subsidiaries and associates	35,971,497	(15,733,370)	50,261	-	20,288,388
Others	913,626	5,392,649	-	(147,912)	6,158,363
	<u>₩ 122,054,623</u>	<u>₩ 15,213,248</u>	<u>₩ (12,317,868)</u>	<u>₩ (106,120)</u>	<u>₩ 124,843,883</u>

Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences are expected to reverse.

On the other hand, the Group did not recognize deferred tax assets due to the uncertainty of the temporary difference of ₩116,117,025 thousand to be deducted in connection with the investment of subsidiaries and affiliates in the foreseeable future.

Based on the Group's assessment of future taxable income, the Group's management concluded that it is probable that the recognized deferred tax assets will be realized in future periods.

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22. Income tax expenses (cont'd)

The analysis of deferred tax assets and liabilities as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 312,209,739	₩ 287,864,131
Deferred tax asset to be recovered within 12 months	<u>150,422,979</u>	<u>230,334,876</u>
	<u>462,632,718</u>	<u>518,199,007</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(413,013,080)	(391,596,847)
Deferred tax liability to be recovered within 12 months	<u>(2,114,776)</u>	<u>(1,758,277)</u>
	<u>(415,127,856)</u>	<u>(393,355,124)</u>
Deferred tax assets, net	<u>₩ 47,504,862</u>	<u>₩ 124,843,883</u>

The Group is applying exceptions to the recognition and disclosure of deferred tax related to the Pillar 2 rule. In addition, the relevant laws have been in effect since the current period, and there is no current corporate tax expense related to Pillar 2 recognized by the Group during the reporting period.

23. Earnings per share

Earnings per share was calculated by dividing net profit by the number of ordinary shares, and diluted earnings per share was calculated by dividing net profit by the weighted average number of dilutive potential ordinary shares. Preferred shares are participating preferred shares, having right to participate in division of profits, therefore their earning per share were computed as well. No dilutive features exist for the years ended December 31, 2024 and 2023 thus basic earnings per share is equivalent to diluted earnings per share.

The Group's basic (diluted) earnings per share for the years ended December 31, 2024 and 2023 are computed as follows (Korean won in thousands, except per share amounts):

	2024	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to equity holders of the parent	₩ 679,130,070	₩ 640,864,574
Preferred shares dividend	(5,279,075)	(5,279,075)
Additional dividends attributable to preferred shares	(20,510,164)	(19,064,809)
Profit for the year attributable to ordinary equity holders of the parent	653,340,831	616,520,690
Weighted-average number of shares of ordinary shares outstanding (*)	72,693,696	72,693,696
Basic (diluted) earnings per share	₩ 8,988	₩ 8,481

(*) There is no change in the number of shares.

	2023	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to equity holders of the parent	₩ 422,956,707	₩ 449,856,742
Preferred shares dividend	(3,424,265)	(3,424,265)
Additional dividends attributable to preferred shares	(12,688,851)	(13,704,913)
Profit for the year attributable to ordinary equity holders of the parent	406,843,591	432,727,564
Weighted-average number of shares of ordinary shares outstanding (*)	72,693,696	72,693,696
Basic (diluted) earnings per share	₩ 5,597	₩ 5,953

(*) There is no change in the number of shares.

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23. Earnings per share (cont'd)

The Group's basic (diluted) earnings per share attributable to preferred shares for the years ended December 31, 2024 and 2023 are computed as follows (Korean won in thousands, except per share amounts):

	2024	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to preferred shares holders of the parent	₩ 25,789,239	₩ 24,343,883
Weighted-average number of shares of ordinary shares outstanding (*)	2,853,554	2,853,554
Basic (diluted) earnings per share	₩ 9,038	₩ 8,531

(*) There is no change in the number of shares.

	2023	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to preferred shares holders of the parent	₩ 16,113,116	₩ 17,129,178
Weighted-average number of shares of ordinary shares outstanding (*)	2,853,554	2,853,554
Basic (diluted) earnings per share	₩ 5,647	₩ 6,003

(*) There is no change in the number of shares.

