IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR ADDRESSEE IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to this Offering Circular following this page (this "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

IF THE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES INCLUDES A LEGEND ENTITLED "PROHIBITION OF SALES TO EEA RETAIL INVESTORS," THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (AS AMENDED, THE "PROSPECTUS REGULATION"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

IF THE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES INCLUDES A LEGEND ENTITLED "PROHIBITION OF SALES TO UK RETAIL INVESTORS", THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM ("UK"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("EUWA"); (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA") AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE "UK PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES MAY INCLUDE A LEGEND ENTITLED "MIFID II PRODUCT GOVERNANCE" WHICH WILL OUTLINE THE TARGET MARKET IN RESPECT OF THE NOTES AND WHICH CHANNELS FOR DISTRIBUTION OF THE NOTES ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION SUCH TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

A DETERMINATION WILL BE MADE IN RELATION TO EACH ISSUE ABOUT WHETHER, FOR THE PURPOSE OF THE MIFID PRODUCT GOVERNANCE RULES UNDER EU DELEGATED DIRECTIVE 2017/593 (THE "MIFID PRODUCT GOVERNANCE RULES"), ANY DEALER SUBSCRIBING FOR ANY NOTES IS A MANUFACTURER IN RESPECT OF SUCH NOTES, BUT OTHERWISE NEITHER THE ARRANGER NOR THE DEALERS NOR ANY OF THEIR RESPECTIVE AFFILIATES WILL BE A MANUFACTURER FOR THE PURPOSE OF THE MIFID PRODUCT GOVERNANCE RULES.

THE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES MAY INCLUDE A LEGEND ENTITLED "UK MIFIR PRODUCT GOVERNANCE" WHICH WILL OUTLINE THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES AND WHICH CHANNELS FOR DISTRIBUTION OF THE NOTES ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO THE FCA HANDBOOK PRODUCT INTERVENTION AND PRODUCT GOVERNANCE SOURCEBOOK (THE "UK MIFIR PRODUCT GOVERNANCE RULES") IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

A DETERMINATION WILL BE MADE IN RELATION TO EACH ISSUE ABOUT WHETHER, FOR THE PURPOSE OF THE UK MIFIR PRODUCT GOVERNANCE RULES, ANY DEALER SUBSCRIBING FOR ANY NOTES IS A MANUFACTURER IN RESPECT OF SUCH NOTES, BUT OTHERWISE NEITHER THE ARRANGER NOR THE DEALERS NOR ANY OF THEIR RESPECTIVE AFFILIATES WILL BE A MANUFACTURER FOR THE PURPOSE OF THE UK MIFIR PRODUCT GOVERNANCE RULES.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS

DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities described herein, investors must not be located in the United States or be a non-U.S. person in reliance on Regulation S under the Securities Act. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to the Dealers (as described in this Offering Circular) that you and any customers you represent are non-U.S. persons (as defined in Regulation S under the Securities Act) and that the electronic mail address to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

Important Notice to Prospective Investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

Prospective investors should be aware that certain intermediaries in the context of certain offerings of the Notes (as defined in this Offering Circular) pursuant to the Program (as defined in this Offering Circular), each such offering, a "CMI Offering", including certain Dealers, may be "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an "Association") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealer and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

Neither the Issuer nor the Dealers make any representation or warranty, express or implied, or accept any responsibility concerning any information in the Issuer's Green, Social and Sustainability Bond Framework or Second Party Opinion. The Dealers have not undertaken, nor are responsible for, any assessment or verification of the eligibility of projects in Green Eligible Categories and/or Social Eligible Categories, or the monitoring of the use of proceeds from the offering of the Notes.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person.

The materials relating to the issue of the securities described herein do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the issue of the securities described herein be made by a licensed broker or dealer and any Dealer or any affiliate of such Dealers is a licensed broker or dealer in that jurisdiction, the issue of the securities described herein shall be deemed to be made by such Dealers or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers, nor any person who controls any of them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

You should not reply by e-mail to this distribution, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRICING SUPPLEMENT DATED MAY 19, 2025

PRICING SUPPLEMENT

Korea Railroad Corporation

(incorporated with limited liability under the laws of the Republic of Korea)

Issue of US$400,000,000 4.375% Notes due 2028
under the US$2,000,000,000 Medium Term Note Program

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES (THE "NOTES") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

IN CONNECTION WITH THIS ISSUE, THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) TO UNDERTAKE STABILIZATION ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Joint Lead Managers

BNP PARIBAS **HSBC** **Standard Chartered Bank**

The date of this pricing supplement is May 19, 2025.

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "Conditions") set forth in the offering circular dated October 7, 2024 (the "Program Offering Circular" and, together with this Pricing Supplement, the "Offering Circular"). This Pricing Supplement contains the final terms of the Notes and is supplemental to and must be read in conjunction with the Program Offering Circular.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SECURITIES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND ITS ENFORCEMENT DECREE), EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA") – The Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The date of this pricing supplement is May 19, 2025.

Korea Railroad Corporation

Issue of US$ 400,000,000 4.375% Notes due 2028
under the US$2,000,000,000 Medium Term Note Program

1.	Issuer:		Korea Railroad Corporation (Legal Entity Identifier: 988400HIXNKLSIY4ND32)
2.	(i)	Series Number:	32
	(ii)	Tranche Number:	1
	(iii)	Re-opening:	No
3.	Specified Currency or Currencies:		U.S. Dollar ("**US$**")
4.	Aggregate Nominal Amount:		
	(i)	Series:	US$400,000,000
	(ii)	Tranche:	US$400,000,000
5.	(i)	Issue Price of Tranche:	99.257% of the Aggregate Nominal Amount
	(ii)	Net Proceeds (after deducting a combined management and underwriting commission but excluding estimated expenses):	US$396,148,000
	(iii)	Use of Proceeds:	General corporate purposes, including refinancing of existing indebtedness.
6.	(i)	Specified Denominations:	US$200,000 and integral multiples of US$1,000 in excess thereof
	(ii)	Calculation Amount:	US$1,000
7.	(i)	Issue Date:	May 27, 2025
	(ii)	Interest Commencement Date:	May 27, 2025
8.	Maturity Date:		May 27, 2028
9.	Interest Basis:		4.375% Fixed Rate *(further particulars specified below)*
10.	Redemption/Payment Basis:		Redemption at par

11.	Change of Interest Basis or Redemption/ Payment Basis:	None
12.	Put/Call Options (other than Condition 8(b)):	Not Applicable
13.	Status of the Notes:	Senior
14.	Listing:	Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
15.	Method of Distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:	Applicable
	(i) Rate of Interest:	4.375% per annum, payable semi-annually in arrear
	(ii) Interest Payment Date:	May 27 and November 27 in each year up to and including the Maturity Date with the first interest payment date being November 27, 2025
	(iii) Fixed Coupon Amount:	US$21.875 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360, unadjusted
	(vi) Determination Date(s):	Not Applicable
	(vii) Business Day Convention:	Following Business Day Convention
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
17.	Floating Rate Note Provisions:	Not Applicable
18.	Zero Coupon Note Provisions:	Not Applicable
19.	Dual Currency Note Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call (other than Condition 8(b)):	Not Applicable
21.	Investor Put:	Not Applicable
22.	Final Redemption Amount of each Note:	US$1,000 per Calculation Amount
23.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(f)):	US$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Registered Notes
25.	Additional Financial Center(s) or other special provisions relating to Payment Dates:	London, New York and Seoul
26.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	Not Applicable
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each	Not Applicable

	payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	
28.	Details relating to Installment Notes:	
	(i) Installment Amount(s):	Not Applicable
	(ii) Installment Date(s):	Not Applicable
29.	Redenomination applicable:	Not Applicable
30.	Other terms or special conditions:	Not Applicable

DISTRIBUTION

31.	(i) If syndicated, names of Managers:	BNP PARIBAS The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank
	(ii) Stabilizing Manager (if any):	Each of the Managers
32.	If non-syndicated, name of relevant Dealer:	Not Applicable
33.	U.S. Selling Restrictions:	Regulation S Category 2
34.	Prohibition of Sales to EEA Retail Investors:	Not Applicable
35.	Prohibition of Sales to UK Retail Investors:	Not Applicable
36.	Additional selling restrictions:	Canada (see "Amendments to the Program Offering Circular")

HONG KONG SFC CODE OF CONDUCT

37.	Rebates:	Not Applicable
38.	Contact e-mail addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	BNP PARIBAS (dl.asia.syndicate@asia.bnpparibas.com) The Hongkong and Shanghai Banking Corporation Limited (hk_syndicate_omnibus@hsbc.com.hk) Standard Chartered Bank (synhk@sc.com)
39.	Marketing and Investor Targeting Strategy:	As indicated in the Offering Circular

PROVISION RELATING TO GREEN, SOCIAL OR SUSTAINABILITY BOND

40.	(i) Green Bond, Social Bond or Sustainability Bond:	Not Applicable
	(ii) Reviewer(s):	Not Applicable

OPERATIONAL INFORMATION

41.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	Not Applicable
42.	Delivery:	Delivery against payment
43.	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	Citibank, N.A., London Branch c/o Citibank, N.A., Dublin Branch 1 North Wall Quay Dublin 1
44.	Additional Paying Agent(s) (if any):	None

ISIN:	XS3056037321
Common Code:	305603732

NOTICE TO INVESTORS

The Issuer is a government-controlled statutory juridical entity established pursuant to The Korea Railroad Corporation Act of 2005, as amended, and is required under the Act on the Management of Public Agencies and regulations thereunder to publicly disclose its annual financial statements and management information, subject to certain limitations according to public or national security interest. However, as there is no obligation under Korean law for the Issuer to prepare such information in English, there is limited publicly available information about the Issuer in English.

LISTING APPLICATION

Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

This Pricing Supplement comprises the final details required to list the issue of Notes described herein pursuant to the US$2,000,000,000 Medium Term Note Program of Korea Railroad Corporation.

AMENDMENTS TO THE PROGRAM OFFERING CIRCULAR

The following sub-section is added to the end of the "Summary" section on page 3 of the Program Offering Circular:

Recent Developments

Declaration of Martial Law in Korea and Impeachment of President Yoon Suk Yeol

On December 3, 2024, President Yoon Suk Yeol declared martial law, citing an urgent need to protect national security. The National Assembly swiftly voted to rescind the declaration of martial law, which led to President Yoon's revocation of the decree just hours later. On December 14, 2024, the National Assembly passed a resolution impeaching President Yoon for his purported acts of insurrection, among others, which resulted in an immediate suspension of his presidential powers. Prime Minister Han Duck-soo assumed the role of acting president until he, too, was impeached on December 27, 2024. Deputy Prime Minister and Minister of Economy and Finance Choi Sang-mok assumed the role of acting president until the impeachment of Prime Minster Han Duck-soo was dismissed by the Constitutional Court on March 24, 2025, and Prime Minister Han Duck-soo reassumed the role of acting president. These events prompted numerous public protests, both against and in support of President Yoon. On April 4, 2025, the Constitutional Court unanimously upheld the National Assembly's resolution to impeach President Yoon, triggering his immediate dismissal, with a special election to elect a new president to be held by June 3, 2025.

Although the Government has expressed that the Korean economy and society are resilient enough to withstand any temporary negative impact of such political developments or any potential ensuing societal unrest, there is no assurance that such developments would not have a material adverse effect on the Korean economy, and in turn, on our business prospects, results of operations and financial condition.

Imposition of Global Tariffs by the United States

On April 2, 2025, the United States announced a baseline tariff of 10% on almost all goods imported into the United States ("baseline tariffs"), which took effect on April 5, 2025, and higher individual tariff rates on goods imported from certain countries ("country specific-tariffs"), including a rate of 25% on goods imported from Korea, which took effect on April 9, 2025 (together, the "U.S. global tariffs"). On April 9, 2025, the United States announced a 90-day temporary pause on the application of country-specific tariffs from April 10, 2025, other than with respect to China. As of May 14, 2025, the United States and China have implemented a temporary 90-day tariff reduction agreement resulting in a rate of 30% on goods imported from China. In response to the imposition of the U.S. global tariffs, certain major trading partners of the United States have threatened, announced or imposed tariffs in retaliation, while others have sought to negotiate with the United States to lower or remove the U.S. global tariffs. These actions have resulted in volatility and uncertainty in the global financial and stock markets and have threatened to disrupt global trade.

We are not directly impacted by the U.S. global tariffs as we do not export any goods to the United States. However, the United States is a major market for Korean exporters, and the imposition of the U.S. global tariffs, the continued volatility and uncertainty in the global financial and stock markets and further disruptions to global trade from the imposition of retaliatory tariffs by major economies may have a material adverse effect on the Korean economy, and in turn, on our business prospects, results of operations and financial condition.

The following sub-sections are added to the end of the "Subscription and Sale and Transfer and Selling Restrictions—Selling Restrictions" sub-section on page 117 of the Program Offering Circular:

Canada

Prospective Canadian investors are advised that the information contained within this Offering Circular, and additionally, the relevant Pricing Supplement or any other offering material relating to the Notes has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within this Offering Circular, the relevant Pricing Supplement or any other offering material relating to the Notes and as to the suitability of an investment in the Notes in their particular circumstances.

The offer and sale of the Notes in Canada will only be made under exemptions from the requirement to file a prospectus with the Canadian securities regulators and will be made only by authorized dealer representatives that are properly registered under the laws of the relevant Canadian jurisdictions or, alternatively, that are entitled to rely on exemptions from the dealer registration requirements in the relevant Canadian jurisdictions.

The Notes may be sold on a private placement basis only to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in NI 45-106 Prospectus Exemptions ("NI 45-106") or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in compliance with the prospectus and registration requirements of applicable Canadian securities laws or in reliance upon available exemptions from, or in a transaction not subject to, such requirements.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular, the relevant Pricing Supplement or any other offering material constituting an "offering memorandum" under applicable Canadian securities laws (including any amendment to any such documents) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), any offering of Notes under this Offering Circular, and additionally, the relevant Pricing Supplement or any other offering material relating to the Notes, will be conducted in reliance upon an exemption from the disclosure requirements that may otherwise apply to underwriter conflicts of interest under NI 33-105.

Each individual Canadian purchaser resident in Ontario will be deemed to have represented to and agreed with the relevant Issuer and the Dealer that:

(a) such purchaser has been notified: (i) of the requirement to provide information ("personal information") pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any securities purchased), which Form 45-106F1 is required to be filed under NI 45-106; (ii) that such personal information will be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, and is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario for the purposes of the administration and enforcement of such legislation; and (iii) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the CSO, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684;

(b) such purchaser has authorized the indirect collection of the personal information by the OSC and acknowledges that its name, address, telephone number and other specified information, including the number and aggregate purchase price of the securities it has purchased may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws; and

(c) by purchasing such securities, each such purchaser consents to the disclosure of such information.

Upon receipt of this Offering Circular, and additionally, the relevant Pricing Supplement or any other offering material relating to the Notes, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la reception de cette prospectus de base, chaque acheteur canadien confirme par les presentes qu'il a expressement exige que tous les documents faisant foi ou se rapportant de quelque maniere que ce soit a la vente des valeurs mobilieres decrites aux presentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rediges en anglais seulement.

The following supplements the "Index to Financial Statements" section on page F-1 of the Program Offering Circular.

INDEX TO FINANCIAL STATEMENTS

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Independent Auditors' Report

(Based on a report originally issued in Korean)

To the Shareholder and Board of Directors of
Korea Railroad Corporation

Opinion

We have audited the consolidated financial statements of Korea Railroad Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the consolidated statements of comprehensive income (Loss), changes in equity and cash flows for the years then ended, and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean Government-owned and Quasi-government Accounting Regulations.

Basis for Opinion

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

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

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

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

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

A member of Nexia International
Nexia International is a leading worldwide network of independent accounting and consulting firms, providing comprehensive portfolio of audit, accountancy, tax and advisory services.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

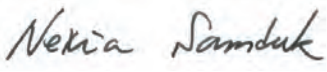
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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



Seoul, Korea
March 4, 2025

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

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2024 and 2023

(In thousands of won)	**Notes**		**Dec 31, 2024**	**Dec 31, 2023**
Assets				
Current assets				
Cash and cash equivalents	*6,27,41,42*	₩	530,997,470	165,446,166
Short-term financial instruments	*7,13,41,42*		24,150,000	92,078,494
Short-term loans	*12,41,42*		359,756	690,882
Current derivative assets	*8,41,42*		183,200,022	123,274,089
Trade receivables and other receivables	*9,41,42*		294,391,268	690,382,338
Inventories	*14*		418,606,921	363,670,889
Prepaid income taxes			2,456,549	2,241,365
Current non-financial assets	*15,27*		42,502,371	51,326,284
Assets held-for-sale	*38*		40,892,737	48,981,938
			1,537,557,094	1,538,092,445
Non-current assets				
Long-term financial instruments	*13,41,42*		20,755	20,755
Financial assets at FVTPL	*8,41,42*		43,805,322	39,990,032
Financial assets at FVOCI	*11,41,42*		43,500,824	42,935,216
Long-term loans, net	*12,41,42*		25,689,385	28,608,357
Non-current derivative instrument assets	*8,41,42*		82,076,185	100,927,892
Long-term trade receivables and other receivables	*9,41,42*		48,601,267	45,820,649
Property, trains and equipment, net	*17,24,27*		26,267,755,051	26,043,533,571
Investment property	*18,27*		781,689,247	723,217,277
Goodwill	*20*		3,609,489	3,609,489
Intangible assets, net	*21,27*		44,869,196	41,903,908
Investment in associates	*16*		447,601,788	447,773,266
Deferred tax assets	*37*		4,282,157	5,902,156
Non-current non-financial assets	*15*		4,103,447	4,071,275
			27,797,604,113	27,528,313,843
Total assets		₩	29,335,161,207	29,066,406,288
Liabilities				
Current liabilities				
Trade payables and other payables	*22,24,41,42*	₩	1,022,003,352	1,153,950,110
Short-term borrowings	*23,41,42*		-	3,700,000
Current portion of long-term borrowings, net	*23,41,42*		-	100,000,000
Current portion of bonds, net	*23,41,42*		2,201,426,935	1,572,487,019
Current tax liabilities	*37*		3,893,011	1,169,005
Current non-financial liabilities	*10,28*		338,300,232	312,302,471
Current provisions	*26*		330,122,243	384,305,201
			3,895,745,773	3,527,913,806

(In thousands of won)	**Notes**		**Dec 31, 2024**	**Dec 31, 2023**
Non-current liabilities				
Long-term trade payables and other payables	*22,24,41,42*	₩	66,062,985	60,584,282
Bonds, net	*23,41,42*		13,759,812,508	13,403,336,877
Non-current derivative instrument liabilities	*8,41,42*		-	1,289,094
Non-current non-financial liabilities	*10,19,28*		17,601,573	7,903,122
Refined benefit liabilities, net	*25*		1,323,009,577	1,223,025,849
Deferred tax liabilities	*37*		2,113,934,203	2,223,301,453
Provisions	*26*		8,264,647	18,027,345
			17,288,685,493	16,937,468,022
Total liabilities		₩	21,184,431,266	20,465,381,828
Equity				
Paid-in capital	*1,29*	₩	10,992,904,641	10,919,637,641
Deficit	*30*		(12,326,889,862)	(11,824,023,452)
Other equity components	*31*		9,477,231,267	9,500,689,404
Equity attributable to owner of the parent Company			8,143,246,046	8,596,303,593
Non-controlling interests			7,483,895	4,720,867
Total equity		₩	8,150,729,941	8,601,024,460
Total liabilities and equity		₩	29,335,161,207	29,066,406,288

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Comprehensive income(loss)
As of December 31, 2024 and 2023

(In thousands of won)	**Notes**		**2024**	**2023**
Revenues	*5,19,32,40*	₩	6,862,021,357	6,372,984,681
Cost of revenue	*19,39,40*		6,591,288,324	6,464,178,440
Gross profit (loss)			270,733,033	(91,193,759)
Selling, general and administrative expense	*35,39*		344,298,464	350,342,379
Operating loss			(73,565,431)	(441,536,138)
Other revenue	*9,26,35*		4,231,778	7,117,065
Other expenses	*26,34*		(45,973,184)	(108,758,275)
Other income, net	*34*		(91,502,627)	207,164,324
Finance income	*35,41*		138,456,092	142,634,968
Finance expense	*36,41*		(535,740,261)	(474,493,039)
Gains on valuation of investments in associates	*16*		18,149,963	7,397,283
Losses on valuation of investments in associates	*16*		(10,605,935)	(513,441)
Gain on disposal of investments in associates			-	123,378,188
Loss before income taxes			(596,549,605)	(537,609,065)
Income tax benefit	*37*		96,617,467	86,048,806
Loss for the year		₩	(499,932,138)	(451,560,259)
Remeasurement of defined benefit liability	*25*	₩	(14,282,085)	(12,323,896)
Gains on valuation of equity instruments at FVOCI			182,660	4,229,420
Unrealized net change in the effective portion			(6,254,364)	(1,282,930)
Items not reclassified to profit or loss subsequently			(20,353,789)	(9,377,406)
Unrealized net change in the effective portion of cash flow hedges, net of tax	*8*		(4,159,047)	(12,993,104)
Changes in equity of equity method investments	*16*		736,534	(583,800)
Items reclassified to profit or loss subsequently			(3,422,513)	(13,576,904)
Other comprehensive income (loss) for the year, net of tax	*31*		(23,776,302)	(22,954,310)
Total comprehensive income (loss) for the year		₩	(523,708,440)	(474,514,569)
Income (loss) attributable to:				
Owners of the parent		₩	(501,893,077)	(452,376,588)
Non-controlling interests			1,960,940	816,329
Loss for the year		₩	(499,932,138)	(451,560,259)
Total comprehensive Income (loss) attributable to:				
Owners of the parent		₩	(525,871,408)	(474,064,326)
Non-controlling interests			2,162,968	(450,243)
Total comprehensive Income (loss) for the year		₩	(523,708,440)	(474,514,569)

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Equity
As of December 31, 2024 and 2023

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2024	₩ 10,919,637,641	(11,824,023,451)	9,500,689,404	8,596,303,593	4,720,866	8,601,024,459
Total comprehensive income (loss) for the year:						
Income (loss) for the year	-	(501,893,077)	-	(501,893,077)	1,960,939	(499,932,138)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	(14,488,752)	-	(14,488,752)	206,667	(14,282,085)
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	187,299	187,299	(4,639)	182,660
-Reclassification of asset revaluation gain	-	20,222,923	(20,222,923)	-	-	-
-Change in accumulated deficit of equity method investments, net of tax		(6,254,364)	-	(6,254,364)	-(	(6,254,364)
Comprehensive income (loss) that is subsequently reclassified to income (loss)						
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	(4,159,047)	(4,159,047)	-	(4,159,047)
-Change in equity of equity method investments, net of tax	-	-	736,534	736,534	-	736,534
Total comprehensive income (loss) for the year	-	(502,413,270)	(23,458,137)	(525,871,407)	2,162,967	(523,708,440)
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	73,267,000	-	-	73,267,000	-	73,267,000
Total transaction with owner of the parent Company	73,267,000	-	-	73,267,000	-	73,267,000
Others	-	(453,139)	-	(453,139)	600,060	146,921
Balance at Dec. 31, 2024	₩ 10,992,904,641	(12,326,889,860)	9,477,231,267	8,143,246,047	7,483,893	8,150,729,940

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Equity, Continued
For the years ended December 31, 2024 and 2023

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2023	₩10,849,219,641	(11,503,557,896)	9,501,686,119	8,847,347,863	155,815,186	9,003,163,049
Total comprehensive income (loss) for the year:						
Income (loss) for the year	-	(452,376,589)	-	(452,376,589)	816,330	(451,560,259)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	(11,057,252)	-	(11,057,252)	(1,266,643)	(12,323,895)
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	4,229,350	4,229,350	70	4,229,420
-Reclassification of asset revaluation gain	-	139,149,160	(139,149,160)	-	-	-
-Change in accumulated deficit of equity method investments, net of tax		(1,282,930)	-	(1,282,930)	-	(1,282,930)
Comprehensive income (loss) that is subsequently reclassified to income (loss)						
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	(12,993,104)	(12,993,104)	-	(12,993,104)
-Change in equity of equity method investments, net of tax	-	-	(583,801)	(583,801)	-	(583,801)
Total comprehensive income (loss) for the year	-	(325,567,611)	(148,496,715)	(474,064,326)	(450,243)	(474,514,569)
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	70,418,000	-	-	70,418,000	-	70,418,000
Dividends	-	-	-	-	(86,747)	(86,747)
Total transaction with owner of the parent Company	70,418,000	-	-	70,418,000	(86,747)	70,331,253
Others	-	5,102,056	147,500,000	152,602,056	(150,557,330)	2,044,726
Balance at Dec. 31, 2023	₩10,919,637,641	(11,824,023,451)	9,500,689,404	8,596,303,593	4,720,866	8,601,024,459

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

(In thousands of won)		2024	2023
Cash flows from operating activities			
Loss for the year	₩	(499,932,138)	(451,560,259)
Adjustments for:			
Income tax benefit		(96,617,467)	(86,048,806)
Bad debt expenses(Reversal Allowance Doubtful Accounts)		1,696,458	(1,175,365)
Other bad debt expenses		626,920	300,866
Depreciation expenses		566,051,889	550,268,053
Depreciation of investment property		5,413,237	5,212,847
Amortization of intangible assets		5,528,413	5,682,752
Losses on sale of property, trains and equipment		5,225,311	16,720,631
Losses(gain) on valuation of investments in associates		(7,544,028)	(6,883,842)
Losses on disposal of non-current assets held-for-sale		121,489	286,971
Retirement benefits		233,315,229	226,559,063
Increase in provisions		228,966,671	288,160,822
Gains on disposal of financial assets at FVTPL		(74,962)	-
Losses on disposal of financial assets at FVTPL		-	55,107
Gains on valuation of financial assets at FVTPL		(2,150,290)	(1,474,060)
Losses on valuation of derivative instruments		2,006,000	9,173,100
Interest expenses		415,130,552	372,172,687
Foreign currency translation losses		118,584,538	92,828,003
Other losses		2,980,525	721,699
Other gains		-	(768)
Gains on sale of property, trains and equipment		(465,055)	(2,262,465)
Gains on disposal of non-current assets held for sale		(19,546,038)	(251,059,525)
Reversal of provision		(2,406,201)	(5,412,958)
Gains on assets contributed		-	(774,135)
Foreign currency translation gains		(45,845)	(884,504)
Gains on valuation of derivative instruments		(118,583,700)	(116,995,900)
Interest income		(16,782,216)	(20,714,738)
Dividend income		(779,397)	(2,540,559)
Defined liabilities		1,013,909	1,313,916
Revenues from government grants		-	(33,035)
Gain on disposal of investments in associates		-	(123,378,188)
Other income		-	(78,081)
Changes:			
- Inventories		(154,106,979)	(131,382,071)
- Trade receivables		407,471,331	(23,920,430)
- Other accounts receivable		(7,601,008)	(290,071)
- Prepayment		(28,053,676)	572,735,865
- Prepaid expenses		(1,207,512)	374,069
- Other current assets		(2,461,227)	(1,064,371)
- Other non-current assets		-	122,274
- Retirement benefits paid		(152,433,756)	(129,137,924)
- Trade payables		43,918,952	48,117,997
- Non-trade payables		(198,001,660)	254,592,155
- Accrued expenses		(19,981,142)	(34,876,123)
- Advances customers		10,004,861	(61,792,620)
- Withholdings		(15,752,847)	(1,858,402)
- Unearned revenues		18,092,440	5,139,491
- Current provisions		(204,102,306)	(216,624,522)
- Non-current provisions		(77,566,105)	(267,958,192)
- Other current liabilities		3,423	-
- Other non-current liabilities		8,300	224,972

(In thousands of won)		2024	2023
- Government grants classified as operating		199,897,913	112,523,301
Cash generated from operating activities	₩	639,862,806	623,104,728
Income taxes paid	₩	(2,542,826)	(13,925,763)
Net cash used in operating activities	₩	637,319,980	609,178,965
Cash flows from investing activities			
Proceeds from sales of financial assets at FVTPL	₩	82,795	4,955,507
Proceeds from sales of financial assets at FVOCI		-	4,370
Decrease in long-term loans		7,565,380	7,652,497
Decrease in long-term deposits		1,010,389	5,042,865
Proceeds from sale of non-current assets held for sale		75,282,842	175,152,620
Proceeds from sale of property, trains and equipment		1,371,759	1,724,753
Prodeeds from sales of short-term financial instruments		208,139,108	123,500,836
Interest received		12,795,387	18,534,459
Dividends received		2,977,073	4,735,393
Government grants received		18,182	94,904
Advances received of property, trains and equipment		12,642,198	30,897,781
Acquisition of property, trains and equipment		(851,254,981)	(1,738,900,696)
Purchase of intangible assets		(8,038,541)	(3,463,026)
Purchase of investment property		(553,294)	(762,000)
Purchase of financial assets at FVTPL		(1,665,000)	(6,660,000)
Increase in long-term loans		(4,371,178)	(4,821,216)
Increase in long-term deposits		(8,868,429)	(10,156,305)
Increase in short-term financial instruments		(140,210,614)	(84,002,012)
Changes in scope of consolidation		-	(113,622,052)
Net cash provided used in by investing activities	₩	(693,076,924)	(1,590,091,322)
Cash flows from financing activities			
Proceeds from issuance of share capital		73,267,000	70,418,000
Proceeds from borrowings		351,797,000	670,000,000
Issuance of debt securities		2,438,051,515	2,347,663,637
Receipt of rental deposits		18,475,665	4,229,408
Interest paid		(400,756,416)	(349,067,169)
Repayment of borrowings		(455,497,000)	(879,100,000)
Redemption of bonds		(1,572,433,000)	(1,089,564,600)
Settlement of currency swap transactions		68,563,500	55,422,630
Lease payment		(11,878,997)	(11,660,557)
Payment of rental deposits		(17,706,976)	(2,932,287)
Purchase of investments in associates		-	(226,234,246)
Dividends paid		-	(86,746)
Net cash provided by financing activities	₩	491,882,291	589,088,068
Net increase(decrease) in cash and cash equivalents		436,125,347	(391,824,290)
Effect of foreign exchange rate changes		(3,192)	1,957
Cash and cash equivalents at January 1		490,827,638	882,649,969
Cash and cash equivalents at December 31		926,949,793	490,827,638
Government grants		(51,404,513)	(39,569,012)
Fund for consignment business from governments		(344,547,810)	(285,812,460)
Cash and cash equivalents at end of year	₩	530,997,470	165,446,166

See accompanying notes to the consolidated financial statements.

1. GENERAL INFORMATION:

(1) Description of the controlling company

Korea Railroad Corporation (the "Company") was incorporated on January 1, 2005, to engage in passenger and railroad transportation services under the Korea Railroad Act. As of December 31, 2024, the Company's issued capital amounted to ₩10,997,552 million, and the Company is wholly owned by the Government of the Republic of Korea. The consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2025.

The main businesses of the Company are as follows:

i. Businesses related to passenger and freight transportation and linking other means of transportation via railroad;
ii. Manufacturing, selling, maintaining and leasing railroad equipment;
iii. Maintaining and leasing passenger cars and rolling stocks;
iv. Businesses entrusted by state and local autonomous entity or public institution for various matters, including maintenance of railroad facilities;
v. Developing and operating train station facilities related to sales, operations, cultural activities, meetings and administration of parking lot, accommodations, passenger and freight terminal; and
vi. Businesses, such as distribution service, tourism business, overseas business, technology development and manpower development.

(2) Consolidated subsidiaries

1) Consolidated subsidiaries as of December 31, 2024 and 2023 are detailed as follows:

Company	Location	Reporting Date	Ownership		Industry
			2024	2023	
KORAIL Retail Co., Ltd.	Republic of Korea	Dec. 31	100.00%	100.00%	Retail
KORAIL Networks Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Service industry
KORAIL Logis Co., Ltd.	Republic of Korea	Dec. 31	97.23%	97.23%	Railroad cargo business
KORAIL Tourism Development Co., Ltd	Republic of Korea	Dec. 31	60.80%	60.80%	Service industry
KORAIL Tech Co., Ltd.	Republic of Korea	Dec. 31	97.98%	97.98%	Railway track construction
Korean Insurance Brokerage Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Insurance brokerage business

1. GENERAL INFORMATION, Continued:

(2) Consolidated subsidiaries, continued

2) The financial information of subsidiaries as of and for the years ended December 31, 2024 and 2023 are summarized as follows:

(In thousands of won)		2024			
Company		Total assets	Total liabilities	Total revenue	Total net Income
KORAIL Retail Co., Ltd.	₩	292,004,723	121,884,621	338,924,954	9,642,813
KORAIL Networks Co., Ltd.		52,074,122	21,871,545	121,364,426	5,875,601
KORAIL Logis Co., Ltd.		26,982,018	14,566,501	91,551,390	1,590,893
KORAIL Tourism Development Co., Ltd		27,581,429	12,192,753	84,208,639	4,055,021
KORAIL Tech Co., Ltd.		83,196,125	33,866,240	265,898,884	13,183,571
Korean Insurance Brokerage Co., Ltd.		2,631,121	508,189	1,498,513	509,717

(In thousands of won)		2023			
Company		Total assets	Total liabilities	Total revenue	Total net Income
KORAIL Retail Co., Ltd.	₩	287,598,238	119,536,792	309,312,611	9,803,309
KORAIL Networks Co., Ltd.		42,359,362	16,378,803	117,325,688	5,838,832
KORAIL Logis Co., Ltd.		27,048,676	16,224,051	91,154,947	2,214,938
KORAIL Tourism Development Co., Ltd		27,228,370	16,506,999	75,083,293	1,574,999
KORAIL Tech Co., Ltd.		69,323,699	32,365,852	246,360,174	3,682,130
Korean Insurance Brokerage Co., Ltd.		2,441,515	398,300	1,364,323	430,044

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Korean Government-owned and Quasi-government Accounting Regulation, and Standards. Meanwhile, except for requirements set forth in the Regulation and Standards, the Group applied Korean International Financial Reporting Standards("K-IFRS") in accordance with chapter 2.5 of the Regulation.

(1) Accounting standards that the Group adopted in accordance with Korean Government-owned and Quasi-government Accounting Standards are as follows:

(i) Government subsidies (Article 44: Accounting of Government Subsidies)
Government subsidies used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such subsidies are amortized against the depreciation expenses of the acquired assets during the useful lives of the assets. Government subsidies received for consignment management services provided by the Group are recognized as operating revenue.

(ii) Recognition of Revenue and Expenses Related to Consignment Management Services (Article 48) The proceeds received for the consignment management services entrusted by the government or local governments shall be recognized as business revenues in response to costs incurred at the time of execution.

(iii) Contribution to the Employee Welfare Fund (Article 49)
The Group contributes to the employee welfare fund, and contributions are recognized as operating expenses in accordance with Employee Welfare Fund Act.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets; and
- Land that is periodically remeasured at fair value.

(3) Functional and presentation currency

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgment

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

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

(i) Uncertainty in assumptions and estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:
- Note 25 Remeasurement of defined benefit obligations: key actuarial assumptions;
- Notes 26 and 45 Recognition and measurement of provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources; and
- Note 37 Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- Note 40 Entrusted business: assumption of uncertain amount due to subsequent changes in transaction price

2. BASIS OF PREPARATION, Continued:

(4) Use of estimates and judgment, continued

(ii) Measurement of fair values

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

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

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

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

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

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

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

- Note 42 Financial risk management.

3. IMPORTANT ACCOUNTING POLICIES:

The consolidated financial statements were prepared in accordance with K-IFRS and the important accounting policies adopted to prepare consolidated financial statements were the same as those adopted when preparing the consolidated financial statements for the previous year unless otherwise noted.

The important accounting policies adopted to prepare the consolidated financial statements are as follows.

(1) Changes and disclosures in accounting policies

1) The enacted and revised standards adopted by the Group

The enacted and revised standards and interpretations applied by the Group from the accounting period beginning on or after January 1, 2024 are as follows:

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

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

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

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

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

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right-of-use assets retained by the seller-lessee. The amendments do not have a significant impact on the consolidated financial statements.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(1) Changes and disclosures in accounting policies, continued

2) Standards and Interpretation published but not yet implemented

Although enacted and announced as of the end of the reporting period, the effective date has not arrived in the accounting period beginning after January 1, 2024, and the newly enacted and revised K-IFRS and interpretations that have not been applied early by the Group are as follows:

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

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

(ii) Amendments to Korean IFRS 1109 Financial Instruments and Korean IFRS 1107 Financial Instruments: Disclosures

The amendments to Korean IFRS 1109 Financial Instruments and Korean IFRS 1107 Financial Instruments: Disclosure have been made to address questions raised in practice and include new requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

- The amendments allow payments via electronic payment systems and proposes an exception to settlement date accounting for derecognition of a financial liability.
- The amendments clarify the additional guidance on assessment in assessing whether the contractual cash flows are solely payments of principal and interest.
- The amendments require disclosure for each type of financial instrument of the impact on the Group and the extent to which the Group is exposed of contractual terms that change the timing or amount of contractual cash flows
- The amendments clarify the additional disclosure requirements for equity instruments classified as fair value through other comprehensive income (FVOCI)

(2) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. The emission rights allowances received from the government free of charge are measured at zero, while purchased emission rights allowances are measured at cost. No emission liability is recognized if the expected quantity of emission for the performing period does not exceed the emission allowance in possession. If the expected emissions exceed the emission allowances held, the emission liability is measured and recognized based on the expected excess quantity of emissions and the market unit price of the emission rights at the end of the reporting period.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(3) Basis of consolidation

(i) Business combinations
A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested for impairment annually and whenever any symptom implicating impairment appears. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No. 1032, 'Financial Instruments: Presentation' and K-IFRS No. 1109, 'Financial Instruments: Recognition and Measurement.'

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

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

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

(iii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(3) Basis of consolidation, continued

(v) Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling the shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, except that any share capital of the acquired entities is recognized as part of share premium.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(5) Inventories

The cost of inventories is determined by the moving average method and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(6) Non-derivative financial assets

1) Recognition and initial measurement
Trade receivables and issued debt securities are recognized for the first time at issue. Other financial instruments and financial liabilities are recognized only when the Group becomes a party to the instrument.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL. Transaction costs that are directly attributable to its acquisition.

2) Classification and subsequent measurement
Upon initial recognition, non-derivative financial assets are measured at amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

(i) Financial assets: business model
The Group assesses the objective of the business model held in the portfolio of financial assets that properly reflects how the business is managed and how information is provided to the management. Assessment takes into account the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies that include management strategies that focus on obtaining contractual interest revenue, maintaining a specific interest rate level, matching the performance of the liability to procure the financial asset with the asset's performance, and leaking or realizing expected cash flows through the sale of the asset;
- Evaluating the performance of financial assets held in the business model and reporting their assessment to key management personnel;
- How to manage risks that affect the performance of a business model (and financial assets held in the business model);
- How to compensate management (for example, based on the fair value of the asset being managed or on the contractual cash flows received); and
- Expected frequency, amount, timing, reason and future sales of financial assets in prior periods.

For this purpose, transferring a financial asset to a third party in a transaction that does not meet the derecognition requirements is not considered a sale.

A portfolio of financial assets that meets the definition of trading or whose portfolio performance is valued at fair value is measured at fair value through profit or loss.

(ii) Financial assets: an assessment of whether contractual cash flows are solely principal and interest; The principal is defined as the fair value of the financial asset at initial recognition. Interest consists of a profit as well as consideration for the time value of money, consideration for credit risk associated with principal balances in a given period, and other basic loan risks and costs.

When assessing whether the contractual cash flows are solely payments of principal and interest, the consolidation entity considers the terms and conditions of the instrument. If a financial asset contains contractual terms that change the timing or amount of the contractual cash flows, the entity shall determine whether the contractual cash flows that may arise over the life of the instrument are solely payments of principal and interest.

When evaluating this, the Group considers the following:

- Conditional circumstances that change the amount or timing of cash flows;
- Clause for adjusting the contractual par interest rate, including variable interest rate characteristics;
- Prepayment characteristics and extension characteristics; and
- Terms and conditions that limit the Group's claim to cash flows arising from a particular asset (e.g., non-recourse features).

If the prepayment amount represents interest on the principal outstanding and the remaining principal outstanding in substance and contains reasonable additional compensation for early termination of the contract, the early repayment feature is consistent with the terms under which the principal and interest are paid on a specified date.

In addition, for financial assets acquired with significant discount or premium on the contractual par amount, the entity determines that the prepayment feature actually represents the contractual par value and the contractual interest accrued (but may include reasonable additional remuneration for early termination of the contract) and that the prepayment feature meets this condition if the fair value of the feature is insignificant at initial recognition of the financial asset.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

(iii) Financial assets: subsequent measurements and gains and losses;

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

3) De-recognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets.

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(7) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting
The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

- Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

- Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting; expires or is sold, terminated or exercised; or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(ii) Other derivative financial instruments
Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(8) Impairment of financial assets

The Group recognize a loss allowance for expected credit losses for the following assets:
- Financial assets measured at amortised cost;
- Debt investments at FVOCI; and
- Contract assets as defined in K-IFRS No. 1115.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:
- Debt securities determined to have low credit risk at the end of the reporting period; and
- Other debt securities that have not experienced significant increases in credit risk which is risk of default occurring over expected life of a financial asset since initial recognition, and the loss allowance for bank deposit accounts and contract assets are always measured at an amount equal to lifetime expected credit losses.

The loss allowance for trade receivables and contract assets is always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating expected credit losses, the Group considers information that is available, reasonable and supported without undue cost or effort. This includes qualitative and quantitative information and analysis based on the Group's past experience and known credit ratings, including forward-looking information.

1) Measurement of expected credit losses
Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls which is the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received. Expected credit losses are discounted at the effective interest rate of the financial asset.

2) Credit-impaired financial assets
At the end of each reporting period, the Group assesses whether the credit of the financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income is impaired. In the event of one or more events that adversely affect the estimated future cash flows of a financial asset, the financial asset is credit-impaired.

Evidence of impaired credit for financial assets includes the following observable information:
- Significant financial difficulties of the issuer or borrower;
- Breach of contract, such as default or delinquency over 90 days;
- Inevitable relief of the original debt conditions for economic or contractual reasons related to the borrower's financial difficulties;
- The likelihood of a borrower's bankruptcy or other financial restructuring increases; or
- Expiration of an active market for a financial asset due to financial difficulties.

3) Presentation of credit loss allowance in statement of financial position
The loss allowance for financial assets measured at amortised cost is deducted from the carrying amount of those assets.

