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**HANDOK INC.**

Separate Financial Statements

**December 31, 2023**

(With Independent Auditors' Report Thereon)

HANDOK INC  
Separate Statement of Financial Position  
As of December 31, 2023 and 2022

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HANDOK INC  
Separate Statement of Financial Position  
As of December 31, 2023 and 2022

## Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
Handok Inc.

### *Opinion*

We have audited the separate financial statements of Handok ("the Company"), which comprise the separate statement of financial position as of December 31, 2023, the separate statements of profit or loss and comprehensive Income, changes in equity and cash flows for the year then ended, and notes, comprising of material accounting policy information and other explanatory information.

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

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2023 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 12, 2024, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

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

### *Key Audit Matter*

Key audit matters is a those matter that, in our professional judgment, was of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2023. This matter was addressed in the context of our audit of the separate financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### **Impairment testing of investments in subsidiaries and Associates**

As described in Note 17 to the financial statements, the carrying amount of investments subsidiaries and associates on the company's balance sheet is ₩158,540 million.

The company identifies whether there are any impairment indicators of investments in subsidiaries and associates annually at the end of each reporting period and performs impairment testing on subsidiaries investments in associates for which impairment indicators have been identified. The company determines the impairment amount related to the investments requiring impairment as the difference between the fair value and book value of the investments. Management judgment is involved in determining key assumptions such as sales growth rate, discount rate, and perpetual growth rate, which significantly impact the estimated value of the investment stocks. Considering the financial significance of subsidiary investments and the importance of impairment indicators, we have identified the impairment testing of subsidiary investment as a key audit matter.

Our audit procedures to address the key audit matter include the following:

- Understanding and evaluating the design and operating effectiveness of controls for the company's impairment assessment procedures
- Reviewing the basis for judgments on indicators of impairment or impairment losses (reversal)
- Assessing the competence and independence of external experts utilized by management for measuring the recoverable amount
- Evaluating the appropriateness of the valuation models used by management for measuring the recoverable amount
- Assessing the appropriateness of key assumptions used by management in measuring the recoverable amount, by involving internal valuation experts
- Evaluating the results of sensitivity analyses on discount rates performed by management to assess the impact of changes in key assumptions on the recoverable amount
- Evaluating the adequacy of disclosures in the separate financial statements related to impairment assessments

### ***Other Matters***

The separate financial statements of the Company for the year ended on December 31, 2022, were audited by another auditor, who expressed an unqualified opinion on those statements on March 9, 2023.

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate 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 in the preparation of the financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Leem, Geun Gu.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 12, 2024

This report is effective as of March 12, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HANDOK INC  
 Separate Statement of Financial Position  
 As of December 31, 2023 and 2022

(In Korea won)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current Assets:			
Cash and cash equivalents	4, 5, 6	₩ 10,166,791,465	28,773,196,568
Trade and other receivables	4, 5, 6, 9, 39	166,534,530,982	172,569,292,539
Other current assets	10	12,837,045,822	47,292,514,151
Inventories	11	93,489,572,386	91,737,053,181
Short-term other financial assets	4, 5, 6, 12	126,382,432	1,637,255,258
		<u>283,154,323,087</u>	<u>342,009,311,697</u>
Non-current Assets:			
Long-term other financial assets	4, 5, 6, 12	4,000,000	4,000,000
Long-term trade and other receivables	4, 5, 6, 9, 39	5,767,903,942	2,133,005,515
Financial assets at fair value through profit or loss	4, 5, 6, 7, 39	35,221,043,420	45,828,366,046
Financial assets at fair value through other comprehensive income	4, 5, 6, 8	10,905,415	10,905,415
Property, plant and equipment	13, 38	221,652,612,894	218,899,734,744
Investment properties	15, 38	48,397,416,252	48,594,033,762
Intangible assets	14	73,196,715,845	70,496,119,782
Investments in subsidiaries and associates	17, 39	158,539,628,902	144,561,504,780
Other non-current assets	10, 16, 22	12,799,259,544	16,128,319,752
		<u>555,589,486,214</u>	<u>546,655,989,796</u>
Total assets		₩ <u>838,743,809,301</u>	<u>888,665,301,493</u>

(continued)

HANDOK INC  
Separate Statement of Financial Position, Continued  
As of December 31, 2023 and 2022

(In Korea won)

	Notes	December 31, 2023	December 31, 2022
LIABILITIES AND SHAREHOLDER'S EQUITY:			
LIABILITIES:			
Current Liabilities:			
Trade and other payables	4, 5, 6, 18, 25, 39	₩ 107,810,870,025	137,416,754,045
Other current liabilities	19	6,014,204,922	4,675,928,554
Other current financial liabilities	4, 5, 6, 16, 20	539,981,503	400,151,451
Short-term borrowings	4, 5, 6, 20	124,638,240,000	77,469,210,000
Short-term corporate bonds	4, 5, 6, 20	49,881,013,051	34,882,962,924
Provisions for other liabilities	21	11,103,163,811	9,810,977,833
Income tax liabilities		292,378,940	4,963,675,950
		<u>300,279,852,252</u>	<u>269,619,660,757</u>
Non-current liabilities:			
Long-term trade and other payables	4, 5, 6, 18, 25	7,024,648,285	7,274,308,885
Other non-current liabilities	19	150,737,302	-
Other non-current financial liabilities	4, 5, 6, 16, 20, 38, 39	4,498,846,056	4,658,577,883
Long-term borrowings	4, 5, 6, 20	99,770,430,000	135,045,670,000
Corporate bonds	4, 5, 6, 20	24,009,844,899	49,644,167,652
Long-term provisions for other liabilities	21	1,371,117,577	1,265,888,288
Defined benefit liabilities	22	2,920,015,102	2,293,059,155
Deferred tax liabilities	23	10,146,395,909	15,850,403,980
		<u>149,892,035,130</u>	<u>216,032,075,843</u>
Total liabilities		<u>450,171,887,382</u>	<u>485,651,736,600</u>
EQUITY:			
Common stock	1, 24	6,881,766,500	6,881,766,500
Capital surplus		36,748,103,056	36,748,103,056
Other components of equity	26	41,439,641,589	41,586,784,920
Retained earnings	27	303,502,410,774	317,796,910,417
Total equity		<u>388,571,921,919</u>	<u>403,013,564,893</u>
Total liabilities and equity		<u>₩ 838,743,809,301</u>	<u>888,665,301,493</u>

(Concluded)

See accompanying notes to the separate financial statements.

**HANDOK INC**  
**Separate Statement of Profit or Loss**  
**For the years ended December 31, 2023 and 2022**

*(In Korea won)*

	Notes		2023	2022
Revenue	28, 39	₩	518,001,545,221	536,574,430,720
Cost of sales	28, 29, 39		354,764,901,895	366,791,925,612
Gross profit			163,236,643,326	169,782,505,108
Selling, general and administrative expenses	29, 30, 31, 32		149,360,988,187	140,679,345,702
Operating profit			13,875,655,139	29,103,159,406
Other income	6, 33, 39		15,714,750,505	16,963,026,090
Other expenses	6, 33, 39		2,983,233,243	16,146,029,478
Finance income	6, 34, 39		2,565,716,251	11,413,628,871
Finance costs	6, 34		32,332,523,138	20,717,658,218
Profit (loss) before income tax			(3,159,634,486)	20,616,126,671
Income tax expense (Revenue)	23		(1,009,034,650)	2,781,173,862
Profit (loss) for the period			(2,150,599,836)	17,834,952,809
Basic earnings per share	35	₩	(156)	1,296
Diluted earnings per share	35	₩	(156)	1,296

*See accompanying notes to the separate financial statements.*

**HANDOK INC**  
**Separate Statement of Comprehensive income**  
**For the years ended December 31, 2023 and 2022**

*(In Korea won)*

	Notes	2023	2022
Profit (loss) for the period	₩	(2,150,599,836)	17,834,952,809
Other comprehensive income :			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability (asset) defined benefit plans	22, 23	(6,638,486,607)	4,969,295,753
Losses on valuation of financial assets at fair value through other comprehensive income		-	(7,024,371)
Items that are subsequently reclassified to profit or loss:			
Cash flow hedge	23, 38	(147,143,331)	(339,961,657)
Other comprehensive income (loss) for the period, net of tax		(6,785,629,938)	4,622,309,725
Total comprehensive income (loss) for the period	₩	(8,936,229,774)	22,457,262,534

*See accompanying notes to the separate financial statements.*

**HANDOK INC**  
**Separate Statement of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**

(In Korea won)

		Common stock	Capital surplus	Other Components of Equity	Retained earnings	Total equity
(in Korean won)						
Balance at January 1, 2022	₩	6,881,766,500	36,748,103,056	41,926,746,577	299,816,922,776	385,373,538,909
Total comprehensive income(loss) for the period:						
Profit for the period		-	-	-	17,834,952,809	17,834,952,809
Remeasurements of net defined benefit liability		-	-	-	4,969,295,753	4,969,295,753
Losses on valuation of financial assets at fair value through other comprehensive income		-	-	-	(7,024,371)	(7,024,371)
Cash flow hedge		-	-	(339,961,657)	-	(339,961,657)
Transactions with owners:						
Dividends		-	-	-	(4,817,236,550)	(4,817,236,550)
Balance at December 31, 2022	₩	<u>6,881,766,500</u>	<u>36,748,103,056</u>	<u>41,586,784,920</u>	<u>317,796,910,417</u>	<u>403,013,564,893</u>
Balance at January 1, 2023	₩	6,881,766,500	36,748,103,056	41,586,784,920	317,796,910,417	403,013,564,893
Total comprehensive income(loss) for the period:						
Profit (loss) for the period		-	-	-	(2,150,599,836)	(2,150,599,836)
Remeasurements of net defined benefit liability		-	-	-	(6,638,486,607)	(6,638,486,607)
Cash flow hedge		-	-	(147,143,331)	-	(147,143,331)
Transactions with owners:						
Dividends		-	-	-	(5,505,413,200)	(5,505,413,200)
Balance at December 31, 2023	₩	<u>6,881,766,500</u>	<u>36,748,103,056</u>	<u>41,439,641,589</u>	<u>303,502,410,774</u>	<u>388,571,921,919</u>

See accompanying notes to the separate financial statements

**HANDOK INC**  
**Separate Statement of Cash Flows**  
**For the years ended December 31, 2023 and 2022**

(In Korea won)

	Notes	2023	2022
Cash flows from operating activities:			
Cash generated from operating activities	37 ₩	55,305,538,351	36,925,036,689
Income taxes paid		(7,321,164,560)	(1,176,665,890)
Interest paid		(13,163,705,438)	(7,408,340,825)
Interest received		1,433,730,720	457,467,803
Dividends received		96,850	96,850
Net cash provided by operating activities		36,254,495,923	28,797,594,627
Cash flows from investing activities:			
Increase in short-term loans		(4,680,000,000)	-
Increase in long-term loans to employees		(295,000,000)	(90,000,000)
Increase in leasehold deposits		-	(3,000,000)
Purchases of financial assets at fair value through profit or loss		(6,154,748,429)	(6,347,377,047)
Purchases of other financial assets		(40,000,000,000)	(35,000,000,000)
Purchases of investments in subsidiaries and associates		(13,314,019,400)	(19,555,550,013)
Acquisition of property, plant and equipment		(19,207,111,962)	(36,163,969,089)
Acquisition of intangible assets		(6,967,982,489)	(7,512,440,146)
Decrease in short-term loans		1,400,000,000	-
Decrease in loans to employees		154,200,000	314,940,000
Proceeds from disposal of financial assets at fair value through profit or loss		18,646,769	511,668,793
Proceeds from disposal of other financial assets		40,000,000,000	40,000,000,000
Decrease in leasehold deposits		10,000,000	105,420,000
Decrease in other deposits		-	1,000,000
Proceeds from disposal of property, plant and Equipment		219,879,833	211,588,861
Proceeds from disposal of intangible assets		3,000,000	293,972,727
Receipt of payments for finance lease receivables		102,955,160	22,054,375
Net cash used in investing activities	₩	(48,710,180,518)	(63,211,691,539)

(Continued)

# HANDOK INC

## Separate Statement of Cash Flows, Continued

For the years ended December 31, 2023 and 2022

(In Korea won)

		2023	2022
Cash flows from financing activities:			
Proceeds from short-term borrowings	₩	131,200,000,000	181,650,000,000
Proceeds from long-term borrowings		24,000,000,000	117,347,500,000
Proceeds from issuance of corporate bonds		23,862,715,000	-
Receipts of government grants		61,372,000	59,784,000
Increase in lease liabilities		-	91,116,598
Payment of cash dividends		(5,505,413,200)	(4,817,236,550)
Repayments of short-term borrowings		(143,969,210,000)	(257,664,960,000)
Repayments at Corporate bonds		(35,000,000,000)	-
Decrease in government grants		(66,060,878)	(55,371,872)
Decrease in deposits		(170,000,000)	-
Repayments of lease liabilities		(564,113,572)	(520,835,978)
Net cash provided by financing activities		<u>(6,150,710,650)</u>	<u>36,089,996,198</u>
Net decrease in cash and cash equivalents		(18,606,395,245)	1,675,899,286
Cash and cash equivalents at January 1		28,773,196,568	27,284,690,674
Effects of exchange rate changes on cash and cash equivalents		(9,858)	(187,393,392)
Cash and cash equivalents at December 31	₩	<u>10,166,791,465</u>	<u>28,773,196,568</u>

See accompanying notes to the separate financial statements.

**HANDOK INC**  
**Notes to the Separate Financial Statements**  
**For the years ended December 31, 2023 and 2022**

**1. General Information**

HANDOK INC. (the "Company") was incorporated on August 19, 1958, under the Commercial Code of the Republic of Korea, to engage in the manufacture and sale of pharmaceutical products and lease of real estate. The head office of the Company is located in Gangnam-gu, Seoul, with its factory in Eumsung County, Chungcheogbuk-do Province in Korea and research laboratory in Gangseo-gu, Seoul. In addition, the Company established and operates branches in Korea.

The Company's shares were offered to the public on June 30, 1976, and all issued and outstanding shares were listed on the Korea Stock Exchange.

As of December 31, 2023, the Company's paid-in capital amounted to ₩6,882 million and 13,763,533 shares of ordinary shares are issued and outstanding, which are owned by the following shareholders:

Name of shareholder	Number of Ordinary shares	Percentage of Ownership (%)	Remarks
Y.J. Kim	1,878,397	13.65	Representative director
Y&S International Co., Ltd.	2,435,290	17.69	Related parties
Others	9,449,846	68.66	
Total	13,763,533	100.00	

**2. Material Accounting Policies**

The Company applied the revised accounting policy disclosure (Korean International Financial Reporting Standards 1001 'Indication of Financial Statements') from January 1, 2023. This amendment requires the disclosure of 'Material' accounting policies rather than 'significant' accounting policies. These revisions do not result in changes in accounting policy but affect the published accounting policy information.

The following are the significant accounting policies applied in the preparation of the financial statements. These policies have been consistently applied during the periods presented, unless otherwise stated

**2.1 Basis of Preparation**

The Company's financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRS). K-IFRS refers to the standards and interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The Company prepares its financial statements in accordance with K-IFRS 1027 Separate Financial Statements. The separate financial statements require investors with joint control or significant influence over the parent or investee to invest their assets in accordance with the cost method or the method prescribed in K-IFRS 1109 Financial Instruments, or using the equity method of accounting as prescribed in K-IFRS 1028 Investments in Associates and Joint Ventures.

The material accounting policies applied in the preparation of these financial statements are described below. These accounting policies have been consistently applied to all periods presented in the financial statements, except for the effects of the adoption of new standards or interpretations as described below.

The financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial assets that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies below. Historical cost is generally measured as the fair value of the consideration given to acquire the asset.

**2. Material Accounting Policies, Continued**

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

Korean International Financial Reporting Standards (K-IFRS) permit the use of material accounting estimates in the preparation of financial statements and require management to exercise judgment in applying accounting policies. Areas that require more complex and higher-level judgments, or areas where significant assumptions and estimates are required, are described in Note 3.

### 2.2 Changes in Accounting Policies

The Company has adopted the following new and amended standards starting from the accounting period beginning on January 1, 2023.

#### *Material Accounting Policies Information*

The Company has applied the amendments to the disclosure of accounting policies (K-IFRS 1001 'Presentation of Financial Statements') starting from January 1, 2023. These amendments do not change the accounting policies themselves but affect the accounting policy information disclosed in these financial statements.