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24. Related party transactions

Samsung Electronics Co., Ltd. has significant influence on the Group. Related parties of the Group as of December 31, 2024 are as follows:

Related party	Category
Samsung Electronics Co., Ltd.	Company with significant influence
Samsung Global Research	Associate
Stemco Co., Ltd.	Associate
Samsung Electronics Vietnam THAINGUYEN Co., Ltd.	Others
Samsung Electronics Vietnam Co., Ltd.	Others
Samsung C&T Corporation	Others
Samsung E&A Co., Ltd.	Others
Samsung SDS Co., Ltd.	Others
Samsung Welstory Inc.	Others
Samsung Display Vietnam Co., Ltd.	Others
Samsung E&A Shanghai Co., Ltd.	Others
Samsung E&A Vietnam Co., Ltd.	Others
Samsung Life Insurance Co., Ltd. and other affiliates (*)	Others

(*) Includes subsidiaries and associates of Samsung Electronics Co., Ltd.

Outstanding balances resulted from the transactions among the Group and its related parties as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Receivables	Payables (*)	Receivables	Payables (*)
Company with significant influence:				
Samsung Electronics Co., Ltd.	₩ 69,011,768	₩ 134,020,159	₩ 88,562,196	₩ 137,503,215
Associate:				
Samsung Global Research	-	308,072	-	164,424
Stemco Co., Ltd.	1,375,002	2,042,628	2,291,670	112,912
Others:				
Samsung Electronics Vietnam THAINGUYEN Co., Ltd.	104,179,816	14,326,100	110,384,815	15,104,666
Samsung Electronics Vietnam Co., Ltd.	28,790,714	-	34,512,717	-
Samsung C&T Corporation	19,089,009	93,610	19,089,009	743,772
Samsung E&A Co., Ltd.	-	16,576,670	-	81,389,000
Samsung SDS Co., Ltd.	648	10,499,329	1,944	11,110,162
Samsung Welstory Inc.	22	3,584,300	-	1,581,654
Samsung E&A Vietnam Co., Ltd.	-	-	-	37,476,261
Others	48,120,864	30,598,850	43,653,687	25,212,922
	<u>₩ 270,567,843</u>	<u>₩ 212,049,718</u>	<u>₩ 298,496,038</u>	<u>₩ 310,398,988</u>

(*) Includes lease liabilities.

24. Related party transactions (cont'd)

The Group has no collateral or guarantees provided to or received from related parties as of December 31, 2024.

In accordance with lease agreements entered with related parties, the Group has recognized rights-of-use assets and lease liabilities of ₩3,493 million (2023: ₩2,835 million), respectively. The repayment of lease liabilities paid to related parties amounts to ₩4,020 million (2023: ₩4,185 million) and interest expense recognized amounts to ₩300 million (2023: ₩290 million) for the year ended December 31, 2024.

In relation to key management compensation for the year ended December 31, 2024, the Group recognized expenses for short-term benefits, including short-term incentives of ₩ 3,285 million (2023: ₩3,731 million) and long-term benefits, including other long-term employee benefits and pension benefits of ₩2,015 million (2023: ₩3,026 million).

25. Supplementary consolidated cash flow information

Cash flows from operating activities for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024	2023
Profit for the year	₩ 703,215,637	450,482,125
Adjustments to reconcile profit before tax to net cash flows:		
Valuation of inventories (reversal)	37,441,791	(30,431,918)
Loss on scrap of inventories	132,624,073	101,706,736
Loss on valuation of return assets (reversal)	(343,753)	(24,668)
Pension costs	66,509,487	66,204,386
Long-term employee benefits	14,431,282	13,166,806
Depreciation	763,888,514	765,386,170
Depreciation of right-of-use assets	26,035,052	23,595,770
Amortisation of intangible assets	50,309,697	47,687,070
Provision for product warranties	2,230,417	49,149
Gain on foreign exchange translation	(200,124,265)	(22,893,656)
Gain (loss) on disposal of financial asset at FV through PL	4,655	(520,809)
Gain on disposal of financial asset at FV through PL	4,617,991	(104,357)
Loss on disposal of financial asset at FV through OCI	200	7,058
Loss on disposal of trade receivables	12,373,428	17,318,704
(Reversal of) allowance for doubtful accounts - other receivables	(130,000)	(31,355)
Gain on disposal of property, plant and equipment	(929,299)	(1,359,841)
Gain on disposal of intangible assets	-	(21,905)
Loss on foreign currency translation	59,578,623	39,377,677
Loss on disposal of property, plant and equipment	6,059,886	8,914,240
Loss on disposal of intangible assets	176,502	252,901
Finance income	(73,200,994)	(53,075,902)
Finance costs	72,778,373	67,685,973
Gain on disposal of assets held for sale	-	(3,479,729)
Dividend income	(371,951)	(3,542,888)
Share of profit in associates	952,115	4,742,266
Income tax expense	135,173,272	91,719,434
(Reversal of) refund liabilities	(1,043,730)	(1,618,624)
(Reversal of) provision for emission liabilities	32,556	24,451
Impairment loss on property, plant and equipment	-	35,432,239
Gain on disposal of investment in subsidiaries	(52,235,249)	(1,112,795)
Others	-	13,306
	<u>1,056,838,673</u>	<u>1,165,065,889</u>