For debt investment measured at FVOCI, the loss allowance is included in profit or loss and recognized in other comprehensive income.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(9) Property, trains and equipment

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

Subsequent to initial recognition, an item of property, trains and equipment, except the Group's land, shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses, while land whose fair value can be measured reliably is carried at revalued amount, being its fair value at the date of the revaluation, less subsequent accumulated impairment losses due to the change in the evaluation method of its land from cost model to revaluation model during the year ended December 31, 2013. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

Categories	Useful life(years)
Buildings	25-50
Structures	5-50
Machinery	5-25
Trains	6-40
Vehicles	2-7
Furniture and fixtures	5
Tools and office equipment	2-6
Others	5, Indefinite

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(10) Intangible assets

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

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

Categories	Useful life(years)
Industrial property right	5-10, Indefinite
Development costs	5
Computer software and other	5-20
Usable and profitable donation assets	15
Other intangible assets	5-20, Indefinite

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

(i) Service concession arrangements
The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

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

(11) Government grants

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

Government grants whose primary condition is that the Group purchase; construct; or, otherwise, acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense. Also, any related costs incurred with respect to the government grants are recognized in profit or loss when incurred as 'Government Grants' in the consolidated statements of comprehensive income.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(12) Investment property

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

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

Investment property, except for land, is depreciated on a straight-line basis over 25–50 years, its estimated useful lives.

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

(13) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(14) Leases

The following is a summary of the new accounting policies applied by adopting K-IFRS No. 1116 starting from first application date, January 1, 2019.

(i) Accounting as a lessee
① Right-of-use assets
The Group recognizes right-of-use assets at the lease commencement date. Right-of-use assets are measured at cost, calculated by deducting accumulated depreciation and impairment loss, and adjust when remeasurement of leased liabilities occurs.

The cost of the licensed asset includes the amount recognized for the lease liability and the amount of direct costs incurred. The lease payment or incentives paid before or after the lease commencement date are added or subtracted. If the Group does not reasonably predict that it will take ownership of the leased asset at the end of the lease period, the licensed asset is depreciated on a straight-line basis over the lesser of estimated useful life and the leased period. The Group conducts impairment reviews on right-of-use assets.

② Lease liabilities
The Group measures lease liabilities at the present value of lease payments not paid as of that day on the lease commencement date.

Lease payments include fixed lease payments excluding lease incentives to be received(including actual fixed lease payments), variable lease payments depending on the index or rate, and the amount expected to be paid by the Group under the residual value guaranteed.

The Group also includes in the lease payments the amount owed to terminate the lease if the exercise price and lease term of the purchase option reflects the exercise of the Group's termination option when it is fairly certain that the option will be exercised. Variable lease payments that do not depend on the index or rate are recognized as expenses during the period in which the lease payment is made.

When calculating the present value of lease payments, the Group uses the incremental borrowing interest rate on the lease commencement date when the lease's imputed rate of interest cannot be easily calculated.

After the lease commencement date, the Group increases the carrying amount of leased liabilities to reflect the interest on the lease liabilities, and decreases the carrying amount of leased liabilities to reflect the lease payments paid.

In addition, the Group re-measures the lease liabilities by reflecting changes in leases, actual changes in fixed lease payments, changes in lease periods, or changes in valuation options for the purchase of underlying assets.

③ Short term lease and low value lease
The Group applies a recognition exemption for short-term leases with a contract period of one year or less. In addition, the recognition exemption is applied to low-value assets. Lease payments for short-term leases and small asset leases are recognized on a straight-line basis over the lease term.

The carrying amount of the Group's right-of-use assets and leased liabilities and the amount changed during the reporting period are described in Note 24.

(ii) Accounting as a lessor
In the case of a finance lease, the Group recognizes the same amount as the lease net investment of the finance lease as a finance lease receivable, and recognizes interest income by applying the effective interest rate method to the unrecovered portion of the net investment in finance lease.

The lease income from operating leases is recognized as revenue on a straight-line basis over the lease term, and the direct cost of opening the lease incurred in the negotiation and contract stage of the operating lease is added to the carrying amount of the leased asset and extended over the lease period. It is recognized as a cost on a straight-line basis over the lease term.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(15) Construction work in progress

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

Construction work in progress is presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred, plus recognized profits, exceed progress billings.

If progress billings exceed costs incurred, plus recognized profits, then the difference is presented as deferred income in the consolidated statement of financial position.

(16) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The asset or disposal group that is classified as non-current assets held for sale is measured at the lower of its carrying amount or fair value, less cost to sell.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(17) Borrowing Costs

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(18) Non-derivative financial liabilities

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

(i) Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at fair value through profit or loss when the financial liability is a contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS No. 1103 applies, it is held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in the consolidated statement of comprehensive income.

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

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expired).

(19) Retirement benefits

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

(ii) Retirement benefits: defined benefit plans

The Group's net obligation with respect to defined benefit plans is calculated by estimating the present value of defined benefit obligation after reflecting unrecognized past service cost and deducting the fair value of any plan assets.

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

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(20) Provision

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

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

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

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

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration with respect to contaminated land, and the related expense, is recognized when the land is contaminated.

A provision shall be used only for expenditures for which it was originally recognized.

(21) Foreign currency transactions

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(22) Equity capital

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(23) Revenue from contracts with customers

The Group recognizes revenue in accordance with the following five-step revenue recognition model, from the beginning of the contract with the customer, through the time at which control is transferred to the customer or over the period over which control is transferred to the customer.

1) Identification of contracts
The Group identifies by contract an agreement that creates enforceable rights and obligations between the customers, and further reviews subsequent steps, such as the identification of performance obligations, to determine whether revenue is recognized or not, and recognizes it as a liability if it has not been identified by the contract but has received a payment from the customer.

2) Identification of performance obligations
A performance obligation refers to a promise to transfer to a customer a set of distinct goods or services that are 'concluded' or 'substantially identical and transfer to the customer' in a contract with the customer. The Group identifies performance obligations by reviewing the goods or services promised in the contract with the customer at contract inception.

3) Determine the transaction price
The transaction price is determined by considering variable consideration, significant financing factors, non-cash consideration, and the consideration paid to the customer, which the entity expects to be entitled to receive in return for transferring the promised goods or services to the customer. The Group rationally estimates the possibility of a return based on past experience rates and reflects it in the variable consideration, and determines that there is no significant financing component since the period between when the performance obligation is transferred and when the customer pays for it is less than 12 months.

4) Allocation of transaction price
The Group allocates the transaction price on the basis of the stand-alone selling price to the various performance obligations identified in a single contract. If there is no stand-alone selling price for each performance obligation, the standalone selling price is appropriately estimated by considering the market assessment adjustment approach, etc.

5) Revenue Recognition
The Group determines whether it recognizes revenue when it satisfies performance obligations relating to the contract at contract inception or over the period over which it satisfies the performance obligations. If the customer simultaneously benefits and consumes the benefits of the Group's performance of the obligation, if the customer controls the asset in proportion to the creation or increase in value of the asset by performing the obligation, or if the Group itself has no alternative use but an enforceable right to payment for performance completed to date, the entity recognizes revenue over the duration of the performance obligation.

i) Service
Revenues from services is recognized over the period over which the performance obligation is satisfied, as the customer simultaneously receives and consumes the benefits as the Group performs its obligations. Progress is determined based on the degree of performance. Revenues from the transportation business are recognized at the time of service completion, and the amount of money that has been issued but has not been completed is recognized as advance payment.

ii) Sales of goods
Sales of goods are recognized as revenue at the time that control of the asset is transferred to the customer. The timing of transfer of control to the customer depends on the individual terms of the contract. It is usually transferred when the product arrives at the buyer's warehouse.

If more than one product or service is sold through a single contract, each product and service considered as a separate unit are separately recognized and the consideration received is allocated according to the fair value of each product of service.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(23) Revenue from contracts with customers, Continued

5) Revenue Recognition, Continued

(iii) Customer loyalty programme
For customer loyalty programme, the fair value of the consideration received or receivable with respect to the initial sale is allocated between the award credits ("Mileage") and the revenue. The Group provides mileage to customers when tickets are sold. The amounts allocated to the Mileage are estimated based on the fair value of the train ticket to be provided for the mileage points expected to be redeemed. The fair value of the train tickets is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the Mileages are redeemed and the Group has fulfilled its obligations to provide it according to the train ticket. Revenue recognition is measured based on the percentage of the mileage points redeemed in exchange for a ticket to the total mileage points expected to be redeemed.

(iv) Construction contracts
Contract revenue includes the initial amount agreed in the contract, plus any variations in contract work, claims and incentive payments, to the extent it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(v) Rental income
Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

(24) Finance income and finance costs

Finance income comprises interest income on funds invested (including fair value measurement financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(25) Income taxes

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

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

(ii) Deferred tax
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates to the extent it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. Additional income tax due to dividend payments is recognized when the Group recognizes a liability relevant to the dividend payment.

4. FINANCIAL RISK MANAGEMENT:

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

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

This note presents information about the Group's exposure to each of the above risks; the Group's objectives, policies and processes for measuring and managing risk; and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Risk management activities

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to establish appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base comprises a large number of counterparties with small individual amounts; hence, the Group's credit risk is not concentrated. Also, the Group's exposure to credit risk is limited as most receivables get collected in two or three days from the date of billing.

Significant transactions are reviewed for legal and economic validity during regular internal audits and resolved based on Board of Directors' approval. Also, the Group manages credit risk by requiring collateral or guarantees with respect to significant trade and other receivables.

Assessment for expected credit losses
The Group applies the practical simplified method of using a provision setting table to measure expected credit losses depend of judgment of this method consistent with measurement principle of expected credit losses required from K-IFRS No. 1109.

The default rate is calculated using the 'Roll Rate' model based on the likelihood that trade receivable will be delinquent. 'Roll Rate' was calculated separately for each business unit exposure based on common credit risk characteristics such as region, duration of customer relationship and type of product purchased.

(ii) Guarantees
The Group can only provide financial guarantees based on the Board of Directors' resolution. At December 31, 2024, no guarantees were outstanding.

4. FINANCIAL RISK MANAGEMENT, Continued:

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To manage liquidity risk, the Group maintains short-term and medium-to-long-term cash flow plan, and continuously analyzes and reviews the actual cash flow.

(4) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollars (USD).

The Group is exposed to currency risk in respect to bonds and long-term borrowings denominated in foreign currency. The Group uses derivate instruments, such as currency swap, to mitigate foreign exchange rate fluctuation risk arising from foreign currency liabilities.

(ii) Interest rate risk
The Group borrows funds at fixed and variable interest rates. The Group's management reviews the interest rate periodically and uses derivative instruments to hedge interest rate risk.

(iii) Other market price risk
Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

4. FINANCIAL RISK MANAGEMENT, Continued:

(5) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To maintain or adjust the capital base, the Group returns capital to shareholder and sells out assets to reduce the liabilities.

Also, the Group manages the capital balance to comply with the requirement from "Korean Railroad Law Article 11 (Issuance of bonds)," which states that bonds may not exceed five times the sum of capital and reserves. Also, the Group aims to maintain the credit rating of AAA.

The Group's capital management strategy is consistent with prior period and the credit rating is maintained AAA at the end of 2024

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

(In thousands of won, except equity ratio)		Dec. 31, 2024	Dec. 31, 2023
Bond issued	₩	15,965,321,200	14,979,840,500
(Cash and cash equivalents)		(530,997,470)	(165,446,166)
Net liabilities		15,434,323,730	14,814,394,334
Equity capital and reserves		7,935,498,226	8,393,810,519
Net debt-to-adjusted equity ratio		194.50%	176.49%

5. OPERATING BUSINESS UNITS:

The Group has seven business units, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's business units.

(1) The Group's business units are summarized as follows:

Business units	Primary business
Korea Railroad Corporation	Railroad transportation
KORAIL Retail Co., Ltd.	Retail business
KORAIL Logis Co., Ltd.	Railroad cargo business
KORAIL Networks Co., Ltd.	Service industry
KORAIL Tourism Development Co., Ltd.	Service industry
KORAIL Tech Co., Ltd.	Railway track specialized construction
Korean Insurance Brokerage Co., Ltd.	Insurance brokerage

(2) The Group's business units' information on revenue and profit for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)

Company		2024 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	6,528,144,748	144,829,900	6,383,314,848	168,169,936	558,395,764
KORAIL Retail Co., Ltd.		338,924,954	49,969	338,874,985	115,798,019	10,517,892
KORAIL Networks Co., Ltd.		121,364,426	74,832,871	46,531,555	(44,145,608)	2,522,179
KORAIL Logis Co., Ltd.		91,551,390	42,985,998	48,565,392	(30,206,821)	2,417,023
KORAIL Tourism Development Co., Ltd.		84,208,639	59,719,827	24,488,812	(52,751,849)	602,811
KORAIL Tech Co., Ltd.		265,898,884	247,151,634	18,747,250	(231,014,864)	2,537,871
Korean Insurance Brokerage Co., Ltd		1,498,513	-	1,498,513	585,758	-
Total	₩	7,431,591,554	569,570,199	6,862,021,355	(73,565,429)	576,993,540

(In thousands of won)

Company		2023 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	5,815,934,641	217,467,783	5,598,466,858	(280,682,711)	533,440,711
KORAIL Retail Co., Ltd.		309,312,611	98,095	309,214,516	103,600,265	9,972,165
KORAIL Networks Co., Ltd.		117,325,688	71,660,302	45,665,386	(40,619,111)	1,890,068
KORAIL Logis Co., Ltd.		91,154,947	42,573,252	48,581,695	(29,957,069)	2,321,634
KORAIL Tourism Development Co., Ltd.		75,083,293	60,248,699	14,834,594	(56,327,114)	549,530
KORAIL Tech Co., Ltd.		246,360,174	230,512,719	15,847,455	(224,701,286)	3,523,092
SR Co., Ltd.		339,026,325	16,472	339,009,853	86,688,149	9,466,452
Korean Insurance Brokerage Co., Ltd		1,364,323	-	1,364,323	462,739	-
Total	₩	6,995,562,002	622,577,322	6,372,984,680	(441,536,138)	561,163,652

5. OPERATING BUSINESS UNITS, Continued:

(3) Assets and liabilities of the Group's business units as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,998,723,051	498,869,845	850,225,639	21,063,224,825
KORAIL Retail Co., Ltd.		292,004,723	10,234,411	4,906,149	121,884,621
KORAIL Networks Co., Ltd.		52,074,122	1,178,649	1,829,741	21,871,545
KORAIL Logis Co., Ltd.		26,982,018	-	89,161	14,566,501
KORAIL Tourism Development Co., Ltd.		27,581,429	-	108,452	12,192,753
KORAIL Tech Co., Ltd.		83,196,125	-	2,687,673	33,866,240
Korean Insurance Brokerage Co., Ltd		2,631,121	-	-	508,189
Total	₩	29,483,192,589	510,282,905	859,846,815	21,268,114,674

(In thousands of won)		Dec. 31, 2023			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,752,355,995	494,007,505	1,735,884,181	20,358,545,476
KORAIL Retail Co., Ltd.		287,598,238	10,234,411	12,719,707	119,536,792
KORAIL Networks Co., Ltd.		42,359,362	1,178,649	7,443,762	16,378,803
KORAIL Logis Co., Ltd.		27,048,676	-	608,214	16,224,051
KORAIL Tourism Development Co., Ltd.		27,228,370	-	506,462	16,506,999
KORAIL Tech Co., Ltd.		69,323,699	-	1,694,105	32,365,852
Korean Insurance Brokerage Co., Ltd		2,441,515	-	-	398,300
Total	₩	29,208,355,855	505,420,565	1,758,856,431	20,559,956,273

(4) External revenues by geographical regions for the years ended December 31, 2024 and 2023 and non-current assets by geographical regions as of December 31, 2024 and 2023 are summarized as follows:

(In thousands of won)		External revenue		Non-current assets	
		2024	2023	Dec. 31, 2024	Dec. 31, 2023
Domestic	₩	6,838,087,877	6,352,919,177	27,797,604,113	27,528,313,843
Overseas		23,933,481	20,065,506	-	-
Total	₩	6,862,021,358	6,372,984,683	27,797,604,113	27,528,313,843

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of December 31, 2024 and 2023 are summarized as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	926,949,793	490,827,638
Government subsidies		(51,404,513)	(39,569,012)
Funds for consignment business from government		(344,547,810)	(285,812,460)
Total	₩	530,997,470	165,446,166

7. CASH AND CASH EQUIVALENTS RESTRICTED IN USE AND COLLATERALIZED FINANCIAL ASSETS:

Cash and cash equivalents that are restricted in use and financial assets that are held as collateral for liabilities or contingencies as of December 31, 2024 and 2023 are summarized as follows:

(In thousands of won)	Type		Dec. 31, 2024	Dec. 31, 2023
Short-term financial instruments	Loan deposit for shared growth cooperation	₩	7,000,000	6,000,000
Long-term financial instruments	Pledged assets		18,754	18,754
	Security deposit for opening of current deposit account		2,000	2,000
	Total	₩	7,020,754	6,020,754

8. FAIR VALUE MEASUREMENT FINANCIAL ASSETS(Including DERIVATIVES):

(1) FVTPL instruments outstanding as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Derivative instruments for sale	₩	48,468,500	-	50,474,500	-
Derivative instruments for hedging		134,731,522	82,076,185	72,799,589	100,927,892
Debt securities		-	43,805,322	-	39,990,032
Total	₩	183,200,022	125,881,507	123,274,089	140,917,924

(2) The amount recognized in profit or loss for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Derivative instruments for sale	₩	(2,006,000)	15,871,000
Derivative instruments for hedging		118,583,700	91,951,800
Debt securities		2,150,290	1,474,061
Total	₩	118,727,990	109,296,861

8. FAIR VALUE MEASUREMENT FINANCIAL ASSETS(Including DERIVATIVES), Continued:

(3) Changes of FVTPL for the years ended December 31, 2024 and 2023 are as follow:

		2024				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	39,990,032	1,665,000	-	2,150,290	43,805,322

		2023				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	36,866,585	6,660,000	(5,010,614)	1,474,060	39,990,031

(4) Derivative instruments outstanding as of December 31, 2024 and 2023 are as follows:

		Dec. 31, 2024		Dec. 31, 2023	
(In thousands of won)		Current	Non-current	Current	Non-current
Derivative instrument assets:					
Currency swap	₩	134,731,522	82,076,185	72,799,589	100,927,892
Right of redemption and conversion(*)		48,468,500	-	50,474,500	-
Total	₩	183,200,022	82,076,185	123,274,089	100,927,892
Derivative instrument liabilities:					
Currency swap		-	-	-	1,289,094
Total	₩	-	-	-	1,289,094

(*) The right redemption and conversion, which are the intrinsic derivatives of SR's redeemable convertible preference shares held by the consolidated entity, were recognized as derivative assets separately from preferred stock.

8. FAIR VALUE MEASUREMENT FINANCIAL ASSETS(Including DERIVATIVES), Continued:

(5) Details of currency swap outstanding as of December 31, 2024 are summarized as follows:

(In thousands of won, CHF, USD, AUD, SEK, CAD, EUR, SGD)

Financial institutions	Contract term		Selling price	Purchasing price	Selling interest rate	Purchasing interest rate	Contractual Exchange rate		Valuation amount
Nomura Financial Investment (Korea) Co., Ltd.	2017.04.26. ~ 2032.04.26.	AUD	42,708,500	50,000,000	2.30%	AUD 4.11%	854.17	₩	2,992,413
Nomura Financial Investment (Korea) Co., Ltd	2017.05.26. ~ 2032.05.26	SEK	38,199,000	300,000,000	2.40%	SEK 2.31%	127.33		908,025
Export-Import Bank of Korea	2017.06.07. ~ 2037.06.07	CAD	91,746,600	110,000,000	2.40%	CAD 3.07%	834.06		19,038,786
Nomura Financial Investment (Korea) Co., Ltd	2017.06.09. ~ 2037.06.09	EUR	62,829,000	50,000,000	2.37%	EUR 1.89%	1,256.58		7,506,543
BNP PARIBAS S.A.	2018.10.02. ~ 2033.10.02	EUR	144,454,200	110,000,000	2.36%	EUR 1.72%	1,313.22		15,630,721
Hana Bank	2018.10.25. ~ 2038.10.25.	EUR	130,480,000	100,000,000	2.33%	EUR 1.88%	1,304.80		11,283,028
Export-Import Bank of Korea	2020.04.11. ~ 2039.04.11	EUR	76,443,000	60,000,000	1.83%	EUR 1.41%	1,274.05		7,749,113
Export-Import Bank of Korea	2020.06.13. ~ 2025.06.13.	CHF	176,400,000	150,000,000	1.61%	CHF 0%	1,176.00		66,496,172
DBS Bank Ltd.	2020.09.23. ~ 2025.09.23.	SGD	126,976,800	140,000,000	0.82%	SGD 0.79%	864.12		29,966,269
BNP PARIBAS S.A.	2023.11.14~ 2025.11.14	CHF	375,000,000	250,000,000	4.07%	CHF 2.03%	1,500.00		32,393,612
BNP PARIBAS S.A.	2023.11.08~ 2025.11.08	SGD	64,350,000	65,000,000	4.22%	SGD 4.22%	990		5,875,468
BNP PARIBAS S.A.	2024.11.19~ 2027.11.19	CHF	191,280,000	120,000,000	3.02%	CHF 0.8875%	1,594		4,336,998
Credit Agricole	2024.11.18~ 2026.11.18	USD	138,700,000	100,000,000	3.14%	Compounded Daily SOFR + 0.80%	1,387		8,568,892
Credit Agricole	2024.11.18~ 2026.11.18	USD	69,350,000	50,000,000	3.17%	USD 4.85%	1,387		4,061,667
			1,728,917,100	1,655,000,000				₩	216,807,707

(6) Derivative transaction gain (loss) for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024		2023	
		Gain and losses from valuation	Other comprehensive income (loss)	Gain and losses from valuation	Other comprehensive income (loss)
Currency swap	₩	118,583,700	(5,650,879)	91,951,800	(16,647,901)
Interest rate swap		-	-	-	(942,896)
Right of redemption and conversion		(2,006,000)	-	15,871,000	-
Total	₩	116,577,700	(5,650,879)	107,822,800	(17,590,797)

9. TRADE RECEIVABLES AND OTHER RECEIVABLES:

(1) Trade receivables and accounts receivable as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	286,056,641	(12,205,192)	-	273,851,449
Other receivables		78,252,335	(57,712,516)	-	20,539,819
Subtotal		364,308,976	(69,917,708)	-	294,391,268
Non-current assets:					
Other receivables		49,794,071	(6,389)	(1,186,415)	48,601,267
Total	₩	414,103,047	(69,924,097)	(1,186,415)	342,992,535

(In thousands of won)		Dec. 31, 2023			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	694,468,751	(11,776,927)	-	682,691,824
Other receivables		64,975,442	(57,284,928)	-	7,690,514
Subtotal		759,444,193	(69,061,855)	-	690,382,338
Non-current assets:					
Other receivables		46,937,864	-	(1,117,215)	45,820,649
Total	₩	806,382,057	(69,061,855)	(1,117,215)	736,202,987

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(2) Other receivables as of December 31, 2024 and 2023 are detailed as follows:

(In thousands of won)		Dec. 31, 2024			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Other receivables	₩	70,888,556	(57,712,516)	-	13,176,040
Accrued revenue		86,399	-	-	86,399
Deposits provided		7,277,380	-	-	7,277,380
Subtotal		78,252,335	(57,712,516)	-	20,539,819
Non-current assets:					
Other receivables		638,900	(6,389)	-	632,511
Deposits provided		49,155,171	-	(1,186,415)	47,968,756
Subtotal		49,794,071	(6,389)	(1,186,415)	48,601,267
Total	₩	128,046,406	(57,718,905)	(1,186,415)	69,141,086

(In thousands of won)		Dec. 31, 2023			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Other receivables	₩	64,029,443	(57,284,928)	-	6,744,515
Accrued revenue		230,999	-	-	230,999
Deposits provided		715,000	-	-	715,000
Subtotal		64,975,442	(57,284,928)	-	7,690,514
Non-current assets:					
Deposits provided		46,937,864	-	(1,117,215)	45,820,649
Total	₩	111,913,306	(57,284,928)	(1,117,215)	53,511,163

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(3) Aging analysis of trade receivables as of December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Current and not impaired			
Receivable	₩	95,376,131	469,490,484
Book value		95,376,131	469,490,484
Overdue, but not impaired			
Receivable		67,499,261	50,415,997
Allowance for impairment		(1,519,651)	(1,367,956)
Book value		65,979,610	49,048,041
Current reviewed for impairment			
Receivable		123,181,249	174,562,270
Allowance for impairment		(10,685,541)	(10,408,971)
Book value		112,495,708	164,153,299
Total			
Receivable	₩	286,056,641	694,468,751
Allowance for impairment		(12,205,192)	(11,776,927)
Book value		273,851,449	682,691,824

(4) Aging analysis of overdue, but not impaired trade receivables as of December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
- Under 30 days		-	-
- 30 days–90 days	₩	389,784	791,666
- 90 days–120 days		146,528	149,915
- 120 days or more		66,962,949	49,474,416
Total		67,499,261	50,415,997

(5) Aging analysis of current reviewed for impairment trade receivables as of December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
- Under 30 days		107,415,940	162,571,678
- 30 days–90 days	₩	2,868,831	847,784
- 90 days–120 days		168,797	163,290
- 120 days or more		12,727,681	10,979,518
Total		123,181,249	174,562,270

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(6) Aging analysis of trade receivables as of December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Current and not impaired			
Receivable	₩	66,466,858	54,267,288
Allowance for impairment		(9,588)	(11,123)
Present value of discount		(1,186,415)	(1,117,215)
Book value		65,270,855	53,138,950
Overdue, but not impaired			
Receivable		630,783	581,703
Allowance for impairment		(318,130)	(329,528)
Book value		312,653	252,175
Current reviewed for impairment			
Receivable		60,948,765	57,064,315
Allowance for impairment		(57,391,187)	(56,944,277)
Book value		3,557,578	120,038
Total			
Receivable	₩	128,046,406	111,913,306
Allowance for impairment		(57,718,905)	(57,284,928)
Present value of discount		(1,186,415)	(1,117,215)
Book value		69,141,086	53,511,163

(7) Aging analysis of overdue, but not impaired other receivables as of December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
- Under 30 days		-	-
- 30 days–90 days	₩	-	-
- 90 days–120 days		43,533	17,017
- 120 days or more		587,250	564,686
Total		630,783	581,703

(8) Aging analysis of current reviewed for impairment other receivables as of December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
- Under 30 days		2,272,086	46,919
- 30 days–90 days	₩	66,517	(28,326)
- 90 days–120 days		3,932	10,372
- 120 days or more		58,606,230	57,035,350
Total		60,948,765	57,064,315

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(9) Changes in allowance for impairment of trade receivables and other receivables for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024		2023	
		Trade receivable	Other receivables	Trade receivable	Other receivables
Beginning balance	₩	11,776,927	57,284,928	13,328,749	57,304,147
Bad dept expenses		1,696,457	638,319	-	298,883
Write-offs		(1,266,548)	(192,944)	(344,902)	(316,715)
Reversal of allowance		-	(11,398)	(1,175,365)	(1,387)
Other		(1,644)	-	(31,555)	-
Ending balance	₩	12,205,192	57,718,905	11,776,927	57,284,928

10. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Contract assets and Contract liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Contract liabilities:			
- Customer loyalty programmes	₩	83,932,061	81,172,320
- Advances from construction contracts		227,927	265,394
Total	₩	84,159,988	81,437,714

(2) Contract liabilities on customer loyalty programmes as of December 31, 2024 and 2023 are detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Current liabilities:			
Short-term income received in advance			
- Customer loyalty programmes	₩	83,892,769	81,112,174
Non-current liabilities:			
Long-term income received in advance			
- Customer loyalty programmes		39,292	60,146
- Advances from construction contracts	₩	227,927	265,394
Total	₩	84,159,988	81,437,714

(3) Changes in contract liabilities on customer loyalty programmes for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	81,172,320	86,995,354
Increase		85,821,188	79,784,658
Revenue recognized		(83,061,447)	(83,396,345)
Changes in Scope for Consolidation		-	(2,211,347)
Ending balance	₩	83,932,061	81,172,320

11. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

(1) Changes of FVOCI for the years ended December 31, 2024 and 2023 are as follow:

		2024				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	5,783	-	(125)	(1,520)	4,138
Unlisted securities		42,929,433	-	(2)	567,255	43,496,686
Total	₩	42,935,216	-	(127)	565,735	43,500,824

		2023				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	6,081	-	-	(298)	5,783
Unlisted securities		37,188,159	-	(5,206)	5,746,480	42,929,433
Total	₩	37,194,240	-	(5,206)	5,746,182	42,935,216

12. LOANS:

Loans as of December 31, 2024 and 2023 are summarized as follows:

(In thousands of won)		Dec. 31, 2024		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	29,538,776	(3,638,921)	25,899,855
Other (*2)		149,285	-	149,285
Total	₩	29,688,061	(3,638,921)	26,049,140

(*1) Regarding Tuition loans, the amount of ₩212,600 thousand (₩2,128 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

(In thousands of won)		Dec. 31, 2023		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	32,781,008	(3,583,024)	29,197,984
Other (*2)		101,255	-	101,255
Total	₩	32,882,263	(3,583,024)	29,299,239

(*1) Regarding Tuition loans, the amount of ₩612,964 thousand (₩23,336 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

13. FINANCIAL INSTRUMENTS:

Financial instruments as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Periodical installment savings	₩	17,150,000	20,755	12,078,494	20,755
Others		7,000,000	-	80,000,000	-
Total	₩	24,150,000	20,755	92,078,494	20,755

14. INVENTORIES:

Inventories as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	260,227	-	-	260,227
Merchandises		13,166,729	-	-	13,166,729
Work in progress		2,438,301	-	-	2,438,301
Supplies		745,498,197	(343,350,997)	(2,277)	402,144,923
Inventory in transit		596,741	-	-	596,741
Total	₩	761,960,195	(343,350,997)	(2,277)	418,606,921

(In thousands of won)		Dec. 31, 2023			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	207,282	-	-	207,282
Merchandises		10,028,371	-	-	10,028,371
Work in progress		1,244,133	-	-	1,244,133
Supplies		598,865,772	(247,134,477)	(2,277)	351,729,018
Inventory in transit		462,085	-	-	462,085
Total	₩	610,807,643	(247,134,477)	(2,277)	363,670,889

15. NON-FINANCIAL ASSETS:

(1) Non-financial assets as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Prepayment	₩	158,321,791	-	140,868,438	-
Government grants		(129,269,657)	-	(100,114,003)	-
Allowance for bad debts		(51,117)	-	(51,117)	-
Prepaid expenses		8,477,554	4,103,419	7,648,343	4,064,993
Other non-financial assets		5,023,800	28	2,974,622	6,282
Total	₩	42,502,371	4,103,447	51,326,283	4,071,275

(2) Other non-financial assets as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Deposits	₩	1,874,161	-	1,811,361	-
Non-financial assets-others		3,149,639	29	1,163,261	6,281
Total	₩	5,023,800	29	2,974,622	6,281

(3) Changes in allowance for impairment of other non-financial assets for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	51,117	47,746
Impairment loss recognized		-	3,371
Ending balance	₩	51,117	51,117

16. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of December 31, 2024 and 2023 are detailed as follows:

			Dec. 31, 2024		
(In thousands of won)	Primary business	Location	Owner-ship(%)	Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩ 1,765,000	1,277,995
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00	250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90	897,000	-
SR Co., Ltd.	Businesses related to passenger Rail Transport	Republic of Korea	41.05	350,300,000	355,499,117
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	Real Estate Development, Sale and Lease	Republic of Korea	20.16	9,259,400	9,622,238
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67	84,338,340	9,316,915
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	682,300	3,388,040
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08	699,962	2,767,931
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	6,833,050	2,457,359
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04	12,953,517	55,694,685
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55	1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00	600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78	4,862,340	7,577,510
	Total			₩ 724,792,910	447,601,790

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

16. INVESTMENTS IN ASSOCIATES, Continued:

(1) Investments in associates as of December 31, 2024 and 2023 are detailed as follows, Continued:

(In thousands of won)	Primary business	Location	Dec. 31, 2023		
			Owner-ship(%)	Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩ 1,765,000	1,329,188
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00	250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90	897,000	-
SR Co., Ltd.	Businesses related to passenger Rail Transport	Republic of Korea	41.05	350,300,000	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	Real Estate Development, Sale and Lease	Republic of Korea	20.16	9,259,400	9,186,253
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67	84,338,340	24,987,423
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	682,300	2,907,275
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08	699,962	3,115,276
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	6,833,050	2,427,954
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04	12,953,517	49,045,987
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55	1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00	600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78	4,862,340	5,668,406
	Total			₩ 724,792,910	447,773,266

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

16. INVESTMENTS IN ASSOCIATES, Continued:

(2) Financial information of significant associates as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Lotte Station Building Co., Ltd.		Hanwha Station Development Co., Ltd.		SR Co., Ltd.	
	2024	2023	2024	2023	2024	2023
Current Assets ₩	51,638,454	69,838,667	25,678,876	32,258,794	116,380,659	185,053,911
Non-current assets	70,852,251	96,455,855	475,085,801	485,919,789	954,881,506	893,425,593
Current liabilities	68,951,171	74,498,618	57,445,945	88,188,396	223,153,622	221,826,081
Non-current liabilities	24,117,702	12,888,263	269,504,937	276,925,866	216,768,799	240,888,521
Revenue	94,866,616	111,652,349	184,445,085	191,726,993	714,514,449	697,772,029
Profit for the year	(32,378,877)	(835,336)	23,233,809	11,768,664	18,244,207	9,204,812
Total comprehensive profit for the year	-	(835,336)	-	11,775,431	15,574,842	7,785,862
Dividend received	-	-	-	629,647	-	-

(3) Details of adjustments made for book value of associates as of December 31, 2024 are as follows

(In thousands of won)	Net assets	Ownership	Share of interests in net assets	Investment difference	Book value
Uiwang ID Co., Ltd ₩	5,111,979	25.00%	1,277,995	-	1,277,995
SR Co., Ltd.	631,339,744	41.05%	259,170,667	96,328,450	355,499,117
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	46,532,180	20.16%	9,382,535	239,703	9,622,238
Lotte Station Building Co., Ltd.	29,421,832	31.67%	9,316,915	-	9,316,915
Bupyeong Department Store Co., Ltd	13,552,159	25.00%	3,388,040	-	3,388,040
Anyang Station Building Co., Ltd.	10,615,269	26.08%	2,767,931	-	2,767,931
Bucheon Station Building Co., Ltd.	9,829,437	25.00%	2,457,359	-	2,457,359
Hanwha Station Development Co., Ltd.	173,813,796	32.04%	55,694,685	-	55,694,685
Bit Plex Co., Ltd.	24,283,431	31.20%	7,577,510	-	7,577,510
Total ₩	944,499,827		351,033,637	96,568,153	447,601,790

16. INVESTMENTS IN ASSOCIATES, Continued:

(4) Book value of non-significant associates and joint ventures is as follows:

(In thousands of won)		Individually non-significant associates and joint ventures
Book value	₩	27,091,073
Profit attributable to associates and joint ventures:		
Profit from continuing operations	₩	11,983,196
Other comprehensive income		-
Total	₩	11,983,196

(5) Changes in investments in associates for the years ended December 31, 2024 and 2023 are as follows:

		2024						
(In thousands of won)		Beginning balance	Acquisition	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,329,188	-	-	(51,193)	-	-	1,277,995
SR Co., Ltd.		349,105,504	-	-	7,489,410	(661,610)	(434,187)	355,499,117
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd		9,186,253	-	-	437,787	-	(1,802)	9,622,238
Lotte Station Building Co., Ltd.		24,987,423	-	-	(10,247,221)	-	(5,423,287)	9,316,915
Bupyeong Department Store Co., Ltd.		2,907,275	-	-	398,636	-	82,129	3,388,040
Anyang Station Building Co., Ltd		3,115,276	-	(65,188)	(307,520)	-	25,363	2,767,931
Bucheon Station Building Co., Ltd.		2,427,954	-	(1,250,000)	1,402,307	-	(122,902)	2,457,359
Hanwha Station Development Co., Ltd.		49,045,987	-	(629,647)	7,444,747	-	(166,402)	55,694,685
Bit Plex Co., Ltd.		5,668,406	-	(252,842)	977,075	1,398,144	(213,273)	7,577,510
		447,773,266	-	(2,197,677)	7,544,028	736,534	(6,254,361)	447,601,790

		2023						
(In thousands of won)		Beginning balance	Acquisition	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,414,206	-	-	(85,018)	-	-	1,329,188
SR Co., Ltd.		-	350,300,000	-	562,732	(582,492)	(1,174,736)	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd		-	9,259,400	-	(69,670)	(3,477)	-	9,186,253
Lotte Station Building Co., Ltd.		24,912,711	-	-	(264,848)	-	339,560	24,987,423
Bupyeong Department Store Co., Ltd.		2,090,637	-	-	804,757	-	11,881	2,907,275
Anyang Station Building Co., Ltd		3,203,407	-	(65,188)	(93,905)	-	70,962	3,115,276
Bucheon Station Building Co., Ltd.		2,908,665	-	(1,500,000)	1,214,660	-	(195,371)	2,427,954
Hanwha Station Development Co., Ltd.		45,930,297	-	(629,647)	3,771,001	2,168	(27,832)	49,045,987
Bit Plex Co., Ltd.		4,931,665	-	-	1,044,133	-	(307,392)	5,668,406
		85,391,588	359,559,400	(2,194,835)	6,883,842	(583,801)	(1,282,928)	447,773,266

16. INVESTMENTS IN ASSOCIATES, Continued:

(6) Details of unrecognized equity losses for the year ended December 31, 2024 and accumulated unrecognized equity losses due to discontinuance of equity method application are as follows:

(In thousands of won)	Unrecognized equity losses for the year ended	Unrecognized equity losses Accumulated
YongSan Station Around Development Co., Ltd.	-	(2,904,581)
Shinsegae Uijeongbu Station Building Co., Ltd.	-	(1,278,508)
Kwangwoon Univ. Building Co., Ltd.	-	(3,505,086)
Ansan Central Station Building Co., Ltd.	-	(174,474)

Investment stocks that have lost significant influence due to bankruptcy are not included.

17. PROPERTY, TRAINS AND EQUIPMENT:

(1) Details of property, trains and equipment as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,506,577,248	(6,598,459)	-	-	17,499,978,789
Buildings(*)		2,332,577,492	(115,516,064)	(780,445,474)	(39,690)	1,436,576,264
Structures		344,609,422	(6,375,706)	(192,242,019)	(652,134)	145,339,563
Machinery		1,719,171,502	(12,225,535)	(1,069,518,789)	-	637,427,178
Trains		10,009,215,331	(194,016,068)	(4,777,289,107)	(2,661,000)	5,035,249,156
Vehicles		85,069,009	(27,975)	(45,117,119)	-	39,923,915
Furniture and fixtures		19,165,202	(1)	(14,278,438)	-	4,886,763
Tools		148,950,221	(67,497)	(115,786,568)	-	33,096,156
Construction in progress		1,380,109,969	(3,954,888)	-	-	1,376,155,081
Right-of-use assets		60,410,051	-	(29,871,221)	-	30,538,830
Other tangible assets		30,525,424	(48,091)	(1,893,977)	-	28,583,356
Total	₩	33,636,380,871	(338,830,284)	(7,026,442,712)	(3,352,824)	26,267,755,051

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

(In thousands of won)		Dec. 31, 2023				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,569,077,913	(6,598,459)	-	-	17,562,479,454
Buildings(*)		2,228,710,037	(119,385,183)	(728,257,563)	(39,690)	1,381,027,601
Structures		337,310,713	(6,869,550)	(179,654,747)	(652,134)	150,134,282
Machinery		1,683,050,723	(17,977,828)	(1,039,779,857)	-	625,293,038
Trains		9,726,568,260	(215,216,047)	(4,519,384,055)	(2,661,000)	4,989,307,158
Vehicles		50,014,024	(38,675)	(40,126,249)	-	9,849,100
Furniture and fixtures		17,949,073	(3,341)	(13,332,666)	-	4,613,066
Tools		137,529,163	(62,986)	(111,138,572)	-	26,327,605
Construction in progress		1,241,920,724	-	-	-	1,241,920,724
Right-of-use assets		48,815,588	-	(25,034,380)	-	23,781,208
Other tangible assets		30,699,266	(48,091)	(1,850,840)	-	28,800,335
Total	₩	33,071,645,484	(366,200,160)	(6,658,558,929)	(3,352,824)	26,043,533,571

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

17. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(2) Changes in property, trains and equipment for the years ended December 31, 2024 and 2023 are as follows:

		2024					
(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	17,562,479,454	45,018,811	(1,000,871)	-	(106,518,605)	17,499,978,789
Buildings (*)		1,381,027,601	45,804,631	(235,300)	(51,926,575)	61,905,907	1,436,576,264
Structures		150,134,282	9,013,451	(1,090,472)	(14,318,772)	1,601,074	145,339,563
Machinery		625,293,038	53,555,362	(692,796)	(65,272,589)	24,544,163	637,427,178
Trains		4,989,307,158	372,539,448	(3,694,835)	(401,422,132)	78,519,517	5,035,249,156
Vehicles		9,849,100	59,287,319	(20,932)	(8,980,574)	(20,210,998)	39,923,915
Furniture and fixtures		4,613,066	1,943,656	(248,929)	(1,664,707)	243,677	4,886,763
Tools		26,327,605	16,668,452	(101,674)	(10,531,698)	733,471	33,096,156
Construction in progress		1,241,920,724	247,365,751	(24,603)	-	(113,006,791)	1,376,155,081
Right-of-use assets		23,781,208	-	-	(11,832,709)	18,590,331	30,538,830
Other tangible assets		28,800,335	39,918	(154,764)	(102,133)	-	28,583,356
	W	26,043,533,571	851,236,799	(7,365,176)	(566,051,889)	(53,598,254)	26,267,755,051

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

		2023					
(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	17,559,325,918	628,899	(8,830,026)	-	11,354,663	17,562,479,454
Buildings (*)		1,369,433,923	40,322,693	(5,434,891)	(50,050,692)	26,756,568	1,381,027,601
Structures		150,920,610	11,940,522	(244,138)	(13,689,558)	1,206,846	150,134,282
Machinery		538,169,397	116,444,938	(468,247)	(60,815,880)	31,962,830	625,293,038
Trains		4,707,543,349	900,381,223	(10,206,295)	(397,362,079)	(211,049,040)	4,989,307,158
Vehicles		12,109,110	26,349,738	(2,722)	(4,516,196)	(24,090,830)	9,849,100
Furniture and fixtures		4,603,393	1,676,017	(32,716)	(1,585,383)	(48,245)	4,613,066
Tools		24,214,032	11,826,725	(43,748)	(10,003,556)	334,152	26,327,605
Construction in progress		1,219,439,523	629,154,722	-	-	(606,673,521)	1,241,920,724
Right-of-use assets		20,341,305	-	(42,161)	(11,820,390)	15,302,454	23,781,208
Other tangible assets		29,656,989	854,449	(99,662)	(424,318)	(1,187,123)	28,800,335
	W	25,635,757,549	1,739,579,926	(25,404,606)	(550,268,052)	(756,131,246)	26,043,533,571

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

17. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(3) Accounting policy for subsequent measurement

The Group measured the fair value of the land, and commissioned Gaon Appraisal & Realty Advisor, the independent and publicly authorized appraisal institutions. The fair value is measured based on actual market price, taking into account differences arising from specific assets' characteristics, location and condition of the market, and the date of revaluation is December 31, 2022.