These amendments require the disclosure of 'material' accounting policies instead of 'significant' accounting policies. Additionally, by providing guidance on applying materiality to accounting policy disclosures, they aim to provide entity-specific accounting policy information that is essential for users of the financial statements to understand.

The Company's management has reviewed the accounting policies and updated the significant accounting policies (2022: significant accounting policies) information disclosed in Note 2 in accordance with these amendments.

### 2.3 Accounting Policies

#### 2.3.1 Subsidiaries and Associates

The Company's financial statements are separate financial statements in accordance with K-IFRS 1027. The Company has elected to account for its investments in subsidiaries and associate using the cost method in accordance with K-IFRS 1027.

#### 2.3.2 Foreign Currency Translation

##### *(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The separate financial statements are presented in Korean won, which is the Company's functional and presentational currency.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated using the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equity instruments held at fair value through other comprehensive income are recognized in other comprehensive income.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 2. Material Accounting Policies, Continued

#### 2.3.3 Financial Assets

##### *(a) Classification*

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

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

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

Foreign exchange gains and losses resulting from the translation of borrowings in foreign currencies are recognized in profit or loss as finance income or costs. Other foreign exchange gains and losses are classified as other income or other expenses.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equity instruments held at fair value through other comprehensive income are recognized in other comprehensive income.

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

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

##### *(b) Measurement*

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

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

##### *i. Debt Instruments*

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

##### Amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired. Interest income from financial assets is included in 'finance income' using the effective interest rate method.

## HANDOK INC

### Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

#### 2. Material Accounting Policies, Continued

Fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognized in other comprehensive income, except changes in the carrying amount as a result of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from to profit or loss. Interest income from these financial assets calculated using the effective interest method is included in 'finance income'. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses.'

Fair value through profit or loss:

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. Any gain or loss on a debt investment that is measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and is included in 'finance income or costs' in the period in which it is incurred.

##### *ii. Equity Instruments*

The Company subsequently measures all investments in equity instruments at fair value. The Company may designate equity instruments held for long-term investment or strategic purposes as at fair value through other comprehensive income. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gain or loss in other comprehensive income is not reclassified to profit or loss on disposal of the equity investments, instead, it is reclassified to retained earnings. Dividend income from such equity instruments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

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

##### *(c) Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments that are measured at amortized cost or at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

##### *(d) Recognition and Derecognition*

All regular way purchases and sales of financial assets are recognized and derecognized on a trade date basis. The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial assets and substantial all the risks and rewards of ownership of the asset to another entity.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes an associated financial liability for the consideration received. The Company classifies such associated financial liabilities as 'borrowings' in the statement of financial position.

##### *(e) Offsetting of financial instruments*

#### 2. Material Accounting Policies, Continued

## HANDOK INC

### Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

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

#### 2.3.4 Derivative Instruments

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Company enters into a variety of derivative financial instruments to manage its exposure risks, including the following hedging instruments:

- Hedges of changes in the fair value of recognized assets or liabilities (Fair value hedge)
- Hedges of changes in the expected future cash flows of specific assets or liabilities (Cash flow hedge)
- Hedges of net investments in foreign operations (Net investment hedge)

A derivative that is designated as a hedging instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. A derivative that is designated as a hedging instrument is presented as a current asset or a current liability if the remaining maturity of the instrument is less than 12 months.

Other derivative liabilities that are not designated as hedging instruments are presented as current or non-current derivative liabilities based on the date of settlement, and other derivative assets that are not designated as hedging instruments are presented as current or non-current derivative assets based on their expected maturity date.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve.

The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the changes in the intrinsic value of the option of option contracts as the hedging instrument in cash flow hedging relationships. The gains and losses in the effective portion of changes in the intrinsic value of the option is recognized as cash flow hedge within equity. Changes in the time value of options is recognized as cash flow hedge in other comprehensive income.

The Company generally designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is recognized as cash flow hedge within equity. The change in the forward element of a hedged forecast transaction is recognized as the cost of hedging in other comprehensive income. In certain cases, the Company designates the change in fair value of the forward exchange contract as the hedging instrument in cash flow hedging relationships. In which case, the effective portion of changes in the fair value of the forward exchange contract is recognized as cash flow hedge in equity.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 2. Material Accounting Policies, Continued

Amounts previously accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, with the following provisions:

- When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, changes in the value of the time value of options, and changes in the value of the forward elements of forward contracts are included directly in the initial cost of the non-financial item when it is recognized. The deferred amounts are ultimately recognized in profit or loss in items such as cost of sales.
- Gains and losses arising on the effective portion of changes in the value of the interest rate swaps are included as 'finance costs' in profits or loss in the periods when the hedged item affects profit or loss.

When the hedging instrument expires, is sold, terminated, or exercised, or when the hedging relationship no longer meets the qualifying criteria, the accumulated amount in the cash flow hedge reserve remains in the cash flow hedge reserve until the forecast transaction occurs and results in the recognition of a non-financial asset such as inventory. If the forecast transaction is no longer expected to occur, the accumulated amount in the cash flow hedge reserve and any deferred costs related to the hedge are immediately reclassified to profit or loss.

#### 2.3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method (the specific identification method for work-in-process and inventories in-transit).

#### 2.3.6 Non-current Assets (and Disposal Groups) Held for Sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use, and a sale is considered highly probable. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

#### 2.3.7 Property, Plant and Equipment

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

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

Description	Useful lives
Buildings	10 ~ 60 years
Structures	5 ~ 20 years
Machinery and equipment	5 ~ 20 years
Vehicles	5 ~ 10 years
Tools and furniture	3 ~ 10 years
Finance lease assets	5 years

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

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 2. Material Accounting Policies, Continued

#### 2.3.8 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 Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant from the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

#### 2.3.9 Intangible Assets

##### (a) Goodwill

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

##### (b) License and industrial property rights

License (including technology transfer contracts regarding new drugs) and industrial property rights acquired from third parties are shown at acquisition cost. License and industrial property rights have finite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of license and industrial property rights over their estimated useful lives.

##### (c) Other intangible assets

Other intangible assets include development costs and software, and are amortized on a straight-line basis over their estimated useful lives when they are available for use or sale. However, membership rights that have indefinite useful lives are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with finite useful lives using the straight-line method over the following periods:

Description	Useful lives
License and franchise	5 ~ 12 years
Industrial property rights	3 ~ 10 years
Other intangible assets	5 ~ 20 years

##### (d) Research and Development

Research expenses are recognized as an expense in the period in which it is incurred. Development costs that are directly attributable to identifiable and unique development project controlled by the Company are recognized as intangible assets when all of the following conditions have been demonstrated:

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

Other development costs that do not meet these criteria are recognized as an expense in the period in which it is incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs recognized as assets are amortized over their estimated useful lives based on straight-line method from the day they are available for sale or use, and are tested for impairment.

## 2. Material Accounting Policies, Continued

### 2.3.10 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at cost. Subsequent to initial recognition, investment property is measured at cost less any accumulated depreciation and accumulated impairment losses. The Company depreciates investment properties, except for land, using the straight-line method over their useful lives of 10 – 60 years.

### 2.3.11 Impairment of Non-financial Assets

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

### 2.3.12 Financial Liabilities

#### (a) Classification and measurement

The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the near term. Derivative instruments that are not designated and effective hedging instruments, and embedded derivatives that have been separated from their financial instrument hosts are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are presented as 'trade and other payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

Preferred shares with a mandatory redemption at a specific date are classified as liabilities. Interest expense on these preferred shares are calculated using the effective interest method and are recognized in the statement of income as 'finance costs', together with interest expenses recognized from other financial liabilities.

#### (b) Derecognition

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled, or have expired, or when the terms of an existing financial liability have been substantially modified. The difference between the carrying amount of the financial liability derecognized or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 2. Material Accounting Policies, Continued

#### 2.3.13 Financial Guarantee Contracts

The Company recognizes financial guarantee contracts as 'other financial liabilities' in the statement of financial position. Financial guarantee contracts are measured initially at their fair values, and are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with the expected credit loss model of financial instruments, and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with K-IFRS 1115 Revenue from Contracts with Customers.

The Company recognized financial guarantee contracts provided to subsidiaries for no compensation by adding the amount to investments in subsidiaries.

#### 2.3.14 Provisions

Provisions are recognized as part of reserve for incentive bonuses, refund liabilities, and government grants repayable when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provision for incentive bonuses is recognized as provisions for the estimated future payment, which is paid to employees based on their performance for the period. Refund liabilities are estimated for the future amount of sales return and recognized based on the past experience rate. The portion of government grants for which the Company has repayment obligations for is recognized as 'government grants repayable'.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

#### 2.3.15 Employee Benefits

##### (a) Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plans are retirement plans that are not defined contribution plans. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depends on the employee's age, periods of service and salary levels. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in other comprehensive income.

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

##### (b) Share-based payments

Under a cash-settled share-based payment plan, the Company compensates the difference of the fair value and the exercise price of option as the consideration for employee services received. The total expense that will be recognized over the vesting period is determined by reference to the fair value of the option granted.

## HANDOK INC

### Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

#### 2. Material Accounting Policies, Continued

Until the liability is settled, the Company is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognized in profit or loss for the year.

##### (c) Other long-term employee benefits

The Company 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 plans. The Company 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.

#### 2.3.16 Revenue Recognition

From January 1, 2018, the Company has applied K-IFRS 1115 Revenue from Contracts with Customers.

##### (a) Identification of performance obligations

The Company provides pharmaceutical products, health functional food, and reagent for medical devices to a customer.

##### (b) Variable consideration

The Company estimates an amount of variable consideration by using the expected values which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The refund liability is measured at the amount of consideration received for which the Company does not expect to be entitled.

##### (c) Allocating the transaction price

The Company allocates the transaction price in an arrangement to each separate performance obligation based on the relative standalone selling prices. The Company determines the standalone selling price for each separate performance obligation by using 'expected cost plus a margin approach' to estimate expected cost plus a reasonable margin.

##### (d) Returns

The Company recognizes a refund liability for the expected refunds to customers and adjusts the revenue. At the same time, a right to recover the product from the customer where the customer exercises the right of return is recognized as an asset and a corresponding adjustment to cost of sales. A right to recover the product is measured by reference to the former carrying amount of the product less any expected costs to recover those products.

##### (e) Performance obligation satisfied over time

The Company provides contractual clinical trial services to clients. The Company itself does not have alternative uses for any assets created during such services, and recognizes revenue for such completed contractual services for which the Company has an enforceable right to demand payment.

## HANDOK INC

### Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

## 2. Material Accounting Policies, Continued

### 2.3.17 Lease

(1) The Company as lessee

If a contract contains multiple lease components or both lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices at the inception date or the effective date of the modification. However, for real estate leases, the Company applies a practical expedient that does not separate non-lease components from lease components, treating them as a single lease component for accounting purposes.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date.

The Company determines the incremental borrowing rate by adjusting the interest rates obtained from various external financial sources to reflect the terms of the lease and the characteristics of the leased asset.

Short-term leases and small underlying assets

The Company has elected a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including office equipment, with a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(2) The Company as lessor

As a lessor, the Company determines at the inception date whether the lease is a finance lease or an operating lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Other Income.'

### 2.3.18 Unimplemented revised standards

The major new and revised standards and interpretations that have been enacted and announced but whose effective date falls after January 1, 2023, are as follows. The Company did not early adopt the following new and revised standards and interpretations when preparing financial statements.

- K-IFRS 1001 "Statement of Financial Position Presentation" - Classification of Current/Non-current Liabilities

It is deemed that the impact on the Company's financial statements is not significant when applying the following standards and interpretations.

- Sale and Leaseback Transactions (K-IFRS 1116 'Leases')

- Lack of Exchangeability (K-IFRS 1021 'The Effects of Changes in Foreign Exchange Rates')

### 2.3.19 Approval of Issuance of the Financial Statements

The separate financial statements are expected to be approved for issue by the Board of Directors on March 13, 2024, and will be reported at the Annual Shareholder's Meeting.

**3. Critical Accounting Estimates and Assumptions**

Under the Korean International Financial Reporting Standards (K-IFRS), the preparation of financial statements requires the use of estimates and assumptions based on management's best judgment. These estimates and assumptions affect the reported amounts of assets, liabilities, income, and expenses as of the reporting date. If the actual environment differs from the conditions that were assumed at the reporting date, the actual results may differ from those estimates.

The basic assumptions about estimates and estimations are continuously under review, and changes in accounting estimates are recognized during the period in which the estimates have been altered and for the future impacts.

Information on key management judgments related to the application of accounting policies that significantly impact the amounts recognized in the financial statements is included in the following notes.

- Note 17 : Scope of Subsidiaries - Whether control is practically held
- Note 17 : Investments in Associates - Whether the Company exercises significant influence
- Note 29 : Lease Term - Whether the likelihood of exercising the extension option is quite certain

Information regarding significant uncertainties related to assumptions and estimates where important adjustments may occur within the next reporting period is included in the following notes:

- Note 11 : Inventory asset valuation allowance - Key assumptions for measuring net realizable value
- Note 17 : Investments in Subsidiaries and Associates - Key assumptions for recoverable amount estimation
- Note 30 : Employee Benefit Expenses - Key actuarial assumptions

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 4. Financial Risk Management

#### 4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the variability of financial markets and seeks to minimize any adverse effects on the financial performance of the Company.

Risk management is carried out by a treasury department under policies approved by the Board of Directors. The Board of Directors reviews and approves written policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company's treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

#### 4.1.1 Market risk

##### (a) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro and the Japanese Yen. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company's financial instruments exposed to foreign exchange risk as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Cash and cash equivalents:		
USD	18,144	5,626,628
JPY	4,563	-
Trade receivables:		
USD	734,933	1,928,039
EUR	35,665	-
Non-trade receivables:		
USD	-	27,184
Trade payables:		
USD	6,934,106	6,044,439
EUR	3,678,298	717,372
JPY	389,551	108,663
Non-trade payables:		
USD	546,555	1,068,608
EUR	615,937	-
JPY	10,678	2,383
Short-term borrowings in foreign currency:		
USD	12,894,000	25,346,000
Long-term borrowings in foreign currency:		
USD	25,788,000	38,019,000
Derivative assets (cash flow hedge):		
USD	126,382	1,637,255
Derivative liabilities (cash flow hedge):		
USD	3,500,651	4,220,529

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 4. Financial Risk Management, Continued

The table below summarizes the impact of increases/decreases of foreign exchange rates on the Company's profit before tax for the year. The analysis is based on the assumption that foreign exchange rates have increased/decreased by 10 percent with all other variables held constant.

(In thousands of Korean won)

Classification	December 31, 2023		December 31, 2022	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(4,878,385)	4,878,385	(6,547,947)	6,547,947
EUR	(425,857)	425,857	(71,737)	71,737
JPY	(39,567)	39,567	(11,105)	11,105

The above table estimate of the impact of increases/decreases on monetary assets and liabilities does not include the effect of hedges created by derivative instruments. The Company has entered into a swap agreement in order to hedge the currency exchange risk from long-term borrowings in foreign currencies (see Note 38).

#### (b) Interest rate risk

Interest rate risk refers to the risk of changes in interest income and interest expenses arising from changes in the market interest rate, which affect deposits and borrowings subject to variable interest rates. The Company manages interest rate risk to minimize uncertainties and interest expenses created by changes in interest rates and maximize the Company's value.

The Company's borrowings and trade receivables are estimated at amortized cost. Borrowings issued at variable rates are exposed to the risk of changes in market interest rates.

The carrying amounts of borrowings exposed to interest rate risk as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Borrowings	177,708,670	155,364,880

The table below summarizes the impact of increases/decreases of interest rate on the Company's profit before tax for the year. The analysis is based on the assumption that interest rate has increased/decreased by 1 percent with all other variables held constant.

(In thousands of Korean won)

Account	2023		2022	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Interest expense	1,777,087	(1,777,087)	1,553,649	(1,553,649)

The above estimate of the impact of increases/decreases of interest rate does not include the effect of hedges created by derivative instruments. The Company has entered into a swap contract in order to hedge the risk arising from the floating interest rate on long-term borrowings in foreign currencies (see Note 38).

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 4. Financial Risk Management, Continued

#### 4.1.2 Credit Risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated after taking into account its financial position, past experience and other factors. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash, notes or using major credit cards.