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25. Supplementary consolidated cash flow information (cont'd)

	<u>2024</u>	<u>2023</u>
Working capital adjustments:		
Other financial assets	₩ (47,866)	₩ 801,382
Trade and other receivables	(37,755,026)	(229,200,394)
Advance payments	(2,383,487)	3,335,809
Prepaid expenses	(316,248)	2,975,083
Inventories	(129,777,008)	(282,767,951)
Long-term advance payments and prepaid expenses	124,786	891,897
Short-term and long-term loans	(186,766)	(724,089)
Trade and other payables	(260,185,811)	110,548,276
Short-term and long-term advances received	196,139,399	195,294,756
Other financial liabilities	14,032,951	(3,442,412)
Long-term other payables	(5,962,601)	(6,906,963)
Net defined benefit liabilities	<u>(92,954,483)</u>	<u>(91,537,762)</u>
	<u>(319,272,160)</u>	<u>(300,732,368)</u>
Net cash flows from operating activities	<u>₩ 1,440,782,150</u>	<u>₩ 1,314,815,646</u>

Significant transactions not involving cash flows for the years ended December 31, 2024 and 2023 are as follows (Korean won in thousands):

	<u>2024</u>	<u>2023</u>
Reclassification of construction-in-progress and others	₩ 1,246,423,565	₩ 688,233,613
Transfer of current portion of long-term borrowings	235,657,621	240,954,790
Acquisition of PPE with account payables and advance payments	(111,184,580)	(48,349,749)

25. Supplementary consolidated cash flow information (cont'd)

Changes in liability arising from financial activities as of December 31, 2024 and 2023 (Korean won in thousands):

	2024			
	January 1	Net cash flows from financing activities	Others (*)	December 31
Short-term borrowings	₩ 1,067,870,754	₩ 152,391,701	₩ 93,512,340	₩ 1,313,774,795
Current portion of long-term borrowings	237,120,413	(257,056,813)	264,063,799	244,127,399
Long-term borrowings	216,522,310	7,854,445	(224,376,755)	-
Lease liability	74,999,623	(26,309,699)	29,415,348	78,105,272
Dividend payables	17,294	(88,584,145)	88,584,331	17,480
	<u>₩ 1,596,530,394</u>	<u>₩ (211,704,511)</u>	<u>₩ 251,199,063</u>	<u>₩ 1,636,024,946</u>

(*) Others represent effect of foreign currency transaction and translation, non-cash transactions and others.

	2023			
	January 1	Net cash flows from financing activities	Others (*)	December 31
Short-term borrowings	₩ 810,257,330	₩ 266,872,323	₩ (9,258,899)	₩ 1,067,870,754
Current portion of long-term borrowings	274,390,225	(282,200,897)	244,931,085	237,120,413
Long-term borrowings	336,606,576	117,509,400	(237,593,666)	216,522,310
Lease liability	83,982,421	(25,573,574)	16,590,777	74,999,624
Dividend payables	14,437	(160,342,145)	160,345,002	17,294
	<u>₩ 1,505,250,989</u>	<u>₩ (83,734,893)</u>	<u>₩ 175,014,299</u>	<u>₩ 1,596,530,395</u>

(*) Others represent effect of foreign currency transaction and translation, non-cash transactions and others.

26. Financial risk management objectives and policies

The Group's principal financial liabilities, comprise borrowings, trade and other payables, and lease liabilities and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. Also, the Group has various financial assets including trade receivables, cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

26.1 Market risk

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

The sensitivity analyses in the following sections are related to the position as of December 31, 2024 and 2023.