Details of accumulated gain on revaluation of assets recognized in other comprehensive income for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	9,535,131,557	9,674,280,718
Reclassification of gain on revaluation of assets to retained earnings		(20,222,923)	(139,149,161)
Ending balance	₩	9,514,908,634	9,535,131,557

18. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024			
		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	627,533,964	-	-	627,533,964
Buildings and structure		233,049,933	(3,507,534)	(75,387,116)	154,155,283
Total	₩	860,583,897	(3,507,534)	(75,387,116)	781,689,247

(In thousands of won)		Dec. 31, 2023			
		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	568,033,350	-	-	568,033,350
Buildings and structure		226,973,306	(3,280,393)	(68,508,986)	155,183,927
Total	₩	795,006,656	(3,280,393)	(68,508,986)	723,217,277

18. INVESTMENT PROPERTY, Continued:

(2) Changes in investment property for the years ended December 31, 2024and 2023are as follows:

(In thousands of won)		2024				
		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	568,033,350	-	-	59,500,614	627,533,964
Buildings and structure		155,183,927	553,295	(5,413,237)	3,831,298	154,155,283
	₩	723,217,277	553,295	(5,413,237)	63,331,912	781,689,247

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(In thousands of won)		2023				
		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	611,494,451	567,563	-	(44,028,664)	568,033,350
Buildings and structure		166,648,311	194,438	(5,212,847)	(6,445,975)	155,183,927
	₩	778,142,762	762,001	(5,212,847)	(50,474,639)	723,217,277

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(3) Income and expense from investment property for the years ended December 31, 2024and 2023are as follows:

(In thousands of won)		2024	2023
Rental income	₩	61,447,983	63,929,996
Operating expenses		(5,413,237)	(10,502,145)
Total	₩	56,034,746	53,427,851

19. CONSTRUCTION CONTRACTS:

(1) Changes in outstanding balance of construction contracts for the year ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024			
		Beginning balance	Increase (decrease)	Current construction revenue	Ending balance
Domestic civil engineering works	₩	645,043	1,979,246	(1,157,644)	1,466,645

(In thousands of won)		2023			
		Beginning balance	Increase (decrease)	Current construction revenue	Ending balance
Domestic civil engineering works	₩	1,527,704	513,175	(1,395,836)	645,043

Revenue from new construction contracts increased by ₩1,979,246 thousand (₩513,175 thousand in 2023).

(2) Details of profit or loss related to the construction contract recognized during the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024		
		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	1,873,894	(1,634,250)	239,644

(In thousands of won)		2023		
		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	9,689,606	(9,094,391)	595,215

(3) Advances from construction contracts is ₩227,927 thousand at December 31, 2024.

20. GOODWILL:

(1) Goodwill as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Acquisition costs	₩	3,972,453	3,972,453
Accumulated impairment loss		(362,964)	(362,964)
Book value		3,609,489	3,609,489

(2) Changes in goodwill for the year ended December 31, 2024 and 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	3,609,489	3,732,906
Changes in Scope for Consolidation(*)		-	(123,417)
Ending balance		3,609,489	3,609,489

(*) During the year ended December 31, 2023, the consolidation company lost control of SR Co., Ltd.

21. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2024 and 2023 are as follows:

		Dec. 31, 2024			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	69,728,938	(62,671,554)	-	7,057,384
Industrial property rights		300,362	(231,553)	-	68,809
Development costs		28,306,244	(21,990,996)	(171,051)	6,144,197
Developing intangible assets		5,989,223	-	-	5,989,223
Service operating rights on donated assets		496,063	(429,909)	-	66,154
Other intangible assets		25,543,430	-	-	25,543,430
	₩	130,364,260	(85,324,012)	(171,051)	44,869,197

		Dec. 31, 2023			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	70,801,351	(62,258,911)	-	8,542,440
Industrial property rights		315,463	(231,552)	-	83,911
Development costs		26,427,183	(19,310,207)	(313,901)	6,803,075
Developing intangible assets		664,242	-	-	664,242
Service operating rights on donated assets		496,063	(396,836)	-	99,227
Other intangible assets		25,711,013	-	-	25,711,013
	₩	124,415,315	(82,197,506)	(313,901)	41,903,908

21. INTANGIBLE ASSETS, Continued:

(2) Changes in intangible assets for the years ended December 31, 2024 and 2023 are as follows:

	2024						
(In thousands of won)	Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance ₩	83,911	6,803,075	8,542,440	99,227	25,711,013	664,242	41,903,908
Increase	1,699	934,154	1,114,665	-	-	5,988,023	8,038,541
Amortization	(31,291)	(2,537,941)	(2,758,525)	(33,073)	(167,583)	-	(5,528,413)
Other	14,490	944,909	158,804	-	-	(663,042)	455,161
Ending balance ₩	68,809	6,144,197	7,057,384	66,154	25,543,430	5,989,223	44,869,197

	2023						
(In thousands of won)	Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance ₩	122,579	8,485,760	11,863,595	132,300	25,878,596	1,000	46,483,830
Increase	-	1,673,973	636,741	-	-	1,152,312	3,463,026
Disposals	-	-	(1,212)		-		(1,212)
Amortization	(31,952)	(2,407,726)	(3,042,418)	(33,073)	(167,583)	-	(5,682,752)
Other	(6,716)	(948,932)	(914,266)	-	-	(489,070)	(2,358,984)
Ending balance ₩	83,911	6,803,075	8,542,440	99,227	25,711,013	664,242	41,903,908

(3) Emission rights

(i) Free allocation of emission rights

The amounts of free allocation for emission rights for each planning period and implementation year as of December 31, 2024 are as follows (in TCO2-eq):

(In thousands of won)	2021	2022	2023	2024	2025	Total
Free allocation of emission rights ₩	2,035,174	2,035,174	2,035,174	2,035,174	2,035,174	10,175,870

(ii) Estimated greenhouse gas emissions in 2024 were 1,875,174 TCO2-eq, and permitted greenhouse gas emissions in 2024 were 2,035,174 TCO2-eq.

22. TRADE AND OTHER PAYABLES:

Details of trade and other payables as of December 31, 2024 and 2023 are as follows:

	Dec. 31, 2024		Dec. 31, 2023	
(In thousands of won)	Current	Non-current	Current	Non-current
Trade payables ₩	365,428,857	-	321,509,068	-
Other payables	227,055,588	-	423,914,126	-
Accrued expense	409,846,294	-	390,500,693	-
Other guarantee deposit received	8,518,853	47,531,371	8,510,339	46,860,577
Lease Liabilities	11,153,760	18,531,615	9,515,884	13,723,706
Total ₩	1,022,003,352	66,062,986	1,153,950,110	60,584,283

23. FINANCIAL LIABILITIES:

(1) Financial liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Current liabilities:			
Short-term borrowings	₩	-	3,700,000
Current portion of long-term borrowings		-	100,000,000
Current bonds		2,202,173,400	1,572,433,000
Deduct: Bond issuance discount		(746,465)	(117,815)
Add: Bond issuance premium		-	171,834
Subtotal		2,201,426,935	1,676,187,019
Non-current liabilities:			
Bonds		13,763,147,800	13,407,407,500
Deduct: Bond issuance discount		(3,335,292)	(4,070,624)
Subtotal		13,759,812,508	13,403,336,876
Total	₩	15,961,239,443	15,079,523,895

(2) Short-term borrowings as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Type of borrowings	Interest rate		Dec. 31, 2024	Dec. 31, 2023
NongHyup Bank	Working fund borrowing	-	₩	-	3,700,000

(3) Current portion of long-term borrowings as of December 31, 2023 are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Dec. 31, 2024	Dec. 31, 2023
DBS Bank	Working fund borrowing	-	-	100,000,000

23. FINANCIAL LIABILITIES, Continued:

(4) Long-term borrowings as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Dec. 31, 2024	Dec. 31, 2023
DBS Bank	Working capital loan	-	-	100,000,000
	Subtotal		-	100,000,000
	Less: reclassified to current borrowings		-	(100,000,000)
	Total		₩ -	-

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2024 and 2023 are as follows:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2024 Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	45,684,000
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		39,969,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		112,635,600
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		76,436,500
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		168,160,300
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		152,873,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		91,723,800
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		243,957,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		151,351,200
Foreign public bond27	CHF 2.0275%	2025-11-14	CHF 250,000,000		406,595,000
Foreign public bond28	SGD 4.22%	2025-11-08	SGD 65,000,000		70,270,200
Foreign public bond29	CHF 0.8875%	2027-11-19	CHF 120,000,000		195,165,600
Foreign public bond30	Compounded Daily SOFR + 0.80%	2026-11-18	USD 100,000,000		147,000,000
Foreign public bond31	USD 4.85%	2026-11-18	USD 50,000,000		73,500,000
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000
Korea Railroad Corporation157	2.40%	2047-03-21	-		140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-		150,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-		80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-		130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-		70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-		150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-		150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-		50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-		50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-		40,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2024 and 2023 are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2024 Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation169	2.65%	2037-11-09	-	₩ 160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07	-	100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21	-	130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22	-	80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04	-	100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04	-	140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24	-	60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24	-	160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07	-	160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07	-	80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18	-	50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18	-	150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24	-	150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21	-	80,000,000
Korea Railroad Corporation220	3.19%	2034-07-28	-	30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25	-	30,000,000
Korea Railroad Corporation222	3.90%	2052-09-02	-	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-	60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-	190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-	90,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-	100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-	100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-	210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-	100,000,000
Korea Railroad Corporation231	3.91%	2026-02-23	-	140,000,000
Korea Railroad Corporation232	3.92%	2028-02-23	-	60,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2024 and 2023 are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2024 Borrowings denominated in foreign currency		Dec. 31, 2024 Borrowings denominated in won
Korea Railroad Corporation233	3.71%	2043-03-20	-	₩	200,000,000
Korea Railroad Corporation234	3.64%	2043-03-29	-		120,000,000
Korea Railroad Corporation235	3.76%	2028-04-20	-		150,000,000
Korea Railroad Corporation236	3.62%	2028-05-12	-		100,000,000
Korea Railroad Corporation237	4.06%	2028-05-30	-		120,000,000
Korea Railroad Corporation238	4.03%	2028-06-23	-		100,000,000
Korea Railroad Corporation239	3.98%	2028-07-24	-		120,000,000
Korea Railroad Corporation240	3.89%	2053-07-24	-		190,000,000
Korea Railroad Corporation241	4.18%	2053-09-22	-		170,000,000
Korea Railroad Corporation242	4.67%	2028-10-23	-		100,000,000
Korea Railroad Corporation243	3.81%	2028-12-13	-		70,000,000
Korea Railroad Corporation244	3.82%	2033-12-13	-		220,000,000
Korea Railroad Corporation245	3.65%	2026-12-18	-		50,000,000
Korea Railroad Corporation246	3.52%	2029-03-27	-		100,000,000
Korea Railroad Corporation247	3.59%	2034-03-27	-		120,000,000
Korea Railroad Corporation248	3.51%	2029-04-03	-		80,000,000
Korea Railroad Corporation249	3.57%	2034-04-03	-		100,000,000
Korea Railroad Corporation250	3.58%	2027-05-23	-		130,000,000
Korea Railroad Corporation251	3.57%	2029-05-23	-		70,000,000
Korea Railroad Corporation252	3.58%	2029-06-04	-		110,000,000
Korea Railroad Corporation253	3.41%	2034-06-26	-		200,000,000
Korea Railroad Corporation254	3.27%	2029-07-09	-		110,000,000
Korea Railroad Corporation255	3.21%	2027-07-23	-		140,000,000
Korea Railroad Corporation256	3.12%	2027-09-24	-		180,000,000
Korea Railroad Corporation257	3.15%	2029-09-24	-		90,000,000
Korea Railroad Corporation258	3.20%	2027-11-18	-		130,000,000
Korea Railroad Corporation259	3.22%	2029-11-18	-		50,000,000
Korea Railroad Corporation260	2.70%	2054-12-06	-		140,000,000
Korea Railroad Corporation261	2.96%	2026-12-12	-		210,000,000
Korea Railroad Corporation262	2.76%	2054-12-19	-		80,000,000
		KRW	-	₩	13,990,000,000
		USD	150,000,000		220,500,000
		CHF	520,000,000		845,717,600
Subtotal		SGD	205,000,000		221,621,400
		AUD	50,000,000		45,684,000
		SEK	300,000,000		39,969,000
		CAD	110,000,000		112,635,600
		EUR	320,000,000		489,193,600
		KRW	-		1,330,000,000
Deduct: reclassified to current		CHF	400,000,000		650,552,000
		SGD	205,000,000		221,621,400
		KRW	-	₩	12,660,000,000
		USD	150,000,000		220,500,000
		CHF	120,000,000		195,165,600
Total (Non-current bonds)		AUD	50,000,000		45,684,000
		SEK	300,000,000		39,969,000
		CAD	110,000,000		112,635,600
		EUR	320,000,000		489,193,600
				₩	13,763,147,800

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2024 and 2023 are as follows:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023		
			Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	44,004,000
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		38,700,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		107,210,400
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		71,329,500
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		156,924,900
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		142,659,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		85,595,400
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		229,023,000
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000		229,023,000
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000		193,410,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		136,760,400
Foreign public bond27	CHF 2.0275%	2025-11-14	CHF 250,000,000		381,705,000
Foreign public bond28	SGD 4.22%	2025-11-08	SGD 65,000,000		63,495,900
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-		110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-		40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-		100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-		70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-		70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-		150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-		150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-		200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2024 and 2023 are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023 Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation157	2.40%	2047-03-21	-	₩ 140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-	150,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-	80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-	130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-	70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-	150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-	150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-	50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-	50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-	40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-	160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation195	1.11%	2024-02-05	-	100,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07	-	100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21	-	130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22	-	80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04	-	100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04	-	140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24	-	60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24	-	160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07	-	160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07	-	80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18	-	50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18	-	150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24	-	150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21	-	80,000,000
Korea Railroad Corporation220	3.19%	2034-07-28	-	30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25	-	30,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2024 and 2023 are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023 Borrowings denominated in foreign currency		Dec. 31, 2023 Borrowings denominated in won
Korea Railroad Corporation222	3.90%	2052-09-02	-	₩	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-		60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-		190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-		90,000,000
Korea Railroad Corporation226	5.96%	2024-10-28	-		100,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-		100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-		100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-		210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-		100,000,000
Korea Railroad Corporation231	3.91%	2026-02-23	-		140,000,000
Korea Railroad Corporation232	3.92%	2028-02-23	-		60,000,000
Korea Railroad Corporation233	3.71%	2043-03-20	-		200,000,000
Korea Railroad Corporation234	3.64%	2043-03-29	-		120,000,000
Korea Railroad Corporation235	3.76%	2028-04-20	-		150,000,000
Korea Railroad Corporation236	3.62%	2028-05-12	-		100,000,000
Korea Railroad Corporation237	4.06%	2028-05-30	-		120,000,000
Korea Railroad Corporation238	4.03%	2028-06-23	-		100,000,000
Korea Railroad Corporation239	3.98%	2028-07-24	-		120,000,000
Korea Railroad Corporation240	3.89%	2053-07-24	-		190,000,000
Korea Railroad Corporation241	4.18%	2053-09-22	-		170,000,000
Korea Railroad Corporation242	4.67%	2028-10-23	-		100,000,000
Korea Railroad Corporation243	3.81%	2028-12-13	-		70,000,000
Korea Railroad Corporation244	3.82%	2033-12-13	-		220,000,000
Korea Railroad Corporation245	3.65%	2026-12-18	-		50,000,000
		KRW	-	₩	13,100,000,000
		USD	150,000,000		193,410,000
		CHF	550,000,000		839,751,000
Subtotal		SGD	205,000,000		200,256,300
		AUD	50,000,000		44,004,000
		SEK	300,000,000		38,700,000
		CAD	110,000,000		107,210,400
		EUR	320,000,000		456,508,800
		KRW	-		1,150,000,000
Deduct: reclassified to current		USD	150,000,000		193,410,000
		CHF	150,000,000		229,023,000
		KRW	-	₩	11,950,000,000
		CHF	400,000,000		610,728,000
		SGD	205,000,000		200,256,300
Total (Non-current bonds)		AUD	50,000,000		44,004,000
		SEK	300,000,000		38,700,000
		CAD	110,000,000		107,210,400
		EUR	320,000,000		456,508,800
				₩	13,407,407,500

24. LEASE:

(1) Details of the right-of-use assets as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	50,485,317	(23,657,239)	26,828,078
Real estate		9,924,735	(6,213,983)	3,710,752
Total	₩	60,410,052	(29,871,222)	30,538,830

(In thousands of won)		Dec. 31, 2023		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	40,025,618	(19,838,295)	20,187,323
Real estate		8,789,970	(5,196,085)	3,593,885
Total	₩	48,815,588	(25,034,380)	23,781,208

(2) Details of the changes in the right-of-use assets for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024				
		Beginning balance	Increase	Depreciation	Other	Ending balance
Vehicle	₩	20,187,323	17,186,053	(10,545,298)	-	26,828,078
Real estate		3,593,885	1,398,886	(1,287,411)	5,392	3,710,752
Total	₩	23,781,208	18,584,939	(11,832,709)	5,392	30,538,830

(In thousands of won)		2023				
		Beginning balance	Increase	Depreciation	Other	Ending balance
Vehicle	₩	15,835,566	12,049,958	(9,479,848)	1,781,647	20,187,323
Real estate		4,505,739	1,911,556	(2,340,542)	(482,868)	3,593,885
Total	₩	20,341,305	13,961,514	(11,820,390)	1,298,779	23,781,208

24. LEASE, Continued:

(3) Details of maturity analysis of lease liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
1 year or less	₩	11,744,123	9,902,847
1 year~5 years or less		18,514,973	13,550,270
More than 5 years		1,450,614	1,693,039
Subtotal		31,709,710	25,146,156
Present value adjustment amount, etc.		(2,024,335)	(1,906,566)
Present value of contractual cash flows	₩	29,685,375	23,239,590

(4) Liquidity classification of the lease liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Current lease liabilities	₩	11,153,760	9,515,884
Non-current lease liabilities		18,531,615	13,723,706

(5) Changes in lease liabilities related to the lease contract for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	23,239,590	20,111,952
New contract		17,467,621	12,543,735
Interest expense		867,117	770,166
Payments		(11,878,997)	(11,660,557)
Others		(9,956)	1,474,294
Ending balance	₩	29,685,375	23,239,590

(6) The amount recognized in profit or loss from the position of the lessee for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Depreciation of right-of-use asset	₩	11,657,411	11,820,390
Interest expenses on lease liabilities		867,117	770,166
Expenses related to short-term lease applying practical expedients		23,045	1,485,907
Expenses related to small value assets applying practical expedients		61,018	94,781
Variable lease payments not included in lease liability measurement		578,197,442	691,037,447
Total	₩	590,806,033	705,208,691

(7) The total cash outflow of the lease recognized in the statement of cash flows for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
The total cash outflow	₩	590,160,502	704,278,692

25. EMPLOYEE BENEFITS:

(1) Defined contribution plan

The Group operates a defined contribution plan for employees of Korea Railroad Corporation, KORAIL Networks Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd. and KORAIL Tech Co., Ltd. Plan assets are operated independently from the Group's other assets in the form of funds.

Total expense included in the consolidated statement of comprehensive loss for the year ended December 31, 2024, amounting to ₩10,150,744 thousand (2023: ₩11,283,800 thousand), represents the contributions to the retirement benefit plan according to the ratio pursuant to retirement benefit plan.

Expense presented above is recognized in the consolidated statements of comprehensive loss for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Cost of sales	₩	7,688,676	7,411,566
Selling, general and administrative expense		2,462,068	3,872,234
Total	₩	10,150,744	11,283,800

(2) Defined benefits retirement plan

The Group operates a defined benefit retirement plan for all other employees who do not participate in the defined contribution plan.

The major actuarial calculation of the plan asset and the defined benefit retirement liabilities was performed by HMC investment securities Co., Ltd. whose report was dated December 31, 2024. Present value of defined benefit liabilities, current service costs and past service costs are calculated using the projected credit method.

(i) The component of defined benefit liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Present value of defined benefit obligations	₩	1,505,176,067	1,398,240,573
Fair value of plan assets		(182,166,490)	(175,214,723)
Recognized as defined benefit liabilities in the consolidated statement of financial position	₩	1,323,009,577	1,223,025,850

25. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(ii) Changes in defined benefit liabilities for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	1,398,240,573	1,309,489,761
Current service costs		175,183,431	167,352,720
Interests		65,339,542	67,999,454
Actuarial gains or losses		18,441,597	16,185,671
Benefit paid		(152,029,076)	(138,313,912)
Other		-	(24,473,121)
Ending balance	₩	1,505,176,067	1,398,240,573

(iii) Changes in plan assets for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	175,214,723	174,905,240
Expected return on plan assets		7,207,744	8,793,111
Actuarial gains or losses		(660,658)	692,359
Benefit paid by the plan		(19,932,523)	(21,135,284)
Contribution paid into the plan		25,723,449	11,959,297
Other		(5,386,245)	-
Ending balance	₩	182,166,490	175,214,723

(iv) Expense recognized in profit or loss

(In thousands of won)		2024	2023
Current service costs	₩	175,183,431	167,352,720
Interests		65,339,542	67,999,454
Expected return on plan assets		(7,207,744)	(8,793,111)
Total	₩	233,315,229	226,559,063

25. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(iv) Expense recognized in profit or loss, continued

Expense presented above is recognized in the consolidated statements of comprehensive income as follows:

(In thousands of won)		2024	2023
Cost of sales	₩	217,064,254	212,208,661
Selling, general and administrative expense		16,250,975	14,350,402
Total	₩	233,315,229	226,559,063

(v) Remeasurement factors recognized in other comprehensive income for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Actuarial gain (loss)	₩	(18,441,597)	(16,185,671)
Interests of plan assets		(660,658)	692,359
Subtotal		(19,102,255)	(15,493,312)
Tax effect		4,820,170	3,169,416
Total	₩	(14,282,085)	(12,323,896)

Remeasurement factors were directly reclassified to retained earnings in the consolidated statement of financial position.

(vi) Plan assets details:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	182,166,490	175,214,723

(vii) Principal actuarial assumptions at the reporting date

	Dec. 31, 2024	Dec. 31, 2023
Discount rate (expected return on plan assets)	3.81%~5.86%	3.71%~5.13%
Future salary increases	2.00%~5.25%	2.00%~5.25%

As for the defined benefit liabilities and plan assets, the Group applied market yield of A-rated corporate bonds (Public offering, unsecured: AA0).

26. PROVISIONS:

(1) Provisions as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Dec. 31, 2024		Dec. 31, 2023	
	Current	Non-current	Current	Non-current
Provisions for employee benefits ₩	319,968,487	-	313,333,055	-
Warranty provision	-	61,280	-	97,021
Legal proceedings provision	-	2,519,968	-	17,528,124
Provision for decommissioning, restoration and rehabilitation costs (*1)	10,122,509	5,583,399	35,857,667	302,199
Miscellaneous other provisions	31,246	100,000	3,124	100,000
Provisions for ordinary wages (*2)	-	-	35,111,354	-
Total ₩	330,122,242	8,264,647	384,305,200	18,027,344

(*1) As the Group is obligated to restore contamination of lands in use, the Group recognizes the future expenditure amount as provisions during construction every year.

(*2) The Group has recognized provisions for the provision of retroactive claims for the provision of work in the past period based on the assumption that the prescribed allowances are subject to normal wage recognition.

26. PROVISIONS, Continued:

(2) Changes in provisions for the years ended December 31, 2024 and 2023 are as follows:

		2024					
(In thousands of won)		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	313,333,055	222,422,969	(215,787,537)	-	-	319,968,487
Warranty provision		97,022	4,387	-	(40,129)	-	61,280
Legal proceedings provision		17,528,123	2,694,233	(17,329,762)	(372,626)	-	2,519,968
Provision for decommissioning, restoration and rehabilitation costs		36,159,866	3,747,455	(23,221,547)	(2,033,576)	1,053,710	15,705,908
Miscellaneous other provisions		103,124	96,683	(68,561)	-	-	131,246
Provisions for ordinary wages		35,111,354	946	(35,112,300)	-	-	-
Total	₩	402,332,544	228,966,673	(291,519,707)	(2,446,331)	1,053,710	338,386,889

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

		2023					
(In thousands of won)		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	315,830,559	217,096,980	(216,555,843)	-	(3,038,641)	313,333,055
Warranty provision		85,531	17,560	-	(6,070)	-	97,021
Legal proceedings provision		6,388,713	11,241,656	-	(102,245)	-	17,528,124
Provision for decommissioning, restoration and rehabilitation costs		51,674,642	41,731,153	(53,207,134)	(5,304,645)	1,265,850	36,159,866
Miscellaneous other provisions		100,738	71,065	(68,679)	-	-	103,124
Provisions for ordinary wages		285,163,807	18,004,102	(267,958,192)	-	(98,363)	35,111,354
Total	₩	659,243,990	288,162,516	(537,789,848)	(5,412,960)	(1,871,154)	402,332,544

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

27. GOVERNMENT GRANTS:

(1) Accounting treatment for government grants

In accordance with Korean Government-owned and Quasi-government Accounting Regulation and Standards, government grants used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against the depreciation expenses of the acquired assets during the useful lives of the assets.

(2) Government grants as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	(51,404,513)	(39,569,012)
Land		(6,598,459)	(6,598,459)
Buildings		(115,516,064)	(119,385,183)
Prepayment		(4,407,396)	(3,404,505)
Structures		(6,375,706)	(6,869,550)
Machinery (*1)		(12,225,535)	(17,977,828)
Trains		(194,016,068)	(215,216,047)
Vehicles		(27,975)	(38,675)
Tools		(1)	(3,341)
Fixtures		(67,496)	(62,986)
Construction in progress		(3,954,888)	-
Investment property (buildings)		(3,507,534)	(3,280,393)
Other property, trains and equipment		(48,091)	(48,091)
Development costs		(171,051)	(313,901)
Total	₩	(398,320,777)	(412,767,971)

(*1) Servers are included.

27. GOVERNMENT GRANTS, Continued:

(3) Changes in government grants for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024							
		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(39,569,012)	(380,578,339)	18,182	-	195,677	363,043,823	5,485,156	(51,404,513)
Prepayment		(3,404,505)	-	-	-	-	-	(1,002,891)	(4,407,396)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(119,385,183)	-	-	3,281,460	-	-	587,659	(115,516,064)
Structures		(6,869,550)	-	-	493,845	54,148	-	(54,149)	(6,375,706)
Machinery (*1)		(17,977,828)	-	-	5,694,653	-	-	57,640	(12,225,535)
Trains		(215,216,047)	-	-	19,830,047	-	-	1,369,932	(194,016,068)
Vehicles		(38,675)	-	-	10,700	-	-	-	(27,975)
Tools		(3,341)	-	-	3,332	60,024	-	(60,016)	(1)
Fixtures		(62,986)	-	(18,182)	13,672	-	-	-	(67,496)
Construction in progress		-	-	-	-	-	-	(3,954,888)	(3,954,888)
Other property, trains and equipment		(48,091)	-	-	-	-	-	-	(48,091)
Investment property (buildings)		(3,280,393)	-	-	91,560	-	-	(318,701)	(3,507,534)
Development costs		(313,901)	-	-	142,850	-	-	-	(171,051)
Total	₩	(412,767,971)	(380,578,339)	-	29,562,119	309,849	363,043,823	2,109,742	(398,320,777)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

(In thousands of won)		2023							
		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(28,665,809)	(413,573,925)	78,404	-	-	398,797,618	3,794,700	(39,569,012)
Prepayment		(195,390)	-	-	-	-	-	(3,209,115)	(3,404,505)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(122,736,343)	-	-	3,277,792	-	-	73,368	(119,385,183)
Structures		(7,376,122)	-	-	506,572	-	-	-	(6,869,550)
Machinery (*1)		(25,441,642)	-	-	7,288,708	162,294	3,251	9,561	(17,977,828)
Trains		(237,750,310)	-	-	21,614,111	920,152	-	-	(215,216,047)
Vehicles		(213,934)	-	(16,500)	26,718	165,041	-	-	(38,675)
Tools		(8,792)	-	-	53,056	734	-	(48,339)	(3,341)
Fixtures		(117,405)	-	(78,404)	9,088	-	21,315	102,420	(62,986)
Construction in progress		-	-	-	-	-	-	-	-
Other property, trains and equipment		(51,913)	-	-	-	-	1,251	2,571	(48,091)
Investment property (buildings)		(3,307,838)	-	-	99,793	-	-	(72,348)	(3,280,393)
Computer software		(22,310)	-	-	-	-	3,718	18,592	-
Development costs		(484,167)	-	-	142,849	-	3,500	23,917	(313,901)
Total	₩	(432,970,434)	(413,573,925)	(16,500)	33,018,687	1,248,221	398,830,653	695,327	(412,767,971)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

27. GOVERNMENT GRANTS, Continued:

(4) Revenues from government grants for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Revenues	₩	361,240,000	397,896,000
Offsetting with depreciation cost		29,562,119	33,018,687
Other		1,803,823	934,653
Total	₩	392,605,942	431,849,340

28. OTHER NON-FINANCIAL LIABILITIES:

Non-financial liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Advance payments	₩	164,629,775	-	140,943,636	-
Unearned revenues		116,415,206	17,373,646	97,807,637	7,637,729
Withholding		57,255,250	-	73,551,199	-
Advances from construction contracts		-	227,927	-	265,394
Total	₩	338,300,231	17,601,573	312,302,472	7,903,123

29. Paid-in CAPITAL:

(1) Paid-in capital as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Subscription certificate (*)	₩	10,997,551,692	10,924,284,692
Discount stock issuance		(4,647,052)	(4,647,052)
Contributed capital	₩	10,992,904,640	10,919,637,640

(*) the Korean government owns 100% of the Group's equity.

(2) Changes in subscription certificate issued for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	10,924,284,692	10,853,866,692
Issue of equity		73,267,000	70,418,000
Ending balance	₩	10,997,551,692	10,924,284,692

29. Paid-in CAPITAL, Continued:

(3) There was no change in the share discount issue of the parent Company for the years ended December 31, 2024 and 2023.

30. DEFICIT:

(1) Deficit as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Undisposed deficits	₩	(12,510,682,825)	(12,002,866,542)

(2) Changes in deficit for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	(12,002,866,542)	(11,598,969,741)
Loss for the year		(516,689,970)	(542,477,933)
Gain (loss) on remeasurement factors of defined benefit plan		(11,142,080)	(415,209)
Reclassification of gain on revaluation of assets to retained earnings		20,015,767	138,996,341
Ending balance	₩	(12,510,682,825)	(12,002,866,542)

(3) Changes in gain (loss) on remeasurement factors of defined benefit plan for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	220,670,945	221,086,154
Changes		(11,142,080)	(415,209)
Ending balance	₩	209,528,865	220,670,945

30. DEFICIT, Continued:

(4) Details of statement of disposition of accumulated deficit for the years ended December 31, 2024 and 2023 are as follows:
Date of disposition for 2024: March 29, 2025
Date of disposition for 2023: March 29, 2024

(In thousands of won)	2024	2023
Undisposed deficit:		
Balance at beginning of year	₩ (12,002,866,542)	(11,598,969,741)
Loss for the year	(516,689,970)	(542,477,933)
Gain (loss) on remeasurement factors of defined benefit plan	(11,142,080)	(415,209)
Reclassification of gain on revaluation of assets to retained earnings	20,015,767	138,996,341
Balance at end of year before disposition	(12,510,682,825)	(12,002,866,542)
Disposition of accumulated deficit	-	-
Undisposed deficit to be carried over to subsequent year	₩ (12,510,682,825)	(12,002,866,542)

31. OTHER EQUITY COMPONENTS:

(1) Other equity components as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Other accumulated comprehensive income	₩	9,473,859,719	9,497,317,856
Other additional paid-up capital		3,371,549	3,371,549
Total	₩	9,477,231,268	9,500,689,405

(2) Other accumulated comprehensive income or loss for the years ended December 31, 2024 and 2023 is detailed as follows:

(In thousands of won)		2024	2023
Gain (loss) on Valuation of equity instruments at FVOCI	₩	(10,954,925)	(11,142,224)
Change in equity of equity method investment		(4,962,769)	(5,699,304)
Gain (loss) on valuation of derivatives		(25,131,221)	(20,972,174)
Gain on reassessment of assets		9,514,908,634	9,535,131,558
Total	₩	9,473,859,719	9,497,317,856

32. REVENUE:

Details of revenues for the years ended December 31, 2024 and 2023 are summarized as follows:

(In thousands of won)	2024		2023	
	Domestic	Overseas	Domestic	Overseas
Revenue from goods sold:				
Revenue from entrusted multiple business ₩	348,574,553	8,869,000	318,929,789	5,790,000
Revenue from services rendered:				
Transportation business				
Express passenger transportation	2,392,561,904	-	2,599,744,789	-
Ordinary passenger transportation	540,092,721	-	493,076,478	-
Long-distance passenger transportation	970,806,582	-	901,650,212	-
Freight and other transportation	286,546,958	-	296,147,963	-
Compensation for Public Service Obligation	361,240,000	-	397,896,000	-
Revenue from entrusted multiple business	389,353,003	15,064,481	278,852,028	14,275,506
Subtotal	4,940,601,168	15,064,481	4,967,367,470	14,275,506
Revenue from entrusted business:				
Ordinary entrusted business	42,984,370	-	32,820,855	-
Government entrusted business	1,504,770,142	-	1,032,405,225	-
Subtotal	1,547,754,512	-	1,065,226,080	-
Construction-related revenue:				
Revenue from entrusted multiple business	1,157,644	-	1,395,836	-
Total ₩	6,838,087,877	23,933,481	6,352,919,175	20,065,506

33. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE:

(1) Details of selling, general and administrative expense for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Salaries and wages	₩	169,633,280	181,499,506
Retirement benefits		18,713,043	18,222,635
Termination benefits		3,133,271	2,360,755
Other employee benefits		20,799,097	20,525,730
Insurance		3,817,450	3,542,928
Depreciation		18,112,395	20,074,666
Amortization		5,020,712	5,184,945
Bad debts expenses		1,696,458	(1,175,365)
Professional service fees		46,256,940	43,085,047
Advertising		4,374,142	4,017,863
Training		6,667,955	6,111,893
Vehicles		178,098	219,902
Printing		498,974	534,783
Business development expenses		481,197	492,003
Rent		2,728,650	2,545,470
Communications		1,551,120	1,813,204
Transportation costs		3,599	4,347
Taxes and dues		13,979,478	16,408,839
Supplies		2,525,564	2,623,012
Utilities		5,219,935	5,527,043
Maintenance		3,275,308	4,529,895
Research		4,139,640	2,671,215
Travel		3,578,667	2,770,231
Uniform		286,882	106,676
Annual fees		427,585	440,857
Selling expenses		65,523	543,950
Others		7,133,501	5,660,349
Total	₩	344,298,464	350,342,379

33. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE, Continued:

(2) Details of other selling, general and administrative expense for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Conference expenses	₩	1,818,027	1,377,135
Cooperation expense		278,944	285,871
Prize expense		1,191,941	1,168,559
Other expense		3,844,589	2,828,784
Total	₩	7,133,501	5,660,349

34. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME:

(1) Details of other revenues for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Reversal of provisions	₩	2,406,201	5,406,890
Government grants		1,803,823	934,653
Gains from assets contributed		10,356	774,135
Reversals of allowance for other doubtful accounts		11,398	1,387
Total	₩	4,231,778	7,117,065

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

(In thousands of won)		2024	2023
Increase in provisions	₩	6,442,633	70,902,847
Other bad debts expenses		638,318	302,254
Depreciation on assets not in use		2,802,510	2,785,248
Donations		36,089,724	34,767,926
Total	₩	45,973,185	108,758,275

34. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME, Continued:

(3) Details of other income (loss) for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Gains on sale of property, trains and equipment	₩	465,055	2,262,465
Gains on disposal of non-current assets held-for-sale		19,546,039	251,138,189
Gains on foreign currency transaction (related to operating activities)		456,214	1,110,841
Other income		62,186,861	84,306,202
Losses on sale of property, trains and equipment		(5,225,311)	(16,720,631)
Losses on sale of Intangible assets		-	(309,514)
Losses on disposal of other non-current assets		(121,489)	(583)
Losses on foreign currency transaction (related to operating activities)		(2,049,258)	(725,575)
Other costs		(166,760,738)	(113,897,070)
Total	₩	(91,502,627)	207,164,324

(3-1) Details of other gains for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Gains on disposal of inventories	₩	19,401,019	13,310,658
Miscellaneous gains		42,785,842	70,973,000
Total	₩	62,186,861	84,283,658

(3-2) Details of other costs for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Losses from inventory obsolescence	₩	2,954,426	721,700
Other charge fee		3,427,184	5,524,034
Miscellaneous losses		160,372,875	107,628,412
Total	₩	166,754,485	113,874,146

35. FINANCE INCOME:

(1) Details of finance income for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Interest income	₩	16,782,216	20,714,738
Dividend income		779,397	2,540,559
Gains on valuation of financial assets at FVTPL		2,150,290	1,474,060
Gains on sale of financial assets at FVTPL		74,962	-
Gains on valuation of derivative instruments		118,583,700	116,995,900
Gains on foreign currency translation		45,845	884,504
Gains on foreign currency transactions		39,682	25,207
Total	₩	138,456,092	142,634,968

(2) Details of interest income by related assets for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Cash and cash equivalents	₩	12,063,369	12,120,418
Loans and receivables		1,954,621	3,687,874
Financial assets at amortised cost		2,412,352	-
Short-term financial instruments		276,545	4,906,446
Other financial assets		75,329	-
Total	₩	16,782,216	20,714,738

36. FINANCE COSTS:

(1) Details of finance cost for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Interest expenses	₩	415,130,552	372,172,687
Losses on sale of financial assets at FVTPL		-	55,107
Losses on valuation of derivative instruments		2,006,000	9,173,100
Losses on foreign currency translation		118,584,538	92,828,003
Losses on foreign currency transaction		19,171	30,142
Impairment of financial asset		-	234,000
Total	₩	535,740,261	474,493,039

36. FINANCE COSTS, Continued:

(2) Details of interest cost by related assets for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Accounts payables and other payables	₩	2,159,897	8,113,340
Short-term borrowings		1,168,839	3,119,761
Long-term borrowings		897,184	1,516,000
Bonds		439,230,468	388,649,934
Lease liabilities		798,803	879,156
Other financial liabilities		1,949,375	2,031,122
Subtotal		446,204,566	404,309,313
Less: Capitalization of borrowing costs		(31,074,014)	(32,136,626)
Total	₩	415,130,552	372,172,687

Weighted-average capitalization interest rate for borrowings for the years ended December 31, 2024 and 2023 are 2.92% and 2.87%, respectively.

37. INCOME TAXES RELATED TO CONTINUING OPERATION:

(1) The component of income tax benefit for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Current tax expense:			
Current tax	₩	3,545,455	1,986,364
Adjustments for income tax expense attributable to prior year, but recognized in current year		2,015	-
Adjustment for prior periods:			
Income tax recognized in other comprehensive income		6,289,754	7,109,709
Unrecognized deferred tax assets		(106,454,692)	34,605,520
Income tax benefit	₩	(96,617,468)	(86,048,806)

37. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(2) Reconciliation between income tax benefit and accounting income is detailed as follows:

(In thousands of won)		2024	2023
Loss before income tax benefit	₩	(596,549,605)	(537,609,065)
Tax rate		26.40%	26.40%
Income tax benefit using the Company's statutory tax rate	₩	(157,489,096)	(141,928,793)
Adjustments:			
Tax effect of non-taxable income		(8,609,520)	(6,944,678)
Tax effect of non-deductible expenses		453,126	1,691,812
Unrecognized deferred tax assets and others		69,028,022	61,132,853
Income tax benefit	₩	(96,617,468)	(86,048,806)
Average effective tax rate		-	-

Effective tax rate was not calculated due to net loss before income tax expense for the years ended December 31, 2024 and 2023.

(3) Deferred income tax recognized directly in other comprehensive income for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Effect of deferred tax:			
Gains (losses) on remeasurement factors of defined benefit plan	₩	4,865,105	3,966,188
Gains (losses) on valuation of equity instruments at FVOCI		(67,183)	(1,517,049)
Gains (losses) on valuation of derivative financial instruments		1,491,832	4,660,570
Subtotal		6,289,754	7,109,709
Income tax recognized directly in other comprehensive income	₩	6,289,754	7,109,709

37. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(4) Changes in deferred income tax assets (liabilities) for the years ended December 31, 2024 and 2023 are detailed as follows:

	2024			
(In thousands of won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
The Company:				
Deferred income tax assets ₩	-	-	-	-
Deferred income tax liabilities	2,210,555,140	(105,073,990)	-	2,100,140,414
Subsidiary:				
Deferred income tax assets	5,902,156	(1,619,999)	-	4,282,157
Deferred income tax liabilities	12,746,312	(4,293,258)	-	8,453,054
The Group:				
Deferred income tax assets	5,902,156	(1,619,999)	-	4,282,157
Deferred income tax liabilities	2,223,301,453	(109,367,248)	-	2,113,934,205

During 2024, Income tax expense related to items that are recognised outside profit is ₩949,018 thousand in the subsidiary.

	2023			
(In thousands of won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
The Company:				
Deferred income tax assets ₩	-	-	-	-
Deferred income tax liabilities	2,305,995,566	(95,440,426)	-	2,210,555,140
Subsidiary:				
Deferred income tax assets	37,240,971	(31,338,815)	-	5,902,156
Deferred income tax liabilities	15,717,470	(2,971,158)	-	12,746,312
The Group:				
Deferred income tax assets	37,240,971	(31,338,815)	-	5,902,156
Deferred income tax liabilities	2,321,713,037	(98,411,584)	-	2,223,301,453

37. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(5) Temporary differences not recognized as deferred income tax assets as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Temporary differences to be deducted	₩	787,310,112	811,334,405
Unused tax loss carryforward		160,962,545	154,063,800
Unused tax credit		6,245,457	-

The Group did not recognize deferred tax assets amounted to ₩237,691,978 thousand as of December 31, 2024, due to the uncertainty that the deductible temporary difference related to the investment in the associate would realize in the foreseeable future.

In addition, the Group did not recognize the deferred tax assets amounted to ₩951,489,967 thousand as of December 31, 2024, due to the uncertainty whether it is probable that future taxable income will be available against temporary differences.