No credit limits were exceeded during the reporting period, and management does not expect any losses if the above counterparties are in default under the terms of the agreements.

The maximum exposure to credit risk as of December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Account	December 31, 2023	December 31, 2022
Cash and cash equivalents	10,166,791	28,773,197
Trade and other receivables	166,534,531	172,569,293
Derivative financial instruments	126,382	1,637,255
Long-term other financial assets	4,000	4,000
Long-term trade and other receivables	5,767,904	2,133,006
Financial assets at fair value through profit or loss	35,221,043	45,828,366
Financial assets at fair value through other comprehensive income	10,905	10,905
Financial guarantee contracts (*)	1,670,167	2,007,395

(\*) Financial guarantee contracts represent the total amounts of financial guarantee contracts provided by the Company for office rental contracts and payment of payables on price of goods of Theravalues Corporation, a subsidiary.

#### 4.1.3 Liquidity Risk

Cash flow forecasting is performed by the Company's treasury. The Company's treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the reporting period, the Company held ₩10,167 million (2022: ₩28,773 million) in cash and cash equivalents that are expected to readily generate cash inflows for managing liquidity risk.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 4. Financial Risk Management, Continued

The analyses of the Company's liquidity risk as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	Within 1 year	Over 1 year and Within 5 years	Over 5 years	Total
December 31, 2023				
Trade and other payables	107,810,870	7,024,648	-	114,835,518
Borrowings	134,240,430	69,252,189	37,219,057	240,711,676
Corporate bonds	51,821,640	25,242,455	-	77,064,095
Financial guarantee liabilities (*)	301,177	1,368,990	-	1,670,167
Other financial liabilities	570,294	1,007,180	-	1,577,474
Total	294,744,411	103,895,462	37,219,057	435,858,930
December 31, 2022				
Trade and other payables	137,416,754	7,274,309	-	144,691,063
Borrowings	85,504,138	101,582,786	44,765,868	231,852,792
Corporate bonds	36,618,088	50,596,500	-	87,214,588
Financial guarantee liabilities (*)	-	2,007,395	-	2,007,395
Other financial liabilities	415,360	414,734	-	830,094
Total	259,954,340	161,875,724	44,765,868	466,595,932

(\*) Financial guarantee liabilities represents the total amounts of financial guarantee contracts provided by the Company for office rental contracts and payment of payables on price of goods of Theravalues Corporation, a subsidiary.

The table above analyzes the Company's non-derivative financial liabilities based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### 4.2 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is 'equity' as shown in the statements of financial position plus net debt.

The gearing ratios as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Total borrowings	298,299,528	297,042,011
Less: cash and cash equivalents	(10,166,791)	(28,773,197)
Net debt	288,132,737	268,268,814
Total equity	388,571,922	403,013,565
Total capital	676,704,659	671,282,379
Gearing ratio	42.58%	39.96%

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 5. Fair Value Estimation

#### 5.1. Fair Value of Financial Instruments by Category

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

(In thousands of Korean won)

Account	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	10,166,791	10,166,791	28,773,197	28,773,197
Trade and other receivables	166,534,531	166,534,531	172,569,293	172,569,293
Long-term other financial assets	4,000	4,000	4,000	4,000
Derivative financial assets (cash flow hedge)	126,382	126,382	1,637,255	1,637,255
Long-term trade and other receivables	5,767,904	5,767,904	2,133,006	2,133,006
Financial assets at fair value through profit or loss	35,221,043	35,221,043	45,828,366	45,828,366
Financial assets at fair value through OTHER COMPREHENSIVE INCOME	10,905	10,905	10,905	10,905
Total	217,831,556	217,831,556	250,956,022	250,956,022
Financial liabilities:				
Trade and other payables	107,810,870	107,810,870	137,416,754	137,416,754
Short-term borrowings	124,638,240	124,638,240	77,469,210	77,469,210
Short-term corporate bonds	49,881,013	49,881,013	34,882,963	34,882,963
Long-term trade and other payables	7,024,648	7,024,648	7,274,309	7,274,309
Financial guarantee liabilities	21,435	21,435	32,886	32,886
Long-term derivative financial liabilities (cash flow hedge)	3,500,651	3,500,651	4,220,529	4,220,529
Lease liabilities	1,516,741	1,516,741	805,314	805,314
Long-term borrowings	99,770,430	99,770,430	135,045,670	135,045,670
Corporate bonds	24,009,845	24,009,845	49,644,168	49,644,168
Total	418,173,873	418,173,873	446,791,803	446,791,803

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 5. Fair Value Estimation, Continued

#### 5.2. Fair Value Hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows :

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

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

(In thousands of Korean won)

Classification	December 31, 2023			
	Level 1	Level 2	Level 3 (*)	Total
Recurring fair value measurements				
Assets:				
Financial assets at fair value through profit or loss	5,579,650	-	5,513,384	11,093,034
Derivative financial assets	-	126,382	-	126,382
Liabilities:				
Long-term derivative financial liabilities	-	3,500,651	-	3,500,651

(\*) The amounts measured at cost and excluded from the fair value hierarchy disclosures are KRW 24,128,010 thousand at the end of the current period and KRW 17,534,591 thousand at the end of the prior period.

(In thousands of Korean won)

Classification	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets:				
Financial assets at fair value through profit or loss	18,378,126	-	9,915,649	28,293,775
Derivative financial assets	-	1,637,255	-	1,637,255
Liabilities:				
Long-term derivative financial liabilities	-	4,220,529	-	4,220,529

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

5. Fair Value Estimation, Continued

5.3. Valuation Technique and the Inputs

Valuation techniques and inputs used in level 2 and level 3 fair value measurements are as follows :

(In thousands of Korean won)

Account	December 31, 2023				
	Fair value	Level	Valuation Techniques	Input	Range of inputs (weighted average)
Financial assets at fair value through profit or loss:					
Debt instruments	5,513,384	3	Net asset valuation method	Return Rate	-
Derivative financial assets:					
Currency swap	126,382	2	Present value discount method	-	-
Long-term derivative financial liabilities:					
Currency swap	3,500,651	2	Present value discount method	-	-

(In thousands of Korean won)

Account	December 31, 2022				
	Fair value	Level	Valuation Techniques	Input	Range of inputs (weighted average)
Financial assets at fair value through profit or loss:					
Investment convertible notes	3,999,000	3	Binomial Model	Discount rate:	3.8%~16.77%
				Volatility	
				Price : Volatility	54.78%
Debt instruments	5,916,649	3	Net asset valuation method	Return Rate	-
Derivative financial assets:					
Currency swap	1,637,255	2	Present value discount method	-	-
Long-term derivative financial liabilities:					
Currency swap	4,220,529	2	- Present value discount method	-	-

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 5. Fair Value Estimation, Continued

#### 5.4. Valuation Processes for Fair Value Measurements Categorized as Level 3

Investment convertible notes categorized as level 3 were measured by a specialized external rating agency.

#### 5.5. Sensitivity Analysis for Recurring Fair Value Measurements Categorized as Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs by 10 percent for financial instrument, which is categorized as Level 3 and subject to sensitivity analysis, are as follows :

*(In thousands of Korean won)*

Account	2023		2022	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss:				
Investment convertible notes	-	-	23,141	(18,995)

# HANDOK INC

## Notes to the Separate Financial Statements, Continued For the years ended December 31, 2023 and 2022

### 6. Financial Instruments by Category

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

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost :		
Cash and cash equivalents	10,166,791	28,773,197
Trade and other receivables	166,534,531	172,569,293
Long-term trade and other receivables	5,767,904	2,133,006
Long-term other financial assets	4,000	4,000
Financial assets at fair value :		
Financial assets at fair value through profit or loss	35,221,043	45,828,366
Financial assets at fair value through OTHER COMPREHENSIVE INCOME	10,905	10,905
Derivative financial assets	126,382	1,637,255
Total	217,831,556	250,956,022

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

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Financial liabilities measured at amortized cost :		
Trade and other payables	107,810,870	137,416,754
Short-term borrowings	124,638,240	77,469,210
Short-term corporate bonds	49,881,013	34,882,963
Long-term trade and other payables	7,024,648	7,274,309
Financial guarantee liabilities (*1)	21,435	32,886
Lease liabilities	1,516,741	805,314
Long-term borrowings	99,770,430	135,045,670
Corporate bonds	24,009,845	49,644,168
Financial liabilities at fair value :		
Derivative financial liabilities (cash flow hedge) (*2)	3,500,651	4,220,529
Total	418,173,873	446,791,803

(\*1) Financial guarantee liabilities are recognized for leasehold deposits and price of goods of Theravalues Corporation.

(\*2) Derivative financial liabilities (cash flow hedge) categorized as financial liabilities at fair value are recognized as the fair value of the swap agreement used to hedge cash flow risk arising from the floating interest rate on long-term borrowings in foreign currencies (see Note 38).

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

6. Financial Instruments by Category, Continued

Gains and losses on financial instruments by category for the years ended December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Account	2023	2022
Financial assets measured at amortized cost :		
Interest income	1,368,946	371,858
Gains on foreign currency translation	29	422
Losses on foreign currency translation	(18,551)	(279,133)
Financial assets at fair value through profit or loss :		
Losses on valuation of financial assets at fair value through profit or loss	(16,211,149)	(937,999)
Gains from sale of financial assets at fair value through profit or loss	18,647	-
Interest income	69,814	80,000
Financial assets at fair value through OTHER COMPREHENSIVE INCOME :		
Distribution income from investment funds	97	97
Financial liabilities measured at amortized cost :		
Interest income	11,451	12,431
Interest expense	(13,771,413)	(8,223,885)
Gains on foreign currency translation	246,300	3,837,723
Losses on foreign currency translation	(718,614)	(1,641,831)
Financial assets and liabilities at fair value :		
Gains (losses) on valuation of derivative financial instruments recognized in profit or loss (*)	(592,881)	(2,114,795)
Cash flow hedge recognized in other comprehensive income (*)	(198,113)	(448,498)

(\*) Derivative financial liabilities (cash flow hedge) categorized as financial liabilities at fair value are recognized as the fair value of the swap agreement used to hedge cash flow risk arising from the floating interest rate on long-term borrowings in foreign currencies (see Note 38).

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 7. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as of December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Classification	Company	December 31, 2023	December 31, 2022
Beneficiary certificates	MaC Fund, L.P.	464,707	464,707
Beneficiary certificates	RMGP Bio-Pharma Investment Fund, L.P.	5,513,384	5,916,648
Ordinary shares	BiomX Ltd.	144,196	94,500
Ordinary shares	SCM Life Science, Co.	639,791	2,038,144
Ordinary shares	Adicet Bio, Inc.	707,827	3,290,746
Convertible notes (*1)	NB Postech, Inc.	-	3,999,000
Beneficiary certificates	Interinvest Open Innovation Private Equity Fund	12,750,000	9,750,000
Ordinary shares	WELT Corp.	3,602,047	3,000,842
Ordinary shares	Compass Therapeutics, Inc	4,087,836	12,954,737
Ordinary shares	Spark Biopharma, Inc.	3,000,024	3,000,024
Convertible preferred shares	ImmPACT Bio USA Inc.	1,319,018	1,319,018
Ordinary shares (*2)	Aum Biosciences Pte. Ltd.	987,225	-
Ordinary shares (*3)	Dr. Diary Co., Ltd	484,155	-
Redeemable convertible preferred shares (*3)	Dr. Diary Co., Ltd	1,520,833	-
Total		35,221,043	45,828,366

(\*1) During the current term, all convertible bonds of NB Postech, Inc were converted into ordinary shares and classified as related corporate investment shares, and related gains and losses are included in financial gains and losses.

(\*2) During the current term, the ordinary shares of Aum Biosciences Pte. Ltd was acquired in return for the performance of performance obligations under the technology transfer contract concluded in May 2021 and was classified as a profit and loss-fair value financial asset.

(\*3) During the current term, the Company acquired Dr. Diary Co., Ltd ordinary shares and redeemable convertible preferred stock and classified them as profit and loss-fair value financial assets.

Changes in financial assets at fair value through profit or loss during the reporting period are as follows :

*(In thousands of Korean won)*

Classification	2023	2022
Beginning balance	45,828,366	40,930,657
Acquisition	7,141,973	6,347,377
Disposal	-	(511,669)
Reclassification (*)	(1,538,147)	-
Valuation	(16,211,149)	(937,999)
Ending balance	35,221,043	45,828,366

(\*) During the current term, the convertible bonds of NB Postech, Inc. of related companies were converted into ordinary shares and replaced by related Company stocks.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 8. Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Non-current		
Unlisted shares :		
The Korea Economic Daily Company Limited	10,760	10,760
Korea Management Association	145	145
Total	10,905	10,905

Upon disposal of the above equity instruments, the accumulated other comprehensive income is not reclassified to profit or loss and is instead reclassified to retained earnings

Details of Financial assets at fair value through other comprehensive income as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Company	December 31, 2023			December 31, 2022
	Shares owned	Acquisition cost	Carrying value	Carrying value
The Korea Economic Daily Group Limited	1,937 Shares	22,940	10,760	10,760
Korea Management Association	100 Shares	145	145	145
Total	2,037 Shares	23,085	10,905	10,905

Changes in Financial assets at fair value through other comprehensive income for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Beginning balance	10,905	20,172
Write-off (*)	-	(9,267)
Ending balance	10,905	10,905

(\*) The accumulated other comprehensive income (₩7,024,000) related to the write-off was reclassified to retained earnings.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

9. Trade and Other Receivables

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

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Trade receivables	139,087,722	165,217,805
Provision for impairment	(95,409)	(156,310)
Trade receivables, net	138,992,313	165,061,495
Other receivables	27,542,218	7,507,798
Subtotal	166,534,531	172,569,293
Long-term other receivables	5,767,904	2,133,006
Total	172,302,435	174,702,299

The carrying amounts of other receivables as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Other receivables:		
Non-trade receivables	26,588,225	6,234,472
Accrued income	31,201	26,171
Short-term loans	815,000	1,144,200
Finance lease receivables	107,792	102,955
Subtotal	27,542,218	7,507,798
Long-term other receivables:		
Long-term loans	4,176,500	426,500
Guarantee deposits	560,192	567,501
Finance lease receivables	1,031,212	1,139,005
Subtotal	5,767,904	2,133,006
Total	33,310,122	9,640,804

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 9. Trade and Other Receivables, Continued

The aging analysis of trade and other receivables as of December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Classification	December 31, 2023	December 31, 2022
Receivables not past due	169,346,191	173,181,915
Subtotal	169,346,191	173,181,915
Past due but not impaired (*1)		
Up to 3 months	2,892,447	1,326,922
Over 3 months	126,186	277,879
Subtotal	3,018,633	1,604,801
Impaired receivables (*2)		
Receivables not past due	-	-
Up to 3 months	-	-
Over 3 months	33,020	71,893
Subtotal	33,020	71,893
Total	172,397,844	174,858,609

(\*1) Trade receivables past due, but not impaired, relates to a number of clients for whom there is no recent history of doubtful debt.

(\*2) Provisions for impaired receivables amount to ₩ 33 million as of December 31, 2023 (2022: ₩ 72 million).

Movements on the provision for impairment of trade receivables for the years ended December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Classification	2023	2022
Beginning balance	156,310	237,865
Increase in provision for impairment recognized in profit or loss during the year	(5,520)	65,104
Receivables written off during the year as uncollectible	(55,381)	(146,659)
Ending balance	95,409	156,310

Provisions for impaired trade receivables are included in selling and general expenses in the statement of profit or loss. The provision for impairment of trade receivables is offset by trade receivables if the trade receivable is considered to be uncollectible.

The maximum exposure of trade and other receivables to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

HANDOK INC

Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

10. Other Current Assets and Non-current Assets

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

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Other current assets:		
Advance payments	11,029,324	43,966,681
Prepaid expenses	1,774,266	3,311,312
Right to the returned goods	33,455	14,521
Subtotal	12,837,045	47,292,514
Other non-current assets:		
Long-term advance payments	1,634,889	1,201,246
Long-term prepaid expenses	-	30,000
Right to the returned goods	21,660	6,557
Net defined benefit assets (see Note 22)	9,655,768	14,103,745
Right-of-use assets (see Note 16)	1,486,943	786,772
Subtotal	12,799,260	16,128,320
Total	25,636,305	63,420,834

HANDOK INC  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

11. Inventory

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

(In thousands of Korean won)

Account	December 31, 2023			December 31, 2022		
	Total	Provision for Valuation	Net	Total	Provision for Valuation	Net
Merchandise	42,543,956	(4,592,315)	37,951,641	44,960,628	(996,050)	43,964,578
Finished goods	27,651,051	(320,098)	27,330,953	23,987,130	(172,036)	23,815,094
Work-in-process	2,709,464	-	2,709,464	2,451,470	-	2,451,470
Raw materials	19,943,601	-	19,943,601	17,881,783	-	17,881,783
Packing materials	2,024,448	-	2,024,448	1,698,100	-	1,698,100
Inventories in transit	3,529,465	-	3,529,465	1,926,028	-	1,926,028
Total	98,401,985	(4,912,413)	93,489,572	92,905,139	(1,168,086)	91,737,053

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 332,001 million (2022: ₩ 342,052 million) for the year ended December 31, 2023.