26.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Borrowings with floating interest rates amounts to ₩602,647,615 thousand (2023: ₩795,920,686 thousand) as of December 31, 2024. The following table demonstrates a sensitivity analysis to a reasonably possible change in interest rates on that portion of borrowings. With all other variables held constant, the effect of changes in interest rates of floating rate borrowings on profit before tax is as follows (Korean won in thousands):

	2024		2023	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Impact on interest costs	₩ (6,026,476)	₩ 6,026,476	₩ (7,959,208)	₩ 7,959,208

26.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries. The book values of monetary assets and liabilities which are not presented in functional currency as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,063,249,089	₩ 2,067,028,806	₩ 3,270,605,740	₩ 2,147,657,733
EUR	69,072,236	55,219,377	63,152,322	52,892,397
JPY	12,669,579	50,430,488	14,952,437	104,154,593
PHP	11,699,277	57,232,256	11,051,549	50,279,200
MXN	332,534	-	4,912,770	-
VND	4,465,401	23,011,775	4,926,711	57,602,758
SGD	977,759	3,470,629	678,605	3,592,160
TWD	41,820	2,880,037	279,149	629,518
Others	15,043	355,015	13,304	238,378
	<u>₩ 3,162,522,738</u>	<u>₩ 2,259,628,383</u>	<u>₩ 3,370,572,587</u>	<u>₩ 2,417,046,737</u>

The Group manages its foreign currency risk periodically. The following table demonstrates a sensitivity analysis of a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, on the Group's profit before tax as of December 31, 2024 and 2023. (Korean won in thousands):

	2024		2023	
	5% increase	5% decrease	5% increase	5% decrease
USD	₩ 49,811,014	₩ (49,811,014)	₩ 56,147,400	₩ (56,147,400)
EUR	692,643	(692,643)	512,996	(512,996)
JPY	(1,888,045)	1,888,045	(4,460,108)	4,460,108
PHP	(2,276,649)	2,276,649	(1,961,383)	1,961,383
MXN	16,627	(16,627)	245,639	(245,639)
VND	(927,319)	927,319	(2,633,802)	2,633,802
SGD	(124,643)	124,643	(145,678)	145,678
TWD	(141,911)	141,911	(17,519)	17,519
Others	(16,999)	16,999	(11,253)	11,253
	<u>₩ 45,144,718</u>	<u>₩ (45,144,718)</u>	<u>₩ 47,676,292</u>	<u>₩ (47,676,292)</u>

26.1.2 Foreign currency risk (cont'd)

The sensitivity analyses were conducted on monetary assets and liabilities which are presented in foreign currency other than functional currency as of the reporting date.

26.1.3 Other price risk

The Group's marketable equity securities are susceptible to market price risk arising from the fluctuation in the price of the securities. The following table demonstrates a sensitivity analysis of a reasonably possible change in the price of marketable equity securities on the consolidated financial statements of the Group as of December 31, 2024 (Korean won in thousands):

	5% increase	5% decrease
Other comprehensive income before tax	₩ 10,500,534	₩ (10,500,534)
Income tax effect	(2,625,134)	2,625,134
Other comprehensive income after tax	₩ 7,875,400	₩ (7,875,400)

26.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the Group. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities.

26.2.1 Trade receivables and other receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control related to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is as follows (Korean won in thousands):

	2024	2023
Trade receivables	₩ 1,390,503,186	₩ 1,126,444,181
Other receivables and Loans	42,104,621	94,274,047

The Group assesses the expected credit losses at the end of every reporting period based on a forward-looking information. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and other receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. In addition, the Group entered into guarantee insurance contracts with Korea Trade Insurance Corporation and other insurance corporations for the credit risk of foreign customers.

26.2.2 Other assets

Credit risks associated with the Group's other assets which consist of cash, short-term deposits arise from the default by the counterparties. Maximum exposure to credit risks will be the book value of the related assets. The Group deposits its surplus funds in Woori Bank and other financial institutions whose credit ratings are high, therefore credit risk related to financial institutions is considered limited.

26.3 Liquidity risk

Liquidity risk refers to the risk that the Group may default on the contractual obligations that become due. The Group manages its risk to a shortage of funds using a recurring liquidity planning tool. The Group matches the financial liabilities with the financial assets taking into account the maturity dates and cash flow from operating activities of those financial assets.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (Korean won in thousands):

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26.3 Liquidity risk (cont'd)

The future cash flows of financial liabilities are nominal amounts but not discounted. The remaining maturities indicate the earliest timing when the creditors can request repayments.