38. ASSETS HELD FOR SALE:

Details of assets held for sale as of December 31, 2024 and 2023 are detailed as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Held for sale: land (*1)	₩	40,736,351	48,840,658
Held for sale: buildings and structures (*1)		156,385	141,280
Disposal groups classified as held for sale	₩	40,892,736	48,981,938

(*1) During 2024, some of the tangible assets of the Group were classified as held for sale after obtaining approval from the general manager of asset management. The sales process is in progress at each regional headquarters by the subject of the business agreement of the development project and the public land damage compensation agreement with the government, etc., and is expected to be sold within one year from December 31, 2024.

39. EXPENSES BY NATURE:

Details of nature of expenses for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	143,959,112	-	-	143,959,112
Salaries		-	169,633,280	2,332,562,404	2,502,195,684
Retirement benefits		-	18,713,043	224,752,930	243,465,973
Dismissal benefits		-	3,133,271	23,579,966	26,713,237
Employee welfare		-	20,799,097	304,888,212	325,687,309
Insurance		-	3,817,450	7,470,801	11,288,251
Depreciation		-	18,112,395	550,550,221	568,662,616
Amortization		-	5,020,712	507,700	5,528,412
Bad debts expenses		-	1,696,458	-	1,696,458
Commissions		-	46,256,940	252,642,120	298,899,060
Advertising		-	4,374,142	6,253	4,380,395
Education and training		-	6,667,955	1,132,123	7,800,078
Vehicle maintenance		-	178,098	566,302,377	566,480,475
Printing		-	498,974	815,511	1,314,485
Project initiatives		-	481,197	202,349	683,546
Rental		-	2,728,650	1,016,798,629	1,019,527,279
Communication		-	1,551,120	2,869,402	4,420,522
Transportation		-	3,599	83,338	86,937
Taxes and dues		-	13,979,478	34,844,611	48,824,089
Supplies		-	2,525,564	26,576,406	29,101,970
Utilities		-	5,219,935	125,025,314	130,245,249
Maintenance		-	3,275,308	924,563,130	927,838,438
Ordinary development expenses		-	4,139,640	1,663,346	5,802,986
Business trip and transportation expenses		-	3,578,667	26,374,254	29,952,921
Uniforms		-	286,882	8,975,245	9,262,127
Annual fees		-	427,585	84,746	512,331
Sales commissions		-	65,523	2,345	67,868
Others		-	7,133,501	14,055,479	21,188,980
	₩	143,959,112	344,298,464	6,447,329,212	6,935,586,788

39. EXPENSES BY NATURE, Continued:

Details of nature of expenses for the years ended December 31, 2024 and 2023 are as follows, continued:

(In thousands of won)		2023			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	132,729,035	-	-	132,729,035
Salaries		-	181,499,506	2,288,031,768	2,469,531,274
Retirement benefits		-	18,222,635	219,620,227	237,842,862
Dismissal benefits		-	2,360,755	22,934,486	25,295,241
Employee welfare		-	20,525,730	336,729,378	357,255,108
Insurance		-	3,542,928	7,755,362	11,298,290
Depreciation		-	20,074,666	532,620,986	552,695,652
Amortization		-	5,184,945	497,807	5,682,752
Bad debts expenses		-	(1,175,365)	-	(1,175,365)
Commissions		-	43,085,047	246,456,871	289,541,918
Advertising		-	4,017,863	5,043	4,022,906
Education and training		-	6,111,893	643,859	6,755,752
Vehicle maintenance		-	219,902	561,354,943	561,574,845
Printing		-	534,783	724,669	1,259,452
Project initiatives		-	492,003	196,044	688,047
Rental		-	2,545,470	1,133,251,783	1,135,797,253
Communication		-	1,813,204	2,708,983	4,522,187
Transportation		-	4,347	124,338	128,685
Taxes and dues		-	16,408,839	35,232,895	51,641,734
Supplies		-	2,623,012	26,099,778	28,722,790
Utilities		-	5,527,043	120,734,869	126,261,912
Maintenance		-	4,529,895	751,746,547	756,276,442
Ordinary development expenses		-	2,671,215	1,972,603	4,643,818
Business trip and transportation expenses		-	2,770,231	23,696,060	26,466,291
Uniforms		-	106,676	7,705,190	7,811,866
Annual fees		-	440,857	78,508	519,365
Sales commissions		-	543,950	4,985	548,935
Others		-	5,660,349	10,521,419	16,181,768
	₩	132,729,035	350,342,379	6,331,449,401	6,814,520,815

40. ENTRUSTED BUSINESS:

(1) Revenues and expenses for the government entrusted business reported in the consolidated financial statements for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024		2023	
		Revenue	Expense	Revenue	Expense
Government	₩	1,504,770,142	1,486,665,644	1,032,405,225	1,237,523,018
Local government		42,984,370	34,019,168	32,820,855	32,156,676
Total	₩	1,547,754,512	1,520,684,812	1,065,226,080	1,269,679,694

(2) Changes in the deferred revenue from the trusted business for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)			2024					
			Jan. 1, 2024	Received	Executed	Returned	Others	Dec. 31, 2024
Cash and cash equivalents	Government	₩	231,021,384	745,116,157	(611,818,491)	(41,687,569)	2,136,655	324,768,136
Cash and cash equivalents	Local government		54,791,076	50,870,982	(81,393,312)	(4,489,072)	-	19,779,674
Other receivables	Government		(342,673,910)	1,297,803,095	(1,043,759,208)	(10,421,802)	99,051,825	-
Total		₩	(56,861,450)	2,093,790,234	(1,736,971,011)	(56,598,443)	101,188,480	344,547,810

(In thousands of won)			2023					
			Jan. 1, 2023	Received	Executed	Returned	Others	Dec. 31, 2023
Cash and cash equivalents	Government	₩	251,941,538	525,060,523	(506,086,662)	(39,894,015)	-	231,021,384
Cash and cash equivalents	Local government		57,763,192	46,841,742	(48,177,584)	(1,636,274)	-	54,791,076
Other receivables	Government		(220,523,222)	574,606,753	(875,618,466)	(1,812,901)	180,673,926	(342,673,910)
Total		₩	89,181,508	1,146,509,018	(1,429,882,712)	(43,343,190)	180,673,926	(56,861,450)

41. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Dec. 31, 2024				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	530,997,470	-	530,997,470
Short-term loans	-	-	359,756	-	359,756
Short-term financial instruments	-	-	24,150,000	-	24,150,000
Derivative instrument assets	48,468,500	-	-	134,731,522	183,200,022
Accounts receivables and other receivables	-	-	294,391,268	-	294,391,268
Subtotal	48,468,500	-	849,898,494	134,731,522	1,033,098,516
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	43,805,322	-	-	-	43,805,322
Equity instruments at FVOCI	-	43,500,824	-	-	43,500,824
Long-term loans	-	-	25,689,385	-	25,689,385
Derivative instrument assets	-	-	-	82,076,185	82,076,185
Accounts receivables and other receivables	-	-	48,601,267	-	48,601,267
Subtotal	43,805,322	43,500,824	74,311,407	82,076,185	243,693,738
Total ₩	92,273,822	43,500,824	924,209,901	216,807,707	1,276,792,254

(In thousands of won)	Dec. 31, 2023				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	165,446,166	-	165,446,166
Short-term loans	-	-	690,882	-	690,882
Short-term financial instruments	-	-	92,078,494	-	92,078,494
Derivative instrument assets	50,474,500	-	-	72,799,589	123,274,089
Accounts receivables and other receivables	-	-	690,382,338	-	690,382,338
Subtotal	50,474,500	-	948,597,880	72,799,589	1,071,871,969
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	39,990,032	-	-	-	39,990,032
Equity instruments at FVOCI	-	42,935,216	-	-	42,935,216
Long-term loans	-	-	28,608,357	-	28,608,357
Derivative instrument assets	-	-	-	100,927,892	100,927,892
Accounts receivables and other receivables	-	-	45,820,649	-	45,820,649
Subtotal	39,990,032	42,935,216	74,449,761	100,927,892	258,302,901
Total ₩	90,464,532	42,935,216	1,023,047,641	173,727,481	1,330,174,870

41. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(2) Categories of financial liabilities as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Dec. 31, 2024		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	1,010,849,592	-	1,010,849,592
Current bonds	2,201,426,935	-	2,201,426,935
Current Lease Liabilities	11,153,760	-	11,153,760
Subtotal	3,223,430,287	-	3,223,430,287
Non-current liabilities:			
Accounts payables and other payables	47,531,371	-	47,531,371
Bonds	13,759,812,508	-	13,759,812,508
Non-current lease liabilities	18,531,615	-	18,531,615
Subtotal	13,825,875,494	-	13,825,875,494
Total ₩	17,049,305,781	-	17,049,305,781

(In thousands of won)	Dec. 31, 2023		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	1,144,434,226	-	1,144,434,226
Short-term borrowings	3,700,000	-	3,700,000
Current portion of long-term borrowing	100,000,000	-	100,000,000
Current bonds	1,572,487,019	-	1,572,487,019
Current Lease Liabilities	9,515,884	-	9,515,884
Subtotal	2,830,137,129	-	2,830,137,129
Non-current liabilities:			
Accounts payables and other payables	46,860,577	-	46,860,577
Bonds	13,403,336,876	-	13,403,336,876
Derivative instrument liabilities	-	1,289,094	1,289,094
Non-current lease liabilities	13,723,706	-	13,723,706
Subtotal	13,463,921,159	1,289,094	13,465,210,253
Total ₩	16,294,058,288	1,289,094	16,295,347,382

41. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(3) Gain and loss of financial instruments by categories for the years ended December 31, 2024 and 2023 are as follows:

1) Gain and loss of financial instruments by categories

(In thousands of won)		2024	2023
Cash and cash equivalents:	₩	12,063,369	12,120,418
Financial assets at FVTPL:		2,998,394	2,153,802
Financial assets at FVOCI:		571,990	7,317,893
Financial assets measured at amortized costs:		4,718,847	8,594,320
Derivative instrument assets		110,926,821	90,232,003
Financial liabilities measured at amortized costs:		(533,648,734)	(464,121,122)
Total	₩	(402,369,313)	(343,702,686)

2) Gain and loss of financial assets and liabilities by categories

	Dec. 31, 2024						
	Financial Assets						Financial Liabilities
(In thousands of won)	Cash and cash equivalents	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instrument assets	Total	Financial liabilities measured at amortized costs
Interest income(expense) ₩	12,063,369	-	-	4,718,847	-	16,782,216	(415,130,552)
Gains on foreign exchange translation	-	-	-	-	-	-	45,845
Losses on foreign exchange translations	-	-	-	-	-	-	(118,584,538)
Dividends income	-	773,142	6,256	-	-	779,398	-
Gains on disposal of financial assets	-	74,962	-	-	-	74,962	-
Gains on valuation of financial assets at FVTPL	-	2,150,290	-	-	-	2,150,290	-
Gains on valuation of derivative financial instruments financial income	-	-	-	-	118,583,700	118,583,700	-
Losses on valuation of derivative financial instruments financial income	-	-	-	-	(2,006,000)	(2,006,000)	-
Gains on foreign currency translations	-	-	-	-	-	-	39,682
Losses on foreign currency transactions	-	-	-	-	-	-	(19,171)
Comprehensive income or loss recognized for the year	-	-	565,734	-	(5,650,879)	(5,085,145)	-
Total ₩	12,063,369	2,998,394	571,990	4,718,847	110,926,821	131,279,421	(533,648,734)

41. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

2) Gain and loss of financial assets and liabilities by categories, continued:

	Dec. 31, 2023						
	Financial Assets						Financial Liabilities
(In thousands of won)	Cash and cash equivalents	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instrument assets	Total	Financial liabilities measured at amortized costs
Interest income(expense) ₩	12,120,418	-	-	8,594,320	-	20,714,738	(372,172,687)
Gains on foreign exchange translation	-	-	-	-	-	-	(91,943,499)
Losses on foreign exchange translations	-	734,849	1,805,710	-	-	2,540,559	-
Dividends income	-	1,474,060	-	-	-	1,474,060	-
Gains on disposal of financial assets	-	-	(234,000)	-	-	(234,000)	-
Gains on valuation of financial assets at FVTPL	-	-	-	-	116,995,900	116,995,900	-
Gains on valuation of derivative financial instruments financial income	-	(55,107)	-	-	-	(55,107)	-
Losses on valuation of derivative financial instruments financial income	-	-	-	-	(9,173,100)	(9,173,100)	-
Gains on foreign currency translations	-	-	-	-	-	-	25,207
Losses on foreign currency transactions	-	-	-	-	-	-	(30,143)
Comprehensive income or loss recognized for the year	-	-	5,746,183	-	(17,590,797)	(11,844,614)	-
Total ₩	12,120,418	2,153,802	7,317,893	8,594,320	90,232,003	120,418,436	(464,121,122)

42. FINANCIAL RISK MANAGEMENT:

(1) Credit risk

1) The Group's maximum exposure to credit risk as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	530,997,470	165,446,166
Trade receivables and other receivables		342,992,536	736,202,988
Loans		26,049,141	29,299,239
Long and short-term financial instruments		24,170,755	92,099,249
Derivative instrument assets		265,276,207	224,201,981
Total	₩	1,189,486,109	1,247,249,623

42. FINANCIAL RISK MANAGEMENT, Continued:

2) The Group's maximum exposure to credit risk for each region as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Republic of Korea	₩	1,088,505,877	1,224,749,053
Singapore		29,966,269	14,734,776
France		70,867,359	7,552,526
The United States		146,604	213,268
Total	₩	1,189,486,109	1,247,249,623

3) The Group's maximum exposure to credit risk by transaction target as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023
Customers, etc	₩	342,992,536	736,202,988
Employees and employees		26,049,141	29,299,239
Financial institution		820,444,432	481,747,396
Total	₩	1,189,486,109	1,247,249,623

(2) Liquidity risk

1) Contractual maturity of financial liabilities as of December 31, 2024 and 2023 are summarized as follows:

		Dec. 31, 2024						
(In thousands of won)		Book amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	15,961,239,443	20,619,102,127	1,096,218,435	1,554,088,185	2,217,835,929	4,746,942,547	11,004,017,031
Trade payables and other payables		1,058,380,963	1,063,913,287	1,002,441,237	8,463,152	4,763,549	48,251,981	-
Lease liabilities		29,685,375	31,709,711	6,697,854	5,046,269	7,435,287	11,077,464	1,452,837
Total	₩	17,049,305,781	21,714,725,125	2,105,357,526	1,567,597,606	2,230,034,765	4,806,271,992	11,005,469,868

2) The Group does not expect the cash outflow to occur significantly earlier or at a significantly different amount.

		Dec. 31, 2023						
(In thousands of won)		Book amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	14,975,823,895	19,331,191,364	912,663,451	1,007,186,917	2,443,438,204	4,364,290,219	10,603,612,573
Borrowings		103,700,000	105,229,294	4,468,384	100,760,910	-	-	-
Trade payables and other payables		1,191,294,803	1,197,032,931	1,136,041,018	8,455,478	6,368,306	46,168,129	-
Derivative financial liabilities		1,289,094	1,289,094	-	-	1,289,094	-	-
Lease liabilities		23,239,590	25,146,157	5,518,767	4,384,080	5,883,910	7,666,360	1,693,039
Total	₩	16,295,347,382	20,659,888,840	2,058,691,620	1,120,787,385	2,456,979,514	4,418,124,708	10,605,305,612

42. FINANCIAL RISK MANAGEMENT, Continued:

(2) Liquidity risk, continued

3) The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2024 and 2023:

		Dec. 31, 2024						
(In thousands of won)		Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap								
Assets	₩	216,807,707	216,807,707	66,496,172	68,235,349	12,630,560	4,336,998	65,108,628

		Dec. 31, 2023						
(In thousands of won)		Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap								
Assets	₩	173,727,481	173,727,481	-	72,799,589	66,504,148	-	34,423,744
Liabilities		(1,289,094)	(1,289,094)	-	-	(1,289,094)	-	-
Total		172,438,387	172,438,387	-	72,799,589	65,215,054	-	34,423,744

(3) Currency risk

(i) Exposure to currency risk
As of December 31, 2024 and 2023 monetary assets and liabilities denominated in currencies other than functional currency are detailed as follows:

		Dec. 31, 2024				
(In thousands of won)		USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency						
Cash and cash equivalents	₩	692,451	-	62,566	1	105,421
Liabilities denominated in foreign currency:						
Bonds	₩	220,500,000	845,717,600	489,193,600	221,621,400	198,288,600

		Dec. 31, 2023				
(In thousands of won)		USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency						
Cash and cash equivalents	₩	345,949	-	60,127	1	123,043
Liabilities denominated in foreign currency:						
Bonds	₩	193,410,000	839,751,000	456,508,800	200,256,300	189,914,400

42. FINANCIAL RISK MANAGEMENT, Continued:

(3) Currency risk, Continued

(i) Exposure to currency risk, continued

Foreign exchange rate applied as of December 31, 2024 and 2023 are as follows:

(In won)		Dec. 31, 2024	Dec. 31, 2023
USD	₩	1,470.00	1,289.40
CHF		1,626.38	1,526.82
EUR		1,528.73	1,426.59
SGD		1,081.08	976.86
AUD		913.68	880.08
CNH		201.27	180.84
HKD		189.30	165.06
SEK		133.23	129.00
CAD		1,023.96	974.64
JPY		936.48	912.66
PHP		25.41	23.19

(ii) Sensitivity analysis of changes in exchange rate
A strengthening of the won, as indicated below, against the USD, CHF, EUR, SGD, AUD, JPY and CNH at December 31, 2024, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2024, albeit that the reasonably possible foreign exchange rate variances are different, as indicated below.

(In thousands of won)		10% increase	10% decrease
Net profit or loss before income taxes	₩	(197,446,076)	197,446,076

As the Group manages the risks through currency swaps to eliminate the currency risk of foreign currency liabilities, net exposure to foreign exchange risk is insignificant. However, as with the sensitivity analysis above, foreign currency deposits and foreign currency denominated bonds are exposed to foreign exchange risk.

42. FINANCIAL RISK MANAGEMENT, Continued:

(4) Interest rate risk

The Group has foreign currency bonds and foreign currency long-term borrowings, which has significant effect on profit or loss and equity depending on fluctuations in interest rates. The Group manages interest rate risk by interest rate swap agreements, and fluctuation in interest rates does not have significant impact on the financial position and financial results.

(i) Cash flow sensitivity analysis of fixed-rate financial instruments
The Group does not account for fixed-rate financial instruments as current financial instruments recognized in profit or loss, and does not designate derivative instruments, such as interest swap, to hedge fair value risk. As such, fluctuation of interest rate does not have effect on profit or loss.

(5) Fair value measurement

(i) Carrying value and the fair value of financial assets and liabilities as of December 31, 2024 and 2023 are detailed as follows:

(In thousands of won)		Dec. 31, 2024		Dec. 31, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:					
Equity instruments at FVTPL	₩	43,805,322	43,805,322	39,990,032	39,990,032
Equity instruments at FVOCI		43,500,824	43,500,824	42,935,216	42,935,216
Derivative instruments assets		265,276,207	265,276,207	224,201,981	224,201,981
Subtotal		352,582,353	352,582,353	307,127,230	307,127,230
Assets carried at amortized cost(*):					
Loans and other receivables		369,041,677	369,041,677	765,502,227	765,502,227
Long/short-term financial instrument		24,170,755	24,170,755	92,099,249	92,099,249
Cash and cash equivalents		530,997,470	530,997,470	165,446,166	165,446,166
Subtotal		924,209,902	924,209,902	1,023,047,642	1,023,047,642
Financial assets total	₩	1,276,792,255	1,276,792,255	1,330,174,872	1,330,174,872
Liabilities carried at fair value:					
Derivative instruments liabilities	₩	-	-	1,289,094	1,289,094
Liabilities carried at amortized cost(*):					
Borrowings		-	-	103,700,000	103,700,000
Trade payables and other payables		1,058,380,963	1,058,380,963	1,191,294,803	1,191,294,803
Bonds		15,961,239,443	15,961,239,443	14,975,823,895	14,975,823,895
Other financial liabilities		29,685,375	29,685,375	23,239,590	23,239,590
Subtotal		17,049,305,781	17,049,305,781	16,294,058,288	16,294,058,288
Financial liabilities total	₩	17,049,305,781	17,049,305,781	16,295,347,382	16,295,347,382

(*) The Group recognized some of the financial assets and liabilities at book value as it believes book value is a reasonable approximation of fair value.

42. FINANCIAL RISK MANAGEMENT, Continued:

(5) Fair value measurement, continued

(ii) Interest rate used to determine the fair value
At the end of reporting period, interest rate used to determine the expected cash flow was determined by adding interest rate of government bonds and credit spread. As of December 31, 2024 and 2023 interest rates applied are detailed as follows:

	Dec. 31, 2024	Dec. 31, 2023
Derivative instruments	0.82%~4.22%	0.82%~4.22%
Financial assets at FVOCI	8.00%~8.62%	7.95%~8.62%

(iii) The level of fair value hierarchy is as follows:

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

As of December 31, 2024, details of fair value, carrying amount and secured assets are as follows:

(In thousands of won)		Level 1	Level 2	Level 3	Total
Financial assets:					
Equity instruments at FVTPL	₩	-	-	43,805,322	43,805,322
Equity instruments at FVOCI (*1)		4,138	-	43,496,686	43,500,824
Derivative instruments assets (*2)		-	216,807,707	48,468,500	265,276,207
Total	₩	4,138	216,807,707	135,770,508	352,582,353
Financial liabilities:					
Derivative instruments liabilities (*2)	₩	-	-	-	-

(*1) Equity instruments at FVOCI are not quoted in an active market and measured at valuation amount evaluated by an independent valuation agency.
(*2) Derivative assets and liabilities are measured at fair value in accordance with terms of contract with financial institutions.

The following table shows changes in financial instruments of Level 3 (fair value) for the years ended December 31, 2024 and 2023:

(In thousands of won)		2024	2023
Beginning balance	₩	133,393,964	74,054,744
Acquisition		1,665,000	41,263,500
Evaluation		711,546	23,091,540
Disposal		(2)	(5,015,820)
Ending balance	₩	135,770,508	133,393,964

42. FINANCIAL RISK MANAGEMENT, Continued:

(5) Fair value measurement, continued

(iv) Observable data in the market

(In thousands of won)	Dec. 31, 2024			
	Valuation Method	Type of Input Variables	Financial assets	Significant but unobservable Input Variables
Financial assets at FVTPL	Fund's Quoted Price	Fair Value of Individual Fund Components	43,805,322	Fair Value of Individual Fund Components
Financial assets at FVOCI	Net Asset Value Method	Net Assets Value of Holdings	41,311,118	Net Assets Value of Holdings
Financial assets at FVOCI	Comparable Company Model	Benchmark financial information and Stock Price Valuation of Comparable Companies	2,185,568	Benchmark financial information and Stock Price Valuation of Comparable Companies
Derivative instruments assets	Binomial Model	Price of Common and Preferred Stock	48,468,500	Price of Common and Preferred Stock
Total ₩			135,770,508	

(In thousands of won)	Dec. 31, 2023			
	Valuation Method	Type of Input Variables	Financial assets	Significant but unobservable Input Variables
Financial assets at FVTPL	Fund's Quoted Price	Fair Value of Individual Fund Components	39,990,031	Fair Value of Individual Fund Components
Financial assets at FVOCI	Net Asset Value Method	Net Assets Value of Holdings	40,188,101	Net Assets Value of Holdings
Financial assets at FVOCI	Comparable Company Model	Benchmark financial information and Stock Price Valuation of Comparable Companies	2,741,332	Benchmark financial information and Stock Price Valuation of Comparable Companies
Derivative instruments assets	Binomial Model	Price of Common and Preferred Stock	50,474,500	Price of Common and Preferred Stock
Total ₩			133,393,964	

43. RELATED PARTIES:

(1) As of December 31, 2024, the controlling company that prepares the consolidated financial statements is Korea Railroad Corporation, and the related parties of the Group are detailed as follows:

	Name of Related Parties
Controlling party	Government of Korea
Subsidiaries	KORAIL Retail Co., Ltd., KORAIL Networks Co., Ltd., KORAIL Tech Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd., and Korean Insurance Brokerage Co., Ltd.
Related companies	SR Co., Ltd.,, Hanwha Station Development Co., Ltd., Uiwang ICD Co., Ltd., Lotte Station Building Co., Ltd., Bucheon Station Building Co., Ltd., Bupyeong Department Store Co., Ltd., Shinsegae Uijeongbu Station Building Co., Ltd., Anyang Station Building Co., Ltd., Bitplex Co., Ltd., Dream Hub Project Financial Investment Co., Ltd., Kwangwoon Univ. Building Co., Ltd., Ansan Central Station Building Co., Ltd., Cheonan station influence area urban regeneration innovation district reit Co,. Ltd and Yongsan Station Around Development Co., Ltd.

(2) Significant transactions that occurred in the normal course of business with related companies for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)			Revenue		Costs	
	Name		2024	2023	2024	2023
Related companies	Lotte Station Building Co., Ltd.	₩	-	-	214,396	222,998
	SR Co., Ltd.(*1)		196,317,973	106,988,562	81,007	12,922
	Bucheon Station Building Co., Ltd.		1,258,046	1,507,870	620,443	594,246
	Bupyeong Department Store Co., Ltd.		-	-	229,758	222,428
	Bitplex Co., Ltd.		252,842	445	26,598	22,727
	Kwangwoon Univ. Station Building Co., Ltd.		29	49	-	-
	Shinsegae Uijeongbu Station Building Co., Ltd.		15,646	15,646	39,453	34,912
	Anyang Station Building Co., Ltd.		63,101	65,677	141,765	170,697
	Uiwang ICD Co., Ltd.		11,207,785	11,267,536	531,496	-
	Hanwha Station Development Co., Ltd.		809,658	842,815	423,020	241,865
	Total	₩	209,925,080	120,688,600	2,307,936	1,522,795

(*1) During the year ended December 31, 2023, the transaction details after being reclassified as a related company.

43. RELATED PARTIES, Continued:

(3) Account balances with related companies as of December 31, 2024 and 2023 are as follows:

(In thousands of won)	Name		Receivable		Payables	
			Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Related companies	Lotte Station Building Co., Ltd.	₩	1,440	5,348	18,972	21,507
	SR Co., Ltd.		56,711,762	47,750,339	88,797	89,882
	Bucheon Station Building Co., Ltd.		554	505	-	47,860
	Bupyeong Department Store Co., Ltd.		349	346	19,233	18,178
	Kwangwoon Univ. Station Building Co., Ltd.		92	-	-	-
	Bitplex Co., Ltd.		-	-	2,505	1,752
	Shinsegae Uijeongbu Station Building Co., Ltd.		-	-	1,489	1,404
	Ansan Central Station Building Co., Ltd.		4,025	4,025	-	-
	Anyang Station Building Co., Ltd.		-	913	11,413	13,148
	Uiwang ICD Co., Ltd.		-	1,023,609	2,980	1,788
	Hanwha Station Development Co., Ltd.		-	10,588	-	13,514
	Total	₩	56,718,222	48,795,673	145,389	209,033

(4) Compensation to management for the years ended December 31, 2024 and 2023 are detailed as follows:

(In thousands of won)		2024	2023
Short-term employees benefits	₩	641,754	586,395
Retirement benefits		16,669	29,244
Total	₩	658,423	615,639

(5) Short-term and long-term loans of the consolidation entity as of December 31, 2024 and 2023 are all loans to employees, as described in note 12.

44. NON-CASH INVESTING AND FINANCING ACTIVITIES:

(1) Major non-cash investing transactions and non-cash financing transactions not included in the statement of cash flows for the current term and the prior term for the years ended December 31, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Reclassification of construction in progress to the original account	₩	150,720,140	61,197,854
Reclassification of current portion of bonds		2,202,173,400	1,572,433,000
Reclassification of current portion of long-term loans		-	100,000,000
Reclassification of property, trains and equipment to assets held for sale		48,609,598	30,373,275
Reclassification of Other comprehensive income gains losses on revaluation to retained earnings		20,222,923	139,149,160
Reclassification of Investments in associates		-	359,559,400
Reclassification of advance payments to assets held for sale		840,507	390,747,309

(2) Changes in liabilities arising from financing activities for the years ended December 31, 2024 and 2023 are as follows:

		2024				
				Non-cash transactions		
(In thousands of won)		Beginning balance	Cash flows	Acquisitions	Amortization and others	Ending balance
borrowings	₩	103,700,000	(103,700,000)	-	-	-
bonds		14,975,823,895	865,618,515	-	119,797,033	15,961,239,443
Finance lease liabilities		23,239,590	(11,878,997)	17,467,621	857,162	29,685,376
Derivative liabilities		1,289,094	-	-	(1,289,094)	-
	₩	15,104,052,579	750,039,518	17,467,621	119,365,101	15,990,924,819

		2023				
				Non-cash transactions		
(In thousands of won)		Beginning balance	Cash flows	Acquisitions	Amortization and others	Ending balance
borrowings	₩	402,800,000	(209,100,000)	-	(90,000,000)	103,700,000
bonds		13,625,134,261	1,258,099,037	-	92,590,597	14,975,823,895
Finance lease liabilities		20,111,953	(11,660,557)	12,543,735	2,244,459	23,239,590
Derivative liabilities		6,342,852	-	-	(5,053,758)	1,289,094
	₩	14,054,389,066	1,037,338,480	12,543,735	(218,702)	15,104,052,579

45. COMMITMENTS AND CONTINGENCIES:

(1) Pending litigation in which the Group was involved as a defendant as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024 (*1)	Dec. 31, 2023 (*2)
Pending litigation	₩	241,586,141	185,780,833

(*1) The Group is a defendant for 94 litigation, such as claims for payment of goods.
(*2) The Group is a defendant for 114 litigation, such as claims for ordinary wage.

45. COMMITMENTS AND CONTINGENCIES, Continued:

As of December 31, 2024, the Group recognized the provision of ₩2,519,968 thousand in connection with the lawsuit filed above.

(2) Details of contingent assets as of December 31, 2024 and 2023 are as follows:

(In thousands of won)		Dec. 31, 2024 (*1)	Dec. 31, 2023 (*2)
Pending litigation	₩	168,019,116	58,838,798

(*1) The Group has 80 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.
(*2) The Group has 81 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.

(3) Pledged assets and guarantees

(i) Assets pledged as collateral for the Group's borrowings as of December 31, 2024 are summarized as follows:

(In thousands of won)		Carrying amount	Guaranteed amount	Type of borrowings	Lender
Buildings	₩	2,714,018	100,000	Guarantee money	Seoul Election Commission
Land and buildings		158,763,453	197,085	Guarantee money	Hyundai Card Inc.
			96,997	Guarantee money	Hyundai Commercial Inc
			220,107	Guarantee money	Samsung Life Service Inc.
			229,500	Guarantee money	KB Claims Survey & Adjusting Co., Ltd.
			1,090,827	Guarantee money	KakaoBank of Korea Corp
			162,184	Guarantee money	KB Kookmin Card Co., Ltd
			215,020	Guarantee money	Korea workers' compensation and welfare Service
			158,160	Guarantee money	Hyundai Marine & Fire Insurance Co., Ltd
			382,357	Guarantee money	KakaoBank of Korea Corp
			144,666	Guarantee money	Seoul Regional Employment and Labor Administration (Southern District Office)
			382,355	Guarantee money	Hyundai Hilife Claims Service
			117,289	Guarantee money	BGF retail CO., LTD.
			135,220	Guarantee money	Team blackbird CO., LTD.
			473,840	Guarantee money	BNP Paribas Cardif Life Insurance
			204,036	Guarantee money	KB Claims Survey & Adjusting Co., Ltd.
			77,057	Guarantee money	Samsung Fire&Marine Insurance Co., Ltd.
Long-term financial instruments		18,755	18,755	Guarantee money	Seoul Guarantee Insurance Co., Ltd. (SGI)
unlisted stock		214,185	214,185	Contract performance guarantee	Korea Speciality Contractor Financial Cooperative(KSCFC)
		145,464	145,464	Contract performance guarantee	Electric Contractors' Financial Cooperative(ECFC)
Total	₩	161,855,875	4,765,104		

45. COMMITMENTS AND CONTINGENCIES, Continued:

(3) Pledged assets and guarantees, Continued

(ii) Collaterals and guarantees provided by third parties on behalf of the Group as of December 31, 2024 are as follows:

(In thousands of won, USD, EUR)	Type of guarantees		Collaterals and guarantees Amount
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance guarantee	KRW	5,850,644
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance payment guarantee	KRW	602,195
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance warranties	KRW	1,221,583
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposition	KRW	1,773,297
Seoul Guarantee Insurance Co., Ltd.(SGI)	Franchise business	KRW	2,762,851
Seoul Guarantee Insurance Co., Ltd.(SGI)	Electronic payment method	KRW	23,000
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposit guarantee	KRW	13,000,000
Seoul Guarantee Insurance Co., Ltd.(SGI)	Other	KRW	7,459,648
Hana Bank	CP Acquisition agreement	USD	60,412,856
Hana Bank	Import L/C issue	USD	2,224
Kookmin Bank	Payment guarantee in foreign currency	EUR	16,920,247
Kookmin Bank	Payment guarantee in foreign currency	USD	468,026
Woori Bank	Other	USD	1,867,226
NongHyup Bank	Unguaranteed loan limit agreement	KRW	2,516,000
Korea Speciality Contractor Financial Cooperative(KSCFC)	Contract guarantee insurance	KRW	127,270
Korea Speciality Contractor Financial Cooperative(KSCFC)	Construction warranties	KRW	176,579
Electric Contractors' Financial Cooperative(ECFC)	Contract guarantee insurance(*1)	KRW	204,757

The Group receives joint guarantees from Sehwa Co., Ltd. and one other company for contract guarantee insurance and construction warranties. And The Group provides joint guarantees to Sehwa Co., Ltd. for contract guarantee insurance and construction warranties.

46. TRANSACTIONS WITH THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS:

(1) Transactions with the Government and other public institutions for the years ended December 31, 2024 and 2023 are as follows:

		Revenue		Costs	
(In thousands of won)		2024	2023	2024	2023
Ministries	₩	449,768,928	460,476,930	5,754,950	4,417,361
Local governments		151,344,168	93,788,020	12,757,100	3,541,521
Public companies		244,391,048	222,045,312	39,348,215	12,928,044
Semipublic institutions		1,689,697,047	1,441,465,766	1,013,029,892	905,843,474
Other public institution		946,540,095	865,810,239	426,545,549	406,137,147
Total	₩	3,481,741,286	3,083,586,267	1,497,435,706	1,332,867,547

(2) Account balances with government and other public institutions as of December 31, 2024 and 2023 are as follows:

		Receivable		Payable	
(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Ministries	₩	1,967,696	57,042,337	368,753	260,835
Local governments		5,366,324	5,211,532	39,718	239,259
Public companies		59,239,139	49,105,247	5,341,766	5,057,312
Semipublic institutions		76,093	399,144,404	29,489,097	144,151,489
Other public institution		11,728,000	26,815,590	49,221,055	10,755,417
Total	₩	78,377,252	537,319,110	84,460,389	160,464,312

(3) Government grants and receivables for entrusted business with the Government and other public institutions as of December 31, 2024 and 2023 are as follows:

		Government grants		Receivables for entrusted business	
(In thousands of won)		Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Ministries	₩	51,404,513	39,569,012	324,768,136	231,021,384
Local governments		-	-	19,779,674	54,791,076
Total	₩	51,404,513	39,569,012	344,547,810	285,812,460

47. SEGMENT ACCOUNTING:

(1) The Group defines business segment as follows:

1) Passenger transport business : KTX, ITX-Saemaeul, Saemaeul, Moogoonghwa, Nuri and trains for commuters
2) Metro business : Passenger transport business for Seoul metro area and ITX-Chungchoon
3) Freight business : Freight and storage for industrial materials such as coal, cement
4) Other multiple business : Development of station area and overseas business
5) Yongsan : Development of Yongsan station area (Cancellation on April 2013)
6) Entrusted business : Maintenance of properties for trains, etc.
7) Others - Operation and management of special vehicles

(2) Details of financial information of business departments as of and for the years ended December 31, 2024 and 2023 are as follows:

		2024				
(In thousands of won)		Assets	Liabilities	Revenue	Operating income (loss)	Net income (loss)
Passenger	₩	18,933,197,651	16,130,166,689	3,350,590,545	367,159,318	192,670,978
Metro		5,270,062,014	2,406,453,092	1,227,927,088	(217,398,482)	(237,721,834)
Freight		2,548,051,654	6,550,028,989	322,022,909	(235,076,870)	(375,290,868)
Yongsan		7,217,068,764	2,718,628,347	-	4,185	(91,466,806)
Other multiple		3,514,189,420	643,890,115	75,356,220	55,334,794	114,600,520
Entrusted		1,106,930,759	2,217,597,401	1,544,510,986	(81,384,749)	(120,142,063)
Others		15,588,879	2,826,284	7,737,000	-	660,103
Transactions between departments		(9,606,366,090)	(9,606,366,090)	-	-	-
Subsidiaries		484,469,535	204,889,845	903,446,807	37,992,802	34,857,619
Internal transactions		(148,031,379)	(83,683,407)	(569,570,198)	(196,429)	(18,099,787)
Total	₩	29,335,161,207	21,184,431,265	6,862,021,357	(73,565,431)	(499,932,138)

		2023				
(In thousands of won)		Assets	Liabilities	Revenue	Operating income (loss)	Net income (loss)
Passenger	₩	17,062,563,572	14,511,119,928	3,213,500,001	423,283,840	571,106,091
Metro		5,978,300,535	2,877,971,948	1,131,209,806	(234,464,880)	(243,210,691)
Freight		2,503,890,451	6,132,904,693	338,232,554	(230,276,551)	(383,336,748)
Yongsan		7,419,876,748	2,829,423,119	-	(1,582,750)	(155,088,182)
Other multiple		3,358,814,584	603,370,323	62,540,713	43,709,461	178,898,568
Entrusted		1,092,842,480	2,079,798,613	1,064,538,062	(476,834,472)	(512,856,444)
Others		23,977,609	11,866,836	5,913,505	1,849,990	2,009,474
Transactions between departments		(8,687,909,982)	(8,687,909,982)	-	-	-
Subsidiaries		1,175,841,017	659,850,060	1,179,627,362	35,424,381	31,378,249
Internal transactions		(861,790,727)	(553,013,711)	(622,577,322)	(2,645,157)	59,539,424
Total	₩	29,066,406,287	20,465,381,827	6,372,984,681	(441,536,138)	(451,560,259)

OFFERING CIRCULAR

Korea Railroad Corporation

(a statutory juridical corporation organized under the laws of the Republic of Korea)

US$2,000,000,000
Medium Term Note Program

Under this US$2,000,000,000 Medium Term Note Program (the "**Program**"), Korea Railroad Corporation (the "**Issuer**") may from time to time issue notes in bearer and/or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**", and together, the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed US$2,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Program*" and any additional Dealer appointed under the Program from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**", and together, the "**Dealers**"). References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") a copy of which, with respect to Notes to be listed on the Singapore Stock Exchange, will be submitted to the Singapore Stock Exchange before the date of listing of the Notes of such Tranche.

The Program provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

See "*Investment Considerations*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold in the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from the registration requirements of the Securities Act. Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). For a description of these and other restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*." See "*Form of the Notes*" for a description of the manner in which Notes will be issued.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Notes.

Arranger and Sole Dealer

BNP PARIBAS

The date of this Offering Circular is October 7, 2024.

The Issuer, having made all reasonable inquiries, accepts responsibility for this Offering Circular, and confirms that this Offering Circular contains all information which is material in the context of the Program, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer accepts responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the authenticity, origin, validity, accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any supplement hereto or any other information provided by or purported to be provided by the Issuer in connection with the Program. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Program. Each Dealer and its affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such information.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published financial statements of the Issuer when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into

whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Korea, Hong Kong, Singapore and Switzerland. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale and Transfer and Selling Restrictions*" below.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA") – Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Program shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PERSONS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). Any Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

KOREAN SELLING RESTRICTIONS

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"). The Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations.

IMPORTANT — EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors," the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in

the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT — UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled "**Prohibition of Sales to UK Retail Investors**", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the UK Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organized under the laws of Korea. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or its directors and officers under laws other than Korean law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Lee & Ko, its counsel as to matters of Korean law, that there is doubt as to the enforceability in Korea in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD LOOKING STATEMENTS

Certain statements in this Offering Circular constitute "forward-looking statements", including statements regarding the Issuer's expectations and projections for future operating performance and business prospects. The words "believe," "expect," "anticipate," "estimate," "project," "will," "aim," "will likely result," "will continue," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "should," "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Issuer's ability to successfully implement its business strategy, the condition of and changes in the Korean, Asian or global economies, future levels of non-performing assets, the Issuer's growth and expansion, including whether the Issuer succeeds in its consumer financing strategy, changes in interest rates and changes in government regulation and licensing of its businesses in Korea and in other jurisdictions where the Issuer may operate, and competition in the financial services industry. Additional factors that could cause the Issuer's actual results, performance or achievements to differ

materially include, but are not limited to, those discussed under "*Investment Considerations*." Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Each of the Issuer and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise specified or the context otherwise requires, in this Offering Circular:

- All references to the "**Issuer**" herein are references to Korea Railroad Corporation. All references to "**we**," "**our**," or "**us**" herein are references to the Issuer or to the Issuer and its consolidated subsidiaries, as the context requires.
- References to "**Korea**" are to the Republic of Korea. References to "**U.S.**" or the "**United States**" are to the United States of America. References to "**PRC**" or "**China**" are to the People's Republic of China. References to the "**Government**" are to the government of Korea, those to the "**MOLIT**" refer to the Ministry of Land, Infrastructure and Transport of Korea and those to the "**MOEF**" refer to the Ministry of Economy and Finance of Korea.
- All references in this Offering Circular to "**Won**" and "**₩**" refer to the currency of Korea, those to "**U.S. dollars**" and "**US$**" are to United States dollars, those to "**Japanese Yen**" are to the currency of Japan, those to "**S$**" are to the currency of Singapore, those to "**Sterling**" and "**£**" are to the currency of the United Kingdom, those to "**Chinese Renminbi**" and "**Renminbi**" are to the currency of China and those to "**Euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer's audited consolidated financial statements as of and for the years ended December 31, 2023, 2022 and 2021 and reviewed consolidated financial statements as of June 30, 2024 and for the six months ended June 30, 2024 and 2023 included in this Offering Circular have been prepared in accordance with Government Accounting Standards for Public Enterprises and Quasi-government Organizations of the Republic of Korea ("**Government Accounting Standards**"), and where accounting provisions have not been specified under Government Accounting Standards, the Issuer has also applied International Financial Reporting Standards as adopted by the Republic of Korea ("**K-IFRS**") as allowed under Government Accounting Standards.