The Company recognized losses on valuation of inventories based on net realizable value amounting to ₩ 155 million (2022: reversal of losses amounting to ₩ 1,546 million) and losses on other valuation amounting to ₩ 3,589 million (2022: reversal of losses amounting ₩ 1,422 million) for the year ended December 31, 2023.

12. Other Financial Assets

Other financial assets and long-term other financial assets as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Short-term other financial assets:		
Derivative financial assets (*)	126,382	1,637,255
Long-term other financial assets:		
Guarantee deposits for checking accounts	4,000	4,000

(\*) Derivative financial assets are recognized as the fair value of the swap agreement entered into by the Company to hedge cash flow risk associated with the floating interest rate and currency exchange rate of borrowings in foreign currencies (see Note 38).

HANDOK INC

Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

13. Property, Plant and Equipment

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

(In thousands of Korean won)

Account	2023					
	Land	Buildings and Structures	Machinery	Vehicles and tools	Construction in progress	Total
Opening net carrying amount	64,978,491	103,830,552	26,188,592	15,734,555	8,167,545	218,899,735
Acquisition	1,870,874	209,451	1,503,350	5,399,955	9,430,469	18,414,099
Reclassification (*)	-	-	2,114,967	-	(2,850,793)	(735,826)
Disposal	-	-	(66)	(117,326)	(27,000)	(144,392)
Depreciation	-	(3,434,732)	(5,205,440)	(6,140,831)	-	(14,781,003)
Closing net carrying amount	66,849,365	100,605,271	24,601,403	14,876,353	14,720,221	221,652,613
December 31, 2023 :						
Acquisition cost	66,849,365	148,824,019	91,630,190	50,507,109	14,720,221	372,530,904
Accumulated depreciation	-	(48,218,748)	(67,028,787)	(35,630,756)	-	(150,878,291)
Net carrying amount	66,849,365	100,605,271	24,601,403	14,876,353	14,720,221	221,652,613

(\*) Of the above amount ₩736 million was reclassified to intangible assets.

(In thousands of Korean won)

Account	2022						
	Land	Buildings and Structures	Machinery	Vehicles and tools	Financial lease assets	Construction in progress	Total
Opening net carrying amount	60,915,619	101,749,083	25,399,446	14,025,038	4	7,050,976	209,140,166
Acquisition	55,118	2,722,425	722,689	6,333,245	-	13,539,173	23,372,650
Reclassification	4,007,754	2,693,284	5,143,105	1,370,385	-	(11,119,874)	2,094,654
Disposal	-	-	(15,762)	(94,720)	(4)	(1,302,730)	(1,413,216)
Depreciation	-	(3,334,240)	(5,060,886)	(5,899,393)	-	-	(14,294,519)
Closing net carrying amount	64,978,491	103,830,552	26,188,592	15,734,555	-	8,167,545	218,899,735
December 31, 2022 :							
Acquisition cost	64,978,491	148,614,568	89,749,579	50,365,970	-	8,167,545	361,876,153
Government grants	-	(23,296)	-	-	-	-	(23,296)
Accumulated depreciation	-	(44,760,720)	(63,560,987)	(34,631,415)	-	-	(142,953,122)
Net carrying amount	64,978,491	103,830,552	26,188,592	15,734,555	-	8,167,545	218,899,735

HANDOK INC  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

13. Property, Plant and Equipment, Continued

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

*(In thousands of Korean won)*

Account	2023	2022
Cost of Sales	7,201,783	7,288,012
Administrative and selling expense	5,628,101	5,641,327
Research and development expense	1,951,119	1,365,180
Total	14,781,003	14,294,519

Details of property, plant and equipment provided as collaterals as of December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

December 31, 2023					
Collateral	Carrying amount	Secured amount	Related account	Related amount	Secured party
Land, buildings, and investment property (Head office building)	82,628,224	36,000,000	Borrowings (see Note 20)	112,726,670	Korea Development Bank (*1)
		4,800,000	Security deposits (see Note 18)	4,000,000	Industrial Bank of Korea
		8,500,000	Sales contract	-	Siemens Co., Ltd.
		1,000,000	Sales contract	-	Beckman Coulter Korea Ltd.
		6,000,000	Sales contract	-	QIAGEN Korea., Ltd.
		4,700,000	Sales contract	-	Pfizer Korea., Ltd.
Land, buildings (Plant)	54,531,633	36,000,000	Borrowings (see Note 20)	112,726,670	Korea Development Bank (*1)
Land, buildings (Magok) (*1)	71,994,102	72,000,000	Borrowings (see Note 20)	112,726,670	Korea Development Bank (*1)

(\*1) The Company provides the head office building, plant in Eumseong, land and buildings in Magok as collateral (₩ 144,000 million) for borrowings amounting to ₩ 112,727 million from the Korea Development Bank. (See Note 20 and 38)

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

13. Property, Plant and Equipment, Continued

(In thousands of Korean won)

December 31, 2022					
Collateral	Carrying amount	Secured amount	Related account	Related amount	Secured party
Land, buildings, and investment property (Head office building)	82,963,906	36,000,000	Borrowings (see Note 20)	98,149,880	Korea Development Bank (*1)
		4,800,000	Security deposits (see Note 18)	4,000,000	Industrial Bank of Korea
		8,500,000	Sales contract	-	Siemens Co., Ltd.
		1,000,000	Sales contract	-	Beckman Coulter Korea Ltd.
		6,000,000	Sales contract	-	QIAGEN Korea., Ltd.
		4,700,000	Sales contract	-	Pfizer Korea., Ltd.
Land, buildings (Plant)	56,466,331	36,000,000	Borrowings (see Note 20)	98,149,880	Korea Development Bank (*1)
Land, buildings (Magok) (*1)	71,170,299	72,000,000	Borrowings (see Note 20)	98,149,880	Korea Development Bank (*1)

(\*1) The Company provides the head office building, plant in Eumseong, land and buildings in Magok as collateral (₩ 144,000 million) for borrowings amounting to ₩ 98,150 million from the Korea Development Bank. (See Note 20 and 38)

HANDOK INC  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

14. Intangible Assets

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

(In thousands of Korean won)

Account	2023				
	Goodwill	License	Industrial property rights	Other intangible assets	total
Opening net carrying amount	38,151,899	14,220,819	1,146,655	16,976,747	70,496,120
Acquisition	-	-	50,236	6,917,746	6,967,982
Reclassification	-	-	29,975	705,851	735,826
Disposal	-	-	(15)	(3,000)	(3,015)
Depreciation	-	(3,033,550)	(891,101)	(1,075,546)	(5,000,197)
Closing net carrying amount	38,151,899	11,187,269	335,750	23,521,798	73,196,716
December 31, 2023 :					
Acquisition cost	38,151,899	53,267,490	9,138,822	37,905,605	138,463,816
Government grants	-	-	(233)	-	(233)
Accumulated depreciation	-	(42,080,221)	(8,802,839)	(14,383,807)	(65,266,867)
Net carrying amount	38,151,899	11,187,269	335,750	23,521,798	73,196,716

(In thousands of Korean won)

Account	2022				
	Goodwill	License	Industrial property rights	Other intangible assets	total
Opening net carrying amount	38,151,899	17,254,368	1,967,547	7,997,739	65,371,553
Acquisition	-	-	52,530	7,459,910	7,512,440
Reclassification	-	-	41,352	2,426,666	2,468,018
Disposal	-	-	(333)	(144,476)	(144,809)
Depreciation	-	(3,033,549)	(914,441)	(763,092)	(4,711,082)
Closing net carrying amount	38,151,899	14,220,819	1,146,655	16,976,747	70,496,120
December 31, 2022 :					
Acquisition cost	38,151,899	53,267,490	9,074,964	30,285,008	130,779,361
Government grants	-	-	(1,633)	-	(1,633)
Accumulated depreciation	-	(39,046,671)	(7,926,676)	(13,308,261)	(60,281,608)
Net carrying amount	38,151,899	14,220,819	1,146,655	16,976,747	70,496,120

In 2015 the Company received government grants of ₩ 7 million in reference to foreign patents on glaucoma, which the Company uses to offset amortization expenses of patents.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 14. Intangible Assets, Continued

Details of amortization expense of intangible assets for the years ended December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Account	2023	2022
Administrative and selling expense	2,359,205	2,086,031
Cost of Sales	281,641	282,511
Research and development expense	2,359,351	2,342,540
Total	5,000,197	4,711,082

Carrying amount and remaining amortization period of the major project as of December 31, 2023 are as follows :

*(In thousands of Korean won)*

Related account	Project name	Carrying amount	Remaining amortization period
License	Technology transfer contract of Long Acting Human growth hormone (*)	9,433,173	4.5 years

(\*) In 2012, the Company signed a technology transfer contract with Genexine, Inc., for the technology transfer of Long Acting Human growth hormone.

The Company examines the memberships for impairment at the end of each reporting period, or when there are events that may indicate impairment. The recoverable amount of memberships is estimated at net fair value, which is the price in an active market less the disposal cost.

Goodwill was allocated to each of the Company's cash-generating units (CGU). The recoverable amount of cash-generating units are determined based on value-in-use calculations and the key assumptions used in the calculations are as follows.

Key assumptions	Pharmaceutical business department of Pacific Pharmaceuticals Co., Ltd.
Profit margin ratio	59.53% ~ 61.53%
Sales growth rate (*1)	13.17% ~ 14.18%
Terminal growth rate (*2)	0%
After-tax discount rate	11.70%

(\*1) Sales growth rate is the weighted average annual growth rate over the five-year forecast period. It is based on population growth rate and long-term inflation forecasts.

(\*2) Terminal growth rate was assumed to be 0%.

Impairment test suggests that the carrying amount of CGU does not exceed the recoverable amount.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 14. Intangible Assets, Continued

Details of ongoing development projects recognized as other intangible assets as of December 31, 2023, are as follows :

(In thousands of Korean won)

Related account	Phase	Project name	Research and development expense recognized as intangible assets			Research and development expense		Remaining amortization period
			Phase 3 clinical trials	Other	Total	Accumulated amortization	Carrying amount	
Other intangible assets	In development	SCM-AD (*1)	-	1,000,000	1,000,000	-	1,000,000	-
		Ketotop Russia (*2)	604,697	-	604,697	-	604,697	-
		TERA (*3)	4,617,680	-	4,617,680	-	4,617,680	-
		Reuben (*4)	7,520,632	-	7,520,632	-	7,520,632	-
		SBP-101 (*5)	-	1,000,000	1,000,000	-	1,000,000	-
		Dutasteride 0.2mg (*6)	-	301,524	301,524	-	301,524	-
	Subtotal	12,743,009	2,301,524	15,044,533	-	15,044,533	-	
	Completed development	Etc. (*7)	-	2,222,557	2,222,557	(2,222,455)	102	-
		Subtotal	-	2,222,557	2,222,557	(2,222,455)	102	-
	Total		12,743,009	4,524,081	17,267,090	(2,222,455)	15,044,635	-

(\*1) A stem cell therapy for treatment of severe atopic dermatitis. Currently in joint development with SCM Life Sciences. The amount refers to upfront costs paid to SCM Life Sciences.

(\*2) A treatment for joint pain. Currently undergoing phase 3 clinical trials in Russia. As the clinical trials are currently proceeding normally, it was determined that there is a high probability for successful completion of the development project.

(\*3) A treatment for diabetes. Currently undergoing phase 3 clinical trials. As the clinical trials are currently proceeding normally, it was determined that there is a high probability for successful completion of the development project.

(\*4) A treatment for hypertension. Currently undergoing phase 3 clinical trials. As the clinical trials are currently proceeding normally, it was determined that there is a high probability for successful completion of the development project.

(\*5) An immuno-oncology candidate drug that regulates the immune microenvironment. Currently in joint development with Spark Biopharma, Inc. The amount refers to upfront costs paid to Spark Biopharma, Inc.

(\*6) A treatment for alopecia. Including Handok, Inc., five companies are undergoing joint development. The amount refers to upfront costs, research and development expense paid to Addpharma, Inc.

(\*7) Assets of completed development or completed amortization.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

15. Investment Properties

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

(In thousands of Korean won)

Account	2023		
	Land	Building	Total
Opening net carrying amount	42,698,328	5,895,706	48,594,034
Depreciation	-	(196,618)	(196,618)
Closing net carrying amount	42,698,328	5,699,088	48,397,416
December 31, 2023 :			
Acquisition cost	42,698,328	12,797,310	55,495,638
Accumulated depreciation	-	(7,098,222)	(7,098,222)
Net carrying amount	42,698,328	5,699,088	48,397,416

(In thousands of Korean won)

Account	2022		
	Land	Building	Total
Opening net carrying amount	46,706,082	6,664,162	53,370,244
Reclassification (*)	(4,007,754)	(554,918)	(4,562,672)
Depreciation	-	(213,538)	(213,538)
Closing net carrying amount	42,698,328	5,895,706	48,594,034
December 31, 2022 :			
Acquisition cost	42,698,328	12,797,310	55,495,638
Accumulated depreciation	-	(6,901,604)	(6,901,604)
Net carrying amount	42,698,328	5,895,706	48,594,034

(\*) The Company reclassified investment property to property, plant and equipment after taking into consideration the decrease in proportion of the property used for rentals in 2022.

Fair value of investment properties as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Land	101,108,400	101,108,400
Building	7,891,600	7,891,600
Total	109,000,000	109,000,000

The fair value of the Company's investment properties as of December 31, 2023 has been arrived at on the basis of a valuation carried out on November 30, 2022 by an independent third-party real estate appraiser, Mirae & Saehan Appraisal Co., Ltd., who has been determined to have the sufficient qualifications and experience to appraise real estate in the corresponding location.

Rent income and expenses from investment properties for the year ended December 31, 2023 are ₩4,114 million (2022: ₩4,009 million) and ₩1,957 million (2022: ₩1,933 million), respectively.

HANDOK INC  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

16. Lease

16.1 Lessee

The Company leases buildings and vehicles, where the lessor retains legal ownership of the right-of-use assets.