	2024				
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade and other payables	₩ 843,345,208	₩ 8,923,333	₩ 4,745	₩ -	₩ 852,273,286
Short-term borrowings	1,049,148,342	272,368,285	-	-	1,321,516,627
Current portion of long-term borrowings	2,381,386	248,362,386	-	-	250,743,772
Lease liability	7,333,063	17,270,677	54,691,736	15,184,499	94,479,975
Other financial liabilities	-	4,348,198	-	-	4,348,198
	<u>₩ 1,902,207,999</u>	<u>₩ 551,272,879</u>	<u>₩ 54,696,481</u>	<u>₩ 15,184,499</u>	<u>₩ 2,523,361,858</u>
	2023				
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade and other payables	₩ 1,071,892,174	₩ 13,652,813	₩ 7,310	₩ -	₩ 1,085,552,297
Short-term borrowings	960,158,659	110,983,904	-	-	1,071,142,563
Current portion of long-term borrowings	36,424,106	207,619,814	-	-	244,043,920
Long-term borrowings	2,752,106	8,409,213	222,928,852	-	234,090,171
Lease liability	7,112,931	20,136,032	47,945,480	13,557,963	88,752,406
Other financial liabilities	-	4,428,312	-	-	4,428,312
	<u>₩ 2,078,339,976</u>	<u>₩ 365,230,088</u>	<u>₩ 270,881,642</u>	<u>₩ 13,557,963</u>	<u>₩ 2,728,009,669</u>

26.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain the sound capital structure, the Group may adjust the dividend payment to shareholders, reduce capital stock, or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2024 and 2023.

The Group monitors a gearing ratio, which is net debt divided by total capital (sum of total equity and net debt). Net debt refers to trade and other payables, borrowings and other liabilities, less cash and cash equivalents.

The gearing ratios as of the reporting date are computed as follows (Korean won in thousands):

	2024	2023
Trade and other payables	₩ 1,240,899,194	₩ 1,363,027,772
Borrowings	1,557,902,194	1,521,513,477
Other liabilities	62,959,578	45,507,410
Less: Cash and cash equivalent	<u>(2,013,326,032)</u>	<u>(1,669,189,597)</u>
Net debt	848,434,934	1,260,859,062
Total equity	<u>9,015,854,032</u>	<u>8,030,324,975</u>
Total capital (Net debt and shareholder's equity)	<u>₩ 9,864,288,966</u>	<u>₩ 9,291,184,037</u>
Gearing ratio	8.60%	13.57%

27. Fair value

27.1 Fair value of financial instruments

Details of book values and fair values of financial assets and liabilities as of December 31, 2024 and 2023 are as follows (Korean won in thousands):

	2024		2023	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Financial assets at amortised cost				
Cash and cash equivalents	₩ 2,013,326,032	(*1)	₩ 1,669,189,597	(*1)
Trade and other receivables	1,285,781,657	(*1)	1,125,639,434	(*1)
Short-term and long-term loans	5,055,934	(*1)	4,281,454	(*1)
Other financial assets	42,551,486	(*1)	40,282,621	(*1)
Financial assets measured at FVOCI				
Trade and other receivables(*2)	158,639,587	(*1)	90,797,340	(*1)
Listed equity investments	210,010,678	₩ 210,010,678	145,936,961	₩ 145,936,961
Non-listed equity investments	43,911,085	43,911,085	41,766,974	41,766,974
Financial assets measured at FVPL				
Short-term financial instruments and others	-	-	39,000,000	39,000,000
Non-listed equity investments	18,484,579	18,484,579	23,079,814	23,079,814
Long-term financial instruments and others	55,000,000	55,000,000	-	-
Total financial assets	₩ 3,832,761,038		₩ 3,179,974,195	
Financial liabilities:				
Financial liabilities at amortised cost:				
Trade and other payables	₩ 852,273,286	(*1)	₩ 1,085,552,297	(*1)
Other liabilities	4,348,198	(*1)	4,428,312	(*1)
Short-term borrowings	605,480,216	(*1)	342,277,963	(*1)
Current portion of long-term borrowings	244,127,399	(*1)	237,120,413	(*1)
Long-term borrowings	-	(*1)	216,522,310	(*1)
Other financial liabilities:				
Borrowings	708,294,579	(*1)	725,592,791	(*1)
Lease liability	78,105,272	(*1)	74,999,622	(*1)
Total financial liabilities	₩ 2,492,628,950		₩ 2,686,493,708	

(*1) Book value is a reasonable approximation of fair value are excluded from the fair value disclosures.