Unless otherwise specified or the context requires, all financial and other information in this Offering Circular regarding the Issuer's activities, financial condition and results of operations are presented on a consolidated basis.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the relevant Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in accordance with all applicable laws and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recent publicly available audited consolidated annual financial statements and unaudited consolidated interim financial statements (if any) of the Issuer from time to time; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the written request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the Issuer at its registered office set out at the end of this Offering Circular. In addition, such documents will be available for inspection, free of charge at the specified office of Citibank, N.A., London Branch (the "**Issuing and Paying Agent**").

The Issuer will, in connection with the listing of the Notes on the Singapore Stock Exchange, so long as the rules of the Singapore Stock Exchange so require, in the event of any material change which is not reflected in this Offering Circular, prepare a further supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the Singapore Stock Exchange.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as supplemented, materially inaccurate or misleading, a new Offering Circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer may from time to time issue Notes denominated in any currency and with any maturity, subject as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Offering Circular and any supplement will only be valid for the offering of Notes in an aggregate nominal amount of Notes which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed US$2,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*" below) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*" below) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*" below) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY

We are the sole Government-owned full-service national railroad operator, providing passenger and freight railroad transportation services across national network connecting major cities, ports and regions throughout Korea. We also provide subway rail services encompassing the Seoul metropolitan area, as well as tourist railways to certain popular tourist destinations. In addition, we provide Government-consignment services and other related services, such as property development, overseas consulting, tourism services and retail business.

We were established by the Government as a statutory entity for the primary purpose of operating national railroad services, pursuant to the Korea Railroad Corporation Act (as amended, "**KRC Act**") on January 1, 2005. The Korea National Railway ("**KR**") constructs and maintains the Government-owned railroad facilities. The Government, through the MOLIT, our primary regulator, and the MOEF, regulates our activities and owns all of our equity. Therefore, the Government exerts significant influence on our policies and operations.

We are mandated by the Government to promote efficiency of railroad operations. We aim to fulfill the mandate through the following policy objectives:

- Development of railroad as a key means of transportation in order to promote long-term economic and social development throughout various regions of Korea;
- Improvement of efficiency of railroad services by maximizing allocation of resources, such as transformation of an unprofitable train station into an unmanned station to reduce operating costs and development of train station area as a multi-purpose complex offering shopping and retail services, tourist assistance centers and transportation services;
- Provision of environmentally-responsible rail services; and
- Fulfillment of public service obligations ("**PSO**") such as fare discounts for certain disadvantaged groups or provision of rail services to less populated or remote areas despite unprofitability of such services.

As a Government-owned entity charged with executing public policy objectives, our business objective is not the maximization of our profitability. Our business scope is subject to extensive regulation and our operations rely heavily on subsidies from the Government. For a discussion on our relationship with the Government, see "*Relationship with the Government*". As part of our financial strategy, we will seek to continue to rely on support from the Government, such as subsidies for PSO services and compensation for railroad facility usage fees while striving to increase our financial sustainability by improving our operational capacity and service quality. All of the rail track is national property and managed by the KR. The KR, on the Government's behalf and under its license, levies an annual charge for usage of the facilities it manages. See "*Relationship with the Government — Government Support*".

Our organization includes twelve business headquarters consisting of Safety General HQ, Planning and Coordination HQ, Human Resources and Management HQ, Digital Convergence HQ, Passenger Business HQ, Metropolitan Rail HQ, Logistics Business HQ, New Growth Business HQ, Rolling Stock HQ, Infrastructure HQ Electrical HQ and Overseas Business HQ, in addition to twelve regional headquarters. Our conventional and KTX rail networks consists of over 105 lines throughout Korea, and our metropolitan rail transit network consists of 15 main lines connecting Seoul and the greater metropolitan area. Our passenger railroad network, which consists of KTX, conventional and metropolitan railroad networks, extends a total operating distance of 4,144.1 km, and our freight railroad network extends a total operating distance of 3,100.8 km. As of June 30, 2024, we had 690 stations servicing our KTX, conventional, metropolitan and freight transportation operations.

In 2023, approximately 76 million, 61 million and 1,097 million passengers used our KTX, conventional and metropolitan railroad services, respectively. Our annual freight transportation volume amounted to 21 million tons in 2023. The majority of our sales revenue consists of proceeds from passenger fares. Our tariff structure is determined by the MOLIT in accordance with Article 9 of the Railroad Business Act. See "*Relationship with the Government — Railway Tariffs*".

We recorded revenue of ₩5,765 billion, ₩6,204 billion, ₩6,373 billion and ₩3,245 billion in 2021, 2022, 2023 and the first half of 2024, respectively. We recorded operating loss of ₩888 billion, ₩397 billion, ₩442 billion and ₩69 billion in 2021, 2022, 2023 and the first half of 2024, respectively. As of June 30, 2024, our total assets (consisting principally of passenger cars and rolling stock, land and buildings) amounted to ₩29,241 billion.

Our headquarters are located at 240 Jungang-ro, Dong-gu, Daejeon 34618, Korea.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" below shall have the same meanings in this summary.

Issuer:	Korea Railroad Corporation (Legal Entity Identifier: 988400HIXNKLSIY4ND32)
Description:	Medium Term Note Program
Arranger:	BNP PARIBAS
Dealers:	BNP PARIBAS and any other Dealers appointed in accordance with the Program Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*").
Issuing and Paying Agent and Calculation Agent:	Citibank, N.A., London Branch
ICSD Transfer Agent and Registrar (in respect of Notes held through Euroclear and Clearstream):	Citibank, N.A., London Branch
DTC Paying Agent, DTC Transfer Agent and DTC Registrar:	Citibank, N.A., London Branch
CMU Lodging and Paying Agent, CMU Transfer Agent and CMU Registrar:	Citicorp International Limited
Size:	Up to US$2,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Program*") outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*." Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer, as indicated in the applicable Pricing Supplement. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.
Other provisions in relation to Floating Rate Notes:	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Pricing Supplement and will be calculated on the basis of the relevant Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies and based on such rates of exchange, as the Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments (see below), if applicable, or for

	taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the Noteholders, and/or at the option of the Noteholders, upon giving not less than 30 nor more than 45 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement. The applicable Pricing Supplement may provide that Notes may be repayable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Change of Control Redemption:	The Notes will be redeemable at the option of the Noteholders, in all or in part, upon the occurrence of a Change of Control at 100% of their principal amount, together with accrued and unpaid interest, if any, to but excluding the Change of Control Put Date (as defined herein). See "*Terms and Conditions of the Notes — Redemption and Purchase — Change of Control Redemption*".
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note (as defined under "*Form of the Notes*") will be US$500,000 or its approximate equivalent in other Specified Currencies.
Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in Euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 9), subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Acceleration:	The terms of the Notes will contain a cross acceleration provision as further described in Condition 11.
Status of the Notes:	The Notes and any relative Receipts and Coupons will constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer which will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured (subject to Condition 4) and unsubordinated obligations of the Issuer, save for such as may be preferred by mandatory provisions of applicable law.

Listing:	Approval in-principle has been received from the Singapore Stock Exchange in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in—principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. The Pricing Supplement relating to each Tranche of Notes will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed. Notes not listed on a stock exchange may also be issued.
Governing Law:	The Notes, the Program Agreement and the Agency Agreement will be governed by, and construed in accordance with, New York law.
Notes Issued as Social, Green or Sustainability Bonds:	The applicable Pricing Supplement may indicated that the Notes are being issued as Green Bonds, Social Bonds or Sustainability Bonds in accordance with the Issuer's Green, Social and Sustainability Bond Framework. See "*Use of Proceed*".
Selling Restrictions:	There are selling restrictions in relation to the United States, the EEA, the United Kingdom, Switzerland, Korea, Japan, Hong Kong, Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".

FORM OF THE NOTES

This section includes provisions applicable to Rule 144A Global Notes and Definitive IAI Registered Notes in case the Program and the related Offering Circular are amended to permit such notes to be issued under the Program. The Notes offered or sold pursuant to this Offering Circular may be offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

Certain capitalized terms used herein are defined in the "*Terms and Conditions of the Notes*". Any reference herein to Euroclear (as defined below) and/or Clearstream (as defined below) and/or DTC (as defined below) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system in the applicable Pricing Supplement.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act. Bearer Notes will also be subject to U.S. tax restrictions described below.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary global note (a "**Temporary Global Note**") or a permanent global note (a "**Permanent Global Note**") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or (ii) a sub-custodian for the Hong Kong Monetary Authority ("**HKMA**") as operator of the Central Moneymarkets Unit Service (the "**CMU Service**"). Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or Citicorp International Limited (the "**CMU Lodging and Paying Agent**") and (in the case of a Temporary Global Note delivered to the Common Depositary for Euroclear and Clearstream) Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note (if not held through the CMU Service) will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification

supplied to the CMU Lodging and Paying Agent by the CMU Service) and save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that Euroclear and/or Clearstream have been or, in the case of Notes held through the CMU Service, the CMU Service has been, closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 9 which would not be required were the Notes represented by the Permanent Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and/or Clearstream, and/or the CMU Service, such adverse tax consequences are as a result of a change in, or amendment to, the laws or regulation (taxation or otherwise) in, or of, Korea). The Issuer will promptly give notice to Noteholders and the relevant agents in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Global Note) and/or, in the case of Notes held through the CMU Service, the relevant account holders therein, may give notice to the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY U.S. PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that U.S. holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream or the CMU Service and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions ("**Institutional Accredited Investors**") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a restricted permanent global note in registered form (a "**Restricted Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will be deposited with either (i) a custodian for, and registered in the name of a nominee of, the Depositary Trust Company ("**DTC**") for the accounts of Euroclear and Clearstream, (ii) a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream or (iii) a sub-custodian for the HKMA as operator of the CMU Service, in each case, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Notes**"). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of US$500,000 and integral multiples of US$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*." Institutional Accredited Investors that hold Definitive IAI Registered Notes may not hold such Notes through DTC, Euroclear, Clearstream or the CMU Service, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may elect to do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*." The Restricted Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(a)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have and, in the case of Notes held through the CMU Service, the Issuer has been notified that the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders and the relevant agents in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (i) in the case of Notes registered in the name of a nominee for DTC or a nominee for a Common Depositary for Euroclear and/or Clearstream, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) and/or (ii) in the case of Notes held through the CMU Service, the relevant account holders therein, may give notice to the Registrar, or as the case may be, the CMU Lodging and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar or, as the case may be, the CMU Lodging and Paying Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging and Paying Agent.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream and the CMU Service, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*."

CMU Notes

Unless otherwise specified in the applicable Pricing Supplement, CMU Notes will initially be issued in registered form and represented by a global certificate registered in the name of HKMA, in its capacity as operator of the CMU Service. Certain special provisions apply to such CMU Notes. See "*Book-Entry Clearance Systems — CMU Notes*."

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case may be, shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number and/or CMU instrument number which are different from the common code, ISIN, CUSIP, CINS and CMU instrument number assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear, Clearstream and/or the CMU Service, each person (other than Euroclear, Clearstream or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream and/or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or DTC and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream and/or DTC and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, DTC and the CMU Service on and subject to the terms of the Agency Agreement. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that the Global Note representing such Notes is exchanged for definitive Notes, the Issuer will appoint and maintain a paying agent in Singapore, where such definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event the Global Note representing such Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the Singapore Stock Exchange. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Form of Pricing Supplement

[**IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[**IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][2]

[**MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended,

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[1] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[2] Legend to be included unless the Final Terms for an offer of Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable".

"**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[To be inserted if the Notes will be offered to investors in Singapore]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA") – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products [OR] capital markets products other than prescribed capital markets products]* (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded Investment Products [OR] Specified Investment Products]* (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][**To delete accordingly*]

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[Date]

KOREA RAILROAD CORPORATION

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Issued Pursuant to the US$2,000,000,000 Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in this Offering Circular dated October 7, 2024 as amended or supplemented from time to time (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with this Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of this Pricing Supplement and this Offering Circular.

The Notes have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes may not be offered, delivered, or sold directly or indirectly in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to, or for the account or benefit of, any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in this Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with this Offering Circular dated October 7, 2024, save in respect of the Conditions which are extracted from this Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of this Pricing Supplement and such Offering Circulars.]

[*Include whichever of the following apply or specify items as "not applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer:	Korea Railroad Corporation (Legal Entity Identifier: 988400HIXNKLSIY4ND32)
2.	(i) Series Number:	[ ]
	(ii) Tranche Number:	[ ] *(If re-opening fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
	(iii) Re-opening:	[Yes/No] (*Specify terms of initial or eventual fungibility*)
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	(i) Tranche:	[ ]
	(ii) Series:	[ ]
5.	[(i)] Issue Price of Tranche:	[ ]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible re-opening issues only, if applicable)*.
	[(ii) Net Proceeds: (*Required only for listed issues*)]	[ ]
	[(iii)] Use of Proceeds:	[ ]
6.	(i) Specified Denominations: *(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*	[ ] *(N.B. Following the entry into force of the amendments made by Directive 2010/73/EU to the Prospectus Directive (Directive 2003/71/EC) (the "2010 PD Amending Directive") on December 31, 2010, Notes to be admitted to trading on a regulated market within the European Economic Area must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

		(N.B. Where Bearer Notes with multiple denominations above US$200,000 or equivalent are being used, the following sample wording should be followed: *"US$200,000 and integral multiples of US$1,000 in excess thereof up to and including US$399,000. No Notes in definitive form will be issued with a denomination above US$399,000.")* *(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.)*
	(ii) Calculation Amount:	[ ] *(If there is only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date:	*[specify/Issue Date/Not Applicable] (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:	[*Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to* [*specify month and year*]]
9.	Interest Basis:	[[ ]% Fixed Rate] [[EURIBOR/HIBOR/SOFR Benchmark] +/- [ ]% Floating Rate] [Zero Coupon] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Installment] [*specify other*]
11.	Change of Interest Basis or Redemption/ Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*]
12.	Put/Call Options (other than Condition 8(b)):	[Investor Put] [Issuer Call] [(further particulars specified below)]

13. (i)	Status of the Notes:	Senior
(ii)	Date of [Board] approval for issuance of Notes obtained:	[ ]/[None required] (*N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes.*)
(iii)	Date of regulatory approval/consent for issuance of Notes obtained:	[ ]/[None required] (*N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes*)
14.	Listing:	[Singapore Exchange Securities Trading Limited[3]/ specify other/None] (*N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market.*)
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
(i)	Rate[(s)] of Interest:	[ ]% per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear] (*If payable other than annually, consider amending Condition 6.*)
(ii)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[specify other] *(N.B. This will need to be amended in the case of long or short coupons.)*
(iii)	Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)*	[[ ] per Calculation Amount]/[As per Condition 6(a)(II)]
(iv)	Broken Amount(s): *(Applicable to Notes in definitive form)*	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[As per Condition 6(a)(II)]
(v)	Day Count Fraction:	[*30/360 or Actual/Actual (ICMA) or specify other*]/ [Not applicable] (*Applicable if Condition 6(a)(I) is specified as being applicable in paragraph 16(viii).*)
(vi)	Determination Date(s):	[ ] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA*).]
(vii)	Business Day Convention:	[*Following Business Day Convention*] [*Other*]
(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Condition 6(a)(I) applies/Condition 6(a)(II) applies. The Issuing and Paying Agent will act as the Calculation Agent/None/Give details]

[3] Issuer's latest audited financial statements to be appended in full to the applicable Pricing Supplement if not already included in the Offering Circular.

17. Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Specified Period(s)/Interest Payment Dates:	[ ]
(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ [*specify other*]]
(iii) Additional Business Center(s):	[ ] (Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-U.S. dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream)
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[ ]
(vi) Screen Rate Determination:	
—Reference Rate:	[ ] (*Either EURIBOR, HIBOR, SOFR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
—Interest Determination Date(s):	[ ] (*Second business day prior to the start of each Interest Period*)
—Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
—SOFR Benchmark:	[Not Applicable/Compounded Daily SOFR/SOFR Index] *(Only applicable where the Reference Rate* is SOFR)
—Compounded Daily SOFR	[Not Applicable/SOFR Lag/SOFR Observation Shift] *(Only applicable in the case of Compounded Daily SOFR)*
—Lookback Days:	[Not Applicable/[ ] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Lag)*
—SOFR Observation Shift Days:	[Not Applicable/[ ] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Observation Shift or SOFR Index)*
—SOFR $\text{Index}_{\text{Start}}$:	[Not Applicable/[ ] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Index)*
—SOFR $\text{Index}_{\text{End}}$:	[Not Applicable/[ ] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Index)*

(vii) ISDA Determination:	
—Floating Rate Option:	[ ]
—Designated Maturity:	[ ]
—Reset Date:	[ ]
(viii) Margin(s):	[+/-] [ ]% per annum
(ix) Minimum Rate of Interest:	[ ]% per annum
(x) Maximum Rate of Interest	[ ]% per annum
(xi) Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA)] (*See Condition 5 for alternatives*)
(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
(xiii) Benchmark Discontinuation (General)	[Applicable/Not Applicable]
(xiv) Benchmark Discontinuation (SOFR)	[Applicable/Not Applicable]
18. Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Accrual Yield:	[ ]% per annum
(ii) Reference Price:	[ ]
(iii) Any other formula/basis of determining amount payable:	[ ]
(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	Conditions 8(f)(iii) and 8(k) apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
19. Dual Currency Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
(ii) Party, if any, responsible for calculating the principal and/or interest payable (if not the Issuing and Paying Agent):	[ ]
(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call (other than Condition 8(b)):	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ]
(b) Maximum Redemption Amount:	[ ]
(iv) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent.*)
21. Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(iii) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent.*)
22. Final Redemption Amount of each Note:	[[ ] per Calculation Amount/*specify other*/see Appendix]
23. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]

	[Permanent Global Note exchangeable for Definitive Bearer Notes only upon an Exchange Event]] [Registered Notes: Regulation S Global Note (US$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream[/held through the CMU Service]]/ Restricted Global Note (US$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream[/ held through the CMU Service]]/Definitive IAI Registered Notes (*specify nominal amounts*)] (*Ensure that this is consistent with the language in the "Form of the Notes" section in this Offering Circular and the Notes themselves*)
25. Additional Financial Center(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] (*Note that this item relates to the place of payment and not Interest Period end dates to which item 17(iii) relates; insert New York City for U.S. dollar denominated Notes to be held through DTC.*)
26. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*] *(N.B. New forms of Global Note(s) may be required for Partly Paid issues.)*
28. Details relating to Installment Notes:	
(i) Installment Amount(s):	[Not Applicable/*give details*]
(ii) Installment Date(s):	[Not Applicable/*give details*]
29. Redenomination applicable:	Redenomination [not] applicable (*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)
30. Other terms or special conditions:	[Not Applicable/*give details*]
DISTRIBUTION	
31. (i) If syndicated, names of Managers:	[Not Applicable/*give names*]
(ii) Stabilizing Manager (if any):	[Not Applicable/*give name*]
32. If non-syndicated, name of relevant Dealer:	[ ]
33. U.S. Selling Restrictions:	[Reg. S Category 1/2]; [TEFRA D/TEFRA C/ TEFRA not applicable]
34. Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
35. Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]
36. Additional selling restrictions:	[Not Applicable/*give details*]

HONG KONG SFC CODE OF CONDUCT

37. Rebates:	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
38. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide] / [Not Applicable]
39. Marketing and Investor Targeting Strategy	[if different from this Offering Circular]

PROVISION RELATING TO GREEN, SOCIAL OR SUSTAINABILITY BOND

40. (i) Green Bond, Social Bond or Sustainability Bond:	[Not Applicable/[Green Bond/Social Bond/ Sustainability Bond]]
[(ii) Reviewer(s):]	[Name of sustainability rating agency(ies) [and name of third-party assurance agent] and [give details of compliance opinion(s) and availability]]

OPERATIONAL INFORMATION

41. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[[CMU Service]/Not Applicable/*give name(s) and number(s)*]
42. Delivery:	Delivery [against/free of] payment
[43. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:]	[Not Applicable/London/Hong Kong]
44. Additional Paying Agent(s) (if any):	[ ]

ISIN:	[ ]
Common Code:	[ ]

(*insert here any other relevant codes such as CUSIP, CINS codes [and a CMU instrument number]*)

[*If a private banking rebate is paid, include the following:* "We have agreed with the [Dealers/Managers] that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement."]

NOTICE TO INVESTORS

The Issuer is a government-controlled judicial entity established pursuant to The Korea Railroad Corporation Act of 2005, as amended, and is required under the Act on the Operation of Public Institutions and regulations thereunder to publicly disclose its annual financial statements and management information, subject to certain limitations according to public or national security interest. However, as there is no obligation under Korean law for the Issuer to prepare such information in English, there is limited publicly available information about the Issuer in English.

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$2,000,000,000 Medium Term Note Program of Korea Railroad Corporation.]

[[Application will be made to / Application has been made to / Approval in-principle has been received from] the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") for the listing and quotation of the Notes on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.]

[Application will be made for the Notes to be recognized under the SGX Sustainable Fixed Income initiative on the Singapore Stock Exchange. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Notes will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, the Singapore Stock Exchange may remove the recognition from the Notes at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the Singapore Stock Exchange's website.]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. Signed on behalf of the Issuer:

By:_____

Duly authorized

If the applicable Pricing Supplement relating to a Tranche of Notes specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 2, 6, 7, 8 (except Condition 8(b)), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 17, they will not necessitate the preparation of a supplementary Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplementary Offering Circular or a further Offering Circular describing the modification will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note, Regulation S Global Note, Restricted Global Note and definitive Note. Reference should be made to "Form of the Notes" above for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Korea Railroad Corporation (the "**Issuer**").

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean;

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(ii) definitive Notes in bearer form ("**Bearer Notes**") issued in exchange (or part exchange) for a Global Note;

(iii) any Global Note;

(iv) in relation to any Notes represented by definitive Notes in registered form ("**Definitive Registered Notes**"), units of the lowest Specified Denomination in the Specified Currency; and

(v) any Definitive Registered Notes.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of the amended and restated agency agreement dated October 16, 2023 (as amended, restated or supplemented, the "**Agency Agreement**") and made between, the Issuer, Citibank, N.A., London Branch, as issuing and paying agent (the "**Issuing and Paying Agent**," which expression shall include any successor issuing and paying agent), calculation agent (the "**Calculation Agent**"), registrar with respect to Notes held through Euroclear and Clearstream and registrar with respect to Notes held through DTC, Citicorp International Limited, as registrar with respect to Notes held through CMU (the relevant "**Registrar**," which expression shall include any successor registrar) and Citibank, N.A., London Branch, as the transfer agent with respect to Notes held through Euroclear and Clearstream, Citibank, N.A., London Branch, as transfer agent with respect to Notes held through DTC, Citicorp International Limited, as transfer agent with respect to Notes held through CMU (the relevant "**Transfer Agents**," which expression shall include any successor or any additional transfer agents appointed in accordance with the Agency Agreement), Citibank, N.A., London Branch, as DTC paying agent (the "**DTC Paying Agent**," which expression shall include any successor or any additional DTC paying agent appointed from time to time), Citicorp International Limited, as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**," which expression shall include any successor or any additional CMU lodging and paying agents appointed from time to time) (together with the Issuing and Paying Agent and the DTC Paying Agent, the "**Paying Agents**," which expression shall, unless the context otherwise requires, include any successor or any additional paying agents appointed in accordance with the Agency Agreement). For purposes of these Terms and Conditions, all references to the Issuing and Paying Agent and the Registrar shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts ("**Receipts**") for the payment of the installments of principal (other than the final installment) attached on issue. Definitive Registered Notes do not have Receipts or Coupons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to

the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of any Coupons, and shall, unless the context otherwise requires, include the holders of any Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement and the Pricing Supplement applicable to this Note are available for inspection during normal business hours at the specified office of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available to a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its holding of Notes and as to identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement or these Terms and Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes may be in bearer form or in registered form and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Save as provided in Condition 2 (*Exchange and Transfers of Registered Notes*), Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Installment Note, a Dual Currency Note or a Partly Paid Note or a combination of any of the foregoing, depending upon the Interest/ Payment Basis shown in the applicable Pricing Supplement.

Each Tranche of Bearer Notes will be initially represented by a temporary global Note without Receipts, Coupons or Talons attached (each, a "**Temporary Global Note**") which will be delivered to a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") and/or a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU Service**") operated by the Hong Kong Monetary Authority (the "**HKMA**"). On or after the date which is 40 days after the Issue Date beneficial interests in a Temporary Global Note will be exchangeable upon a request as described therein either for interests in a permanent global Note without Receipts, Coupons or Talons (each, a "**Permanent Global Note**") or for definitive Bearer Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 11 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that Euroclear and/or Clearstream have been or, in the case of Notes held through the CMU Service, the CMU Service has been, closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become obliged to pay

additional amounts as provided for or referred to in Condition 9 (*Taxation*) which would not be required were the Notes represented by the Permanent Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and/or Clearstream and/or the CMU Service, such adverse tax consequences are as a result of a change in, or amendment to, the laws or regulation (taxation or otherwise) in, or of, the Republic of Korea ("**Korea**")). The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (x) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Global Note) and/or (y) in the case of Notes held through the CMU Service, the relevant accountholders therein, may give notice to the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer will also give notice to the Issuing and Paying Agent, or the CMU Lodging and Paying Agent, as the case may be, requesting exchange. Any such exchange following an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case may be.

Bearer Notes in definitive form are issued with Coupons and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Unless otherwise provided with respect to a particular series of Registered Notes, Registered Notes of each Tranche sold outside the United States in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended, (the "**Securities Act**") will, unless otherwise specified in the applicable Pricing Supplement, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons attached, (each, a "**Regulation S Global Note**"), deposited with (i) a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") for the accounts of Euroclear and Clearstream, (ii) a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, or (iii) a sub-custodian for the HKMA as operator of the CMU Service, as specified in the applicable Pricing Supplement. Definitive Registered Notes issued in exchange for Regulation S Global Notes or otherwise sold or transferred in reliance on Regulation S under the Securities Act, together with the Regulation S Global Notes, are referred to herein as "**Regulation S Notes**." To the extent Category 2 is applicable at the time of the offering pursuant to Rule 903 under Regulation S, then with respect to all offers or sales of an unsold allotment or subscription and in any case prior to expiry of the period that ends 40 days after the later of the relevant Issue Date and completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue (the "**Distribution Compliance Period**"), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (save as otherwise provided in Condition 2 (*Exchange and Transfers of Registered Notes*)). After expiry of such Distribution Compliance Period, beneficial interests in a Regulation S Note may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC.

Registered Notes of each Tranche sold in private transactions in reliance upon Rule 144A under the Securities Act to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("**QIBs**") will, unless otherwise specified in the applicable Pricing Supplement, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons (each, a "**Restricted Global Note**" and, together with any Regulation S Global Note, the "**Registered Global Notes**") deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes in definitive form issued in exchange for Restricted Global Notes or otherwise sold or transferred in accordance with the requirements of Rule 144A under the Securities Act, together with the Restricted Global Notes, are referred to herein as "**Restricted Notes**."

Registered Notes of each Tranche sold to accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) ("**Institutional Accredited Investors**") pursuant to Section 4(a)(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act who agree to purchase the Notes for their own account and not with a view to the distribution thereof will be issued as Definitive Registered Notes only, registered in the name of the holder thereof and will not be represented by a global Note.

Definitive Registered Notes issued to Institutional Accredited Investors or in exchange for an interest in a Restricted Global Note and Restricted Global Notes shall bear a legend specifying certain restrictions on transfer (each, a "**Legend**"), such Notes being referred to herein as "**Legended Notes**." Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of a Legend, the Registrar shall (save as provided in Condition 2(d) (*Transfers of interests in Legended Notes*)) deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may

reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Issuer shall notify the Registrar accordingly.

Subject as otherwise provided in Condition 2 (*Exchange and Transfers of Registered Notes*), Definitive Registered Notes may be exchanged or transferred in whole or in part in the Specified Denominations for one or more Definitive Registered Notes of like aggregate nominal amount.

Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar.

Notes are issued in the Specified Denomination(s) set out in the applicable Pricing Supplement which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorized Denomination (as defined below) and, in the case of Notes having a maturity of 183 days or less, the Specified Denomination shall be at least US$500,000 (or the equivalent in any other currency or currencies). Each Tranche of Notes is issued in a nominal amount that is a multiple of the applicable Specified Denominations.

"**Authorized Denomination**" means:

(i) in the case of a Restricted Note, US$100,000 (or its equivalent in any other currency rounded upwards as specified in the applicable Pricing Supplement) and higher integral multiples of US$1,000, or the higher denomination or denominations specified in the applicable Pricing Supplement; and

(ii) in the case of a Definitive Registered Note which is initially offered and sold to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US$500,000 (or its equivalent in any other currency rounded upwards as specified in the applicable Pricing Supplement) and higher integral multiples of US$1,000 or the higher denomination or denominations specified in the applicable Pricing Supplement.

Any minimum Authorized Denomination required by any law or directive or regulatory authority in respect of the currency of issue of any Note shall be such as applied on or prior to the date of issue of such Note.

Subject as set out below, title to Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Issuing and Paying Agent, any other Paying Agent, the Registrar, (if applicable) the CMU Lodging and Paying Agent (except as otherwise required by law) and any Transfer Agent may deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next paragraph.

For so long as any of the Bearer Notes is represented by a bearer Global Note held by a common depositary on behalf of Euroclear and/or Clearstream and/or a sub-custodian for the CMU Service or for so long as DTC or its nominee is the registered holder of a Registered Global Note, each person (other than Euroclear, Clearstream, the CMU Service or DTC as applicable) who is for the time being shown in the records of Euroclear, Clearstream, the CMU Service or, as the case may be, DTC, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, the CMU Service or, as the case may be, DTC, as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agent, the Registrar and any Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent, the Registrar and any Transfer Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, the CMU Service and DTC, as the case may be. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU

Service. Such notification shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder (the "**CMU Accountholders**") and the principal amount of any Note credited to its account, save in the case of manifest error, and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

For so long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

References to Euroclear, Clearstream, the CMU Service and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Issuing and Paying Agent and specified in the applicable Pricing Supplement.

2. Exchange and Transfers of Registered Notes

(a) ***Exchange of interests in Registered Global Notes for Definitive Registered Notes***

Interests in any Registered Global Note will be exchangeable for Definitive Registered Notes if (i) Euroclear and/or Clearstream, the CMU Service or DTC, as the case may be, notifies the Issuer that it is unwilling or unable to continue as depositary for such Registered Global Note, (ii) if applicable, DTC ceases to be a "**Clearing Agency**" registered under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or Euroclear, Clearstream, or the CMU Service, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business, and a successor depositary or alternative clearing system satisfactory to the Issuer and the Registrar and, in the case of CMU Notes, the CMU Lodging and Paying Agent is not available, or (iii) an Event of Default (as defined in Condition 11 (*Events of Default*)) has occurred and is continuing with respect to such Notes. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Definitive Registered Notes to be delivered, provided that, notwithstanding the above, no Definitive Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

(b) ***Transfers of Registered Global Notes***

Transfers of a Registered Global Note registered in the name of a nominee or a sub-custodian for DTC, Euroclear, Clearstream or the CMU Service, as the case may be, shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee or sub-custodian of DTC, Euroclear, Clearstream or the CMU Service, as the case may be, or to the nominee or sub-custodian of any successor thereto.

(c) ***Transfers of interests in Regulation S Notes***

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Note to a transferee in the United States or who is a U.S. person will (unless otherwise specified in the applicable Pricing Supplement) only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor (as defined below), in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (a) beneficial interests in Regulation S Notes may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC and (b) such certification requirements will no longer apply to such transfers.

(d) ***Transfers of interests in Legended Notes***

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter indirectly through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Restricted Global Note if the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(iii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

(iv) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States, and in each case, in accordance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear, Clearstream, or the CMU Service, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

(e) ***Exchanges and transfers of Registered Notes generally***

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes, other than Institutional Accredited Investors, may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, Clearstream, or the CMU Service, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will be transferable and exchangeable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in accordance with the terms and conditions thereof and the rules and operating procedures for the time being of DTC, Euroclear, Clearstream, or the CMU Service, as the case may be (the "**Applicable Procedures**") and as specified in the Pricing Supplement.

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the Authorized Denominations set out in the applicable Pricing Supplement) by the holder or holders surrendering the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and upon the Registrar or, as the case may

be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar or, as the case may be, the relevant Transfer Agent may prescribe, including any restrictions imposed by the Issuer on transfers of Definitive Registered Notes originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of a Definitive Registered Note for an interest in, or to a person who takes delivery of such Note through, a Registered Global Note will be made no later than 30 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent of the Definitive Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

(f) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 8(c) (*Redemption at the Option of the Issuer*), the Issuer shall not be required:

(a) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the 15th day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or

(b) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(g) ***Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.

(h) ***Costs of exchange or registration***

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in Korea unless the Issuer is the counterparty directly liable for that documentary stamp tax.

3. Status of the Notes

The Notes and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Limitation on Liens*)) unsecured obligations of the Issuer which rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured (subject to Condition 4(a) (*Limitation on Liens*)) and unsubordinated obligations of the Issuer, save for such as may be preferred by mandatory provisions of applicable law.

4. Certain Covenants

(a) ***Limitation on Liens***

The Issuer will not itself, and will not permit any Restricted Subsidiary (as defined below) to, create, incur, issue or assume or guarantee any External Indebtedness (as defined below) secured by any mortgage, charge,

pledge, encumbrance or other security interest (a "**Lien**") on any Restricted Property (as defined below) without in any such case effectively providing that the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Restricted Subsidiary then existing or thereafter created) are secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness, plus Attributable Debt (as defined below) of the Issuer and its Restricted Subsidiaries in respect of sale and leaseback transactions as described under "*Limitation upon Sale and Leaseback Transactions*" below, in each case entered into after the date of the issuance of the Notes, would not exceed 10% of Consolidated Net Tangible Assets (as defined below).

The foregoing restriction will not apply to External Indebtedness secured by:

(i) any Lien existing on any Restricted Property prior to the acquisition thereof by the Issuer or any of its Restricted Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(ii) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such Restricted Property concurrently with or within 12 months after the acquisition thereof or completion or construction, improvement or repair thereof;

(iii) any Lien existing on any Restricted Property of any Restricted Subsidiary prior to the time such Restricted Subsidiary becomes a Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;

(iv) any Lien securing External Indebtedness owing to the Issuer or to a Restricted Subsidiary; or

(v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing at the date of the issuance of the Notes, provided that such External Indebtedness is not increased and is not secured by any additional Restricted Property.

For the purposes of Conditions 4(a) (*Limitation on Liens*) and 4(b) (*Limitation upon Sale and Leaseback Transactions*), the giving of a guarantee which is secured by a Lien on a Restricted Property, and the creation of a Lien on a Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

For the avoidance of any doubt, the establishment of any receivables financing facility or arrangement pursuant to which a special purpose vehicle (including any special purpose trust) purchases or otherwise acquires accounts receivable of the Issuer shall not be deemed to be affected by Conditions 4(a) (*Limitation on Liens*) or 4(b) (*Limitation upon Sale and Leaseback Transactions*)

(b) ***Limitation upon Sale and Leaseback Transactions***

The Issuer will not itself, and will not permit any Restricted Subsidiary to, enter into any arrangement, after the date of the issuance of the Notes, with any person providing for the leasing by the Issuer or any Restricted Subsidiary of any Restricted Property which has been or is to be sold or transferred to such person or to any other person to whom funds are advanced by such person on the security of such Restricted Property (a "**sale and leaseback transaction**"), unless (i) the Attributable Debt of the Issuer and its Restricted Subsidiaries in respect thereof and in respect of all other sale and leaseback transactions entered into after the date of the issuance of the Notes (other than transactions permitted by clause (ii) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Restricted Property then outstanding (excluding any such External Indebtedness secured by Liens described in clause (i) through (v) under "*Limitation on Liens*" above) without equally and ratably securing the Notes, would not exceed 10% of Consolidated Net Tangible Assets or (ii) the Issuer or a Restricted Subsidiary within 12 months after such sale and leaseback transaction, applies to the retirement of External Indebtedness, which is not subordinate to the Notes, of the Issuer or a Restricted Subsidiary an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction or (B) the fair market value of the Restricted Property so leased (in each case as determined by the Issuer).

The foregoing restriction shall not apply to any transaction (x) between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries or (y) involving a lease for a temporary period not exceeding three years by the end of which it is intended that the use of such Restricted Property by the lessee will be discontinued.

(c) ***Consolidation, Merger and Sale of Assets***

The Issuer will not consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially to any person, except as provided herein. The Issuer, without the consent of any Noteholder, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each a "**transaction**") to any corporation organized under the laws of Korea, provided that (i) any successor corporation expressly assumes the Issuer's obligations under the Notes and the Agency Agreement, (ii) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (iii) if, as a result of any such transaction, properties or assets of the Issuer or a Restricted Subsidiary would become subject to a Lien which would not be permitted under these Terms and Conditions, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby, and (iv) the Issuer has delivered to the Issuing and Paying Agent a certificate executed by a duly authorized officer of the Issuer and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement, comply with the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

(d) ***Certain Definitions***

In these Conditions, the following expressions have the following meanings:

"**Attributable Debt**" means, as to any lease, at the date of determination, the total net amount of rent required to be paid under such lease during the remaining term thereof including renewal terms at the option of the lessor (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from their respective due dates at the rate of interest borne by the Notes, at the date of determination, compounded annually.

"**Consolidated Net Tangible Assets**" means the total amount of assets of the Issuer and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent audited annual balance sheet of the Issuer and its consolidated Subsidiaries and computed in accordance with International Financial Reporting Standards, as adopted by the Korean Accounting Standards Board.

"**External Indebtedness**" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea and which has a final maturity of one year or more from its date of incurrence or issuance.

"**Long-term Debt**" means any note, bond, debenture or other similar evidence of indebtedness of money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower beyond one year from the date such evidence on indebtedness was incurred.

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Restricted Property**" means any asset or property located in Korea, whether at the date of the issuance of the Notes owned or thereafter acquired, other than any such asset or property, or portion thereof, reasonably determined by the Issuer's board of directors not to be of material importance to the total business conducted by the Issuer and its Subsidiaries as a whole.

"**Restricted Subsidiary**" means any Subsidiary that owns Restricted Property.

"**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or indirectly through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5. Redenomination

(a) *Redenomination*

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the applicable Paying Agent, DTC, the CMU Lodging and Paying Agent (if applicable), Euroclear and Clearstream and at least 30 days' prior notice to the Noteholders in accordance with Condition 15 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated into Euro with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate (as defined below), rounded to the nearest Euro 0.01 if the conversion results in an amount involving a fraction of Euro 0.01, provided that, if the Issuer determines that the then market practice in respect of the redenomination into Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the applicable Paying Agent of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date (as defined below), they shall be issued at the expense of the Issuer in the denominations of Euro 1,000, Euro 10,000, Euro 100,000 and (but only to the extent of any remaining amounts less than Euro 1,000 or such smaller denominations as stated in prior notice to the applicable Paying Agent) Euro 0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the applicable Paying Agent may specify acting on the instruction of the Issuer and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date (as specified in the applicable Pricing Supplement), it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;

(vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the applicable Paying Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in Euro.

(b) ***Definitions***

In these Conditions, the following expressions have the following meanings:

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

"**Euro**" means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty;

"**Redenomination Date**" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

"**Treaty**" means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended from time to time.

6. Interest

(a) ***Interest on Fixed Rate Notes***

(I) In the case of Fixed Rate Notes where Condition 6(a)(I) is specified as being applicable in the applicable Pricing Supplement, the following provisions will apply instead of Condition 6(a)(II):

Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Issue Date (or, if otherwise specified in the applicable Pricing Supplement, the Interest Commencement Date) at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

Where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

(ii) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

In this Condition 6(a)(I):

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(II) In the case of Fixed Rate Notes where Condition 6(a)(II) is specified as being applicable in the applicable Pricing Supplement, the following provisions will apply instead of Condition 6(a)(I):

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding day. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

Where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the actual number of days in the Fixed Interest Period concerned divided by 365, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In this Condition 6(a)(II):

"**business day**" means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong and are not authorized or obligated by law or executive order to be closed; and

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

"**sub-unit**" means, with respect to Renminbi, the lowest amount of such currency that is available as legal tender in the People's Republic of China.

(b) ***Interest on Floating Rate Notes***

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Interest Payment Date(s) (each an "**Interest Payment Date**") in each year specified in the applicable Pricing Supplement; or

(B) if no express Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, each an "**Interest Period**").

If a business day convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below of this subparagraph (1) shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and, in the case of an issue of Notes cleared through the CMU Service, Hong Kong, and any Additional Business Center specified in the applicable Pricing Supplement; and

(B) either (1) in relation to any sum payable in a Specified Currency other than Euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments in the principal financial center of the country of the relevant Specified Currency (if other than London and Hong Kong, as applicable, and any Additional Business Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on Euro-zone inter-bank offered rate ("**EURIBOR**") or on the Hong Kong inter-bank offered rate ("**HIBOR**") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A) only, (i) "**Floating Rate**," "**Calculation Agent**," "**Floating Rate Option**," "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions, (ii) the definition of "**Banking Day**" in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line the word "general" and (iii) "**Euro-zone**" means the region comprised of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Calculation Agent will be deemed to have discharged its obligations under Condition 6(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

(1) Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as EURIBOR or HIBOR in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (Brussels time, in the case of EURIBOR or Hong Kong time, in the case of HIBOR) on the second business day before the beginning of each Interest Period (each an "**Interest Determination Date**") in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(2) If the Relevant Screen Page is not available (other than as a result of a Benchmark Transition Event, in which case Condition 6(b)(vii) will apply) or, if in the case of Condition 6(b)(ii)(B)(1)(A) above, no such offered quotation appears or, in the case of Condition 6(b)(ii)(B)(1)(B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph the Determination Agent shall request each of the Reference Banks (as defined below) to provide the Determination Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11:00 a.m. (Brussels time, in the case of EURIBOR or Hong Kong time, in the case of HIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Determination Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

(3) If on any Interest Determination Date one only or none of the Reference Banks provides the Determination Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Determination Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (Brussels time, in the case of EURIBOR or Hong Kong time, in the case of HIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Determination Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11:00 a.m. (Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Determination Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

(4) "**Reference Banks**" means, in the case of Condition 6(b)(ii)(B)(1)(A) above, those banks selected and appointed by the Issuer whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 6(b)(ii)(B)(1)(B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(5) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(6) For the purposes of this sub-paragraph (B) only, "**Determination Agent**" means an independent bank of international repute selected by and acting as an agent of the Issuer for the purposes of Condition 6(b)(ii) and notified to the Issuing and Paying Agent and Calculation Agent in writing.