Details of right-of-use assets as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	December 31, 2023			December 31, 2022		
	Building	Vehicles	Total	Building	Vehicles	Total
Acquisition cost	36,644	2,421,874	2,458,518	47,517	1,692,468	1,739,985
Accumulated depreciation	(36,644)	(934,931)	(971,575)	(28,042)	(925,171)	(953,213)
Net carrying amount	-	1,486,943	1,486,943	19,475	767,297	786,772

Changes in the carrying amounts of right-of-use assets and lease liability for the years ended December 31, 2023 and 2022, are as follows

(In thousands of Korean won)

Account	2023		2022	
	Right-of-use assets	Lease liability	Right-of-use assets	Lease liability
Opening net carrying amount	786,772	805,314	1,208,806	1,222,962
Increase	1,530,112	1,530,112	285,785	285,008
Decrease	(267,002)	(285,690)	(185,818)	(195,559)
Depreciation	(562,939)	-	(522,001)	-
Interest expense	-	31,119	-	18,387
Payment	-	(564,114)	-	(525,484)
Closing net carrying amount	1,486,943	1,516,741	786,772	805,314
Liquidity classification:				
Current lease liability	-	538,897	-	400,151
Long-term lease liability	-	977,844	-	405,163

Details of related expenses included in the statement of profits or loss for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	2023	2022
Short-term lease related expenses	35,334	42,335
Petty asset lease related expenses	25,934	35,931
Total cash outflows attributed to leases	564,114	525,484
Total	625,382	603,750

The carrying amounts of short-term lease contracts held by the Company as of December 31, 2023, is ₩ 28 million.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

16. Lease, Continued

16.2 Lessor

Details of lease payment receivables as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Current lease payment receivables	107,792	102,955
Long-term lease payment receivables	1,031,212	1,139,004
Total	1,139,004	1,241,959

Details of maturity analysis about lease payment receivables as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Within a year	157,933	157,933
More than a year ~ Within two years	157,933	157,933
More than two years ~ Within three years	157,933	157,933
More than three years ~ Within four years	157,933	157,932
More than four years ~ Within five years	157,933	157,932
More than five years	596,944	754,879
Undiscounted total lease expenses	1,386,609	1,544,542
Unrealized finance income	247,605	302,583
Lease net investment	1,139,004	1,241,959

Details of future minimum lease expenses that the Company is expected to receive under the operating lease contract as of December 31, 2023, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023
Within a year	2,225,196
More than a year ~ Within five years	-
Undiscounted total lease expenses	-

The Company recognized ₩55 million (2022: ₩13 million) as interest revenue on lease payment receivables.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 17. Investments in Subsidiaries and Associates, Joint ventures

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

(In thousands of Korean won)

Classification	Company	Location	Percentage of ownership (%)	Carrying value	
				December 31, 2023	December 31, 2022
Subsidiaries	Unins (HK) International Limited	Hong Kong	100.00	159,065	159,065
Subsidiaries	Theravalues Corporation	Japan	100.00	17,186,366	17,186,366
Subsidiaries	Innocuve Inc.	Korea	72.97	3,999,950	3,999,950
Subsidiaries	INNO Health Fund No. 1 (*1)	Korea	33.33	500,000	-
Associates	Kalos Medical Inc. (*2)	Korea	49.96	996,300	996,300
Associates	Teva-Handok Pharma Co., Ltd (*3)	Korea	49.00	23,520,000	23,520,000
Associates	Genexine, Inc. (*4)	Korea	14.57	64,672,615	51,858,595
Associates	NB Postech, Inc. (*5)	Korea	34.67	4,499,105	3,835,000
Associates	Rezolute, Inc. (*4)	U.S.A	15.00	43,006,229	43,006,229
Total				158,539,630	144,561,505

(\*1) It was established as a 33% investment during the current period, and was classified as a subsidiary considering its governance structure, such as its holdings.

(\*2) The percentage of ownership is 49.96 percent, and the percentage of voting rights of the Company is 34.85 percent due to convertible preferred shares with voting rights

(\*3) The percentage of ownership is 49 percent, and the percentage of voting rights of the Company is 40 percent due to non-voting shares.

(\*4) Although the Company holds less than 20 percent, the Company has significant influence over the entity as the Company's CEO participates in the investing company's Board of Directors.

(\*5) The Company exercised its right to convert the convertible bonds of NB Postech, Inc. and incurred a valuation loss of ₩ 874 million in the conversion process.

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

(In thousands of Korean won)

Classification	2023	2022
Beginning balance	144,561,505	136,241,507
Acquisition	13,314,020	19,560,916
Reclassification	1,538,147	-
Impairment loss	(874,042)	(11,240,918)
Ending balance	158,539,630	144,561,505

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 17. Investments in Subsidiaries and Associates, Joint ventures, Continued

Summary of condensed financial information of major subsidiaries and associates as of and for the years ended December 31, 2023 are as follows :

(In thousands of Korean won)

Company	2023					
	Assets	Liabilities	Revenue	Gain (loss) from continuing operations	Other comprehensive income	Total comprehensive income
Unins (HK) International Limited	147,123	18,756	-	(1,155)	1,981	826
Theravalues Corporation	6,333,804	1,397,957	5,034,567	310,924	(188,484)	122,440
Innocuve Inc.	8,302,969	1,249,089	168,709	(505,663)	-	(505,663)
INNO Health Fund No. 1	1,504,599	27,508	-	(22,908)	-	(22,908)
Kalos Medical Inc.	1,235,676	25,804,818	-	(5,860,918)	(18,221)	(5,879,139)
Teva-Handok Pharma Co., Ltd.	27,802,857	16,190,811	29,240,273	(5,553,172)	(339,338)	(5,892,510)
Genexine, Inc.	376,586,600	79,682,984	4,426,627	(66,860,297)	(11,811,087)	(78,671,384)
NB Postech, Inc.	3,528,227	872,501	-	(3,585,684)	-	(3,585,684)
Rezolute, Inc.	145,699,792	12,165,489	-	(73,729,557)	3,805,445	(69,924,112)

(In thousands of Korean won)

Company	2022					
	Assets	Liabilities	Revenue	Gain (loss) from continuing operations	Other comprehensive income	Total comprehensive income
Unins (HK) International Limited	146,012	18,471	-	(4,491)	8,607	4,116
Theravalues Corporation	6,599,557	1,786,151	7,881,664	1,347,481	(325,017)	1,022,464
Innocuve Inc.	8,873,589	1,314,611	27,583	(345,361)	-	(345,361)
Kalos Medical Inc.	2,396,067	21,224,618	-	(10,021,649)	12,017	(10,009,632)
Teva-Handok Pharma Co., Ltd.	33,119,103	15,983,864	30,638,311	1,447,544	(44,652)	1,402,892
Genexine, Inc.	390,415,986	108,013,330	16,139,032	(55,689,108)	(190,358,151)	(246,047,259)
NB Postech, Inc.	3,568,818	5,338,157	3,590,043	(104,764)	-	(104,764)
Rezolute, Inc.	197,682,493	3,672,635	-	(55,624,907)	4,535,037	(51,089,870)

Fair value of marketable investments in associates as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Company	December 31, 2023		December 31, 2022	
	Fair value	Carrying amount	Fair value	Carrying amount
Genexine, Inc.	59,880,487	51,428,981	70,705,018	51,858,595
Rezolute, Inc.	7,509,162	21,416,191	15,589,333	43,006,229

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 17. Investments in Subsidiaries and Associates, Joint ventures, Continued

Impairment loss

During the year, the Company's investments in subsidiaries and associates were reviewed for indicators of impairment and assessed for recoverable amount. As of December 31, 2023, there was no impairment loss to be recognized as the recoverable amount exceeded the carrying amount.

The recoverable amount has been assessed at value in use and the key assumptions used to estimate the recoverable amount are set out below. The key assumptions reflect management's assessment of future trends in the industry and are based on internal and external information.

Company	Sales growth rate	Permanent growth rate	Discount rate
Theravalues Corporation	9.99% ~ 43.32%	1.00%	9.60%
Teva-Handok Pharma Co., Ltd.	3.2 ~ 34.4%	1.00%	9.60%
Rezolute, Inc.	18.6 ~ 173.9%	-5.00%	12.80%

### 18. Trade and Other Payables

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

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Trade payables	81,415,186	107,644,967
Other payables	26,395,684	29,771,787
Subtotal	107,810,870	137,416,754
Long-term other payables	7,024,648	7,274,309
Total	114,835,518	144,691,063

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

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Other payables:		
Non-trade payables	23,556,272	25,632,630
Accrued expenses	2,799,168	4,098,913
Short-term deposits received	40,244	40,244
Subtotal	26,395,684	29,771,787
Long-term other payables:		
Rental deposits received	6,878,750	7,068,750
Deposits received	25,870	25,870
Long-term accrued expenses	120,028	179,689
Subtotal	7,024,648	7,274,309

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 19. Other Liabilities

Other current liabilities and other non-current liabilities as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Other current liabilities :		
VAT payable	2,951,717	3,401,773
Advance receipts	2,217,738	537,806
Withholdings	844,750	736,350
Subtotal	6,014,205	4,675,929
Other non-current liabilities :		
Long-term advance receipts	150,737	-
Subtotal	150,737	-

### 20. Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Current liability :		
Short-term borrowings	124,638,240	77,469,210
Other current financial liabilities	539,982	400,151
Short-term corporate bonds	50,000,000	35,000,000
Less: discount on corporate bonds	(118,987)	(117,037)
Subtotal	175,059,235	112,752,324
Non-current liability :		
Other non-current financial liabilities	4,498,846	4,658,578
Long-term borrowings	99,770,430	135,045,670
Corporate bonds	24,500,000	50,000,000
Less: discount on corporate bonds	(490,155)	(355,832)
Subtotal	128,279,121	189,348,416
Total	303,338,356	302,100,740

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

(In thousands of Korean won)

Account	2023	2022
Opening net carrying amount	212,514,880	172,874,840
Additional borrowings	155,200,000	298,997,500
Repayments of borrowings	(143,969,210)	(257,664,960)
Conversion of borrowings	663,000	(1,692,500)
Closing net carrying amount	224,408,670	212,514,880

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

20. Borrowings and Other Financial Liabilities, Continued

Details of short-term borrowings as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	creditor	Interest rate as of December 31, 2023	Amount	
			December 31, 2023	December 31, 2022
Borrowings from bank	Korea Development Bank (*1, *2)	1Y IFD+0.43%	9,700,000	12,150,000
		1Y IFD+0.51%	1,999,960	1,999,960
		1Y IFD+1.04%	7,044,280	5,973,250
		1Y IFD+0.77%	55,000,000	-
		3M CD+0.77%	-	30,000,000
	Shinhan Bank (*2)	3Y FD+1.15%	2,000,000	2,000,000
	Woori Bank (*2)	3M CD+1.98%	6,000,000	-
	KB Kookmin Bank (*2)	3M MOR+2.07%	30,000,000	-
	Suhyup Bank (*2, *3)	SOFR 3M+1.44%	6,447,000	-
		SOFR 3M+1.5%	6,447,000	-
KEB Hana Bank (*3)	3M libor+2.604%	-	25,346,000	
Total			124,638,240	77,469,210

(\*1) The borrowings are collateralized with land, building, and investment properties. (see Notes 13 and 38)

(\*2) Part of borrowings have been reclassified to current portion as short-term borrowings.

(\*3) The Company has entered into a currency swap agreement with KEB Hana Bank and Suhyup Bank for the amount USD 30 million to hedge cash flow risk associated with the changes in interest rate and currency exchange rate for borrowings in foreign currencies. (see Note 38)

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

20. Borrowings and Other Financial Liabilities, Continued

Details of long-term borrowings as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	Creditor	Interest rate as of December 31, 2023	Final maturity date	Amount		Payment method
				December 31, 2023	December 31, 2022	
Borrowings from bank	Korea Development bank (*1, *2)	1Y IFD+0.51%	2025.10.27	811,480	1,622,964	Installment payment
		1Y IFD+0.51%	2025.10.27	1,188,480	2,376,956	Installment payment
		1Y IFD+1.04%	2030.01.20	14,482,650	17,241,250	Installment payment
		1Y IFD+1.04%	2030.01.20	3,749,970	4,464,250	Installment payment
		1Y IFD+1.04%	2030.01.20	11,249,910	13,392,750	Installment payment
		1Y IFD+1.04%	2030.01.20	7,499,940	8,928,500	Installment payment
	Suhyup Bank (*3, *4)	SOFR 3M +1.44%	2024.05.26	-	6,336,500	Lump sum payment-
		SOFR 3M +1.5%	2024.07.12	-	6,336,500	Lump sum payment-
	Woori Bank (*4)	3M CD+1.98%	2024.10.05	-	6,000,000	Lump sum payment-
	KB Kookmin Bank (*4)	3M MOR+2.07%	2024.10.07	-	30,000,000	Lump sum payment-
	Shinhan Bank (*2)	3Y FD+1.15%	2025.09.23	11,000,000	13,000,000	Installment payment
	KEB Hana Bank (*3)	5.60%	2025.10.31	25,788,000	25,346,000	Lump sum payment-
		5.57%	2026.06.26	24,000,000	-	Lump sum payment-
	Total				99,770,430	135,045,670

(\*1) The borrowings are collateralized with land, building, and investment properties. (see Notes 13 and 38)

(\*2) Part of borrowings have been reclassified to current portion as short-term borrowings.

(\*3) The Company has entered into a currency swap agreement with KEB Hana Bank and Suhyup Bank for the amount USD 30 million to hedge cash flow risk associated with the changes in interest rate and currency exchange rate for long-term borrowings in foreign currencies. (see Note 38)

(\*4) Long-term borrowings in 2022 have been reclassified to current portion in 2023.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 20. Borrowings and Other Financial Liabilities, Continued

Details of corporate bonds as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	Maturity date	Interest rate	December 31, 2023	December 31, 2022
36th Bearer, with coupon and non-guaranteed	2023.06.25	2.083%	-	20,000,000
37th Bearer, with coupon and non-guaranteed	2023.07.23	1.927%	-	15,000,000
38th Bearer, with coupon and non-guaranteed (*)	2024.06.28	2.386%	50,000,000	50,000,000
39th Bearer, with coupon and non-guaranteed (*)	2025.06.26	5.040%	14,000,000	-
40th Bearer, with coupon and non-guaranteed (*)	2025.07.20	4.948%	10,500,000	-
Subtotal			74,500,000	85,000,000
Less: discount on corporate bonds			(609,142)	(472,869)
Total			73,890,858	84,527,131
Short-term corporate bonds			49,881,013	34,882,963
Long-term Corporate bonds			24,009,845	49,644,168

(\*) Corporate bonds issued by Company were taken over by Shinhan Securities Co., Ltd etc. and transferred to Kodit 2021 the 11th Securitization Specialty Co., Ltd etc. The Company has acquired ₩1,188 million in subordinated bonds issued by Kodit 2021 the 11th Securitization Specialty Co., Ltd etc. The Company deducted the subordinated bonds from the carrying amount of the corporate bonds and is provided as collateral to a Securitization Specialty Co., Ltd.

Details of other current financial liabilities and other non-current financial liabilities as of December 31, 2023 and 2022 are as follows :

(In thousands of Korean won)

Account	December 31, 2023	December 31, 2022
Other financial liabilities :		
Derivative financial liabilities (*1)	-	-
Lease liabilities	538,897	400,151
Financial guarantee liabilities (*2)	1,084	-
Subtotal	539,981	400,151
Other non-current financial liabilities :		
Derivative financial liabilities (*1)	3,500,651	4,220,529
Lease liabilities	977,844	405,163
Financial guarantee liabilities (*2)	20,351	32,886
Subtotal	4,498,846	4,658,578
Total	5,038,827	5,058,729

(\*1) Derivative financial liabilities categorized as other financial liabilities and other non-current financial liabilities are recognized as the fair value of the swap agreement entered into by the Company to hedge cash flow risk associated with the floating interest rate and currency exchange rate of long-term borrowings in foreign currencies. (see Note 38)

(\*2) The Company provided financial guarantee contracts of JPY 32,999,880 and JPY 150,000,000 for office rental contracts and payment of payables on price of goods, respectively, of Theravalues Corporation, a subsidiary, and related financial guarantee expenses were recorded as liabilities.

HANDOK INC

Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

21. Provisions for Other Liabilities

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

(In thousands of Korean won):

Account	2023			
	Reserve for incentive	Refund liability	Government grants repayable	Total
Beginning balance	5,087,027	4,070,358	1,919,481	11,076,866
Statement of profit or loss :				
Provision	5,081,068	1,753,060	61,372	6,895,500
Amount used	(4,774,860)	(657,164)	(66,061)	(5,498,085)
Ending balance	5,393,235	5,166,254	1,914,792	12,474,281
Liquidity classification:				
Current	5,393,235	3,795,136	1,914,792	11,103,163
Non-current	-	1,371,118	-	1,371,118

(In thousands of Korean won):

Account	2022			
	Reserve for incentive	Refund liability	Government grants repayable	Total
Beginning balance	4,990,739	8,807,790	1,915,069	15,713,598
Statement of profit or loss :				
Provision	4,747,933	1,367,564	59,784	6,175,281
Amount used	(4,651,645)	(6,104,996)	(55,372)	(10,812,013)
Ending balance	5,087,027	4,070,358	1,919,481	11,076,866
Liquidity classification:				
Current	5,087,027	2,804,470	1,919,481	9,810,978
Non-current	-	1,265,888	-	1,265,888

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

22. Defined benefit liabilities

22.1 Defined Benefit Plan

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

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Net defined benefit liabilities (assets)	(9,655,768)	(14,103,745)
Other long-term employee benefits	2,920,015	2,293,059
Total	(6,735,753)	(11,810,686)

Details of defined benefit liabilities and assets recognized in the statements of financial position as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	December 31, 2023	December 31, 2022
Present value of funded defined benefit obligations	84,266,385	70,758,826
Fair value of plan assets (*)	(93,922,153)	(84,862,571)
Net defined benefit liabilities (assets)	(9,655,768)	(14,103,745)

(\*) The contributions to the National Pension Fund of ₩34 million (2022: ₩44 million) are added to the fair value of plan assets as of December 31, 2023.