(*2) The Group transfers some of its accounts receivable to a particular client and transfers most of its risks and compensations, removing them from its consolidated financial statements on the date of transfer and recognizing gains and losses on the disposal of accounts receivable.

27.2 Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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27.2 Fair value measurement (cont'd)

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There have been no other significant transfers between Level 1, Level 2 and Level 3.

27.3 Fair value on the statement of financial position:

As of December 31, 2024 and 2023, the Group held the following assets and liabilities carried at fair value on the consolidated statement of financial position (Korean won in thousands):

	2024			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVOCI				
Trade and other receivables	₩ -	₩ 158,639,587	₩ -	₩ 158,639,587
Listed equity investment	210,010,678	-	-	210,010,678
Non-listed equity investment	-	-	43,911,085	43,911,085
Financial assets measured at FVPL				
Non-listed equity investments	-	-	18,484,579	18,484,579
Long-term financial instruments and others	-	-	55,000,000	55,000,000
2023				
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVOCI				
Trade and other receivables	₩ -	₩ 90,797,340	₩ -	₩ 90,797,340
Listed equity investment	145,936,961	-	-	145,936,961
Non-listed equity investment	-	-	41,766,974	41,766,974
Financial assets measured at FVPL				
Short-term financial instruments and others	-	-	39,000,000	39,000,000
Non-listed equity investments	-	-	23,079,814	23,079,814

27.4 Valuation Techniques and the Inputs

(1) The valuation technique, input variables for assets and liabilities classified as level 3 are as follows (Korean won in thousands)

Classification	Fair value	Valuation technique	2024	
			Input variables	Range of Input variables (weighted average)
Financial assets measured at FVOCI				
Samsung Venture Investment Co., Ltd.	₩ 37,732,860	Discounted Cash flow model	Growth rate Discount rate(WACC)	-1.00%-1.00% (0%) 13.54%-15.54%(14.54%)
IMA	6,138,225	Discounted Cash flow model	Growth rate Discount rate(WACC)	0.00%-1.00% (0.50%) 9.42%-11.42%(10.42%)

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27.4 Valuation Techniques and the Inputs (cont'd)

Classification	Fair value	Valuation method	2023	
			Input variables	Range of Input variables (weighted average)
Financial assets measured at FVOCI				
Samsung Venture Investment Co., Ltd.	₩ 33,603,900	Discounted Cash flow model	Growth rate Discount rate(WACC)	-1.00%-1.00% (0%) 16.11%-18.11%(17.11%)
IMA	8,122,874	Discounted Cash flow model	Growth rate Discount rate(WACC)	0.00%-1.00% (0.5%) 11.38%-13.38%(12.38%)

(2) Changes in financial instruments classified as level 3 are as follows (Korean won in thousands):

	2024		
	Beginning	Valuation	Ending
Financial assets measured at FVOCI			
Samsung Venture Investment Co., Ltd.	₩ 33,603,900	₩ 4,128,960	₩ 37,732,860
IMA	8,122,874	(1,984,649)	6,138,225

	2023		
	Beginning	Valuation	Ending
Financial assets measured at FVOCI			
Samsung Venture Investment Co., Ltd.	₩ 33,382,560	₩ 221,340	₩ 33,603,900
IMA	9,258,450	(1,135,576)	8,122,874

27.5 Sensitivity analysis of fair value measurement classified as level 3 of the fair value hierarchy

Sensitivity analysis of financial instrument is based on changes in financial instrument's value accordance with changes in unobservable input variables derived from statistical method

Impact of changes in unobservable input variables are as follows (Korean won in thousands):

	2024			
	Favorable changes		Unfavorable changes	
	gain and loss	Equity	gain and loss	Equity
Financial assets measured at FVOCI(*)	₩ -	₩ 1,662,644	₩ -	₩ (2,188,054)

(*) Fair value changes of equity securities in Samsung Venture Investment Co., Ltd. were measured by increasing or decreasing of correlation between two main unobservable variable input, the growth rate (-1.00%-1.00%) and discount rate (13.54%-15.54%). Also, the fair value changes of equity securities in IMA were measured by increasing or decreasing of correlation between two main unobservable inputs, the growth rate (0.00%-1.00%) and discount rate (9.42%-11.42%).