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as SOFR Benchmark in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "SOFR Benchmark" will be determined based on Compounded Daily SOFR or SOFR Index, as follows (subject in each case to Condition 6(b)(viii) as further specified hereon):

(1) If Compounded Daily SOFR is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Lag is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the applicable Pricing Supplement:

(a) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i\ -\mathrm{x}USBD}\ \times\ n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$SOFR_{i\ -\ xUSBD}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"Lookback Days" means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"d" means the number of calendar days in the relevant Interest Period;

"d_0" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"i" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a "**U.S. Government Securities Business Day "I"**"); and

"n_i" for any U.S. Government Securities Business Day "i" means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

(b) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_O}\left(1+\frac{SOFR_{i\ -\times USBD}\ \times\ n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$SOFR_i$" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"SOFR Observation Period" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Payment Date for such Interest Period;

"SOFR Observation Shift Days" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"d" means the number of calendar days in the relevant SOFR Observation Period;

"d_0" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"i" means a series of whole numbers ascending from one to d_0, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day "I"**"); and

"n_i" for any U.S. Government Securities Business Day "i" means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of this Condition 6(b)(ii)(C)(1):

"Bloomberg Screen SOFRRATE Page" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"Reuters Page USDSOFR=" means the Reuters page designated "USDSOFR=" or any successor page or service;

"SOFR" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(b) if the reference rate specified in (a) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(c) if the reference rate specified in (a) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 6(b)(viii) shall apply as specified in the applicable Pricing Supplement;

"SOFR Determination Time" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(2) If SOFR Index is specified in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"SOFR Index" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, provided that:

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded Daily SOFR formula described above in Condition 6(b)(ii)(C)(1)(b) "SOFR Observation Shift", and the term "SOFR Observation Shift Days" shall mean five U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 6(b)(viii) shall apply as specified in the applicable Pricing Supplement;

"SOFR $Index_{End}$" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the Interest Payment Date for such Interest Period (or in the final Interest Period, the Maturity Date);

"SOFR $Index_{Start}$" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the first day of such Interest Period;

"SOFR Index Determination Time" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"SOFR Observation Period" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Payment Date for such Interest Period;

"SOFR Observation Shift Days" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement; and

"d_c" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 6(b)(ii)(C)(2):

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, the second U.S. Government Securities Business Day prior to the last day of each Interest Period;

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York or any successor source;

"SOFR Benchmark Replacement Date" means the date of occurrence of a Benchmark Transition Event with respect to the then-current SOFR Benchmark;

"SOFR Benchmark Transition Event" means the occurrence of a Benchmark Transition Event with respect to the then-current SOFR Benchmark; and

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate. If the applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(1) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(2) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(4) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(5) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(6) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(7) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth Relevant Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer and to the Noteholders in accordance with Condition 15 (*Notices*). For purposes of this paragraph, the expression "**Relevant Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London or, if the specified currency is Renminbi, Hong Kong.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Calculation Agent or the Determination Agent shall (in the absence of willful default or manifest error) be binding on the Issuer, the Issuing and Paying Agent, (in the case of determinations, calculations and/or quotations made or obtained by the Determination Agent) the Calculation Agent, the Registrar, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability of the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the relevant Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(vii) Benchmark Discontinuation (General)

(A) Independent Adviser:

If a Benchmark Transition Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavors to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(b)(vii)(B) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 6(b)(vii)(D)). In making such determination, the Independent Adviser appointed pursuant to this Condition 6(b)(vii) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Paying Agents, or the Noteholders for any determination made by it, pursuant to this Condition 6(b)(vii).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(b)(vii)(A) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to Floating Rate Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest determined using the Original Reference Rate last displayed on the relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6(b)(vii)(B).

(B) Successor Rate or Alternative Rate:

If the Independent Adviser, determines that:

(1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on Floating Rate Notes (subject to the operation of this Condition 6(b)(vii)); or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on Floating Rate Notes (subject to the operation of this Condition 6(b)(vii)).

(C) Adjustment Spread:

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(D) Benchmark Amendments:

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 6(b)(vii) and the Independent Adviser, determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(b)(vii)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 6(b)(vii), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 6(b)(vii) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 6(b)(vii)(D), the Issuer shall comply with the rules of any stock exchange on which the Floating Rate Notes are for the time being listed or admitted to trading.

(E) Notices, etc.:

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 6(b)(vii) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Principal Paying Agent, the Calculation Agent, the Paying Agents. In accordance with Condition 16, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Principal Paying Agent, the Calculation Agent and the Paying Agents a certificate signed by two directors of the Issuer:

(1) confirming (i) that a Benchmark Transition Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 6(b)(vii); and

(2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Principal Paying Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Principal Paying Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 6(b)(vii), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6(b)(vii), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(F) Survival of Original Reference Rate:

Without prejudice to the obligations of the Issuer under Condition 6(b)(vii)(A), Condition 6(b)(vii)(B), Condition 6(b)(vii)(C) and Condition 6(b)(vii)(D), the Original Reference Rate and the fallback provisions provided for in Condition 6(b)(ii)(B) will continue to apply unless and until a Benchmark Transition Event has occurred.

(G) Definitions:

As used in this Condition 6(b)(vii):

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(1) (in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(2) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);

(3) the Independent Adviser determines is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(b)(vii)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Floating Rate Notes.

"Benchmark Amendments" has the meaning given to it in Condition 6(b)(vii)(D).

"Benchmark Transition Event" means:

(1) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or

(2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Floating Rate Notes; or

(5) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(6) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Transition Event shall be deemed to occur (a) in the case of sub-paragraphs (1) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Transition Event shall be determined by the Issuer and promptly notified to the Principal Paying Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Principal Paying Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 6(b)(vii)(A).

"Original Reference Rate" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Floating Rate Notes.

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

(1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(2) any working group or committee sponsored by, chaired or co- chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(viii) Benchmark Replacement (SOFR)

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified in the applicable Pricing Supplement:

(A) Benchmark Replacement:

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes:

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 6(b)(viii). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Agents (if required). Further, none of the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations:

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 6(b)(viii), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) Certain Defined Terms:

As used in this Condition 6(b)(viii):

"Benchmark" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time

that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(1) the sum of:

  (a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

  (b) the Benchmark Replacement Adjustment;

(2) the sum of:

  (a) the ISDA Fallback Rate; and

  (b) the Benchmark Replacement Adjustment; or

(3) the sum of:

  (a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar- denominated Floating Rate Notes at such time; and

  (b) the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment,

or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar- denominated Floating Rate Notes at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(1) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Transition Event", the later of:

  (a) the date of the public statement or publication of information referenced therein; and

  (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(2) in the case of sub-paragraph (iii) of the definition of "Benchmark Transition Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"designee" means a designee as selected and separately appointed by the Issuer in writing;

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded Daily SOFR is specified in the applicable Pricing Supplement) or SOFR Index Determination Time (where SOFR Index is specified in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(c) ***Dual Currency Notes***

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) ***Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note have been paid; and

(ii) the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 15 (*Notices*).

7. Payments

(a) ***Method of Payment***

Subject as provided below:

(i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, New Zealand dollars or Renminbi, shall be Sydney, Auckland or Hong Kong, respectively); and

(ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA**"). References to "**Specified Currency**" will include any successor currency under applicable law.

(b) ***Payments in respect of Definitive Bearer Notes***

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) and in each case payments will not be made by a transfer of funds to an account maintained by the payee in the United States or mailed to an address in the United States.

In respect of definitive Bearer Notes, payments of installments of principal (if any), other than the final installment, will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of the relevant Receipt. Payment of the final installment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Bearer Note. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto

(which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of five years after the Relevant Date (as defined in Condition 9 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (*Prescription*)) or, if later, two years from the date on which such Coupon would otherwise have become due, but in no event thereafter. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) ***Payments in respect of Bearer Global Notes***

Payments of principal and interest (if any) in respect of Bearer Notes represented by any global Bearer Note will (subject as provided below) be made in the manner provided in paragraph (a) above and otherwise in the manner specified in the relevant global Bearer Note (i) in the case of a global Bearer Note lodged with the CMU Service, at the direction of the bearer to the CMU Accountholders, or (ii) in the case of a global Bearer Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such global Bearer Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such global Bearer Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Bearer Note (in the case of a global Bearer Note not lodged with the CMU Service) by such Paying Agent or in the records of Euroclear and Clearstream, as applicable or (in the case of a global Bearer Note lodged with the CMU Service) on withdrawal of such global Bearer Note by the CMU Lodging and Paying Agent, and in such case such record shall be prima facie evidence that the payment in question has been made.

(d) ***Payments in respect of Registered Notes***

Payments of principal (other than installments of principal (if any) prior to the final installments) in respect of each Registered Note (whether in definitive or global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar, any of the Paying Agents or, in the case of CMU Notes, the CMU Lodging and Paying Agent. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose (x) in respect of Notes clearing through Euroclear and/or Clearstream, a day on which Euroclear and/or Clearstream are open for business, (y) in respect of Notes clearing through the CMU Service, a day on which the CMU Service is open for business, and (z) in respect of Notes clearing through the DTC, a day on which the DTC is open for business) immediately prior to the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) prior to the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than US$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in

a Specified Currency other than Euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, New Zealand dollars or Renminbi, shall be Sydney, Auckland or Hong Kong, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made in the manner specified in paragraph (a) to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose (i) (x) in respect of Notes clearing through Euroclear and/or Clearstream, a day on which Euroclear and Clearstream are open for business, (y) in respect of Notes clearing through the CMU Service, a day on which the CMU Service is open for business and (z) in respect of Notes clearing through the DTC, a day on which the DTC is open for business) immediately prior to the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such day is a business day) prior to the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

If payment in respect of any Registered Notes is required by transfer as referred to in paragraph (a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

In the case of Registered Notes (whether or not in global form) held in the CMU Service, payment of all amounts payable to the CMU Service or its sub-custodian as registered holder of a Registered Note (whether or not in global form) will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligations of the Issuer in respect of that payment.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***General provisions applicable to payments***

The holder of a Global Note (if the Global Note is not lodged with the CMU Service), or the CMU Accountholder at the direction of the holder of a Global Note (if the Global Note is lodged with the CMU Service), shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, the CMU Service or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, the CMU Service or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note shall have any claim against the Issuer in respect of any payments due on such Global Note.

(f) ***Payment Day***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a **Payment Day**, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and

shall not be entitled to further interest or other payment in respect of such delay unless as otherwise specified in these Conditions or the Pricing Supplement. For these purposes, "**Payment Day**" means any day which is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) London; and

(C) any Additional Financial Center specified in the applicable Pricing Supplement;

(ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (and which, if the Specified Currency is Australian dollars, New Zealand dollars, or Renminbi shall be Sydney, Auckland or Hong Kong, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open; and

(iii) in the case of any payment in respect of a Registered Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

(g) ***Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*);

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in installments, the Installment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortized Face Amount; and

(vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

(h) ***Renminbi Currency Event***

If "**Renminbi Currency Event**" is specified in the applicable Pricing Supplement and a Renminbi Currency Event, as determined by the Issuer acting in good faith, exists on a date for payment of any amount in respect of any Note, Receipt or Coupon, the Issuer's obligation to make a payment in Renminbi under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency (selected by the Issuer, if applicable, and converted at the Alternate Settlement Rate as of a time selected by the Alternate Settlement Rate Determination Agent as specified in the applicable Pricing Supplement).

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice not less than five days nor more than 30 days prior to the due date for payment to the Noteholders in accordance with Condition 15 (*Notice*) stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of this Condition 7(h) and unless stated otherwise in the applicable Pricing Supplement:

"**Alternate Settlement Rate**" means the spot rate, determined by the Alternate Settlement Rate Determination Agent, between Renminbi and the Relevant Currency, taking into consideration all available

information which the Alternate Settlement Rate Determination Agent deems relevant (including, but not limited to, the pricing information obtained from the Renminbi non-deliverable market outside the People's Republic of China and/or the Renminbi exchange market within the People's Republic of China);

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**Relevant Currency**" means United States dollars or such other currency as may be specified in the applicable Pricing Supplement;

"**Renminbi Currency Event**" means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

"**Renminbi Illiquidity**" means the general Renminbi exchange market in Hong Kong becoming illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong;

"**Renminbi Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation); and

"**Renminbi Non-Transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

8. Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and canceled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for Tax Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Issuing and Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Korea, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including the cessation of tax exemptions presently applicable), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by two duly authorized officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers or tax consultants of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the Option of the Issuer ("Issuer Call")***

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer shall, having given:

(i) not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*); and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issuing and Paying Agent (and the CMU Lodging and Paying Agent if applicable) and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable), redeem all or some of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream and/or, as the case may be, DTC, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) at least 5 business days prior to the Selection Date.

(d) ***Redemption at the Option of the Noteholders ("Investor Put")***

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 (*Notices*) not less than 30 nor more than 45 days' notice or such other period of notice as is specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition in any multiple of their lowest specified denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of a Bearer Note) or any

Transfer Agent (in the case of a Registered Note) at any time during normal business hours of such Paying Agent or Transfer Agent, as the case may be, falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or Transfer Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by check, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11 (*Events of Default*).

Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which such Note will be redeemed only against provision of such indemnity as the Issuer may require. Upon the date on which any Note falls due for redemption or is purchased for cancelation, all unmatured Coupons appertaining thereto will become void and no payment will thereafter be made in respect thereto.

(e) ***Change of Control Redemption***

Upon the occurrence of a Change of Control (as defined below), each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer shall have given notice under paragraph (b) or (c) above in respect of the relevant Notes), exercisable during the Change of Control Put Period, to require the Issuer to redeem all or any part of its Notes at a redemption price (the "**Change of Control Redemption Price**") equal to 100% of the nominal amount of such Notes, together with accrued and unpaid interest, if any, to but excluding the Change of Control Put Date (as defined below). The Change of Control Put Option shall operate as set out in paragraph (d) above. Accrued and unpaid interest in respect of the then current Interest Period (or portion thereof) shall be determined as if the Change of Control Put Date was an Interest Payment Date. Within 30 days following a Change of Control, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 15 (*Notices*) stating (i) that a Change of Control has occurred and that such holder has the right to require the Issuer to redeem such holder's Notes at the Change of Control Redemption Price, (ii) the date (the "**Change of Control Put Date**") fixed by the Issuer for redemption under this Condition 8(e) (which shall be the fifth day after the expiry of the Change of Control Put Period) and (iii) the procedures determined by the Issuer that a Noteholder must follow in order to have its Notes redeemed.

In this Condition:

"**Change of Control**" means the government of Korea, directly or indirectly (including through local governments), ceasing to own and control at least 51% of the issued share capital of the Issuer.

"**Change of Control Put Period**" means the period fixed by the Issuer, which shall end on a Business Day no earlier than 30 days or later than 60 days after a Change of Control Put Event Notice is given.

(f) ***Early Redemption Amounts***

For the purpose of paragraph (b) above and Condition 11 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of Notes (other than Zero Coupon Notes but including Installment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the "**Amortized Face Amount**") equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Pricing Supplement.

(g) ***Installments***

If the Notes are repayable in installments, they will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(h) ***Partly Paid Notes***

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(i) ***Purchases***

The Issuer may at any time purchase Notes at any price (provided that, in the case of Bearer Notes in definitive form, these are purchased together with all unmatured Receipts, Coupons and Talons appertaining thereto) in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent, the Registrar or the CMU Lodging and Paying Agent for cancelation.

(j) ***Cancelation***

All Notes which are redeemed will forthwith be canceled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so canceled and the Notes purchased and canceled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons canceled therewith) shall be forwarded to the Issuing and Paying Agent (and the CMU Lodging and Paying Agent if applicable) which shall notify the Registrar of such canceled Notes in the case of Registered Notes and such Notes cannot be reissued or resold.

(k) ***Late payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) the date on which the full amount of the moneys payable has been received by the Issuing and Paying Agent, the DTC Paying Agent or the CMU Lodging and Paying Agent, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

(l) ***Obligation to redeem***

Upon the expiry of any notice as is referred to in paragraph (b), (c) or (d) above, the Issuer shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

9. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or other government charges and any interest, penalties or other liabilities with respect thereto ("**Taxes**") imposed or levied by or on behalf of any Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or

deduction shall equal the amounts which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to:

(i) any Taxes with respect to a Note, Receipt or Coupon presented for payment (where presentation is required) in Korea (solely to the extent such Taxes would not have been imposed if such Note, Receipt or Coupon, as the case may be, were presented at an office of a Paying Agent outside Korea); or

(ii) any withholding or deduction imposed on a payment received by or on behalf of a holder of a Note, Receipt or Coupon who is liable for such Taxes by reason of such holder of the Note (or fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder, if the relevant holder is an estate, nominee, trust or corporation) being or having been connected with a Tax Jurisdiction otherwise than merely by holding such Note, Receipt or Coupon, or enforcing rights thereunder; or

(iii) any Taxes with respect to a Note, Receipt or Coupon presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on any date during such 30-day period; or

(iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(v) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(vi) any withholding or deduction is imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto; or

(vii) any combination of paragraphs (i), (ii), (iii), (iv), (v) or (vi) above;

nor will additional amounts be paid with respect to any payment on a Note, Receipt or Coupon to a holder who is a fiduciary, a partnership, a limited liability company or a holder other than the sole beneficial owner of that payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, an interest holder in such a limited liability company or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon.

As used herein:

(i) "**Tax Jurisdiction**" means Korea or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

The obligation to pay additional amounts shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments on the Notes, Receipts or Coupons; provided that, except as otherwise set forth in these Terms and Conditions, the Issuer shall pay all stamp and other duties, if any, which may be imposed by Korea, the United Kingdom, the United States or any respective political subdivision or any taxing authority thereof or therein, as a consequence of the initial issuance of the Notes.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, Receipt or Coupon, such mention shall be deemed to include payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

10. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of five years (in the case of principal) and two years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) (*Payments in respect of Definitive Bearer Notes*) or any Talon which would be void pursuant to Condition 7(b) (*Payments in respect of Definitive Bearer Notes*).

11. Events of Default

The term "**Event of Default**" means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

(i) Non-payment: default in the payment of any amount of principal of (or premium, if any, on), or interest in respect of, any of the Notes on the due date for payment thereof and such default remains unremedied for, in the case of default in the payment of interest, 15 days thereafter; or

(ii) Breach of other obligations: default in the performance or observance of any other obligation of the Issuer under or in respect of any of the Notes and these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) such default remains unremedied for ten days after written notice thereof, addressed to the Issuer by any holder of a Note, has been delivered to the Issuer or to the specified office of a Paying Agent; or

(iii) Cross-acceleration: any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Principal Subsidiaries (as defined below) in the aggregate outstanding principal amount of US$10,000,000 (or its equivalent in any currency) or more either (A) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (B) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of Indebtedness for Borrowed Money of any other Person not being honored when, and remaining dishonored after becoming, due and called; provided that, in the case of (A) above, if any such default under any such Indebtedness for Borrowed Money shall be cured or waived, then the default hereunder by reason thereof shall be deemed to have been cured and waived; or

(iv) if (A) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganization or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (B) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 14 days; or

(v) if the Issuer or any of its Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganization or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(vi) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting or purporting to act under the authority of any national, regional or local government of Korea or the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(vii) an order is made by any competent court or resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries; or

(viii) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganization on terms approved by the Noteholders, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(ix) any event occurs which under the laws of Korea has an analogous effect to any of the events referred to in paragraphs (iv) to (viii) above,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Issuing and Paying Agent, effective upon the date of receipt thereof by the Issuing and Paying Agent, declare any Notes held by that holder to be forthwith due and payable together with premium (if any) and accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind. Any such notice shall specify the serial number of each Note in respect of which it is given.

The Issuer shall fully indemnify each Noteholder from and against any reasonable costs, expenses, liabilities and losses which such Noteholder may suffer or incur as a direct result of the occurrence of any Event of Default (including, but without limitation, any expenses incurred in connection with legal proceedings to enforce repayment of such Note).

In these Conditions:

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any money borrowed (including any guarantees or indemnities thereof) or any liability under or in respect of any acceptance or acceptance credit.

"**Principal Subsidiary**" means:

(a) any Subsidiary (as defined in Condition 4(d)) of the Issuer, under the Korean International Financial Reporting Standards (or any other successor generally accepted accounting principles in Korea):

(i) whose operating revenue, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least 10% of the consolidated operating revenue of the Issuer as shown by the then latest audited consolidated accounts of the Issuer; or

(ii) whose total assets, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least 10% of the total consolidated assets of the Issuer as shown by the then latest audited consolidated accounts of the Issuer;

provided that:

(A) in the case of a Subsidiary acquired, or a company becoming a Subsidiary, after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until audited consolidated accounts of the Issuer for the financial period in which the acquisition is made or, as the case may be, in which the relevant company becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Issuer adjusted to consolidate the last audited accounts (consolidated where applicable) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Issuer or any Subsidiary in respect of which financial consolidation is relevant, no consolidated accounts are prepared and audited, operating revenue and total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro-forma consolidated accounts prepared for this purpose by the auditors for the time being of the Issuer;

(C) if at any relevant time in relation to any Subsidiary no accounts are audited, its operating revenue and total assets (consolidated where applicable) shall be determined on the basis of pro-forma accounts (consolidated where applicable) of the relevant Subsidiary prepared for this purpose by the auditors for the time being of the Issuer; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro-forma consolidation of its accounts (consolidated where applicable) with the then latest consolidated audited accounts (determined on the basis of the foregoing) of the Issuer; or

(b) any Subsidiary of the Issuer to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary.

12. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or the relevant Paying Agent (in the case of Bearer Notes, Receipts, Coupons and Talons) or of any Transfer Agent (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the relevant Paying Agent or the Transfer Agent, as the case may be, may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Issuing and Paying Agent, Calculation Agent, Registrar, Paying Agents, Transfer Agents and CMU Lodging and Paying Agent

The names of the initial Issuing and Paying Agent, the other initial Paying Agents, the Calculation Agent, the initial Registrar, the other initial Transfer Agents, the CMU Lodging and Paying Agent and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent, Calculation Agent, Registrar or Transfer Agent, the CMU Lodging and Paying Agent and/or appoint additional or other Paying Agents, Calculation Agent, Registrars or Transfer Agents, the CMU Lodging and Paying Agent and/or approve any change in the specified office through which any of the same acts, provided that:

(i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and, if appropriate, a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

(ii) there will at all times be a Paying Agent and a Transfer Agent with a specified office in London;

(iii) there will at all times be a Registrar and a Transfer Agent each having a specified office in London;

(iv) there will at all times be an Issuing and Paying Agent; and

(v) so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") and the rules of the Singapore Stock Exchange so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the Singapore Stock Exchange.

Any variation, termination, appointment or change of a Paying Agent shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15 (Notices).

In acting under the Agency Agreement, the Issuing and Paying Agent, the Calculation Agent, the Registrar, the other Paying Agents, the CMU Lodging and Paying Agent and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or trust for or with any Noteholders.

14. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon,

subject to the provisions of Condition 10 (*Prescription*). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

15. Notices

Notices to holders of Registered Notes will be deemed to be validly given (i) if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and (ii) if and for so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, if published in a daily newspaper of general circulation in Singapore. Any such notice will be deemed to have been validly given on the latter of the fourth day after the date of such mailing and, if applicable, the date of such first publication.

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London and Asia and (ii) if and for so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in a daily newspaper of general circulation in Singapore. It is expected that such publication will be made in the *Financial Times* in London and the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of first publication in each such newspaper or where published in such newspapers on different dates, the last date of such first publication.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange, the rules of the stock exchange allow for and further provided that, for so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, notices will always be published in a daily newspaper of a general circulation in Singapore), so long as the Global Note(s) is or are held in its/their entirety on behalf of (i) Euroclear and/or Clearstream or DTC, be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear and/or Clearstream or DTC for communication by them to the holders of the Notes and (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream or DTC or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issuing and Paying Agent. While any of the Notes are represented by a Global Note, such notice or demand may be given or made by any holder of a Note to the Issuing and Paying Agent or, the Registrar through Euroclear, Clearstream and/or DTC or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging and Paying Agent in Hong Kong, as the case may be, in such manner as the Issuing and Paying Agent and Registrar and Euroclear, Clearstream, the CMU Service and/or DTC, as the case may be, may approve for this purpose.

16. Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or canceling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than 75% in nominal amount

of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Issuing and Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(i) any modification (except as mentioned above) of any of the provisions of the Notes, the Receipts, the Coupons, the Conditions, or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Receipts, the Coupons, the Conditions, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any determination as to whether any modification is prejudicial to the interests of the Noteholders shall be made solely by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes, provided that such further issuance constitutes a qualified reopening for U.S. federal income tax purposes.

18. Provision of Information

The Issuer has covenanted in the Agency Agreement for the benefit of the Noteholders, Receiptholders and Couponholders that for so long as any Notes remain outstanding and are **"restricted securities"** (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Noteholder, Receiptholder or Couponholder of, or beneficial owner of an interest in, such Notes, Receipts or Coupons in connection with any resale thereof and to any prospective purchaser designated by such Noteholder, Receiptholder, Couponholder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

19. Governing Law and Submission to Jurisdiction

(a) The Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

(b) To the fullest extent permitted by applicable law, the Issuer irrevocably submits to the non-exclusive jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York, United States of America, in any suit, action or proceeding brought by any Noteholder, Receiptholder or Couponholder arising out of or based upon the Notes, the Receipts or the Coupons, and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be determined in any such court. The Issuer irrevocably and to the fullest extent it is permitted to do so under applicable law waives any objection it may have to the laying of venue in any such court or the defense of an inconvenient forum to the maintenance of any such suit or proceeding to the extent permitted by applicable law. The Issuer hereby appoints Law Debenture Corporate Services Inc. located at 801 2nd Avenue, Suite 403, New York, NY 10017, United States as its authorized agent (the "**Authorized Agent**," which expression shall include any replacement authorized agent) upon whom process may be served in any such suit or proceeding set forth herein, it being understood that the designation and appointment of the Authorized Agent as such authorized agent shall become effective immediately without any further action on the part of the Issuer; provided that if for any reason the Authorized

Agent named above ceases to act as Authorized Agent hereunder for the Issuer, the Issuer will appoint another person acceptable to the Dealers in the Borough of Manhattan, The City of New York and the State of New York, as Authorized Agent. The Issuer agrees to take any and all action as may be necessary, including the filing of any and all documents that may be necessary, to maintain such designation and appointment of the authorized agent in full force and effect. If for any reason the appointment of the Authorized Agent shall cease to be in force, the Issuer shall forthwith appoint a new agent to be the Authorized Agent and shall deliver to the Dealers and the Arranger a copy of the new Authorized Agent's acceptance for that appointment within 30 days. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Issuer. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Notes, the Receipts and/or Coupons.

(c) In the Agency Agreement the Issuer has submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process in terms substantially similar to those set out above.

20. Currency Indemnity

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer or in the liquidation, insolvency or analogous process of the Issuer or for any other reason, any payment under or in connection with any Note, Receipt or Coupon, as the case may be, is made or fails to be satisfied in a currency (the "**other currency**") other than that in which the relevant payment is expressed to be due (the "**required currency**"), then, to the extent that the payment (when converted into the required currency at the rate of exchange (as defined below) on the date of payment or, if it is not practicable for any Noteholder, Receiptholder or Couponholder, as the case may be, to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process of the Issuer, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by any Noteholder, Receiptholder or Couponholder, as the case may be, falls short of the amount due under the terms of the relevant Note, Receipt or Coupon, as the case may be, the Issuer shall, as a separate and independent obligation, indemnify and hold harmless such Noteholder, Receiptholder or Couponholder against the amount of such shortfall.

"**Rate of exchange**" means the rate at which the relevant Noteholder, Receiptholder or Couponholder, as the case may be, is able on the relevant date in London to purchase the required currency with the other currency and shall take into account any premium and other costs of exchange.

21. Waiver of Immunity

To the extent that the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, the Issuer hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be: (a) applied by the Issuer for its general corporate purposes, (b) refinancing of existing indebtedness and/or (c) such other purposes as may be specified in the applicable Pricing Supplement.

If so specified in the applicable Pricing Supplement as a Green Bond, Social Bond or Sustainability Bond, the net proceeds will be allocated by the Issuer towards the financing or refinancing, in whole or in part, of projects in Green Eligible Categories, Social Eligible Categories or Sustainable Eligible Categories, respectively, in accordance with the Issuer's Green, Social and Sustainability Bond Framework. The Issuer's Green, Social and Sustainability Bond Framework and the related second party opinion issued by Sustainalytics, an external consultant, in August 2018 ("**Second Party Opinion**") are publicly available on the Issuer's website: https://info.korail.com/infoeng/index.do which are not incorporated into, and do not form a part of, this Offering Circular.

Neither the Issuer nor the Dealers make any representation or warranty, express or implied, or accept any responsibility concerning any information in the Issuer's Green, Social and Sustainability Bond Framework or Second Party Opinion. The Dealers have not undertaken, nor are responsible for, any assessment or verification of the eligibility of projects in Green Eligible Categories and/or Social Eligible Categories, or the monitoring of the use of proceeds from the offering of the Notes. The Second Party Opinion is not a recommendation to buy, sell or hold any Notes and is only current as of the date that the Second Party Opinion was initially issued, and may be updated, suspended or withdrawn at any time. See "*Risk Factors—Risks Relating to the Notes—Notes issued as Green Bonds, Social Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to green assets, social assets or sustainability assets*."

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the market average exchange rate announced by Seoul Money Brokerage Services, Ltd. in Seoul between Won and the U.S. dollar ("**Market Average Exchange Rate**"). The Issuer does not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all.

Period	At End of Period	Average[1]	High	Low
		(Won per US$1.00)		
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020	1,088.0	1,180.1	1,280.1	1,082.7
2021	1,185.5	1,144.4	1,199.1	1,083.1
2022	1,267.3	1,292.0	1,436.6	1,185.5
2023	1,289.4	1,305.4	1,360.6	1,219.3
2024 (through October 4)	1,320.1	1,352.4	1,395.3	1,289.4
April	1,378.7	1,367.8	1,395.3	1,346.8
May	1,376.5	1,365.4	1,378.5	1,349.4
June	1,389.2	1,380.1	1,390.1	1,366.9
July	1,384.6	1,383.4	1,389.4	1,376.3
August	1,335.3	1,354.2	1,380.1	1,323.9
September	1,319.6	1,334.8	1,344.3	1,319.6
October (through October 4)	1,320.1	1,313.5	1,320.1	1,306.9

Source: *Seoul Money Brokerage Services, Ltd.*

Note:

(1) Represents the average of the daily Market Average Exchange Rate over the relevant period.

INVESTMENT CONSIDERATIONS

Prospective purchasers of Notes should carefully review the information contained in this Offering Circular, including the following matters.

Risks Relating to Our Business

We currently benefit from certain forms of subsidies provided by the Government, which might not always be available.

We are a statutory entity wholly-owned by the Government with the mandate to execute the Government's public policy objectives in respect of the railroad industry pursuant to the KRC Act. Revenues from our transportation services have historically been insufficient to cover our operating expenses due to limitations on our ability to raise our railway tariffs, which are subject to tariff ceilings determined by the MOLIT. Hence, we have historically relied on significant subsidies from the Government to conduct our business. The Government has provided such support in the form of contributions of operating assets as investments-in-kind, capital injections, cost reimbursements for PSO services performed by us, assumption by the Government of the cost associated with maintenance of conventional railroads and construction of KTX railroads, financing our investment, and reimbursement of our railroad facility maintenance, repair and upgrade work performed on behalf of the Government. See "*Relationship with the Government — Government Support*". The Government has allocated ₩529 billion, ₩522 billion, ₩526 billion and ₩494 billion in reimbursements for our PSO services and other subsidies in various forms to us for the fiscal years 2021, 2022, 2023 and 2024, respectively, and we have historically received such allocated amounts from the Government subject to certain non-material adjustments.

However, actual subsidies we receive from the Government are subject to prior authorization by the National Assembly of Korea as part of the Government's annual budget approval process. We may cease to benefit from the Government support to the extent that any amendment, modification or repeal of the KRC Act affects the legal basis for such Government support. Inability of the Government to continue to provide subsidies in the future or any decrease in such subsidies could materially and adversely affect our results of operations. See "*Relationship with the Government — Government Support*".

Our activities are heavily regulated by the Government as we were established to fulfill public policy objectives. As a result, we are required to engage in certain activities and businesses which are not always in our best commercial interests.

The Government, as our shareholder, elects our board of directors and influences the management of our operations. Although we have autonomy over our day-to-day operations, the Government exerts significant influence over our strategy, management and operations and may determine material policies affecting us. Furthermore, we were established under the KRC Act, and we are subject to the rules and regulations thereunder and other acts governing us and the railroad industry. As a result, we are heavily regulated by the Government in terms of the permitted scope of our business activities, our budgets and railway tariff ceilings. In addition, our public policy mandate requires us to undertake certain activities in furtherance of public policy considerations for the railroad and transportation industry as a whole, which may not be in our best commercial interests. For example, our conventional and freight transportation businesses and PSO services, including discounted fares to senior citizens and those with disability and provision of railway services to remote, underpopulated areas of Korea, have historically been unprofitable. However, because of the Government mandates, we expect to continue to provide these unprofitable services in the future. Although we are seeking to reduce inefficiencies and boost profitability, we may not be able to do so successfully or the Government's current and future policy initiatives may have an adverse effect on our business prospects, results of operations and financial condition.

We have substantial capital requirements, and our reliance on Government subsidies and long-term indebtedness to fund our capital requirements and repay our existing debt may cause liquidity and financial problems.

Our business is capital intensive, and as a result we have historically made, and are expected to continue to make, significant capital expenditures. Our capital expenditure (which represents the acquisition of property, trains and equipment as shown in our cash flow statements) amounted to ₩548 billion, ₩1,024 billion, ₩1,740 billion and ₩433 billion in 2021, 2022, 2023 and the first half of 2024, respectively. The acquisition of new rolling stock represented the biggest portion of our capital expenditures during such periods.

We have historically relied on support from the Government and debt financings to meet our capital needs. The Government has allocated ₩529 billion, ₩522 billion, ₩526 billion and ₩494 billion in reimbursements for our PSO services and other subsidies in various forms to us, including payments to contractors for purposes of facility maintenance, facility improvement and traffic control system operation, for the fiscal years 2021, 2022, 2023 and 2024, respectively, and we have historically received such allocated amounts from the Government subject to certain non-material adjustments. In 2021, 2022, 2023 and the first half of 2024, reimbursements for our PSO services amounted to ₩380 billion, ₩384 billion, ₩398 billion and ₩181 billion, respectively. We also issued bonds in the aggregate principal amount of ₩1,560 billion, ₩2,679 billion, ₩2,348 billion and ₩910 billion in 2021, 2022, 2023 and the first half of 2024, respectively. As of June 30, 2024, our net long-term debt, consisting of long-term borrowings and bonds, excluding the current portion thereof and net of present value discounts and bond issuance discounts, amounted to ₩13,495 billion, representing 162.6 % of owner's equity. In August 2022, the MOEF announced its Mid- to Long-term Financial Management Plan for Public Institutions (the "**Plan**") covering the period from 2022 to 2026 and placed us and 13 other public institutions on a watchlist of public institutions facing financial risk due to their lack of profitability or debt ratio (calculated by dividing total liabilities by total assets) exceeding 200%. The Plan contemplates that we will reduce our liabilities by ₩2.2 trillion over the span of five years by increasing revenue through the expansion of transport capacity. The Plan projects that our debt ratio will decrease from approximately 223.1% as of December 31, 2023 to 165.2% as of December 31, 2026.

If we are unable to obtain financing for our capital expenditure or to refinance our existing debt on commercially reasonable terms, we could be forced to suspend, curtail or reduce certain aspects of our operations, which could adversely affect our business, financial condition and results of operations, as well as our ability to make interest or principal payments on the Notes.

We do not have any control over the Government's plans to develop and expand the national railroad system and related risks they may bring.

The continued profitability of our KTX business, which historically has made positive contributions to our operating margins, partially offsetting losses generated by our conventional passenger and freight transportation operations, depends to an extent on the Government's plans to increase KTX rail tracks. Our other transportation business segments may also benefit from the expansion of the KTX network through the alleviation of a transportation bottleneck that currently exists on rail tracks shared by our conventional rail and KTX services owing to an insufficient number of rail tracks to meet demand. However, large infrastructure projects involve many potential risks, including natural disasters, accidents, regulatory issues, construction problems, project design and configuration changes, and opposition by neighboring communities or special interest groups, which could give rise to delays or other adverse developments, including lawsuits and regulatory restrictions, and result in loss of revenue and cost overruns. Furthermore, we do not own or control the rail tracks that we operate, are not involved in the construction of new rail tracks and do not make policy decisions with respect to development of railroad infrastructure. Therefore, we do not have control of the Government's plans to expand KTX rail tracks. In addition, we negotiate the charges we pay to the Government over the use of the rail tracks from time to time. If the Government abandons or cancels its plans to expand KTX rail tracks or increases the charges over our usage of rail tracks, we will not be able to expand or efficiently operate our business and our results of operations, financial condition and ability to service our debt obligations, including the Notes, may be adversely affected.

Our operations may be affected from time to time by equipment failures, delays, collisions and derailments attributable to accidents, human error or natural disasters, such as typhoons or floods.

As our high-speed train service becomes technologically more complex, it may become more difficult for us to upkeep and repair our equipment and facilities as well as to maintain our service and safety standards. In addition to potential technical complications, natural disasters or accidents could interrupt our rail services, thus leading to decreased revenue, increased maintenance and higher engineering costs. If we experience any equipment failures, delays, temporary cancelations of schedules, collisions and derailments, or any deterioration in the performance or quality of any of our services, it could result in personal injuries, damage of goods, customer claims of damages, customer refunds and loss of goodwill. These problems may lead to decreases in customers and revenue, damage to our reputation, unexpected expenses, loss of passengers and freight customers, incurrence of significant warranty and repair costs, diversion of our attention from our transportation service efforts or strained customer relations, any one of which could materially and adversely affect our business. We maintain insurance, including group casualty, general railroad operating liability, property and terrorism. Our current insurance policies cover some, but not all, of the events described above and no assurance can be given that such insurance will be adequate to cover any direct or indirect losses or liabilities we may suffer.

Labor unrest may adversely affect our operations.

As of June 30, 2024, approximately 76% of our employees belonged to one of five labor unions. We have experienced labor unrest from time to time. The last major organized labor dispute was in September 2023 whereby the Korean Railway Workers' Union ("**KRWU**") members went on a general strike for four days demanding better working conditions, such as to ensure that rail workers do not have to work the night shift for successive days, and the expansion of the KTX train service to Suseo station, a station located in southern Seoul currently serviced solely by SR, our subsidiary, as a safeguard against our privatization. The KRWU had asserted that the separation of the KTX service to Seoul station and SR service to Suseo station is a precursor to privatization. See "*Business — Employees and Labor Relations*".

There can be no assurance that we will not experience additional strikes or other labor disruptions in the future which could halt or impede our railway operations or require us to acquiesce to certain terms and conditions which could increase our costs and materially and adversely affect our business prospects, results of operations and financial condition.

There is a risk that we may be privatized and such privatization may involve a reduction of the Government's ownership interest in us, which may require us to redeem the Notes.

Article 4 of the KRC Act states that the Government owns 100% of our authorized capital, and we can only be privatized through the National Assembly's passage of an amendment to the KRC Act. While no plans for privatization involving us have been announced, press reports have indicated that if privatization plans involving us are implemented, such plans could include a divestiture of our freight transportation business. There can be no assurance that such privatization plans will not include us, and if they do include us, that the price of our Notes will not be adversely affected.

Furthermore, there can be no assurance that any such privatization efforts will not include a reduction in the Government's ownership interest in us below 51%. In the event that the Government reduces its ownership interest in us to a level below 51% of our issued and outstanding capital stock, a "Change of Control" will have occurred under the Terms and Conditions of the Notes. See "*Terms and Conditions of the Notes — Change of Control Redemption*". Upon the occurrence of a Change of Control, each holder of Notes will have the right to require us to redeem all or any part of such holder's Notes at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to the date of redemption. The failure to redeem any Notes required to be so redeemed would constitute an event of default under the Terms and Conditions of the Notes. We cannot assure you that we would have sufficient funds available at the time of a Change of Control event to make any debt repayment (including a redemption of the Notes) as described above.

We may face growing competition from SR, a Government owned high-speed railway operator, in the future.

In December 2013, SR was established by the Government as our consolidated subsidiary and separate high-speed railway operator in order to boost competition in the Korean rail industry. SR began its high-speed passenger rail service, named SRT, in December 2016 and operates a separate line from Suseo that joins the two KTX lines connecting Seoul and Busan and Seoul and Mokpo.

On June 20, 2023, each of the Teacher's Pension Fund of Korea, which held a 31.5% interest in SR, the Industrial Bank of Korea, which held a 15.0% interest in SR, and the Korea Development Bank, which held a 12.5% interest in SR, exercised their put options, which resulted in us acquiring such interests and increasing our interest in SR from 41.0% to 100.0%. However, on July 20, 2023, the Government acquired a 59.0% interest in SR and reduced our interest back to 41.0%. As a result of the Government acquiring a majority interest in SR, SR is no longer our consolidated subsidiary as of such date.

We derive a substantial portion of our revenue from our high-speed KTX passenger rail services. In 2021, 2022, 2023 and the first half of 2024, our KTX service comprised 31.7%, 40.4%, 40.8% and 36.2%, respectively, of our revenue. In the high-speed passenger railway market, our KTX services compete against SR's SRT services in geographic regions where our services overlap, Although both we and SR are wholly owned and controlled by the Government, there is no assurance that the Government may not decide in the future to foster competition between us and SR through privatization and/or by expanding SRT services in geographic regions where our KTX services operate or expand SR's rail services to cover other business segments in which we compete, which may have an adverse effect on our business prospects, results of operations and financial condition.

We may be adversely affected by volatility in energy costs.

Electricity and diesel expenses are significant components of our operating expenses. Fluctuations in the prices of electricity and diesel will impact our financial performance. Although we mitigate rising electricity costs by entering into fixed term contracts with Korea Electric Power Corporation, these measures may not be sufficient to mitigate sudden and wide fluctuations in prices. We obtain our diesel fuel for our diesel powered trains from major domestic diesel providers under annual contracts, subject to monthly adjustments. However, such measures also carry inherent risks, are not foolproof and may not fully mitigate the risk in the rise of diesel costs.

We are subject to cyber security risk.

Our activities have been subject to an increasing risk of cyber-attacks, the nature of which is continually evolving. Like other Government-owned entities in Korea, our computer networks are exposed to hacking attempts allegedly carried out by North Korea. In response to such incidents, we and our subsidiaries have further bolstered anti-hacking and other preventive and remedial measures in relation to potential cyber terror incidents. In 2021, we became the first public institution to have a back-up cyber safety center to improve our response capabilities to cyber-attacks. In addition to the main cyber safety center in Seoul, the back-up cyber safety center in Daejeon will act as an emergency control center in case the normal operation of the main cyber safety center in Seoul is compromised.