Details of amount that are recognized on the income statement and account subject amount for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Current service cost	6,400,178	8,327,381
Net interest cost	(610,445)	141,534
Total cost included in employee benefits	5,789,733	8,468,915

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

**22. Defined benefit liabilities, Continued**

Movements in the defined benefit obligations for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Beginning balance	70,758,826	72,062,601
Current service cost	6,400,178	6,857,602
Interest expenses	3,328,197	1,751,966
Effect of changes in plan policies	-	1,469,779
Remeasurements :		
Actuarial losses from change in financial assumptions	7,300,331	(8,110,602)
Actuarial gains from experience adjustments	1,552,666	1,354,205
Payments from plans:		
Benefit payments	(5,089,462)	(4,619,214)
Transfer to affiliated companies	15,649	(7,511)
Ending balance	84,266,385	70,758,826

Movements in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Beginning balance	84,862,571	71,071,738
Interest income	3,938,642	1,610,431
Remeasurements :		
Return on plan assets (excluding amounts included in interest income)	220,375	(200,598)
Contributions :		
Employers	10,000,000	17,000,000
Payments from plans :		
Benefit payments	(5,099,435)	(4,619,000)
Ending balance	93,922,153	84,862,571

Actuarial gains or losses recognized as other comprehensive income for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Actuarial gains (losses) before income tax	(8,632,622)	6,555,799
Income tax effect	1,994,136	(1,586,503)
Actuarial gains (losses) after income tax	(6,638,486)	4,969,296

Plan assets are composed of cash and cash equivalents.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 22. Defined benefit liabilities, Continued

The significant actuarial assumptions as of December 31, 2023 and 2022, are as follows :

Classification	December 31. 2023	December 31. 2022
Discount rate	4.10%	5.30%
Salary growth rate	4.90%	4.38%

The sensitivity of the defined benefit obligation as of December 31, 2023, to changes in the weighted principal assumptions is as follows :

Classification	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	5.0% decrease	6.0% increase
Salary growth rate	1.00%	6.0% increase	5.0% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principle actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Effect of defined benefit plan on future cash flows.

The Company reviews the funding level on an annual basis and has a policy to eliminate any deficits in the fund.

Expected contributions to retirement benefit plans for the year ending December 31, 2024, are ₩ 8,689 million.

The expected maturity analysis of undiscounted retirement benefits as of December 31, 2023, is as follows :

(In thousands of Korean won)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 9 years	Total
Retirement benefits	8,866,525	12,692,200	30,844,258	52,632,416	105,035,399

The weighted average duration of the defined benefit obligations is 5.52 years.

#### 22.2 Defined Contribution Plan

The expense recognized in the current period in relation to defined contribution plan was ₩ 434 million (2022: ₩ 285 million), and an additional ₩ 271 million in unpaid severance pay for retirement was paid this year.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

23. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Current income tax :		
Current income tax on profits for the year	2,651,203	1,727,858
Adjustments in respect of prior years	(1,336)	(12,698)
Total current income tax	2,649,867	1,715,160
Deferred tax :		
Change in deferred tax on temporary differences	(5,704,008)	3,224,945
Effect of future tax rate changes (*)	-	(683,207)
Total deferred tax	(5,704,008)	2,541,738
Income tax directly recognized in equity	2,045,106	(1,475,724)
Income tax expense	(1,009,035)	2,781,174

(\*) The effect of the tax rate change that will be applied starting from the this financial year in accordance with the revised tax law.

The income tax expense on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory tax rates as follows :

(In thousands of Korean won)

Classification	2023	2022
Profit before income tax	(3,159,634)	20,616,127
Income tax expense at statutory tax rates (*)	(729,875)	4,989,103
Tax effects of :		
Income not taxable for tax purposes	(11,946,556)	(4,646,615)
Expenses not deductible for tax purposes	16,470,317	5,772,344
Tax credit	(874,696)	(624,070)
Others	(3,928,225)	(2,709,588)
Income tax expense	(1,009,035)	2,781,174

(\*) Income tax expense at statutory tax rates was calculated using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

**23. Tax Expense and Deferred Tax, Continued**

Income tax effects related to components of other comprehensive income for the years ended December 31, 2023 and 2022, are as follows :

*(In thousands of Korean won)*

Classification	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurement of defined benefit liability (asset) defined benefit plans	(8,632,623)	1,994,136	(6,638,487)	6,555,799	(1,586,503)	4,969,296
Cash flow hedge	(198,113)	50,970	(147,143)	(448,498)	108,536	(339,962)
Gains (losses) on valuation of financial assets at fair value through OTHER COMPREHENSIVE INCOME	-	-	-	(9,267)	2,243	(7,024)
Total	(8,830,736)	2,045,106	(6,785,630)	6,098,034	(1,475,724)	4,622,310

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 23. Tax Expense and Deferred Tax, Continued

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows :

(In thousands of Korean won)

Classification	January 01, 2023	Income statement	Equity	December 31, 2023
Deferred tax liabilities :				
Gains (losses) on revaluation	(18,126,904)	78,134	-	(18,048,770)
Retirement benefit obligations	(661,960)	661,960	-	-
Impairment gains and losses on investments in associates	(5,332,270)	22,984	-	(5,309,286)
Related to investment stock derivatives	-	(220,991)	-	(220,991)
Advanced depreciation provision	(28,970)	124	-	(28,846)
Derivative financial assets	(379,843)	379,843	-	-
Right to the returned goods	(4,890)	(7,841)	-	(12,731)
Accrued income	(6,072)	(1,136)	-	(7,208)
Subtotal	(24,540,909)	913,077	-	(23,627,832)
Deferred tax assets :				
Accrued expense	2,386,661	(654,174)	-	1,732,487
Reserve for incentive bonuses	1,180,190	65,647	-	1,245,837
Retirement benefit obligations	-	(958,122)	1,994,136	1,036,014
Long-term employee benefits	531,990	142,533	-	674,523
Government grants	303,575	(8,096)	-	295,479
Derivative financial liabilities	758,460	(29,974)	50,970	779,456
Refund liability	944,323	249,082	-	1,193,405
Losses on valuation of inventories	270,996	863,771	-	1,134,767
Accumulated depreciation	1,104,433	(62,498)	-	1,041,935
Lease liabilities	4,302	2,582	-	6,884
Impairment losses on intangible assets	29,232	(126)	-	29,106
Financial assets at fair value through other comprehensive income and losses (valuation)	2,826	(13)	-	2,813
Financial assets at fair value through profit or loss (valuation)	1,008,677	3,171,739	-	4,180,416
Donations	10,440	28,715	-	39,155
Short-term loans	3,556	(16)	-	3,540
Deemed depreciation	28,846	(1,114)	-	27,732
Other guarantee liabilities	7,851	(2,899)	-	4,952
Payment guarantee fees	13,201	346	-	13,547
Stock options	100,946	(61,558)	-	39,388
Subtotal	8,690,505	2,745,825	2,045,106	13,481,436
Total	(15,850,404)	3,658,902	2,045,106	(10,146,396)

HANDOK INC

Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

23. Tax Expense and Deferred Tax, Continued

(In thousands of Korean won)

Classification	January 01, 2022	Income statement	Equity	December 31, 2022
Deferred tax liabilities :				
Gains (losses) on revaluation	(18,908,236)	781,332	-	(18,126,904)
Retirement benefit obligations	-	(661,960)	-	(661,960)
Impairment gains and losses on investments in associates	(5,562,109)	229,839	-	(5,332,270)
Advanced depreciation provision	(30,219)	1,249	-	(28,970)
Derivative financial liabilities	(225,381)	225,381	-	-
Derivative financial assets	-	(381,625)	1,782	(379,843)
Right to the returned goods	(50,650)	45,760	-	(4,890)
Accrued income	(7,691)	1,619	-	(6,072)
Subtotal	(24,784,286)	241,595	1,782	(24,540,909)
Deferred tax assets :				
Accrued expense	2,194,620	192,041	-	2,386,661
Reserve for incentive bonuses	1,207,759	(27,569)	-	1,180,190
Retirement benefit obligations	1,409,280	177,223	(1,586,503)	-
Long-term employee benefits	573,447	(41,457)	-	531,990
Government grants	338,482	(34,907)	-	303,575
Derivative financial liabilities	-	651,706	106,754	758,460
Refund liability	2,131,485	(1,187,162)	-	944,323
Losses on valuation of inventories	1,000,924	(729,928)	-	270,996
Accumulated depreciation	1,153,352	(48,919)	-	1,104,433
Lease liabilities	3,426	876	-	4,302
Impairment losses on intangible assets	30,492	(1,260)	-	29,232
Financial assets at fair value through other comprehensive income and losses (valuation)	261,424	(260,841)	2,243	2,826
Financial assets at fair value through profit or loss (valuation)	842,823	165,854	-	1,008,677
Donations	4,188	6,252	-	10,440
Bad debt expense	8,123	(8,123)	-	-
Short-term loans	3,709	(153)	-	3,556
Deemed depreciation	31,127	(2,281)	-	28,846
Other guarantee liabilities	9,668	(1,817)	-	7,851
Payment guarantee fees	10,101	3,100	-	13,201
Stock options	261,190	(160,244)	-	100,946
Subtotal	11,475,620	(1,307,609)	(1,477,506)	8,690,505
Total	(13,308,666)	(1,066,014)	(1,475,724)	(15,850,404)

## HANDOK INC

### Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

#### 23. Tax Expense and Deferred Tax, Continued

The Company recognized deferred tax assets for the tax effects of temporary differences to the extent that taxable income will be available in the future based upon the Company's performance, the market environment, forecasts of future profitability and other factors. The Company periodically reassesses these factors. As of December 31, 2023, the Company recognized the temporary differences of these income tax effects as deferred tax assets. For differed tax assets related to investment in subsidiaries and related companies, the Company can control the time of extinction of temporary differences and does not recognize deferred tax assets for items that are unlikely to disappear in the foreseeable future, and as of the December 31, 2023 and 2022 are ₩32,464 million and ₩29,128 million, respectively.

#### 24. Common stock

The Company's total number of authorized shares is 30,000,000 shares and total number of ordinary shares issued is 13,763,533 shares with a par value of ₩500 per share.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 25. Share-based payments

The Company grants stock options to its directors and employees in accordance with the resolution of the board of directors. The details of the stock options are as follows:

Payment method	Cash-settled share-based payment						
Commitment type	Grant stock options (director and employees)						
Grant date	2015. 2. 12	2015. 8. 19	2015. 12. 8	2016. 2. 4	2016. 5. 19	2016. 11. 3	2017. 5. 16
Stock options outstanding	3,200 shares	1,000 shares	19,000 shares	3,000 shares	32,450 shares	1,500 shares	10,950 shares
Settlement method	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement
Exercise price at grant date	20,350 won	32,300 won	28,800 won	35,800 won	38,400 won	25,150 won	23,800 won
Exercisable period	2020. 2. 12 ~ 2025. 2. 11	2020. 8. 19 ~ 2025. 8. 18	2020. 12. 8 ~ 2025. 12. 7	2021. 2. 4 ~ 2026. 2. 3	2021. 5. 19 ~ 2026. 5. 18	2021. 11. 3 ~ 2026. 11. 2	2022. 5. 16 ~ 2027. 5. 15

Payment method	Cash-settled share-based payment						
Commitment type	Grant stock options (director and employees)						
Grant date	2017. 8. 30	2017. 12. 14	2018. 02. 08	2018. 03. 22	2018. 7. 19	2018. 9. 3	2018. 11. 6
Stock options outstanding	1,500 shares	550 shares	1,500 shares	4,400 shares	3,500 shares	300 shares	1,250 shares
Settlement method	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement
Exercise price at grant date	24,050 won	27,750 won	35,550 won	40,000 won	27,600 won	28,650 won	25,750 won
Exercisable period	2022. 8. 30 ~ 2027. 8. 29	2022. 12. 14 ~ 2027. 12. 13	2023. 2. 8 ~ 2028. 2. 7	2023. 3. 22 ~ 2028. 3. 21	2023. 7. 19 ~ 2028. 7. 18	2023. 9. 3 ~ 2028. 9. 2	2023. 11. 6 ~ 2028. 11. 5

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

25. Share-based payments, Continued

Payment method	Cash-settled share-based payment						
Commitment type	Grant stock options (director and employees)						
Grant date	2018. 12. 10	2019. 2. 12	2019. 3. 15	2019. 3. 28	2019. 7. 11	2019.10. 31	2019. 12. 10
Stock options outstanding	500 shares	3,050 shares	400 shares	300 shares	5,550 shares	2,800 shares	3,500 shares
Settlement method	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement
Exercise price at grant date	28,150 won	27,900 won	33,000 won	30,700 won	26,150 won	21,900 won	21,900 won
Exercisable period	2023. 12. 10 ~ 2028. 12. 09	2024. 2. 12 ~ 2029. 2. 11	2024. 3. 15 ~ 2029. 3. 14	2024. 3. 28 ~ 2029. 3. 27	2024. 7. 11 ~ 2029. 7. 10	2024. 10. 31 ~ 2029. 10. 30	2024. 12. 10 ~ 2029. 12. 09

Payment method	Cash-settled share-based payment						
Commitment type	Grant stock options (director and employees)						
Grant date	2020. 3. 3	2020. 5. 14	2020. 6. 23	2020. 8. 31	2020. 11. 11	2021. 2. 10	2021. 3. 17
Stock options outstanding	2,500 shares	5,500 shares	700 shares	3,000 shares	9,300 shares	3,900 shares	1,500 shares
Settlement method	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement
Exercise price at grant date	22,900 won	24,100 won	28,900 won	38,550 won	32,550 won	30,800 won	28,400 won
Exercisable period	2025. 3. 3 ~ 2030. 3. 2	2025. 5. 14 ~ 2030. 5. 13	2025. 6. 23 ~ 2030. 6. 22	2025. 8. 31 ~ 2030. 8. 30	2025. 11. 11 ~ 2030. 11. 10	2026. 2. 10 ~ 2031. 2. 9	2026. 3. 17 ~ 2031. 3. 16

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

25. Share-based payments, Continued

Payment method	Cash-settled share-based payment						
Commitment type	Grant stock options (director and employees)						
Grant date	2021. 6. 22	2021. 10. 29	2021. 12. 16	2022. 2. 9	2022. 3. 16	2022. 3. 24	2022. 5. 11
Stock options outstanding	2,400 shares	3,500 shares	3,900 shares	1,800 shares	9,000 shares	3,500 shares	1,350 shares
Settlement method	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement
Exercise price at grant date	28,400 won	24,700 won	23,000 won	21,550 won	20,950 won	21,800 won	21,900 won
Exercisable period	2026. 6. 22 ~ 2031. 6. 21	2026. 10. 29 ~ 2031. 10. 28	2026. 12. 16 ~ 2031. 12. 15	2027. 2. 9 ~ 2032. 2. 8	2027. 3. 16 ~ 2032. 3. 15	2027. 3. 24 ~ 2032. 3. 23	2027. 5. 11 ~ 2032. 5. 10

Payment method	Cash-settled share-based payment						
Commitment type	Grant stock options (director and employees)						
Grant date	2022. 7. 11	2022. 10. 18	2022. 12. 8	2023. 2. 9	2023. 3. 9	2023. 3. 24	2023. 7. 21
Stock options outstanding	3,900 shares	2,950 shares	2,400 shares	4,000 shares	1,200 shares	5,900 shares	7,550 shares
Settlement method	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement	Net cash settlement
Exercise price at grant date	18,050 won	15,300 won	16,350 won	17,200 won	16,650 won	15,600 won	14,000 won
Exercisable period	2027. 7. 11 ~ 2032. 7. 10	2027. 10. 18 ~ 2032. 10. 17	2027. 12. 8 ~ 2032. 12. 7	2028. 2. 9 ~ 2033. 2. 8	2028. 3. 9 ~ 2033. 3. 8	2028. 3. 24 ~ 2033. 3. 23	2028. 7. 21 ~ 2033. 7. 20

Payment method	Cash-settled share-based payment	
Commitment type	Grant stock options (director and employees)	
Grant date	2023. 10. 26	2023. 12. 12
Stock options outstanding	4,200 shares	3,900 shares
Settlement method	Net cash settlement	Net cash settlement
Exercise price at grant date	12,300 won	12,850 won
Exercisable period	2028. 10. 26 ~ 2033. 10. 25	2028. 12. 12 ~ 2033. 12. 11

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 25. Share-based payments, Continued

Since the Company chose the net cash settlement method as the settlement method upon exercise of the granted stock options, the Company recalculates the fair value of the net cash settlement at the end of each reporting period and recognizes related profit or loss and liabilities.