27.5 Sensitivity analysis of fair value measurement classified as level 3 of the fair value hierarchy (cont'd)

	2023						
	Favorable changes		Unfavorable changes				
	gain and loss	Equity	gain and loss	Equity			
Financial assets measured at FVOCI(*)	₩	-	₩ 1,080,331	₩	-	₩	(1,600,498)

(*) Fair value changes of equity securities in Samsung Venture Investment Co., Ltd. were measured by increasing or decreasing of correlation between two main unobservable variable input, the growth rate (-1.00%-1.00%) and discount rate (16.11%-18.11%). Also, the fair value changes of equity securities in IMA were measured by increasing or decreasing of correlation between two main unobservable inputs, the growth rate (0.00%-1.00%) and discount rate (11.38%-13.38%).

27.6 Details of gain and losses by categories

Details of gains and losses arising from financial instruments by categories for the year ended December 31, 2024 are as follows (Korean won in thousands):

	Financial assets at amortised cost	Financial assets measured at FVOCI	Financial assets measured at FVPL	Financial liabilities at amortised cost	Other financial liabilities	Total
Interest income	₩ 71,983,084	₩ -	₩ 22,967	₩ -	₩ -	₩ 72,006,051
Dividend income	-	371,951	-	-	-	371,951
Gain on foreign currency transactions	86,309,145	-	-	117,097,428	-	203,406,573
Gain on foreign currency translation	194,145,229	-	-	2,913,815	2,700,295	199,759,339
Loss on foreign currency transactions	(50,862,016)	-	-	(177,550,035)	-	(228,412,051)
Loss on foreign currency translation	(2,712,154)	-	-	(20,763,350)	(36,123,601)	(59,599,105)
Interest expenses	-	-	-	(40,862,542)	(31,827,774)	(72,690,316)
Loss on disposal of trade receivables	-	(12,373,428)	-	-	-	(12,373,428)
Other bad debt expenses(reversal)	130,000	-	-	-	-	130,000
Loss on disposal of FVOCI	-	(200)	-	-	-	(200)
Gain or loss on valuation of financial assets measured at fair value through OCI	-	49,663,521	-	-	-	49,663,521
Gain or loss on valuation of FVPL	-	-	(4,617,991)	-	-	(4,617,991)
Gain or loss on disposal of FVPL	-	-	(4,655)	-	-	(4,655)

Samsung Electro-Mechanics Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

27.6 Details of gain and losses by categories (cont'd)

Details of gains and losses arising from financial instruments by categories for the year ended December 31, 2023 are as follows (Korean won in thousands):

	Financial assets at amortised cost	Financial assets measured at FVOCI	Financial assets measured at FVPL	Financial liabilities at amortised cost	Other financial liabilities	Total
Interest income	₩ 52,697,041	₩ -	₩ 30,869	₩ -	₩ -	₩ 52,727,910
Dividend income	-	3,542,888	-	-	-	3,542,888
Gain on foreign currency transactions	121,444,412	-	-	184,551,720	-	305,996,132
Gain on foreign currency translation	2,346,966	-	-	15,070,991	5,509,382	22,927,339
Loss on foreign currency transactions	(156,245,908)	-	-	(151,503,361)	-	(307,749,269)
Loss on foreign currency translation	(34,076,749)	-	-	(4,312,419)	(903,643)	(39,292,811)
Interest expenses	-	-	-	(40,047,746)	(27,637,729)	(67,685,475)
Loss on disposal of trade receivables	-	(17,318,704)	-	-	-	(17,318,704)
Other bad debt expenses	(343,403)	-	-	-	-	(343,403)
Other bad debt expenses(reversal)	374,758	-	-	-	-	374,758
Loss on disposal of FVOCI	-	(7,058)	-	-	-	(7,058)
Gain or loss on valuation of financial assets measured at fair value through OCI	-	(24,380,241)	-	-	-	(24,380,241)
Gain or loss on disposal of financial assets measured at fair value through OCI	-	71,922,189	-	-	-	71,922,189
Gain or loss on valuation of FVPL	-	-	104,357	-	-	104,357
Gain or loss on disposal of FVPL	-	-	520,809	-	-	520,809

28. Discontinued operations

The board of Directors of the Group decided to discontinue production and sales of rigid flex printed circuit board and dispose of residual assets on October 15, 2021. As the production and operation have been terminated in December 2021, related gains and losses were classified as profit (loss) from discontinued operations. On December 12, 2019, Kunshan Samsung Electro-Mechanics Co., Ltd. decided to discontinue its operations. Accordingly, related assets and liabilities are classified as held for sale, and related gains or losses are classified as profit (loss) from discontinued operation.