However, there is no assurance that a similar or more serious hacking or other forms of cyber terror will not happen with respect to us and our subsidiaries, which could have a material adverse impact on our business, financial condition and results of operations.

Demographic trends are expected to have a long-term adverse effect upon our business.

Changes in demographic trends in Korea may materially affect our business. Korea's overall population is on a declining trend due to Korea's declining birth rate and decreasing working population. These demographic factors are likely in the long term to negatively affect demand for our businesses and services. Korea's demographic makeup is aging considerably, which indicates that the number of persons between the ages of 15 and 64 (referred to as the working-age population) has already peaked for Korea as a whole. Senior citizens typically do not commute regularly for work or study. Senior citizens also do not spend on leisure as much as the working-age population. Additionally, we offer fare discounts to senior citizens. Accordingly, Korea's demographic trend is expected to have a long-term adverse effect on our ability to increase or maintain our operating revenues.

Our operations are dependent on our ability to obtain railcars, locomotives and other critical railroad items from suppliers.

Due to the capital intensive nature and industry-specific requirements of the rail industry, there are high barriers to entry for potential new suppliers of core railroad items such as railcars, locomotives and track materials. If the number of available railcars is insufficient or if the cost of obtaining these railcars either through lease or purchase increases, we might not be able to obtain railcars on favorable terms, or at all, and our customers may seek alternate forms of transportation. Even if purchased, there is no guarantee that railcars would be available for delivery without significant delay. The availability of new railcars may sometimes be limited, with long lead times for delivery. Changes in the competitive landscapes of these limited-supplier markets could result in equipment shortages that could have a material adverse effect on our results of operations, financial condition and liquidity in a particular year or quarter and could limit our ability to support new projects and achieve our growth strategy.

We could incur significant costs for violations of applicable environmental laws and regulations.

Our railroad operations and real estate ownership are subject to extensive national and local environmental laws and regulations concerning, among other things, gas emissions, wastewater discharge, disposal of solid waste and noise control. In addition, environmental liabilities may arise from claims asserted by adjacent landowners or other third parties. We may also be required to incur significant expenses to remediate any violation of applicable environmental laws and regulations.

We may be exposed to potential claims for unpaid wages and become subject to additional labor costs arising from the Supreme Court of Korea's interpretation of ordinary wages.

Under the Labor Standards Act, an employee's "ordinary wage" is used as the basis for calculating various statutory benefits. Prior to the Supreme Court of Korea's decision described below, we and other companies in Korea had interpreted the previous guidelines issued by the Ministry of Employment and Labor as excluding fixed bonuses that are paid other than on a monthly basis, such as bi-monthly, quarterly or bi-annually paid bonuses, from employees' ordinary wages.

In December 2013, the Supreme Court of Korea ruled that regularly paid bonuses, including those that are paid other than on a monthly basis, are included in the scope of employees' ordinary wages if these bonuses are paid (i) "regularly," (ii) "uniformly" and (iii) on a "fixed basis," notwithstanding differential amounts based on seniority. Under this decision, any provision of a collective bargaining agreement or other agreements that attempt to exclude such regular bonuses from employees' ordinary wages will be deemed void for violation of the mandatory provisions of Korean law. The Supreme Court of Korea's decision clarified that if payment of a regular bonus is limited only to those working for the employer on a specific date, such bonus is not fixed and thus does not constitute part of an employee's ordinary wage. The Ministry of Employment and Labor subsequently published guidelines in January 2014 (the "**Guidelines**"). According to the Guidelines, the Government excludes, from ordinary wages, regular bonuses contingent on employment on a specific date. However, in May 2022, the Seoul High Court held that there was a "fixed" contingency in regular bonuses paid only to those working on a specific date in a suit brought by the current and former employees of the FSS (the "**FSS Ordinary Wages Suit**"), and the Supreme Court Korea upheld this decision in November 2022. Accordingly, the regular bonuses should be included in ordinary wage as they were paid regularly, uniformly and on a fixed basis.

Based on the Supreme Court of Korea's decision and the Guidelines, we believe that regular bonuses we have paid to our employees are likely not required to be included in their ordinary wages because we have paid regular bonuses only to those working for us on the date of payment calculation, and hence, the foregoing bonus is only contingent on employment on a specific date and does not constitute part of an employee's ordinary wage. However, if it is nonetheless determined that there was a "fixed" contingency, such as determined by the Supreme Court in the FSS Ordinary Wages Suit, we may be found to have underpaid employees by under-calculating their ordinary wages in the past, and we may be liable for additional payments reflecting the expanded scope of employees' ordinary wages in the future.

As of the date of this Offering Circular, we are subject to 4 ongoing lawsuits filed by over 2,850 employees based on claims that ordinary wages had been paid without including certain items that should have been included as ordinary wage. As of June 30, 2024, we have recognized ₩27 billion in provisions for ordinary wages. See "*Business—Legal and Regulatory Proceedings.*" We cannot presently assure you that there will not be additional lawsuits in relation to ordinary wages. Although we have set up reserves for possible lawsuits by the entire employees (taking account of the statute of limitations of the salary claim), if we are finally and conclusively required to pay a significant amount as a result of the above and/or additional litigations, such a result may have an adverse effect on our financial condition and results of operation.

Risks Relating to Korea

Unfavorable financial and economic conditions in Korea and globally may have a material adverse impact on our asset quality, liquidity and financial performance.

We are incorporated in Korea, where most of our assets are located and most of our income is generated, and serve as an execution arm of the Government to implement the Government's national public policy objectives in respect of the railroad industry. Accordingly, our business is subject to political, economic, legal and regulatory risks specific to Korea, and our business, results of operations and financial condition are substantially dependent on developments relating to the Korean economy. In particular, as our business relies substantially on our passenger and freight customers in Korea, adverse changes in economic and market conditions that impact customers, such as increases in unemployment levels or interest rates, decreases in real estate or stock prices and decreases in consumer spending could lead to reduced demand for our services. As a result, our business, results of operations and financial condition may be adversely affected by such changes.

Furthermore, the Korean economy is closely tied to developments in the global economy. In light of the high level of interdependence of the global economy, any future deterioration of the global economy could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, results of operations and financial condition.

Developments that could have an adverse impact on the Korean economy include:

- adverse conditions in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of the war between Russia and Ukraine and economic and trade tensions between the United States and China;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates or stock markets;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- the use of monetary policies, including increasing the policy interest rate, to curb rising levels of inflation and household debt to the extent such policies may increase recessionary pressures;
- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;
- geopolitical tensions involving Russia due to the war with Ukraine and the imposition of economic sanctions on Russia resulting in adverse effects on the global economy, including disruptions to the global supply of oil, gas and grain;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Government's policies to increase the minimum wage and limit the working hours of employees;
- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- shortages of imported raw materials, natural resources, rare earth minerals or component parts due to disruptions to the global supply chain;
- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;
- the economic impact of any pending or future free trade agreements or changes in existing free trade agreements;
- a decrease in tax revenue and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Government budget deficit;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and the risk of further attacks by terrorist groups around the world;
- the occurrence of severe health epidemics in Korea or other parts of the world, such as the COVID-19 pandemic;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil producing countries, such as in the Middle East (including further escalation of hostilities involving Israel and surrounding countries and organizations

in the Middle East, such as Iran and Hezbollah, following the Israel-Hamas war), North Africa and Russia, and any material disruption in the global supply of oil or sudden increase in the price of oil; and

- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on us.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns over the years stemming from North Korea's nuclear weapons and ballistic missile programs as well as its hostile military actions against Korea. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty and has conducted several rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. In addition, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In addition, the United Nations, the United States and the European Union have expanded the scope of sanctions applicable to North Korea.

Further tensions in North Korean relations could develop due to a leadership crisis, breakdown in high-level inter-Korea contacts or military hostilities. North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. Alternatively, tensions may be resolved through reconciliatory efforts, which may include peace talks, alleviation of sanctions or reunification. There can be no assurance that a final resolution on North Korea's nuclear weapons and ballistic missile programs will be reached or that the level of tensions between Korea and North Korea will not escalate. Any further increase in tensions could have a material adverse effect on the Korean economy and our business, financial condition and results of operations.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances.

As we are a Korean company operating in a business and legal environment that is different from that of other countries, there are risks associated with investing in securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Foreign Exchange Transactions Act of Korea and the Presidential Decree and regulations under the Act and Decree (collectively referred to as the "**Foreign Exchange Transactions Laws**"), if the Government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of MOEF for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange. Moreover, if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of MOEF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transactions Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other Governmental agencies or financial institutions.

We are subject to Korean accounting, regulatory, corporate governance and disclosure standards, which may differ from those applicable to companies in other countries.

Like other companies in Korea, we are subject to Korean accounting standards and disclosure requirements, which differ in significant respects from those applicable to companies in certain other countries, including the United States. Our financial statements are prepared in accordance with Government Accounting Standards and K-IFRS, which may differ in certain respects from IFRS as issued by the IASB. In addition, we are subject to corporate governance standards applicable to Korean companies which differ in many respects from standards

applicable in other countries. There may also be less publicly available information about Korean companies, particularly for not-publicly-held companies such as us, than is regularly made available by public or non-public companies in other countries. Such differences in accounting and corporate governance standards as well as less available public information could result in less than satisfactory corporate governance practices or disclosure to investors.

You may not be able to enforce a judgment of a foreign court against us.

We are a statutory juridical corporation organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this Offering Circular reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this Offering Circular and substantially all of its assets are located in Korea. As a result, it may not be possible for investors to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

Risks Relating to the Notes

Capitalized terms used but not defined in this section shall have the meanings given to them in the "*Terms and Conditions of the Notes*."

The Notes are not guaranteed by the Republic of Korea.

The Notes are not the obligations of, or guaranteed by, the Republic of Korea. There is no statutory or other legal requirement for the Government to provide us with direct subsidies to meet our outstanding debt obligations, including the Notes. In addition, the Government is under no obligation to maintain our solvency. Therefore, investors should not rely on the Government to fulfill our obligations under the Notes in the event we are unable to do so.

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occurs, our assets may not be sufficient to pay amounts due on any of the Notes.

The Notes may have limited liquidity.

The Notes, when issued, will constitute a new issue of securities for which there will be no existing trading market. Although the Dealers may make a market for the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice.

No assurances can be given that a market for the Notes will develop in the future. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the offering price depending on many factors, including, among others:

- prevailing interest rates;
- our financial condition, performance and prospects;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in Korea; and
- the market conditions for similar securities.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States, except to certain persons in offshore transactions in reliance on Regulation S, or,

if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The regulation or reform of certain benchmark rates may adversely affect the value of Notes linked to or referencing such benchmark rates.

In March 2021, the U.K. Financial Conduct Authority (the "**FCA**"), which has regulatory authority with respect to LIBOR, announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative (i) after December 31, 2021 in the case of all Sterling, Euro, Swiss franc and Japanese yen settings and the one-week and two month U.S. dollar settings and (ii) after June 30, 2023 in the case of the remaining U.S. dollar settings. In April 2023, the FCA announced that the ICE Benchmark Administration, the administrator of LIBOR, will publish one-, three- and six-month U.S. dollar settings on the basis of an unrepresentative synthetic methodology until September 30, 2024.

In light of the transition away from LIBOR, the Secured Overnight Financing Rate ("**SOFR**") has been identified by the Alternative Reference Rates Committee convened by the Board of Governors of the U.S. Federal Reserve System and the Federal Reserve Bank of New York as the preferred alternative benchmark reference rate for LIBOR and differs from LIBOR in many respects, including its basis on actual observed transactions in the U.S. treasury market as opposed to LIBOR's usage of estimations of borrowing rates. While there are a number of international working groups focused on transition plans and the provision of fallback contract language that seek to minimize market disruption, replacement of LIBOR or any other benchmark with a new benchmark rate, such as SOFR, could adversely impact the value of and return on financial instruments and contracts, including the Notes. Moreover, replacement of LIBOR or other benchmark rates could result in market dislocations and have other adverse consequences for market participants, including the potential for increased costs, and litigation risks, including the potential for disputes with counterparties regarding the interpretation and enforceability of fallback contract language in LIBOR-based financial instruments and contracts, including the Notes.

As a result, the elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Terms and Conditions (as further described in Condition 6 of the Terms and Conditions of the Notes), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR, HIBOR, SOFR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark. Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the benchmark regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

The Floating Rate Notes to be issued pursuant to the Terms and Conditions of the Notes may have interest rates linked to SOFR as described in Condition 6 of the Terms and Conditions of the Notes. Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SOFR, including term SOFR reference rates (which seek to measure the market's forward expectation of an average SOFR rate over a designated term). The nascent development of Compounded Daily SOFR rates as an interest reference rate for the bond markets, as well as continued development of SOFR based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The use of Compounded Daily SOFR as a reference rate for bonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and

trading of bonds referencing Compounded Daily SOFR. In particular, investors should be aware that several different SOFR methodologies have been used in SOFR linked notes issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance.

The manner of adoption or application of SOFR reference rates in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SOFR.

Notes issued as Green Bonds, Social Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to green assets, social assets or sustainability assets.

We may issue Notes under the Program which are specified to be "Green Bonds," "Social Bonds" or "Sustainability Bonds" in the applicable Pricing Supplement in accordance with our Green, Social and Sustainability Bond Framework, which was prepared in accordance with the four core components of the 2018 ICMA GSSB Principles. We received the Second Party Opinion regarding the alignment of our Green, Social and Sustainability Bond Framework with the 2018 ICMA GSSB Principles. See "*Green, Social and Sustainability Bond Framework*."

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green," "social" or "sustainable," and therefore no assurance can be provided to potential investors that the Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) will continue to meet the relevant eligibility criteria. Although applicable green projects, social projects or sustainability projects are expected to be selected in accordance with the categories recognized by the ICMA GSSB Principles and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse social and/or environmental will not occur during the design, construction, commissioning and/or operation of any such green projects, social projects or sustainability projects. In addition, where any negative impacts are insufficiently mitigated, green projects, social projects or sustainability projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. The Second Party Opinion is not a recommendation to buy, sell or hold any Notes and is only current as of the date that the Second Party Opinion was initially issued, and may be updated, suspended or withdrawn at any time. Currently, the providers of second party opinions and certifications are not subject to any regulatory regime or oversight. In addition, although we have agreed to certain reporting and use of proceeds obligations in connection with certain criteria, our failure to comply with such obligations does not constitute a breach or an Event of Default under the Notes. A withdrawal of the Second Party Opinion or any failure by us to use the proceeds of the Notes on projects in Green Eligible Categories and/or Social Eligible Categories or to meet or continue to meet the investment requirements of certain environmentally-focused investors with respect to such Notes may have an adverse effect on the value of the Notes and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets, social assets or sustainability assets.

No assurance can be provided with respect to the suitability or reliability of the Second Party Opinion or that the Notes will fulfill the criteria to qualify as Green Bonds, Social Bonds or Sustainability Bonds. Neither we nor the Dealers make any representation or warranty, express or implied, or accept any responsibly concerning any information in our Green, Social and Sustainability Bond Framework or the Second Party Opinion. The Dealers have not undertaken, nor are responsible for, any assessment or verification of the eligibility of projects in Green Eligible Categories and/or Social Eligible Categories, or the monitoring of the use of proceeds from the offering of the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds and its purchase of Notes should be based upon such investigation as it deems necessary.

Risks Relating to Notes Denominated in Renminbi

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") are set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system.

Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually. In recent years, the People's Bank of China ("**PBoC**") and the Ministry of Commerce of the PRC have issued circulars providing guidance on simplifying certain remittance requirements for settlement of capital account items. However, such circulars are relatively new and are subject to interpretation and application by the relevant authorities in the PRC.

In the event that we decide to remit some or all of the proceeds into the PRC in Renminbi, our ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong, Singapore and Taiwan. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalize control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilization will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and our ability to source Renminbi to finance our obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and our ability to source Renminbi outside the PRC to service Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into settlement agreements on the clearing of Renminbi business with financial institutions in a number of financial centers and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the existing Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent we are required to source Renminbi in the offshore market to service our Renminbi Notes, there is no assurance that we will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. We will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks.

The PRC Government has gradually liberalized its regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. Consequently, the trading price of the Renminbi Notes will vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Clearstream Banking S.A. and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial center in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial center in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, in accordance with prevailing rules and regulations. We cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may be subject to income tax under PRC tax laws.

Under the New Enterprise Income Tax Law and its implementation rules, any gains realized on the transfer of Renminbi Notes by holders who are deemed under the New Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gains realized from the transfer of the Renminbi Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the relevant laws and rules. According to an arrangement between the PRC and Hong Kong, for the avoidance of double taxation, noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Renminbi Notes.

Therefore, if a noteholder, being a non-resident enterprise, is required to pay any PRC income tax on gains on the transfer of the Renminbi Notes (such enterprise income tax is currently levied at the rate of 10% of the gross proceeds, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-resident enterprise holders of Renminbi Notes reside that reduces or exempts the relevant tax), the value of their investment in the Renminbi Notes may be materially and adversely affected.

Similarly, if a noteholder, as a non-resident individual holder, is required to pay any PRC income tax on gains on the transfer of the Renminbi Notes (such individual income tax is currently levied at the rate of 20% of the gross proceeds), unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant non- resident individual holder of the Renminbi Notes resides that reduces or exempts the relevant tax), the value of such noteholder's investment in the Renminbi Notes may be affected.

Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in the Renminbi Notes, the appropriate tools to analyze that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Renminbi Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in the Renminbi Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

CAPITALIZATION

The following table sets out the Issuer's capitalization (defined as the sum of long-term debt, excluding current portion, and stockholder's equity) as derived from the Issuer's reviewed consolidated statements of financial position as of June 30, 2024, included in this Offering Circular, and should be read in conjunction therewith, along with the notes related hereto.

The table below should be read in conjunction with our financial statements, including the notes thereto, included elsewhere in this Offering Circular.

	As of June 30, 2024 *(in billions of Won)*
Long-term debt (excluding current portion):	
Long-term borrowings, net	₩ —
Bonds, net	13,495
Total long-term debt	13,495
Equity:	
Total equity	8,298
Total capitalization[(1) (2)]	₩21,793

Notes:

(1) Total capitalization is defined as the sum of long-term debt (excluding current portion) and stockholder's equity.

(2) There has been no material change in the Issuer's capitalization since June 30, 2024.

SELECTED FINANCIAL INFORMATION

The following tables present the Issuer's selected financial information and other data as of and for the years ended December 31, 2021, 2022 and 2023 and as of June 30, 2024 and for the six months ended June 30, 2023 and 2024. The Issuer's selected financial information and other data below have been derived from and should be read together with the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2021, 2022, 2023 and the Issuer's reviewed consolidated financial statements as of June 30 and for the six months ended June 30, 2023 and 2024 and the notes related thereto included elsewhere in this Offering Circular.

The Issuer's audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and the Issuer's reviewed consolidated financial statements as of June 30, 2024 and the for the six months ended June 30, 2023 and 2024, each included in this Offering Circular, have been prepared in accordance with Government Accounting Standards and K-IFRS. The Issuer's reviewed consolidated financial statements as of June 30, 2024 and for the six months ended June 30, 2024 should not be taken as an indication of the expected financial condition and results of operations of the Issuer as of and for the full year ended December 31, 2024.

STATEMENT OF COMPREHENSIVE INCOME (LOSS) DATA:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(in billions of Won, except per share data)				
Revenue	₩ 5,765	₩ 6,204	₩ 6,373	₩ 3,307	₩ 3,245
Cost of sales	6,307	6,259	6,464	3,189	3,152
Gross profit (loss)	(542)	(55)	(91)	119	93
Selling, general and administrative expenses	346	342	350	162	162
Operating profit (loss)	(888)	(397)	(442)	(43)	(69)
Other revenue	19	22	7	2	4
Other expenses	(75)	(109)	(109)	(46)	(23)
Other income (loss), net	51	231	207	4	4
Finance income	84	89	143	94	68
Finance expense	(372)	(396)	(474)	(254)	(266)
Gains on valuation of investments in associates	2	4	7	4	6
Gains on disposal of investments in associates	—	—	123	—	—
Losses on valuation of investments in associates	(10)	(1)	(1)	0	(1)
Loss before income taxes	(1,189)	(557)	(538)	(207)	(277)
Income tax benefit (expense) from continuing operation	34	323	86	14	7
Loss from continuing operation	(1,155)	(234)	(452)	(221)	(285)
Income from discontinued operation	—	—	—	—	—
Income (loss) for the period	₩ (1,155)	₩ (234)	₩ (452)	₩ (221)	₩ (285)
Asset revaluation gain	10	2,562	—	—	—
Remeasurement of defined benefit liability	79	147	(12)	14	(39)
Unrealized net changes in the effective portion of changes in the fair value of cash flow hedges, net of tax	15	(42)	(13)	0	(5)
Unrealized net changes in the fair value of available-for-sale financial assets	(4)	(3)	4	—	—
Changes in equity of equity method investments	0	(4)	(1)	0	(7)
Other comprehensive income (loss) for the period, net of tax	100	2,660	(23)	14	(50)
Total comprehensive income (loss) for the period	₩ (1,055)	₩ 2,426	₩ (475)	₩ (208)	₩ (335)

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(in billions of Won, except per share data)				
Profit (loss) attributable to:					
Owners of the Issuer	₩ (1,141)	₩ (251)	₩ (452)	₩ (221)	₩ (285)
Non-controlling interests	(14)	16	1	0	1
Profit (Loss) for the period	₩ (1,155)	₩ (235)	₩ (452)	₩ (221)	₩ (285)
Total comprehensive income (loss) attributable to:					
Owners of the Issuer	(1,043)	2,404	(474)	(208)	(336)
Non-controlling interests	(13)	22	0	0	1
Total comprehensive income (loss) for the period	₩ (1,055)	₩ 2,426	₩ (475)	₩ (208)	₩ (335)

STATEMENT OF FINANCIAL POSITION DATA:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(in billions of Won)			
Assets				
Cash and cash equivalents.	₩ 312	₩ 544	₩ 165	₩ 421
Short-term financial instruments	15	136	92	31
Short-term loans	0	1	1	1
Current derivative instrument assets	1	55	123	195
Trade receivables and other receivables	633	677	690	409
Inventories	322	345	364	408
Prepaid income taxes	0	1	2	1
Current non-financial assets	50	101	51	76
Non-current assets held for sale	452	333	49	41
Total current assets	₩ 1,785	₩ 2,193	₩ 1,538	₩ 1,584
Long-term financial instruments.	0	0	0	0
Non-current available-for-sale financial assets	68	74	83	84
Long-term loans, net	35	32	29	26
Non-current derivative instrument assets	153	110	101	83
Long-term trade receivables and other receivables	46	44	46	51
Property, plant and equipment, net	22,077	25,636	26,044	26,152
Investment property	819	778	723	764
Goodwill	4	4	4	4
Intangible assets, net	43	46	42	40
Investment in associates	94	85	448	444
Deferred tax assets	28	37	6	6
Non-current non-financial assets	4	4	4	4
Total non-current assets	₩ 23,371	₩ 26,850	₩ 27,528	₩ 27,657
Total assets	₩ 25,156	₩ 29,043	₩ 29,066	₩ 29,241
Liabilities				
Trade payables and other payables.	₩ 858	₩ 882	₩ 1,154	₩ 1,041
Short-term borrowings	27	103	4	3
Current portion of long-term borrowings, net	90	200	100	100
Current portion of bonds, net	1,300	1,090	1,572	1,752
Other current financial liabilities	—	219	—	—
Current tax liabilities	7	7	1	5
Current non-financial liabilities	850	718	312	405
Current provisions	431	365	384	521
Non-current liabilities held for sale	—	—	—	—
Total current liabilities	₩ 3,563	₩ 3,584	₩ 3,528	₩ 3,825
Long-term trade payables and other payables.	66	55	61	67
Long-term borrowings, net	300	100	—	—
Bonds, net	10,877	12,536	13,403	13,495
Non-current derivative instrument liabilities	1	6	1	—
Other non-current non-financial liabilities	204	—	—	—
Non-current non-financial liabilities	12	9	8	8
Employee benefits	1,257	1,135	1,223	1,335
Deferred tax liabilities	1,849	2,322	2,223	2,210
Provisions	531	294	18	3
Total non-current liabilities	₩ 15,097	₩ 16,457	₩ 16,937	₩ 17,118
Total liabilities	₩ 18,661	₩ 20,040	₩ 20,465	₩ 20,944

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(in billions of Won)			
Equity				
Share capital	10,768	10,849	10,920	10,951
Accumulated deficit	(11,489)	(11,504)	(11,824)	(12,146)
Other equity components	7,082	9,502	9,501	9,486
Equity attributable to owners of the Issuer	6,361	8,847	8,596	8,292
Non-controlling interests	134	156	5	6
Total equity	₩ 6,495	₩ 9,003	₩ 8,601	₩ 8,298
Total liabilities and equity	₩ 25,156	₩ 29,045	₩ 29,066	₩ 29,241

OTHER FINANCIAL DATA:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2021	2022	2023	2024
	(in billions of Won)			
Assets				
Depreciation[(1)]	₩ 534	₩ 551	₩ 555	₩ 283
Amortization	9	8	6	3
Net cash used in operating activities	(624)	(200)	609	648
Net cash provided by investing activities	79	(599)	(1,590)	(327)
Net cash provided by financing activities	210	1,129	589	36

Note:

(1) Includes depreciation and depreciation of investment property.

RELATIONSHIP WITH THE GOVERNMENT

Government Ownership and Control

Government Ownership

We were established by the Government as a statutory entity pursuant to the KRC Act on January 1, 2005. To strengthen the competitiveness of the railroad industry pursuant to the Framework Act on the Development of the Railroad Industry, the Government segregated the operation of the national railroad-related business into two: (i) operation of the national railroad network, which is performed by us, and (ii) construction and maintenance of the Government-owned railroad facilities, which is performed by the KR.

The Government is required under the KRC Act to contribute all of our authorized capital of ₩22 trillion. Currently, we are wholly-owned by the Government. We can only be privatized through passage by the National Assembly of an amendment to Article 4 of the KRC Act, which states that the Government owns 100% of our authorized capital.

Government Control and Regulation

The Government, through the MOLIT, our primary regulator, and the MOEF, regulates our activities and owns all of our equity. Therefore, the Government exerts significant influence on our policies and operations. Pursuant to the Act on the Operation of Public Institutions, the President of Korea appoints, and has the authority to remove, our President and Statutory Auditor. Our Standing Directors are appointed by our President and our Non-Standing Directors are appointed by the MOEF.

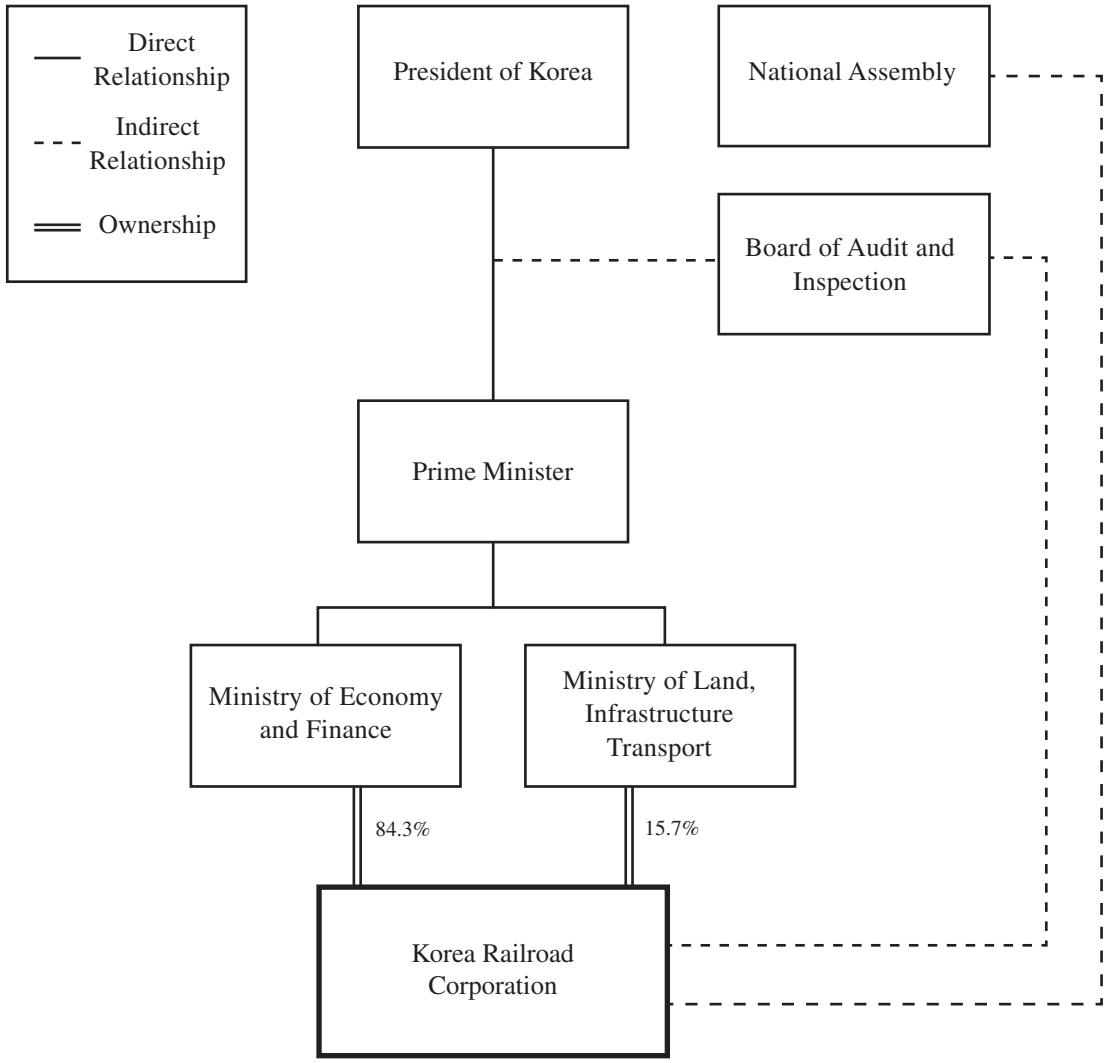
We are entrusted by the Government to operate and maintain the national railroad network pursuant to a legal framework that governs all railroad-related matters. Our business operations and management policy are subject to strict regulation by the Government and are supervised and evaluated by different Government bodies, principally the MOLIT. We function as a public arm of the MOLIT in executing national railroad operations and policies under its direct supervision, and in accordance with its policy direction. In addition to working closely with the MOLIT in performing the operation of the railroad network, we are also under the indirect purview of the MOEF, the BAI and the National Assembly, the main legislative body of Korea.

Pursuant to the KRC Act, the MOLIT approves our plan for bond issuances and supervises us on matters related to the management and operation of railroads to enhance the soundness of our financial structure and safety of railroads.

Based on the Act on the Operation of Public Institutions, the MOEF is responsible for overseeing establishment of our business objectives, monitoring and evaluating our operational and financial performance and overseeing our budget and approving revisions to our operating plans. We seek to develop execution plans to implement the broad policy objectives established by the MOEF.

We are audited on an ad hoc basis by the BAI which is an independent government agency that audits all governmental agencies and Government-controlled entities. Matters covered in the audit include a review of our budget, an audit of our financial statements and an inspection of our business operations and performance. The BAI reports its audit results to the National Assembly of Korea and the President. In addition, we report our budget to the MOEF. We are also subject to inspections and investigations from time to time by the National Assembly pursuant to the Act on Inspection and Investigation of Government Administration of 1988, as amended.

The chart below illustrates our ownership and supervisory structure.



The MOLIT guides and supervises our overall operations pursuant to the KRC Act. As our primary regulator, the MOLIT is tasked with the overall administration, guidance, supervision, planning, design, construction and development of the national railroad industry. Under the KRC Act, the Railroad Business Act and the Railroad Safety Act, the MOLIT is responsible for:

- designation and publication of, among other things, the number of rail lines, names of rail lines, terminal stations, major transit points (including stoppage stations) of the railroad business;
- designation and publication of ceilings on passenger railway tariffs in prior consultation with the MOEF as we are required to make a report to the MOLIT prior to setting our railway tariffs;
- approval of our railroad safety management policies; and
- approval of plans for the issuance and management of bonds prepared by us on an annual basis.

In addition, when it is deemed necessary to ensure the smooth operation of the railroad transportation system, improve services, ensure the safety of transportation and promote public welfare, the MOLIT may require us to implement the following:

- changes in the railroad business plan submitted by us to the MOLIT when we applied for the license to operate our business;
- improvements in railroad cars, transport equipment and facilities;
- improvements in the method of collecting freight rates and passenger fares;
- changes in the contractual terms of the railroad business;
- execution of a joint transport agreement;

- subscription of insurance against any accident involving railroad cars and railroad damage;
- measures necessary to ensure the safety of transportation and the upgrade services; and
- education and training of workforce in railroad transportation.

Government Support

As the Government-owned entity mandated by the Government to operate and maintain the national railroad system, we receive support from the Government both financially and operationally. The KRC Act provides for various forms of discretionary Government support available to us, including:

- contribution by the Government of all of our operating assets as investments-in-kind (Article 4);
- contribution by the Government of 100% of our authorized capital of ₩22 trillion (Article 4);
- guarantees in respect of our repayment obligations on bonds issued by us (Article 11) – to date, the Government has not provided any such guarantees pursuant to this Article;
- special financial assistance, including subsidizing our operating costs, extending loans and underwriting our bonds, for the purpose of fostering our long-term business normalization (Article 12);
- financial and administrative support in relation to the development of property and land adjacent or in proximity to railroad stations (Article 13); and
- lease of Government-owned property to us or permit to use or to gain profit from such property without any consideration (Article 14, Paragraph 1) or allowing us to construct buildings and any other facilities on Government-owned properties (Article 14, Paragraph 2).

Since our establishment, we have received continued subsidies from the Government, including:

- our initial paid-in capital of ₩8,486 billion was provided by the Government in 2005, and our paid-in capital (before issuance discount) has since increased to ₩10,956 billion as of June 30, 2024.
- the Government has to date contributed all of our operating assets, consisting mainly of rolling stock, as investments-in-kind. The Government has allocated ₩529 billion, ₩522 billion, ₩526 billion and ₩-494 billion in reimbursements for our PSO services and other subsidies in various forms to us for the fiscal years 2021, 2022, 2023 and 2024, respectively.
- Articles 32 and 33 of the Framework Act on the Development of the Railroad Industry provide that the Government shall enter into a contract with us to provide compensation for the cost of PSO services provided by us and the amount of such compensation is determined to the extent agreed under the contract made between us and the Government. The Government provided ₩380 billion, ₩384 billion, ₩398 billion and ₩181 billion in Government subsidies in respect of these obligations in 2021, 2022, 2023 and the first half of 2024, respectively.
- All railroad infrastructure in Korea, including the rail track which we utilize for our services, is owned by the Government and managed by the KR. The KR, on the Government's behalf, levies an annual charge for usage of such facilities. In order to use high-speed and conventional rail tracks, we pay stipulated amounts to the KR pursuant to the-then-current facility usage agreements. In 2021, 2022, 2023 and the first half of 2024, our total usage fee payments to the KR for use of high-speed and conventional rail tracks amounted to ₩869 billion, ₩1,073 billion, ₩1,123 billion and ₩495 billion, representing 13.1%, 16.3%, 16.5% and 14.9% of our operating expenses for such periods, respectively. The total usage fees paid in 2021, 2022, 2023 and the first half of 2024 consisted of (i) our facility usage fees paid for the use of high-speed rail tracks in the amount of ₩550 billion, ₩744 billion, ₩691 billion and ₩285 billion in 2021, 2022, 2023 and the first half of 2024, respectively, and (ii) our facility usage fees for the use of conventional rail tracks amounted to ₩319 billion, ₩329 billion, ₩431 billion and ₩210 billion in 2021, 2022, 2023 and the first half of 2024, respectively. In connection with our usage of high-speed rail tracks, we are required to pay 34% of our operating revenue from our high-speed railroad business as usage fee. With respect to our usage of conventional rail tracks, we are required to pay a fixed usage fee of ₩406.8 billion on an annual basis, though we received a subsidy of ₩100 billion from the Government in each of 2021 and 2022 to offset such usage fee due in part to mitigate the adverse effect of the COVID-19 pandemic on our financial performance.
- To enhance our operational efficiency, the Government is authorized to provide us with financing, from time to time, such as subsidies for purchases of new rolling stocks. In 2021, 2022, 2023 and the first half of 2024, the Government provided ₩75 billion, ₩67 billion, ₩65 billion and ₩29 billion, respectively, as Government subsidies for purchases of new rolling stocks.

- The Government also compensates us annually for all costs associated with railroad maintenance and repair work consigned to us. Government consignment business revenues derived from such railroad maintenance and repair work consigned to us amounted to ₩1,716 billion, ₩1,256 billion, ₩1,032 billion and ₩584 billion in 2021, 2022, 2023 and the first half of 2024, respectively.

We also benefit from certain other Government initiatives and activities, such as:

- fostering of professional workforce for the railroad industry;
- development of railroad technology and improvement of the railroad operation system;
- promotion, implementation and management of a railroad transport database;
- policy and institutional support regarding rate increases; and
- nation-wide promotion of railroad-related businesses.

Budget and Financing Plan Formulation Process

We fund our operations through our internal annual budget and a portion of the Government's annual budget allocated to us, which together, form our total annual budget.

Our internal budget is determined by our board of directors in accordance with guidelines set by the MOEF and following consultation with the MOLIT and the MOEF. Each year, we initially prepare a draft budget plan based on the previous year's guidelines and our medium-to-long term business plan. Once the new guidelines by the MOEF are set, the draft budget plan is approved by our Management Strategy Committee and is subsequently reported to the MOEF and the MOLIT for consultation. The final draft budget plan for a following year is approved by our board of directors before the end of the preceding year. In accordance with the Act on the Operation of the Public Institutions, the finalized internal budget is then reported to the MOLIT, the MOEF and the BAI.

The National Assembly allocates a portion of the Government's annual budget to us to cover the cost of our operations to be borne by the Government, such as compensation relating to PSO services undertaken by us and Government-mandated operations and facility modernizations. At the beginning of each calendar year, we submit a draft plan for Government-funded operations to the MOLIT and the MOEF. The MOLIT then sets the guidelines for the allocation of the Government's annual budget to us. Based on the guidelines, we prepare and submit a request for allocation of the Government budget (the "**KRC Budget Plan**") to the MOLIT and, after their consideration and adjustments, the KRC Budget Plan is then passed onto the MOEF for their further consideration and adjustments. The MOEF then submits the KRC Budget Plan to the National Assembly together with the draft Government budget. Following consultation with the Construction and Transportation Committee and the Special Committee on Budget and Accounts within the National Assembly, the final KRC Budget Plan is approved at the main session of the National Assembly together with the approval of the Government budget.

Railway Tariffs

Our railway tariffs, consisting of fares and fees charged on passenger and freight transport, are determined in accordance with Article 9 of the Railroad Business Act. Article 9 provides that our railway tariffs must take into account factors such as the cost basis and equitableness with respect to rates of other transport means and be set within the maximum limits prescribed by the MOLIT. The MOLIT determines the maximum limits on railway tariffs and any adjustments thereto after consultation with the MOEF, taking into account the aforementioned factors. We are required to set our tariff structure within such maximum tariff limits and report our tariff structure and any adjustment thereto to the MOLIT.

Regulations

Below is a summary of regulations applicable to us and the railroad industry in Korea. Discussion of Korean corporate or tax law is not included.

The KRC Act

Under the KRC Act, we were established as a statutory entity to enhance efficiency of railroad operations. To achieve these objectives, the KRC Act provides that we may engage in the following activities, among others:

- passenger and freight transportation services as well as other transportation services linking railroad and any other mode of transportation;

- manufacturing, sale, maintenance and lease of railroad equipment and railroad goods;
- maintenance and lease of railroad cars;
- services consigned by governmental organizations or other public institutions such as maintenance and repair of railroad facilities; and
- property development around stations for convenience of passengers, including construction of general office facilities, shopping malls, parking lots, passenger vehicle terminals and cargo terminals.

In addition, the KRC Act provides that we may issue bonds up to five times our paid-in capital and reserves upon resolution of our board of directors. The KRC Act further provides that we shall formulate a plan on issuance and management of bonds within two months of the date on which our budget is determined pursuant to the Act on the Operation of Public Institutions and shall obtain approval for such plan from the MOLIT. The KRC Act provides that the Government may guarantee repayment of principal and interest payments on bonds issued by us.

The KRC Act provides that, if we record profit for any fiscal year, we are required to allocate such profit in the following order: (i) set-off of any previous losses carried forward; (ii) establishment of profit reserves in an amount equal to or greater than two-tenths of the profit (until such time as the total reserves reach the amount equal to one half of our paid-in capital); (iii) establishment of business expansion reserves in an amount equal to or greater than two-tenths of profit (until such time as the total reserves reach the amount equal to our paid-in capital); and (iv) contribution to the national treasury. In the event that we record loss in any fiscal year, such loss is offset from our business expansion reserves. If our business expansion reserves are insufficient to make up for the loss, then the remaining loss is to be offset from profit reserves. In case of insufficient profit reserves, the remaining loss is to be carried forward to the next fiscal year.

The MOLIT may guide and supervise our business to the extent required to facilitate achievement of our management objectives.

Act on the Operation of Public Institutions

The Act on the Operation of Public Institutions governs all Government-controlled enterprises. We are subject to the Act on the Operation of Public Institutions as the Government owns more than 50% of our paid-in capital. The Act on the Operation of Public Institutions regulates general matters such as obligations to report business performance, procedures for enacting and amending articles of incorporation, process of forming boards of directors and issuing resolutions, appointment and removal of management personnel, duties of officers, budgeting, submission of financial statement, disclosure of business operations, and inspection of operations and management of Government-controlled institutions, including us.

Other Regulations

We are subject to the following and other laws and regulations that regulate our business and operations:

- Under the Framework Act on the Development of the Railroad Industry, the MOLIT formulates a five-year framework plan on railroad industry development. Also, the Railroad Industry Committee was established to discuss material issues relating to the railroad industry.
- The Railroad Business Act was enacted to manage railroad operation in furtherance of development of Korea's national economy, by promoting operational efficiency and development. This Act imposes a tariff ceiling on "direct consideration" charged for passenger transport with which we must comply. The ceiling on freight fare and "consideration for facility and service" charged for passenger transport has been eliminated by an amendment to this Act, which became effective as of June 29, 2008.
- Under the Railroad Safety Act, the Government manages railroad safety standards and safety system for passengers.
- Under the Industrial Safety and Health Act, the Government regulates safety of railway employees.
- Under the Railroad Construction Act, the Government manages construction of railroad network and station facilities.