Changes in the number of stock options outstanding and their related weighted average exercise prices for the year ended December 31, 2023, are as follows :

Classification	Number of stock options (in number of shares)	Average exercise price per stock option (won)
Beginning balance	226,450	25,718
Granted	26,750	14,516
Cancellation	65,150	18,131
Ending balance	188,050	26,753

Compensation costs of stock options are calculated by applying a fair value approach. The related assumptions and variables to calculate the compensation costs are as follows :

Classification	2015. 2. 12	2015. 8. 19	2015. 12. 8	2016. 2. 4	2016. 5. 19	2016. 11. 3	2017. 5. 16
Fair value as of December 31, 2023	339 won	25 won	95 won	39 won	43 won	603 won	1,017 won
Share price at valuation date	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won
Exercise price	20,350 won	32,300 won	28,800 won	35,800 won	38,400 won	25,150 won	23,800 won
Expected price volatility (*1)	36.24%	24.86%	27.47%	29.15%	28.93%	30.55%	29.51%
Expected dividend yield	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
Annual risk- free interest rate	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%

Classification	2017. 8. 30	2017. 12.14	2018. 02.08	2018. 03.22	2018. 7. 19	2018. 9. 3	2018. 11. 6
Fair value as of December 31, 2023	1,038 won	848 won	418 won	310 won	995 won	976 won	1,280 won
Share price at valuation date	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won
Exercise price	24,050 won	27,750 won	35,550 won	40,000 won	27,600 won	28,650 won	25,750 won
Expected price volatility (*1)	30.06%	29.60%	30.05%	29.76%	29.46%	28.82%	28.81%
Expected dividend yield	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
Annual risk- free interest rate	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%

### 25. Share-based payments, Continued

Classification	2018. 12.10	2019. 2. 12	2019. 3. 15	2019. 3. 28	2019. 7. 11	2019.10.31	2019.12.10
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HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

<b>Fair value as of December 31, 2023</b>	1,048 won	1,059 won	711 won	856 won	1,378 won	2,402 won	2,730 won
<b>Share price at valuation date</b>	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won
<b>Exercise price</b>	28,150 won	27,900 won	33,000 won	30,700 won	26,150 won	21,900 won	21,900 won
<b>Expected price volatility (*1)</b>	28.62%	28.65%	29.89%	31.03%	31.16%	35.64%	39.72%
<b>Expected dividend yield</b>	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
<b>Annual risk-free interest rate</b>	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%

<b>Classification</b>	<b>2020. 3. 3</b>	<b>2020. 5. 14</b>	<b>2020. 6. 23</b>	<b>2020. 8. 31</b>	<b>2020.11.11</b>	<b>2021. 2. 10</b>	<b>2021. 3. 17</b>
<b>Fair value as of December 31, 2023</b>	2,842 won	3,114 won	2,556 won	1,765 won	2,318 won	2,702 won	2,973 won
<b>Share price at valuation date</b>	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won
<b>Exercise price</b>	22,900 won	24,100 won	28,900 won	38,550 won	32,550 won	30,800 won	28,400 won
<b>Expected price volatility (*1)</b>	39.45%	38.91%	39.29%	39.75%	40.35%	40.65%	41.70%
<b>Expected dividend yield</b>	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
<b>Annual risk-free interest rate</b>	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

25. Share-based payments, Continued

Classification	2021. 6. 22	2021. 10.29	2021. 12.16	2022. 2. 9	2022. 3. 16	2022. 3. 24	2022. 5. 11
Fair value as of December 31, 2023	3,108 won	3,883 won	4,166 won	4,464 won	4,611 won	4,502 won	4,565 won
Share price at valuation date	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won
Exercise price	28,400 won	24,700 won	23,000 won	21,550 won	20,950 won	21,800 won	21,900 won
Expected price volatility (*1)	41.98%	42.39%	43.40%	44.34%	45.92%	45.92%	45.87%
Expected dividend yield	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
Annual risk-free interest rate	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%

Classification	2022. 7. 11	2022. 10.18	2022. 12. 8	2023. 2. 9	2023. 3. 9	2023. 3. 24	2023. 7. 21
Fair value as of December 31, 2023	5,524 won	6,065 won	5,861 won	5,743 won	5,839 won	6,032 won	6,352 won
Share price at valuation date	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won	14,300 won
Exercise price	18,050 won	15,300 won	16,350 won	17,200 won	16,650 won	15,600 won	14,000 won
Expected price volatility (*1)	45.62%	45.39%	45.12%	44.86%	44.66%	45.18%	45.13%
Expected dividend yield	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
Annual risk-free interest rate	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

25. Share-based payments, Continued

Classification	2023. 10.26	2023. 12. 12
Fair value as of December 31, 2023	6,782 won	6,656 won
Share price at valuation date	14,300 won	14,300 won
Exercise price	12,300 won	12,850 won
Expected price volatility (*1)	45.13%	44.81%
Expected dividend yield (*2)	2.01%	2.01%
Annual risk-free interest rate	3.16%	3.16%

(\*1) The volatility is measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily share prices over the last 7.5 years.

(\*2) The impact of non-transferability, exercise restrictions (including the possibility of meeting market conditions attached to the option), etc. are considered when calculating the expected maturity based on management's best estimate.

The Company recognized reversal of share-based payment expenses of ₩265 million (2022: reversal of share-based payment expenses of ₩644 million) related to cash-settled share-based payments for the year ended December 31, 2023, (see Note 30).

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 26. Other Components of Equity

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

(In thousands of Korean won):

Classification	December 31, 2023	December 31, 2022
Other equity surplus	254,028	254,028
Revaluation surplus	39,363,132	39,363,132
Gain on disposal of treasury shares	1,792,289	1,792,289
Cash flow hedge	30,193	177,336
Total	41,439,642	41,586,785

### 27. Retained Earnings

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

(In thousands of Korean won):

Classification	Content	December 31, 2023	December 31, 2022
Legal reserves	Legally appropriate retained earnings (*1)	3,440,883	3,440,883
Other reserves	Reserve for financial structure improvement (*2)	240,500	240,500
	Reserve for business expansion	6,000,000	6,000,000
	Reserve for facility	31,000,000	31,000,000
	Other discretionary appropriated retained earnings	25,994,000	25,994,000
Unappropriated retained earnings		236,827,028	251,121,527
Total		303,502,411	317,796,910

(\*1) The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10 percent of cash dividends paid until such reserves equals 50 percent of its issued share capital. The reserve is not available for cash dividends payment but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times of the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

(\*2) The Company appropriates a certain portion of its unappropriated retained earnings for financial structure improvement as reserves. These reserves can be used to fund future dividends and more.

HANDOK INC

Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

27. Retained Earnings, Continued

Statement of disposal of retained earnings

The statement of disposal of retained earnings for the current period will be disposed of at the general shareholders' meeting on March 22, 2024 (previous disposal date : March 24, 2023).

(In thousands of Korean won):

Account	2023		2022	
Retained earnings available for appropriation :		236,827,028		251,121,527
Unappropriated retained earnings carried over from prior year	245,616,114		228,324,303	
Remeasurement of defined benefit liability (asset) defined benefit plans	(6,638,486)		4,969,295	
Losses from valuation of financial asset sat fair value through other comprehensive income	-		(7,024)	
Net profit for the period	(2,150,600)		17,834,953	
Appropriation of retained earnings :		4,129,060		5,505,413
Legal reserve	-		-	
Dividends (Dividends (ratio) per ordinary share) ₩300 (60%) in 2023 ₩400 (80%) in 2022	4,129,060		5,505,413	
Unappropriated retained earnings to be carried forward		232,697,968		245,616,114

HANDOK INC

Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**28. Revenue and Cost of Sales**

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

*(In thousands of Korean won):*

<b>Classification</b>	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers :		
Finished goods	223,093,698	235,631,844
Merchandise	261,263,944	267,095,765
Service	29,530,231	29,837,473
Rental	4,113,672	4,009,348
Total	518,001,545	536,574,430
When to recognize revenue :		
Fulfill at a single point in time	513,752,131	532,417,330
Fulfill over time	4,249,414	4,157,100
Total	518,001,545	536,574,430

Details of cost of sales for the years ended December 31, 2023 and 2022, are as follows.

*(In thousands of Korean won):*

<b>Classification</b>	<b>2023</b>	<b>2022</b>
Finished goods	113,434,934	115,848,003
Merchandise	218,566,407	226,204,038
Service	20,806,124	22,806,651
Rental	1,957,437	1,933,234
Total	354,764,902	366,791,926

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 29. Expenses by Nature

Cost of sales and Selling, general and administrative expenses by nature for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Changes in finished goods and work-in-process	(149,629,953)	(151,430,250)
Changes in merchandise	(43,775,332)	(19,335,673)
Used raw materials and consumables	225,926,215	233,576,459
Purchasing of goods	262,341,738	245,539,711
Employee benefit expenses (see Note 30)	86,602,291	86,260,908
Depreciation and amortization	20,540,756	19,741,140
Freight	4,250,074	3,835,848
Advertising	13,896,659	11,478,851
Traveling	4,920,841	4,854,434
Service charge	30,416,588	32,024,510
Education and training	1,105,345	1,168,481
Seminars	8,821,112	7,891,564
Research and development	4,004,724	2,674,438
Utilities	4,994,081	4,258,092
Repair	3,938,299	3,455,482
Subcontractors charge	8,929,404	6,369,463
Quality control	2,146,024	1,983,658
Impairment loss (reversal of impairment loss)	(5,520)	65,104
Other	14,702,544	13,059,051
Total (*)	504,125,890	507,471,271

(\*) The total represents costs of sales and Selling, general and administrative expenses in the statement of profit or loss.

### 30. Employee Benefit Expenses

Employee benefit expenses for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Salaries	58,929,002	57,136,471
Incentives	13,332,719	14,441,530
Post-employment benefits – defined benefit plan (see Note 22)	5,789,733	8,468,915
Post-employment benefits – defined contribution plan	705,708	284,578
Long-term employee benefits	953,021	161,574
Other employee benefits	7,156,709	6,412,024
Share-based payments (reversal of share-based payments)	(264,601)	(644,184)
Total	86,602,291	86,260,908

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 31. Selling, general and administrative expenses

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

(In thousands of Korean won):

Classification	2023	2022
Salaries	48,223,752	46,611,498
Post-employment benefits	4,300,137	5,686,166
Freight	4,250,074	3,835,848
Advertising	13,896,659	11,478,851
Service charge	20,176,298	20,427,414
Depreciation	6,342,736	6,297,391
Amortization	2,359,205	2,086,031
Seminars	7,345,009	6,725,443
Research and development	28,261,594	23,419,687
Bad debt expense (reversal of bad debt expense)	(5,520)	65,104
Other Selling, general and administrative expenses	14,211,044	14,045,913
Total	149,360,988	140,679,346

### 32. Research and Development Expenses

Research and development expenses for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Research and development expenses (Selling, general and administrative expenses)	28,261,594	23,419,687
Development expenses recognized as intangible assets	6,271,182	7,168,725
Total	34,532,776	30,588,412

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 33. Other Income and Expenses

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

(In thousands of Korean won)

Account	2023	2022
Gains on foreign currency transactions	2,765,403	1,579,698
Gains on foreign currency translation	246,328	509,645
Gains on disposal of property, plant and equipment	82,227	114,921
Gains on disposal of intangible assets	-	149,545
Other commission income	12,504,800	12,494,103
Miscellaneous income	115,993	2,115,114
Subtotal of Other Income	15,714,751	16,963,026
Losses on foreign currency transactions	991,336	3,660,755
Losses on foreign currency translation	74,156	97,571
Donations	932,267	1,054,469
Losses on disposal of property, plant and equipment	6,739	81,094
Losses on disposal of intangible assets	15	381
Impairment losses on investments in associates	874,042	11,240,918
Miscellaneous losses	104,678	10,841
Subtotal of Other Expenses	2,983,233	16,146,029
Net Other Income	12,731,518	816,997

### 34. Finance Income and Costs

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

(In thousands of Korean won)

Classification	2023	2022
Bank deposits	462,122	197,722
Loans and deposits	102,950	45,919
Convertible notes	69,814	80,000
Asset backed short-term bond	748,897	115,491
Financial guarantee liabilities	11,451	12,431
Right-of-use assets	57,668	15,884
Distribution income from investment funds	97	97
Gains on foreign currency translation	-	3,328,500
Gains on valuation of derivative financial instruments	1,044,374	2,300,186
Gains on valuation of financial assets at fair value through profit or loss	49,696	5,317,399
Gains on disposal of financial assets at fair value through profit or loss	18,647	-
Subtotal of finance income	2,565,716	11,413,629
Bank borrowings	11,086,819	5,855,896
Corporate bonds	2,653,475	2,349,602
Lease liabilities	31,119	18,387
Losses on foreign currency translation	663,010	1,823,393
Losses on valuation of financial assets at fair value through profit or loss	16,260,845	6,255,398
Losses on valuation of derivative financial instruments	1,637,255	4,414,982
Subtotal of finance costs	32,332,523	20,717,658
Net finance costs	(29,766,807)	(9,304,029)

HANDOK INC  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

**35. Earnings per Share**

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

*(In Korean won, shares)*

Classification	2023	2022
Profit(loss) attributable to the ordinary equity holders of the Company (*1)	(2,150,599,836)	17,834,952,809
Weighted average number of ordinary shares outstanding (*2)	13,763,533	13,763,533
Earnings (loss) per share	(156)	1,296

(\*1) Profit attributable to the ordinary equity holders of the Company is equal to the Company's profit for the year.

(\*2) The weighted average number of ordinary shares outstanding is equal to the number of ordinary shares in issue.

The Company has no outstanding dilutive potential shares, therefore diluted earnings per share is equal to the basic earnings per share.

**36. Dividends**

The dividends paid in 2023 and 2022 were ₩5,505 million (₩400 per share) and ₩4,817 million (₩350 per share), respectively.