The board of Directors of the Group decided to discontinue production and sales of Network modules on September 30, 2024, related gains and losses were classified as profit (loss) from discontinued operations.

The consolidated comprehensive income statement for the previous year, as shown in comparison, was restated to separate and present discontinued operating income.

The consolidated statements of profit or loss for the years ended December 31, 2024 and 2023, included in the comprehensive income statement, are as follows (Korean won in thousands):

	2024	2023
Sales	₩ 31,089,590	₩ 17,335,806
Cost of sales	27,123,739	15,522,186
Gross profit(loss)	3,965,851	1,813,620
Selling and administrative expenses	17,313,142	27,553,076
Operating profit(loss)	(13,347,291)	(25,739,456)
Non-operating profit(loss)	54,440,154	4,703,458
Profit(loss) before tax	41,092,863	(21,035,998)
Income tax expense(benefit)	2,827,367	5,864,038
Profit(loss) for the year from discontinued operation after tax	₩ 38,265,496	₩ (26,900,036)
Basic and diluted, loss for the year from discontinued operations attributable to ordinary shareholders of the parent	₩ 507	₩ (356)
Basic and diluted, loss for the year from discontinued operations attributable to preferred shareholders of the parent	507	(356)

Cashflows from discontinued operations are as follows (Korean won in thousands):

	2024	2023
Net cash flows from operating activities	₩ (6,870,800)	₩ (103,834,957)
Net cash flows from investing activities	(53,728)	90,229,021
Net cash flows from financing activities	-	-
Effects of exchange rate changes on cash and cash equivalents	121,622	(18,086)
Net increase (decrease) in cash and cash equivalents	(6,802,906)	(13,624,022)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING for Consolidation Purpose

English Translation of Independent Auditor's Report on Internal Control over Financial Reporting Originally Issued in Korean on February 21, 2025

To the Shareholders and the Board of Directors of Samsung Electro-Mechanics Co., Ltd.

Audit Opinion on Internal Control over Financial Reporting for Consolidation Purpose

We have audited the internal control over financial reporting for consolidation purposes of Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2024, based on 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

In our opinion, the Group's internal control over financial reporting for consolidation purposes is designed and operated effectively as of December 31, 2024, in all material respects, in accordance with the 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, and our report dated February 21, 2025, expressed an unqualified opinion.

Basis for Audit Opinion on Internal Control over Financial Reporting for Consolidation Purposes

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

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

Management is responsible for designing, operating and maintaining effective internal control over financial reporting for consolidation purposes, and for its assessment of the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying Report on the Effectiveness of Internal Control over Financial Reporting.

Deloitte.

Those Charged with Governance is responsible for the oversight of internal control over financial reporting for consolidation purposes of the Group.

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

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

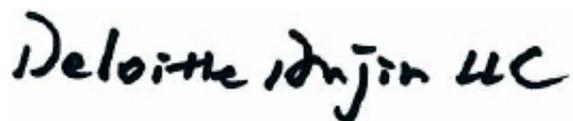
The audit of internal control over financial reporting for consolidation purposes involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks of that a material weakness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

Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes

A group's internal control over financial reporting for consolidation purposes is a process implemented by those charged with governance, management and other personnel, and designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A group's internal control over financial reporting for consolidation purposes 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 group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS"), and that receipts and expenditures of the group are being made only in accordance with authorizations of management and directors of the group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the group's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting for consolidation purposes may not prevent or detect material misstatements in the consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that evaluation of and projections to the future periods may change as internal control over financial reporting becomes 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 Dong Hwui Ahn.



February 21, 2025

Notice to Readers

This report is effective as of February 21, 2025, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the Group's internal control over financial reporting for consolidation purposes and may result in modifications to the auditor's report.

Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and the Board of Directors and Audit Committee of
Samsung Electro-Mechanics Co., Ltd.

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting Officer of Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (the “Group”), assessed the effectiveness of the design and operation of the Group’s Internal Control over Financial Reporting (“ICFR”) for the year ended December 31, 2024.

The Group’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *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”). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Group’s ICFR, as at December 31, 2024, is designed and operating effectively, in all material respects, in accordance with *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 statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 19, 2025

Chang Duckhyun
Chief Executive Officer

Kim Sungjin
Internal Control over Financial Reporting Officer