For the year ended December 31, 2023, dividends of ₩300 per share, amounting to a total dividend of ₩4,129 million, is to be proposed at the annual general shareholders' meeting on March 22, 2024. These financial statements do not reflect this dividend payable.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

37. Cash Generated from Operating activities

Cash generated from operating activities for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Profit before income tax	(3,159,634)	20,616,127
Adjustments for :		
Interest expenses (income)	12,318,511	7,756,439
Losses (gains) on foreign currency translation	490,837	(1,917,181)
Bad debt expense (reversal of bad debt expense)	(5,520)	65,104
Depreciation and amortization	19,781,200	19,005,601
Investment properties depreciation expense	196,618	213,538
Right-of-use assets depreciation expense	562,939	522,001
Gains on disposal of tangible, intangible assets and investment properties	(75,473)	(182,991)
Losses (gains) on valuation of derivative financial instruments	592,881	2,114,795
Distribution income from investment funds	(97)	(97)
Other income	(38,689)	(6,316)
Reversal of share-based payments	(264,601)	(644,184)
Incentive bonuses	5,081,068	4,747,933
Post-employment benefits	6,495,441	8,753,494
Losses on valuation of financial assets at fair value through profit or loss	16,211,149	937,999
Gains on disposal of financial assets at fair value through profit or loss	(18,647)	-
Losses on disposal of investments in subsidiaries and associates	874,042	11,240,918
Long-term employee benefits	953,021	161,574
Refund liability expenses	1,095,896	(4,737,432)
Gains from stock dividends	(987,225)	-
Changes in assets and liabilities from operations :		
Net decrease (increase) in trade receivables	26,056,190	(1,433,222)
Net decrease (increase) in other receivables	(20,353,754)	583,001
Net decrease (increase) in other assets	8,676,653	(15,778,767)
Net decrease (increase) in inventories	(1,752,519)	(8,497,728)
Net increase (decrease) in trade payables	(443,761)	16,344,907
Net increase (decrease) in other payables	(4,815,159)	(1,858,912)
Net increase (decrease) in other liabilities	3,147,124	815,936
Payment of incentive bonuses	(4,774,860)	(4,651,645)
Payment of post-employment benefits	(5,311,463)	(4,626,726)
Payment of long-term employee benefits	(326,065)	(238,130)
Increase in plan assets	(4,900,565)	(12,380,999)
Cash generated from operating activities	55,305,538	36,925,037

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 37. Cash Generated from Operating activities, Continued

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

(In thousands of Korean won)

Classification	2023							
	Short-term borrowings	Long-term borrowings	Derivatives financial liabilities (assets)	Government grants	Short-term corporate bonds	Corporate bonds	Lease liabilities	Total
As of January 1, 2023	77,469,210	135,045,670	2,583,274	1,919,481	34,882,963	49,644,168	805,314	302,350,080
Cash flows	(12,769,210)	24,000,000	-	(4,689)	(35,000,000)	23,862,715	(564,113)	(475,297)
Foreign currency translation	221,000	442,000	(663,000)	-	-	-	-	-
Change in lease liabilities	-	-	-	-	-	-	1,244,421	1,244,421
Reclassification of current portions	59,717,240	(59,717,240)	-	-	49,759,773	(49,759,773)	-	-
Amortization of discount on corporate bonds	-	-	-	-	238,277	262,735	31,119	532,131
Change in fair value	-	-	1,453,995	-	-	-	-	1,453,995
As of December 31, 2023	124,638,240	99,770,430	3,374,269	1,914,792	49,881,013	24,009,845	1,516,741	305,105,330

(In thousands of Korean won)

Classification	2022							
	Short-term borrowings	Long-term borrowings	Derivatives financial liabilities (assets)	Government grants	Short-term corporate bonds	Corporate bonds	Lease liabilities	Total
As of January 1, 2022	118,164,960	54,709,880	19,980	1,915,069	-	84,076,179	1,222,962	260,109,030
Cash flows	(76,014,960)	117,347,500	-	4,412	-	-	(525,484)	40,811,468
Foreign currency translation	1,636,000	(3,328,500)	1,692,500	-	-	-	-	-
Change in lease liabilities	-	-	-	-	-	-	89,449	89,449
Reclassification of current portions	33,683,210	(33,683,210)	-	-	34,882,963	(34,882,963)	-	-
Amortization of discount on corporate bonds	-	-	-	-	-	450,952	18,387	469,339
Change in fair value	-	-	870,794	-	-	-	-	870,794
As of December 31, 2022	77,469,210	135,045,670	2,583,274	1,919,481	34,882,963	49,644,168	805,314	302,350,080

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

37. Cash Generated from Operating activities, Continued

Non-cash transactions for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won)

Classification	2023	2022
Transfer of construction-in-progress to property, plant and equipment	(2,114,967)	(8,651,857)
Transfer of construction-in-progress to intangible assets	(735,826)	(2,468,018)
Non-trade payables related to acquisition of property, plant and equipment	(793,013)	(12,791,319)
Reclassification of investment properties as property, plant and equipment	-	(4,562,672)
Reclassification of financial assets at fair value through profit or loss as associates	(1,538,147)	-
Recognition of investments in subsidiaries and associates on portion of renewed payment guarantee	-	5,366
Reclassification of disposal of financial assets at fair value through other comprehensive income	-	(9,267)
Reclassification of finance lease receivables	-	(1,264,014)
Reclassification of long-term prepaid expenses to current portion	30,000	360,000
Reclassification of long-term accrued expenses to current portion	58,326	92,201
Reclassification of loans to employees to current portion	145,000	144,200
Reclassification of short-term loan to current portion	(3,600,000)	-
Reclassification of long-term borrowings to current portion	59,717,240	33,683,210
Reclassification of corporate bonds to current portion	49,759,773	34,882,963
Reclassification of lease liabilities to current portion	419,224	375,007
Net increase (decrease) in right-of use assets	1,263,110	-
Reclassification of finance lease receivables	107,792	-
Reclassification of financial guarantee liabilities to current portion	1,084	-
Reclassification of other non-current liabilities to current portion	-	56,425
Reclassification of long-term advance received to personnel expenses	(1,658,110)	-
Reclassification of non-current government grants payable to current portion	-	1,894,548
Reclassification of derivative financial liabilities to current portion	-	172,738
Reclassification of net defined liabilities as net defined benefit assets	(14,427,973)	14,103,745
Remeasurements of net defined benefit liabilities	(6,638,487)	4,969,296
Applying currency swap risk hedge	(28,585)	(339,962)
Offsetting government grants with depreciation	24,696	94,582

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 38. Commitments and Contingencies

#### (a) Borrowing agreements

The following table summarizes the borrowing agreements with the banks as of December 31, 2023.

*(In thousands of Korean won, US dollars)*

Bank	Type	Limits	Borrowing amount
KEB Hana Bank	Advanced credit line	17,000,000	-
	Payment guarantees in Korean won	500,000	500,000
	Currency forward transaction agreement	1,428,571	-
	Borrowings in foreign currencies (USD)	20,000,000	20,000,000
	General borrowings	24,000,000	24,000,000
Suhyup bank	Borrowings in foreign currencies (USD)	10,000,000	10,000,000
Shinhan bank	General borrowings	13,000,000	13,000,000
KB Kookmin Bank	General borrowings	39,500,000	30,000,000
Busan bank	General borrowings	5,000,000	-
Woori Bank	Payment guarantees in Korean won	3,000,000	2,520,000
	General borrowings	6,000,000	6,000,000
Korea Development Bank	Industry facilities borrowings	57,726,670	57,726,670
	General borrowings	55,000,000	55,000,000
Korea Eximbank	General borrowings	10,000,000	-
BNP PARIBAS	General borrowings	5,000,000	-

#### (b) Terms and conditions of the borrowing debt

The Company includes a special clause for reinforcing creditors' credit in relation to the Korea Development Bank's general borrowing agreement as of December 31, 2023.

#### (c) Payment Guarantees Provided by Others

As of December 31, 2023, the Company has been provided with guarantees from Seoul Guarantee Insurance for its business amounting to ₩3,789 million (2022: ₩1,412 million). In addition, as of December 31, 2023, the Company has been provided with guarantees from Woori Bank and others for risk sharing contracts with National Health Insurance Corporation amounting to ₩3,500 million (2022: ₩5,900 million).

#### (d) Payment Guarantees Provided by the Company

The Company provided financial guarantee contracts of JPY 32,999,880, for office rental contracts and of JPY 150,000,000 for supply of Theracurmin, a raw material, of Theravalues Corporation, a subsidiary, and related financial guarantee expenses were recorded as liabilities (see Note 20).

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 38. Commitments and Contingencies, Continued

#### (e) Collaterals

Details of assets provided as collaterals for the Company's liabilities and purchase contract as of December 31, 2023, are as follows (see Note 13).

(In thousands of Korean won)

Collateral	Mortgagee	Carrying amount	Secured amount
Land, Buildings and investment properties	Korea Development Bank and others	209,153,959	169,000,000

#### (f) Distribution agreement

The Company has a distribution agreement with Zuellig Pharma Korea Company Limited to receive distribution, warehousing, collection of bills and other management services. The Company incurred service fees amounting to ₩6,808 million (2022: ₩7,425 million) for the year ended December 31, 2023.

#### (g) Currency swap agreement

The Company has entered into a cross-currency swap agreement with KEB Hana Bank and Suhyup Bank for the amount USD 30 million to hedge currency risk associated with the variable interest rate on borrowings in foreign currencies. The main details of the cross-currency swap are as follows.

Contract start date	Contractor	Amount	Exchange rate	Original interest rate	Swap interest rate	Contract end date
2022-05-26	Suhyup Bank	USD 5,000,000	KRW/USD 1,268.5	USD 3M SOFR + 44%	3.99%	2024-05-26
2022-07-12	Suhyup Bank	USD 5,000,000	KRW/USD 1,315.0	USD 3M SOFR + 1.50%	4.67%	2024-07-12
2022-10-31	KEB Hana Bank	USD 20,000,000	KRW/USD 1,421.5	USD 3M SOFR + 2.00%	5.60%	2025-10-31

In 2023, the Company recognized losses of ₩147 million (2022: losses of ₩340 million) on valuation of the above swap agreements at fair value, after tax effects, as other comprehensive income.

The above swap agreements do not contain adequate and robust alternative provisions for the suspension of the interest reference rates. Various working groups in the industry are researching alternative provisions for various financial instruments and various IBORs, which the Company will closely monitor and implement when appropriate.

The Company will continue to apply the amended K-IFRS 1109 Financial Instruments until the uncertainty in the timing and amount of the underlying cash flows exposed to the Company due to the interest rate benchmark reform ends. The Company assumes that this uncertainty will not end until the contract referencing the Company's IBOR is changed to specify the date the interest reference rate is replaced, the cash flow of the replacement interest reference rate, and the associated spread adjustment. These changes will depend in part on the addition of alternative provisions not yet added to the Company's contracts and negotiations between borrowers and lenders.

# HANDOK INC

## Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

### 38. Commitments and Contingencies, Continued

(h) Cyber security

The Company confirmed that some of the customer's information was leaked due to the hacking attack in June 2023, and an investigation is underway by the Personal Information Protection Commission.

### 39. Related Party

Status of controlling/subsidiary companies, etc

(1) As of December 31, 2023, Y&S International Co., Ltd., has significant influence over the Company (ownership: 17.69 percent).

(2) The details of related parties as of December 31, 2023 and 2022, are as follows

Classification	Company	Percentage of ownership (%)	
		December 31, 2023	December 31, 2022
Subsidiaries	Theravalues Corporation	100.00	100.00
	Unins (HK) International Limited	100.00	100.00
	Innocuve Inc.	72.97	72.97
	INNO Health Fund No. 1	33.33	-
	Kalos Medical, Inc.	49.96	49.96
Associates	Teva-Handok pharma Co., Ltd	49.00	49.00
	Genexine, Inc.	14.57	15.04
	NB Postech, Inc.	34.61	34.99
	Rezolute, Inc.	15.00	16.14
Other related parties (*1)	Y&S International Co., Ltd.	-	-
	Peak Bio, Inc (*2)	-	-
	KONG SHIN JIN HEUNG Co., Ltd.	-	-

(\*1) Entities or individuals that have significant influence over the Company have been classified as other related parties.

(\*2) During the year, pH Pharma was renamed to Peak Bio, Inc.

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

39. Related Party, Continued

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

(In thousands of Korean won):

2023					
Classification	Name of entity	Sales	Other income	Purchases	Acquisition of assets and others
Subsidiaries	Theravalues Corporation	13,712	40,065	959,955	-
	Innocuve Inc.	111,473	63,310	-	14,810
Associates	Kalos Medical, Inc.	11,678	81,938	-	-
	Teva-Handok pharma Co., Ltd	1,698,536	3,225	911,039	-
	Genexine, Inc.	218,559	3,811	-	3,326,516
	NB Postech, Inc.	-	91,277	-	-
	Rezolute, Inc.	-	30,255	-	-
Other related parties	Y&S International Co., Ltd.	4,968	-	-	-
Total		2,058,926	313,881	1,870,994	3,341,326

(In thousands of Korean won):

2022					
Classification	Name of entity	Sales	Other income	Purchases	Acquisition of assets and others
Subsidiaries	Theravalues Corporation	-	97,287	703,816	-
	Innocuve Inc.	56,325	30,503	-	-
Associates	Kalos Medical, Inc.	21,277	3,838	-	-
	Teva-Handok pharma Co., Ltd	1,857,007	2,064	997,200	-
	Genexine, Inc.	2,143	391,884	-	356,185
	NB Postech, Inc.	-	125,874	331,316	5,593
Joint ventures	Rezolute, Inc.	-	28,090	-	-
Other related parties	Y&S International Co., Ltd.	4,968	-	-	-
Total		1,941,720	679,540	2,032,332	361,778

HANDOK INC

Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

39. Related Party, Continued

Outstanding balances with related parties as of December 31, 2023 and 2022, are as follows :

(In thousands of Korean won):

December 31, 2023						
Classification	Name of entity	Receivables			Payables	
		Trade receivables	Loans	Other receivables	Trade payables	Other payables
Subsidiaries	Innocuve Inc.	11,291	-	1,153,662	-	1,650
	Theravalues Corporation	-	-	-	248,217	-
Associates	Kalos Medical, Inc.	823	3,000,000	21,992	-	-
	Teva-Handok pharma Co., Ltd	620,749	680,000	1,837	281,848	210,970
	Genexine, Inc.	272	-	-	-	3,327
	NB Postech, Inc.	-	600,000	7,373	-	-
Other related parties	Y&S International Co., Ltd.	-	-	-	-	151,110
Total		633,135	4,280,000	1,184,864	530,065	367,057

(In thousands of Korean won):

December 31, 2022							
Classification	Name of entity	Receivables				Payables	
		Trade receivables	Loans	Investment bond (*)	Other receivables	Trade payables	Other payables
Subsidiaries	Innocuve Inc.	24,181	-	-	1,257,794	-	-
	Theravalues Corporation	-	-	-	96,663	-	-
Associates	Kalos Medical, Inc.	1,747	-	-	426	-	190,000
	Teva-Handok pharma Co., Ltd	279,709	-	-	457	274,230	210,970
	Genexine, Inc.	265	-	-	-	-	62,777
	NB Postech, Inc.	-	1,000,000	4,000,003	26,171	-	-
Other related parties	Y&S International Co., Ltd.	-	-	-	-	-	151,110
Total		305,902	1,000,000	4,000,003	1,381,511	274,230	614,857

(\*) Investment bond is convertible note (maturity: 2025) issued by NB Postech, Inc., and includes ₩4,000 million which was reclassified from loans during the year ended December 31, 2020

HANDOK INC  
Notes to the Separate Financial Statements, Continued  
For the years ended December 31, 2023 and 2022

39. Related Party, Continued

Financing transactions with related parties for the years ended December 31, 2023 and 2022, are as follows :

(In thousands of Korean won):

2023					
Classification	Company	Funding transactions		Share issuance, etc.	Other
		Loans	Retrieval		
Associates	Genexine, Inc.	-	-	12,814,019	-
Associates	INNO Health Fund No. 1	-	-	500,000	-
Associates	Kalos Medical, Inc.	3,000,000	-	-	-
Associates	Teva-Handok pharma Co., Ltd	680,000	-	-	-
Associates	NB Postech, Inc.	1,000,000	1,400,000	-	-
Employees	Employee benefits	295,000	154,200	-	-

(In thousands of Korean won):

2022					
Classification	Company	Funding transactions		Share issuance, etc.	Other
		Loans	Retrieval		
Subsidiaries	Innocuve Inc.	-	-	3,799,950	-
Associates	Rezolute, Inc.	-	-	15,755,600	-
Employees	Employee benefits	90,000	314,940	-	-

The Company provided financial guarantee contracts of JPY 32,999,880 and JPY 150,000,000 for office rental contracts and payments of payables on price of goods, respectively, to Theravalues Corporation, a subsidiary of the Company. Related financial guarantee expenses were recorded as liabilities (see Note 20).

The compensation paid or payable to key management (named executive officers) for employee services for the years ended December 31, 2023 and 2022, consists of the following

(In thousands of Korean won):

Classification	2023	2022
Short-term benefits	1,671,231	1,522,754
Post-employment benefits	702,345	223,081
Other long-term employee benefits	36,663	6,460
Share-based payments (reversal of share-based payments)	(14,611)	(40,193)
Total	2,395,628	1,712,102

Key management refers to the members of the Board of Directors who have significant control and responsibility for the planning, operating and controlling of the Company's business activities.

**Independent Auditors' Report on Internal Control over Financial Reporting**

The Board of Directors and Shareholders  
Handok Inc.

Opinion on Internal Control over Financial Reporting

We have audited Handok inc. ("the Company") Internal Control over Financial Reporting ("ICFR") as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2023, the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 12, 2024, expressed an unmodified opinion on those separate financial statements.

***Basis for Opinion***

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The company's 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, included in the accompanying ICFR operation status report by CEO.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting

***Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting***

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with 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.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting purposes, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

***Definition and Limitations of Internal Control over Financial Reporting***

A Company's internal control over financial reporting purposes is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements

## HANDOK INC

### Notes to the Separate Financial Statements, Continued

For the years ended December 31, 2023 and 2022

in accordance with K-IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

The engagement partner on the audit resulting in this independent auditors' report is Leem Geun Gu.

Seoul, Korea  
March 12, 2024

This report is effective as of March 12, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## **Report on Operation of Internal Accounting Control System**

**To the Shareholders, Board of Directors and Audit Committee of Handok Inc.**

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