The Fourth National Railroad Network Plan

In June 2021, MOLIT released the Fourth National Railroad Plan, a 10-year plan for the systematic and efficient investment in the national railroad network for the years 2021 to 2030. The Fourth National Railroad

Plan has the following seven principal objectives: (i) improvement of railway operation efficiency; (ii) establishment of high-speed railway connections between major hubs; (iii) expansion of non-metropolitan railroads; (iv) reduction of traffic congestion in metropolitan areas; (v) establishment of foundation for future industrial development; (vi) reinforcement and promotion of railway safety; and (vii) preparation of construction for inter-Korea and continental railways.

To achieve these objectives, the Fourth National Railroad Plan aims to extend the operating distance of the national railroad network from 4,274.2 km in 2019 to 5,340.61 km by 2030, an increase of approximately 25%, while increasing the proportion of freight transportation from 11.5% in 2019 to 17.0% in 2030. It is expected that the Government will invest roughly ₩119.8 trillion in implementing the Plan.

Three Major Transportation Innovation Strategies

In January 2024, the MOLIT announced three major transportation innovation strategies aimed at reducing commuting times and addressing transportation disparities nationwide. These strategies include accelerating the rollout of the Great Train Express ("GTX"), a high-speed rail network designed to connect the Seoul metropolitan area with surrounding regions. The GTX-A line partially opened in March 2024, operating from Suseo to Dongtan, and the entire GTX-A line, extending from Woonjung to Seoul Station, is expected to open by 2028. The plan also includes opening the GTX-B and GTX-C lines to connect regional cities and bridge the transportation gap between the Seoul metropolitan area with surrounding regions, with the GTX-B and GTX-C lines expected to open by 2030 and 2028, respectively. Additionally, the Government plans to improve transportation infrastructure in the Seoul metropolitan area by expanding bus services and implementing dedicated lanes. These strategies also involve enforcing the Special Act on Undergrounding Railroads by January 2025, which will relocate railroads underground and repurpose above-ground areas for multi-purpose developments, thereby enhancing urban spaces and improving overall quality of life.

We have been selected as the preferred bidder for the operation and maintenance of the GTX-B and GTX-C lines. Under this contract, we will oversee train operations, station management, facility maintenance, and the maintenance and control of rolling stock across the entire GTX-B and GTX-C lines for a period of 40 years.

BUSINESS

Overview

We are the sole Government-owned full-service national railroad operator, providing passenger and freight railroad transportation services across national network connecting major cities, ports and regions throughout Korea. We also provide subway rail services encompassing the Seoul metropolitan area, as well as tourist railways to certain popular tourist destinations. In addition, we provide Government-consignment services and other related services, such as property development, overseas consulting, tourism services and retail business.

We were established by the Government as a statutory entity for the primary purpose of operating national railroad services, pursuant to the KRC Act on January 1, 2005. The KR constructs and maintains the Government-owned railroad facilities. The Government, through the MOLIT, our primary regulator, and the MOEF, regulates our activities and owns all of our equity. Therefore, the Government exerts significant influence on our policies and operations.

We are mandated by the Government to promote efficiency of railroad operations. We aim to fulfill the mandate through the following policy objectives:

- Development of railroad as a key means of transportation in order to promote long-term economic and social development throughout various regions of Korea;
- Improvement of efficiency of railroad services by maximizing allocation of resources, such as transformation of an unprofitable train station into an unmanned station to reduce operating costs and development of train station area as a multi-purpose complex offering shopping and retail services, tourist assistance centers and transportation services;
- Provision of environmentally-responsible rail services; and
- Fulfillment of PSOs such as fare discounts for certain disadvantaged groups or provision of rail services to less populated or remote areas despite unprofitability of such services.

As a Government-owned entity charged with executing public policy objectives, our business objective is not the maximization of our profitability. Our business scope is subject to extensive regulation and our operations rely heavily on subsidies from the Government. For a discussion on our relationship with the Government, see "*Relationship with the Government*". As part of our financial strategy, we will seek to continue to rely on support from the Government, such as subsidies for PSO services and compensation for railroad facility usage fees while striving to increase our financial sustainability by improving our operational capacity and service quality. All of the rail track is national property and managed by the KR. The KR, on the Government's behalf and under its license, levies an annual charge for usage of the facilities it manages. See "*Relationship with the Government — Government Support*".

Our organization includes twelve business headquarters consisting of Safety General HQ, Planning and Coordination HQ, Human Resources and Management HQ, Digital Convergence HQ, Passenger Business HQ, Metropolitan Rail HQ, Logistics Business HQ, New Growth Business HQ, Rolling Stock HQ, Infrastructure HQ Electrical HQ and Overseas Business HQ, in addition to twelve regional headquarters. Our conventional and KTX rail networks consists of over 105 lines throughout Korea, and our metropolitan rail transit network consists of 15 main lines connecting Seoul and the greater metropolitan area. Our passenger railroad network, which consists of KTX, conventional and metropolitan railroad networks, extends a total operating distance of 4,144.1 km, and our freight railroad network extends a total operating distance of 3,100.8 km. As of June 30, 2024, we had 690 stations servicing our KTX, conventional, metropolitan and freight transportation operations.

In 2023, approximately 76 million, 61 million and 1,097 million passengers used our KTX, conventional and metropolitan railroad services, respectively. Our annual freight transportation volume amounted to 21 million tons in 2023. The majority of our sales revenue consists of proceeds from passenger fares. Our tariff structure is determined by the MOLIT in accordance with Article 9 of the Railroad Business Act. See "*Relationship with the Government — Railway Tariffs*".

We recorded revenue of ₩5,765 billion, ₩6,204 billion, ₩6,373 billion and ₩3,245 billion in 2021, 2022, 2023 and the first half of 2024, respectively. We recorded operating loss of ₩888 billion, ₩397 billion, ₩442 billion and ₩69 billion in 2021, 2022, 2023 and the first half of 2024, respectively. As of June 30, 2024, our total assets (consisting principally of passenger cars and rolling stock, land and buildings) amounted to ₩29,241 billion.

Our headquarters are located at 240 Jungang-ro, Dong-gu, Daejeon 34618, Korea.

Business Segments

We have seven main business segments in the areas of (i) high-speed passenger rail transportation, (ii) conventional passenger rail transportation, (iii) metropolitan railroad transportation, (iv) freight and logistics services, (v) asset development business, (vi) maintenance and repair business and (vii) overseas business.

High-Speed Passenger Rail Transportation

We derive a substantial portion of our revenue from our high-speed KTX passenger rail services. We offer KTX services on seven rail routes: (i) the Gyeongbu Line, which connects Haengsin to Busan or Pohang, (ii) the Honam Line, which runs from Haengsin to Mokpo, (iii) the Gyungjeon Line, which runs from Haengsin to Jinju, (iv) the Jeolla Line, which runs from Haengsin to Yeosu-EXPO, (v) the Gangneung Line, which runs from Haengsin to Gangneung or Donghae, (vi) the Joongang Line, which runs from Cheongnyangni to Andong, and (vii) the Joongbunaeryuk Line, which runs from Bubal to Chungju. The current travel time between Seoul and Busan on KTX trains is approximately 2 hours and 34 minutes, compared to approximately 4 hours and 50 minutes by the first class conventional train. Likewise, the current travel time between Seoul and Mokpo on KTX trains is approximately 2 hours and 30 minutes, compared to approximately 4 hours and 33 minutes by the first class conventional train.

Under our mileage system, our KTX customers receive back 5% of ticket price in mileage points (and 10% for certain designated KTX rides) and may use the mileage points for the next 5 years to purchase our rail tickets and make other purchases at convenience stores operated by our consolidated subsidiary, KORAIL Retail Co., Ltd. We plan to further expand the types of purchases that our customers may be allowed to make with their mileage points. We also distribute discount coupons, which can be used to purchase train tickets within one year of issuance, to KTX customers whose mileage points are about to expire.

Our revenue from high-speed passenger rail services amounted to ₩1,829 billion, ₩2,508 billion, ₩2,600 billion and ₩1,174 billion, representing 31.7%, 40.4%, 40.8% and 36.2% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Conventional Passenger Rail Transportation

We provide our conventional rail services through first class (called ITX-*Saemaeul*) and second class (called *Mugunghwa* or *Nuriro*) carriages. We provide conventional railroad passenger services on all of our 24 major rail routes linking the major cities of Korea. Most conventional railroad routes start from Haengsin and pass through the Seoul Station located near downtown Seoul, which is the most important and busiest train station in our network. Our conventional passenger rail transportation is provided on the following lines:

- Gyeongin Line (Guro to and from Incheon, 27.0 km)
- Gyeongbu Line (Seoul to and from Busan, 441.7 km)
- Honam Line (Daejeonjochajang to and from Mokpo, 252.5 km)
- Jeolla Line (Iksan to and from Yeosu-Expo, 180.4 km)
- Jungang Line (Cheongnyangni to and from Dodam, 148.5 km)
- Jungang Line (Dodam to and from Gyeongju, 183.7 km)
- Gyeongjeon Line (Samnangjin to and from Gwangju-Songjeong, 277.7 km)
- Janghang Line (Cheonan to and from Iksan, 152.8 km)
- Chungbuk Line (Jochiwon to and from Bongyang, 115.0 km)
- Yeongdong Line (Yeongju to and from Cheongnyang Signal Box, 188.9 km)
- Donghae Line (Busanjin to and from Yeongdeok, 188.9 km)
- Gyeongchun Line (Mangu to and from Chuncheon, 80.7 km)
- Taebaek Line (Jecheon to and from Baeksan, 104.1 km)
- Gyeongui Line (Seoul to and from Dorasan, 56.0 km)

- Bundang Line (Wangsimni to and from Suwon, 52.9 km)
- Ilsan Line (Jichuk to and from Daehwa, 19.2 km)
- Gyeongwon Line (Yongsan to and from Baengmagoji, 94.3 km)
- Gyeongbuk Line (Gimcheon to and from Yeongju, 115.0 km)
- Ansan Line (Geumjeong to and from Oido, 26.0 km)
- Gwacheon Line (Geumjeong to and from Namtaeryeong, 14.4 km)
- Gyeonggang Line (Seongnam to and from Yeoju, 57.0 km)
- Gyeonggang Line (Wonju to and from Gangneung, 120.7 km)
- Seohae Line (Daegok to and from Wonsi, 40.0 km)
- Jungbunaeryuk Line (Bubal to and from Chungju, 56.9 km)

To promote ridership, we have developed tourist railroad trip courses linking tourist destinations in Korea, such as the DMZ zone rail tour in the northwest region and the oceanic rail tour in the southern region. In addition, we have developed rural flag stops into tourist attractions and operate temporary-chartered trains during peak tourist seasons.

Our revenue from conventional passenger rail services amounted to ₩358 billion, ₩447 billion, ₩493 billion and ₩267 billion, representing 6.2%, 7.2%, 7.7% and 8.2% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Metropolitan Railroad Transportation

We also operate 15 subway commuter rail lines in the Seoul metropolitan and coastal areas. Subway lines in the Seoul metropolitan area are currently being operated by us, as well as Seoul Metropolitan Subway ("**Seoul Metro**") and other smaller operators. Our metropolitan railroad transportation network extends a total operating distance of 741.4 km and consists of a total of 295 metropolitan stations. In 2024, an average of 3.0 million passengers used our metropolitan rail services per day. Our metropolitan railroad transportation services are provided on the following commuter lines:

- Gyeongbu Line (Seoul to and from Cheonan, 96.6 km)
- Janghang Line (Cheonan to and from Sinchang, 19.4 km)
- Gyeongin Line (Guro to and from Incheon, 27.0 km)
- Gyeongwon Line (Cheongnyangni to and from Yeoncheon, 60.6 km)
- Ilsan Line (Jichuk to and from Daehwa, 19.2 km)
- Gwacheon Line (Seonbawi to and from Keumjeung, 14.4 km)
- Ansan Line (Guemjeong to and from Oido, 26.0 km)
- Gyeongchun Line (Mangwoo to and from Chuncheon, 80.7 km)
- Gyeongui Line (Dorasan to and from Seoul, 56.0 km; Gongdeok to and from Yongsan, 7.0 km)
- Jungang Line (Yongsan to and from Jipyeong, 74.8 km)
- Suin-Bundang Line (Wangsimni to and from Suwon, Suwon to and from Incheon, 91.7 km)
- Gyeonggang Line (Pangyo to and from Yeojoo, 57.0 km)
- Donghae Line (Bujeon to and from Taehwagang, 63.8 km)
- Seohae line (Ilsan to and from Wonsi, 47.2 km)

The Gyeongbu Line regularly carries the highest number of passengers. The Gyeongbu, Gyeongin, Gyeongwon, Gyeongui, Jungang, Ansan, Suin, Bundang and Gyengchun Lines also operate express rail car trains.

In September 2019, the Government began construction of additional 44.7 km of metropolitan railway (called the New Ansan Line). The line was initially expected to open in 2025, but the opening has been delayed. The Government financed the New Ansan Line under the "BTO-rs" model—a mode of public-private partnership whereby expenses, risks and profits of the expansion are shared between the Government and the private funding partner. Upon completion, the New Ansan Line will connect Ansan and Yeouido in approximately 25 minutes, a third of the current travel time between the two destinations.

Our revenue from metropolitan railroad services amounted to ₩747 billion, ₩810 billion, ₩902 billion and ₩480 billion, representing 12.9%, 13.0 %, 14.1% and 14.8% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Freight and Logistics Services

We provide commercial freight transportation services via our railroad routes, through an operating distance of 3,100.8 km. Like our passenger railroad services, our freight rail system is computerized including computerized cargo tracking. We are currently advancing initiatives related to container transportation through multimodal transportation agreements with other countries. The aim is to support domestic export sectors through international standard multimodal transportation.

In 2021, 2022, 2023 and the first half of 2024, freight volume amounted to 27 million tons, 24 million tons, 21 million tons and 10 million tons, respectively. Freight cargo consists primarily of bulk traffic such as cement and container freight, which collectively accounted for approximately 72% of the total volume of cargo transported in 2023. We have adopted a smart logistics technology and continue to expand our operations of large-scale freight trains and high-speed freight trains to bolster our freight transportation services. We have enhanced operational flexibility of such trains by accommodating volume fluctuations based on seasons and days of the week.

In June 2024, we launched our first international multimodal transportation project by partnering with China State Railway Group to provide Korean exporters with railway freight services to Europe and Central Asia via China. As part of this project, we started a pilot project that transported 40-foot containers from Obong Station in Korea, through Busan Port and Lianyungang Port in China, to Kazakhstan and Uzbekistan, covering approximately 7,000 kilometers in 24 days. After this successful pilot, we plan to launch regular freight train services for multimodal transport.

Our revenue from freight and logistics services amounted to ₩301 billion, ₩296 billion, ₩296 billion and ₩146 billion, representing 5.2%, 4.8 %, 4.6% and 4.5% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Asset Development Business

We utilize properties in, adjacent to or above our rail stations, including by means of property lease and property development based on the Government-granted development right over such properties. We seek to position our stations as multi-purpose commercial complexes that attract visitors and boost rail ridership. Our third-party developers, who are selected through a bidding process, provide property development services in accordance with our specifications. Typically, the developers are responsible for all development costs (including payment of premium on Government-owned land as well as construction, marketing and financial expenses), and bear risks associated with the property development. We share with the developers profits from sale or lease of completed development projects.

Our revenue from asset development business amounted to ₩387 billion, ₩469 billion, ₩619 billion and ₩398 billion, representing 6.7%, 7.6%, 9.7% and 12.3% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Overseas Business

We provide railway maintenance and consulting services overseas as part of our asset development business. The range of our services include (i) sale of used locomotives and engines in conjunction with provision of maintenance and consulting services relating to such locomotives and engines, (ii) employee training and (iii) consultation for railroad signal system improvement. We have outstanding business orders for our services from projects in various countries, including Bangladesh, Ukraine, Mongolia and Uzbekistan.

Our revenue from overseas business amounted to ₩8.2 billion, ₩11.2 billion, ₩20.1 billion and ₩9.4 billion, representing 0.1%, 0.2 %, 0.3% and 0.3% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Maintenance and Repair Business

The KR consigns us to maintain, repair and upgrade (i) all railroad infrastructure, consisting primarily of rail tracks, electric supply infrastructure, railway traffic control centers, stations and buildings, (ii) rolling stocks, and (iii) railroad facilities such as bridges, tunnels and embankments in Korea. We enter into consignment contracts with the KR to provide such maintenance, repair and improvement services. The Government compensates us annually for all costs associated with railroad maintenance and repair work consigned to us.

We have increased the usage of robots to conduct dangerous and difficult maintenance works to improve workplace safety and productivity. We also use evaluation and testing facilities and other modern testing equipment to better detect faults and failures. Furthermore, we switched our maintenance method from term-based maintenance to condition-based maintenance by applying and adopting more on-board/ monitoring equipment and optimizing maintenance periods.

Our revenue from maintenance and repair business amounted to ₩1,763 billion, ₩1,290 billion, ₩1,065 billion and ₩600 billion, representing 30.6%, 20.8%, 16.7% and 18.5% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Facility Usage Arrangement with the KR

All railroad infrastructure in Korea, including the rail track which we utilize for our services, is owned by the Government and managed by the KR. The KR, on the Government's behalf, levies an annual charge for usage of such facilities. In order to use high-speed and conventional rail tracks, we pay stipulated amounts to the KR pursuant to the-then-current facility usage agreements, which is based on a formula that factors in actual railway and facility usage amounts, including train capacity, distance traveled, maintenance cost and congestion cost. In connection with our usage of high-speed rail tracks, we are required to pay approximately 34% of our operating revenue from our high-speed railroad business as usage fee. With respect to our usage of conventional rail tracks, we are required to pay a fixed usage fee of ₩406.8 billion on an annual basis, though we received a subsidy of ₩100 billion from the Government in each of 2021 and 2022 to offset such usage fee due in part to mitigate the adverse effect of the COVID-19 pandemic on our financial performance.

In 2021, 2022, 2023 and the first half of 2024, our total usage fee payments to the KR for use of high-speed and conventional rail tracks amounted to ₩869 billion, ₩1,073 billion, ₩1,123 billion and ₩495 billion, representing 13.1%, 16.3 %, 16.5% and 14.9% of our operating expenses for such periods, respectively. The total usage fees paid in 2021, 2022, 2023 and the first half of 2024 consisted of (i) our facility usage fees paid for the use of high-speed rail tracks in the amount of ₩550 billion, ₩744 billion, ₩691 billion and ₩285 billion in 2021, 2022, 2023 and the first half of 2024, respectively, and (ii) our facility usage fees for the use of conventional rail tracks amounted to ₩319 billion, ₩329 billion, ₩431 billion and ₩210 billion in 2021, 2022, 2023 and the first half of 2024, respectively.

Public Service Obligations

As required under the Framework Act on the Development of the Railroad Industry, we provide conventional railroad, metropolitan railroad and freight and logistics transport services that discharge our PSO. The PSO services we provide include fare discounts on our conventional and metropolitan railroad services for certain disadvantaged groups such as the elderly and other population, provision of conventional railroad services in less populated or remote areas and operation of special purpose trains for high-level Government delegations. These services are not undertaken to generate profit but as part of our Government mandate to promote the social good. Revenue generated from our PSO services amounted to ₩380 billion, ₩384 billion, ₩398 billion and ₩181 billion, representing 6.6%, 6.2%, 6.2% and 5.6% of total revenue in 2021, 2022, 2023 and the first half of 2024, respectively.

Government Funding for PSO Services

Articles 32 and 33 of the Framework Act on the Development of the Railroad Industry provide that the Government shall enter into a contract with us to reimburse cost of our PSO services. We enter into a contract

with the MOLIT on an annual basis for provision and reimbursement of our PSO services. The Government determines amounts of reimbursements, based on the national budget allotted for the overall funding of PSO services offered by all Government-owned entities including us. In 2023, approximately 77.6 % of the cost incurred for the PSO services we provide has been recovered. See "*Relationship with the Government*".

In 2021, 2022, 2023 and the first half of 2024, aggregate PSO funding received from the Government as partial reimbursement amounted to ₩380 billion, ₩384 billion, ₩398 billion and ₩181 billion, representing approximately 79.8%, 86.4 %, 77.6% and 75.1% of our incurred costs. In 2021, 2022 and 2023, 21.9%, 36.1% and 44.8% of the total reimbursement amount were granted for fare discounts, provision of railroad operations to remote areas and operation of special purpose trains, respectively.

Determination of Railway Tariffs

Our railway tariffs, or fares and fees charged to our passengers and freight customers, are subject to strict regulation by the MOLIT pursuant to Article 9 of the Railroad Business Act, which requires the MOLIT, in consultation with the MOEF, to set the railway tariff ceiling. See "*Relationship with Government — Railway Tariffs*". Accordingly, we may not recover all of our operating and other costs. In general, our management reviews our tariffs annually and sets the tariff levels within the railway tariff ceiling prescribed by the MOLIT.

Individual passenger fares for both railroad and metropolitan subway services are ordinarily charged according to travel distance, type of railroad service (whether KTX, conventional or metropolitan transportation) and quality of service offered. We operate a separate fare system for freight fares taking into account factors such as competition with other modes of transportation and market conditions.

Procurement

Approximately 77.9% of our railroad network, by track miles, is electrified. We purchase electricity from Korea Electric Power Corporation on fixed term contracts. We obtain our diesel fuel in respect of diesel powered trains from major domestic diesel providers under annual contracts, subject to monthly adjustments.

To date, the Government has contributed all of our operating assets, consisting mainly of rolling stock, as investments-in-kind in accordance with the KRC Act. The Government's subsidies for purchases of rolling stock amounted to ₩75 billion, ₩67 billion, ₩65 billion and ₩69 billion in 2021, 2022, 2023 and 2024, respectively. Rolling stock is sourced by the Government from domestic and overseas suppliers.

Property, Trains and Equipment

The following table sets out details of our property, trains and equipment as of June 30, 2024.

	Acquisition cost	Government grants[1]	Accumulated depreciation	Accumulated impairment loss	Book value
			(In billions of Won)		
Land	₩ 17,541	₩ 7	₩ —	₩—	₩ 17,534
Buildings	2,280	118	757	0	1,406
Structures	339	7	186	1	146
Machinery	1,667	15	1,055	—	597
Trains	9,949	205	4,661	3	5,080
Vehicles	72	0	43	—	29
Furniture and fixtures	19	0	14	—	5
Tools	139	0	113	—	26
Construction-in-progress	1,271	—	—	—	1,271
Right-of-use assets	57	—	26	—	30
Other tangible assets	31	0	2	—	29
Total	₩ 33,363	₩ 351	₩ 6,857	₩ 3	₩ 26,152

Note:

(1) In accordance with the Korean Government-owned and Quasi-government Accounting Regulation and Standards, government grants used for acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against depreciation expenses of the acquired assets during the useful lives of such assets.

Safety Standards and Environmental Matters

The Industrial Safety and Health Act regulates safety of railway employees and the Railroad Safety Act regulates safety of railway passengers. The Industrial Safety and Health Act established safety and health standards for accident prevention and promotion of safe working environment. In addition, under the Railroad Safety Act, we are required to ensure soundness of rail infrastructure that we utilize as well as to formulate and implement safety regulations under the guidance of the MOLIT. Under the Railroad Safety Act, the MOLIT conducts a comprehensive review of our safety protocol and operational practice, and we are required to operate passenger cars or rolling stocks that satisfy safety standards set forth by the MOLIT. All managerial staff with responsibilities for railroad infrastructure or train maneuvers are given defined safety functions. Employees are also required to observe our general safety policy tailored to their particular functions. We regularly review and update our safety standards and carry out periodic safety audits of our operation.

We, our Directors and our employees may incur civil and/or criminal liability if we fail to comply with safety requirements applicable to our operations, including the above-mentioned legislations. Through our safety management practice, we seek to take preventative measures against accidents. In case of an accident, independent investigations are carried out and certain safety improvements may be recommended. Our policy is to implement such recommendations to the extent that they are reasonably practicable and cost-effective.

Our operations are subject to environmental laws and regulations in the areas of air and noise pollution and hazardous substances. We have environmental management systems in place to monitor our environmental performance and believe that we are in compliance with all applicable environmental laws and regulations.

Operational and Information Systems

We consider information management crucial to our operation. We use specialized information systems of varying complexity to manage and monitor our operation such as scheduling departure/arrival timetable and maintaining our physical assets. Our information system staff operate as a single service provider for all of our operations. Our centralized traffic control centers manage traffic flows of our rail network. Train routes are set by our computer system directly from the working timetable on a real-time basis, taking account of actual train movements and on-the-ground variables, such as maintenance or train failure.

In September 2020, we developed a big-data platform system to provide customized customer service and improve management efficiency. The big data platform system collects approximately 5,000 types of data points every day from seven major internal systems. The collected data is integrated and managed to analyze customer railroad usage patterns and to develop personalized marketing strategies, including making timely promotion offers to specifically targeted passengers. We have utilized the collected data from the big data platform system to prevent many cases of illegal rides, such as returning tickets after the departure or boarding after returning a commuter pass. Furthermore, in August 2022, we developed a Condition Based Maintenance ("**CBM**") system that relies on artificial intelligence and big data analytics to further enhance the safety and efficiency of railway functions. The CBM system works by collecting and transmitting operational data to our main server in real time. The CBM system helps us find an optimal maintenance cycle by diagnosing and predicting possible operational failures. In December 2023, we launched an automated system that inspects railway infrastructure using operational trains, first demonstrated on the ITX-Saemaeul line. The system continuously monitors 17 key components, including track deformations and signal operations, with real-time data being analyzed by AI and reported to maintenance managers. In 2024, we plan to install the system in three additional operational trains to further enhance the safety and efficiency of railway functions.

Employees and Labor Relations

As of June 30, 2024, we employed a total of 30,560 employees. We are committed to ensuring that all of our employees possess the required skills and knowledge to undertake their responsibilities. We provide a comprehensive program of on-going job education and training, including formal courses at external training centers, in-house training as well as on-the-job training.

Union membership is not compulsory for our employees. There are five labor unions and as of June 30, 2024, approximately 76% of our employees were members of the unions. We and the unions negotiate a collective bargaining agreement every two years and a wage agreement annually. In December 2022, we signed the current collective bargaining agreement.

Although we aim to maintain effective communications with our employees, we have, from time to time, experienced disagreements with certain of our employees and strikes organized by the labor unions. The last major organized labor dispute was in September 2023 whereby the KRWU members went on a general strike for four days demanding better working conditions, such as to ensure that rail workers do not have to work the night shift for successive days, and the expansion of the KTX train service to Suseo Station, a station located in southern Seoul currently serviced solely by SR as a safeguard against our privatization. The KRWU had asserted that the separation of the KTX service to Seoul Station and SR service to Suseo Station was a precursor to privatization.

Legal Proceedings

As of June 30, 2024, we were involved in 81 different legal proceedings as defendant with claims amounting to approximately ₩160 billion in the aggregate. Such claims generally alleged operational mismanagement and issues related to ordinary wages. The remainder of the claims are mostly related to contractual disputes arising in connection with construction or property development projects. As of June 30, 2024, we recognized provision of ₩3 billion in connection with such legal proceedings.

We are not currently involved in, nor is our management aware of any threat of, any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our financial condition or results of operations.

Research and Development

The Korea Railroad Research Institute ("**KRRI**") and our Research and Safety Institute conduct most of our research and development ("**R&D**") activities. KRRI is a Government-funded national rail research institution and is a member institute of the Korea Research Council of Public Science & Technology under the Office of the Prime Minister. As a Government-funded research institute, KRRI also advises and assists the Government on railway policy. Its core R&D focuses include, among others: (i) high-speed, general, urban, and subway rail systems, (ii) next-generation public transportation and (iii) railroad safety and logistics. Our Research and Safety Institute serves as our affiliated research organization. The primary research areas include railroad business management, research on trains and railroad vehicle technology, railroad facility development, and safety and risk assessment. The objective of our Research and Safety Institute is to apply research findings to actual operations.

Subsidiaries

Our subsidiaries provide the following services to enhance, supplement and support our core rail transportation business:

- *Retail business.* KORAIL Retail Co., Ltd. currently operates convenience stores and shops at most stations and also provides food and beverage for sale on board trains. KORAIL Retail Co., Ltd. also generates advertising revenue through media sources located in trains and at railway stations.
- *Railway IT and Customer Service Solution.* KORAIL Networks Co., Ltd. is primarily involved in providing railway IT and customer service solutions. KORAIL Networks Co., Ltd. handles ticketing services, customer management and various railway-related information system.
- *Railway-based Logistics.* KORAIL Logis Co., Ltd. specializes in logistics and transportation services, particularly leveraging the railway network for freight and cargo movement. KORAIL Logis Co., Ltd. provides comprehensive logistics solutions, including freight forwarding, warehousing and distribution services.
- *Tourism services.* KORAIL Tourism Development Co., Ltd. provides a wide range of tourist services, including development of railway tour packages, provision of crew services on our trains, development of themed attractions in cooperation with local governments. For example, KORAIL Tourism Development Co., Ltd. operates "Haerang", a high-end train with cruise ship-type accommodations, connecting Seoul with major tourist destinations in Korea.
- *Railway Maintenance and Engineering.* KORAIL Tech Co., Ltd. focuses on the maintenance, repair, and engineering services of railway infrastructure and rolling stock. KORAIL Tech Co., Ltd. offers specialized technical services, including the maintenance of tracks, signaling systems, electrical facilities and trains.

- *Insurance Brokerage services.* Korean Insurance Brokerage Co., Ltd. provides insurance brokerage services, offering a range of insurance products and risk management consulting for individuals and businesses.

A brief description of the principal business activity and other selected information of our subsidiaries is set out in the table below:

Name of Subsidiary	Principal Business Activity	% of Shares Directly Owned by Us as of June 30, 2024	Revenue Attributable to Our Consolidated Revenue for the Six Months Ended June 30, 2024	Revenue as % of Our Consolidated Revenue for the Six Months Ended June 30, 2024
			(in billions of Won)	
KORAIL Retail Co., Ltd.	Operation of retail channels such as convenience and specialty stores and vending machines in our subway stations and buildings	100.0%	₩164	4.7%
KORAIL Networks Co., Ltd.	Information technology and facility management services	99.0	58	1.7
KORAIL Logis Co., Ltd.	Freight transportation and forwarding services	97.2	46	1.3
KORAIL Tourism Development Co., Ltd.	Tourism promotion and rail crew services	60.8	39	1.1
KORAIL Tech Co., Ltd.	Railway track construction and maintenance	98.0	126	3.6
Korean Insurance Brokerage Co., Ltd.	Insurance brokerage business	99.0	1	0.0

Competition

General

In December 2013, SR was established by the Government as our consolidated subsidiary and separate high-speed railway operator in order to boost competition in the Korean rail industry. SR began its high-speed passenger rail service, named SRT, in December 2016 and operates a separate line from Suseo that joins the two KTX lines connecting Seoul and Busan and Seoul and Mokpo.

On June 20, 2023, each of the Teacher's Pension Fund of Korea, which held a 31.5% interest in SR, the Industrial Bank of Korea, which held a 15.0% interest in SR, and the Korea Development Bank, which held a 12.5% interest in SR, exercised their put options, which resulted in us acquiring such interests and increasing our interest in SR from 41.0% to 100.0%. However, on July 20, 2023, the Government acquired a 59.0% interest in SR and reduced our interest back to 41.0%. As a result of the Government acquiring a majority interest in SR, SR is no longer our consolidated subsidiary as of such date.

We derive a substantial portion of our revenue from our high-speed KTX passenger rail services. In 2021, 2022, 2023 and the first half of 2024, our KTX service comprised 31.7%, 40.4%, 40.8% and 36.2%, respectively, of our revenue. In the high-speed passenger railway market, our KTX services compete against SR's SRT services in geographic regions where our services overlap. See "*Investment Considerations—Risks Relating to Our Business—We may face growing competition from SR, a Government owned high-speed railway operator, in the future.*"

We also compete with alternative modes of transportation such as buses, private cars and airlines in respect our inter-regional operations, and from buses, private cars and taxis in respect of our metropolitan passenger operations. We face competition from trucks in our inter-regional freight operations. Bus, taxi and minibus operators that compete against us can often offer services at lower prices and, in some cases, at higher frequencies than we are able to offer. Trucks may be able to offer lower prices or more flexible cargo configurations.

MANAGEMENT

Board of Directors

Under the Act on the Operation of Public Institutions and our Articles of Incorporation, our overall management and supervision is vested in our Board of Directors ("**Board**"). The Board is composed of Standing Directors and Non-Standing Directors (together, "**Directors**") and the number of Standing Directors in the Board should be less than half of the total number of Directors, including our CEO. Currently, our Board consists of seven Standing Directors, including our CEO, and eight Non-Standing Directors. We have one Statutory Auditor.

Pursuant to our Articles of Incorporation, our Senior Non-Standing Director also serves as the Chairman of the Board. The appointment and removal of our CEO is determined by the President of Korea. When a new CEO is to be appointed, our Director Recommendation Committee recommends more than one candidate for the position to the Public Institution Management Committee (the "**Management Committee**"), which is an organization within the MOEF. The Management Committee reviews the recommendations and passes a resolution for the candidates and the Minister of the MOLIT then recommends one of the candidates to the President of Korea, who will appoint the CEO. The Director Recommendation Committee is our internal committee organized solely to determine the recommendation of the appointment of new Directors including our CEO. The Director Recommendation Committee consists of our Non-Standing Directors and persons appointed by the Board. More than half of the seats on the committee must be taken by Non-Standing Directors. Our CEO can be removed by the President of Korea at the recommendation of the Minister of the MOLIT or the Minister of MOEF. Such recommendation for removal of our CEO is subject to the Management Committee's resolution and certain prescribed removal conditions.

Our Statutory Auditor audits our operations and accounting and provides his or her opinion to the Board. Our Statutory Auditor is appointed through the same process as our CEO except that while a final candidate for the CEO is recommended by the Minister of the MOLIT, a final candidate for the Statutory Auditor is recommended by the Minister of the MOEF. The President of Korea appoints the Statutory Auditor based on such recommendation by the Minister of the MOEF. Our Statutory Auditor can be removed by the President of Korea at the recommendation of the Minister of the MOEF. In order to remove the Statutory Auditor, however, the Management Committee is required to issue a resolution approving such removal, and certain prescribed removal conditions have to be met.

Our Non-Standing Directors are appointed by the Minister of the MOEF. In order to be appointed by the Minister of the MOEF, candidates for the Non-Standing Director positions must be first recommended by the Director Recommendation Committee and then secure a resolution of the Management Committee approving their appointment. The Minister of the MOEF can remove our Non-Standing Directors if (i) the Management Committee issues a resolution approving such removal and (ii) certain prescribed removal conditions are met.

Our Standing Directors are appointed by our CEO. Our CEO has the authority to remove our Standing Directors if there is a specific cause, which satisfies one of certain prescribed removal conditions, justifying such removal.

The names, titles, and outside occupations, if any, of the Standing Directors and Non-Standing Directors, and the respective dates on which they took office, are set forth below, as of the date of this Offering Circular. The business address of our Directors is 240 Jungang-ro, Dong-gu, Daejeon 34618, Korea.

Name	Title/Position	Other Activities, If Any	Position Held Since
Han, Moonhee	Standing Director, President and CEO	N/A	July 24, 2023
Kwon, Seho	Standing Director and Statutory Auditor	N/A	September 6, 2023
Jung, Jungrae	Standing Director and Vice President	N/A	October 20, 2023
Hong, Seungfyo	Standing Director and Director of Safety General Headquarter	N/A	November 2. 2022
Jung, Kuyeong	Standing Director and Director of Passenger Business Headquarter	N/A	November 2, 2022
Lee, Mincheor	Standing Director and Director of Planning and Coordination Headquarter	N/A	May 23, 2024

Name	Title/Position	Other Activities, If Any	Position Held Since
Baek, Daeyoung	Senior Non-Standing Director	Partner at Shin & Kim LLC	January 4, 2023
Kim, Eunsun	Non-Standing Director	N/A	January 10, 2022
Kim, Sunyoung	Non-Standing Director	Managing Partner at Soongin Law Firm	January 10, 2022
Kim, Youngjun	Non-Standing Director	N/A	January 4, 2023
Lee, Guesuk	Non-Standing Director	N/A	January 4, 2023
Song, Jeongah	Non-Standing Director	Representative of Certified Public Accountant Song Jeongah Office	April 10, 2023
Paek, Jinwook	Non-Standing Director	Head of Business Development and Transportation Division, AREX (Airport Railroad Co., Ltd.)	November 6, 2023
Kim, Mungu	Non-Standing Director	CEO, Danbi Administrative Attorney's Office	July 26, 2024

Standing Directors

Han, Moonhee has been our CEO and President since July 24, 2023. Mr. Han received a bachelor's degree in Political Science & International Relations from Konkuk University. He previously served as a CEO and President of Busan Transportation Corporation, ICD (Inland Container Depot).

Jung, Jungrae has been a Standing Director and Vice President since October 20, 2023. Mr. Jung previously served as the Director of the Management Planning Headquarters and the Safety Management Headquarters.

Hong, Seungfyo has been a Standing Director and Director of Safety Innovation Headquarter since November 2, 2022. Mr. Hong received a bachelor's degree in Photography from JEI University. He previously served as Head of Passenger Business Division.

Jung, Kuyeong has been a Standing Director and Director of Passenger Business Headquarter since November 2, 2022. Mr. Jung received a bachelor's degree in Industrial Engineering from Konkuk University and a master's degree in Business from Hannam University. He previously served as Head of Busan-Gyeongnam Regional Headquarters.

Lee, Mincheor has been a Standing Director and Director of the Planning and Coordination Headquarters since May 23, 2024. Mr. Lee previously served as the Head of Busan-Gyeongnam Regional Headquarters and Director of Overseas and Inter-Korean Railway Projects.

Non-Standing Directors

Kim, Eunsun has been a Non-Standing Director since January 10, 2022. Ms. Kim received a bachelor's degree in Chinese Language and Literature from Korea University, a master's in Civil Society Studies from Kyung Hee University, and Ph.D. in Political Science from Kyung Hee University. She previously served as Head of our Management and Administration Division.

Kim, Sunyoung has been a Non-Standing Director since January 10, 2022. Mrs. Kim received a bachelor's degree in Law from Ewha Womans University School of Law. She is a managing partner at Soongin Law Firm.

Kim, Youngjun has been a Non-Standing Director since January 4, 2023. Mr. Kim received a bachelor's degree in Korean History from Konkuk University. He is a Board-level Employee representative.

Baek, Daeyong has been a Non-Standing Director since January 4, 2023. Mr. Baek received a bachelor's degree in Law from Yonsei University, a LL.M from Georgetown University Law Center, and a Ph.D. degree in Law from Yonsei Law School. He is a partner at Shin & Kim LLC and has previously served as a Legal Adviser to the National Assembly of Korea.

Lee, Guesuk has been a Non-Standing Director since January 4, 2023. Mr. Lee received a bachelor's degree in Communication and Broadcasting Studies from Cheongju University and a master's degree in Public Administration from Chungbuk National University. He has previously served as director of Planning and Coordination Office at Cheongju Medical Center.

Song, Jeongah has been a Non-Standing Director since April 10, 2023. Ms. Song received a bachelor's degree in Business Administration from Kyungnam University. She is a Representative of Certified Public Accountant Song Jeong-Ah Office.

Paek, Jinwook has been a Non-Standing Director since November 6, 2023. Mr. Paek currently serves as the Head of Business Development and Transportation Division at Airport Railroad Co., Ltd.

Kim, Mungu has been a Non-Standing Director since July 26, 2024. Mr. Kim is currently the CEO of Danbi Administrative Attorney's Office and previously served as the Ombudsman for Yongsan District, Seoul.

Statutory Auditor

Kwon, Seho has been a Standing Director and Statutory Auditor since September 6, 2023. Mr. Kwon received a bachelor's degree and a master's degree in Business from Korea University, another master's degree in Business from University of Michigan, and a Ph.D in Technology Management from Korea University. He previously served as an adjunct professor for Korea University Graduate School of Technology Management.

Compensation of Directors and Executive Officers

The aggregate amount of remuneration paid and accrued to our CEO, Standing Directors and Statutory Auditor, as a group, was ₩705 million and ₩652 million, ₩616 million and ₩299 million in 2021, 2022, 2023 and the first half of 2024, respectively.

Board Practices

The terms of office of our Directors and our Statutory Auditor are two years. The term of our CEO is three years. We have an audit committee composed of the Statutory Auditor and two Non-Standing Directors.

OWNERSHIP

The following table sets out certain information relating to the ownership of the Issuer as of June 30, 2024.

	Amount of Share Capital	% of Total Share Capital
	(in billions of Won)	*(percentages)*
MOEF	₩ 9,236	84.3%(2)
MOLIT	1,720(1)	15.7%(2)
Total	₩10,956	100.0%

Notes:

(1) On September 24, 2024, MOLIT made a capital contribution of ₩32 billion.

(2) As of September 24, 2024, MOEF held 84.0% and MOLIT held 16.0% of the total share capital of the Issuer.

TAXATION

Korea

The Information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

The taxation of non-resident individuals and non-Korean corporations ("**Non-Residents**") generally depends on whether they have a "permanent establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest payable to Non-Residents in respect of the Notes, if qualified as certain foreign currency-denominated bonds issued outside of Korea pursuant to the Special Tax Treatment Control Law ("**STTCL**"), is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the STTCL.

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes without the tax exemption under the STTCL, for a Non-Resident without a permanent establishment in Korea, is currently 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

In addition, in order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to either the payor or the entity obligated to withhold such tax liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within three years thereafter), together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident holder's resident country. If the Non-resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax return if the submission to the relevant tax office is made within five years from the last day of the month in which the date of withholding occurs.

The tax rates may be reduced or exempted by applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income. The relevant tax treaties are discussed below.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of Notes to Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer outside Korea of Notes to Non-Residents are currently exempt from taxation by virtue of the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty or any other special tax laws reducing or eliminating tax on capital gains, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of instruments issued by Korean companies. The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or

such withholding agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or withholding agent must be paid to the relevant Korean tax authority. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax, either as a seller of Notes or as a purchaser or withholding agent who is obliged to withhold such tax through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50% depending on the price of the assets and the nature of the relationship between the parties. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the holders in connection with the issue of the Notes except for nominal amount of stamp duty on certain documents executed in Korea. No securities transaction tax will be imposed on the transfer of Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States under which the rate of withholding tax on interest (including local income tax) is reduced, generally to between 5 and 16.5% and the tax on capital gains is often eliminated.

The special withholding tax system took effect July 1, 2006. Under the system, residents of Labuan, Malaysia are presumed to be tax treaty shopping, and are denied tax treaty benefits. Instead, payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally 15.4% for interest and 22% for capital gain (including local income tax)) rather than the reduced or exempted rate available under the Korea-Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to get refund by proving that it is entitled to the tax treaty benefits as a beneficial owner of the income and a real resident of Labuan, Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the "**NTS**") for confirmation that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving Korean source income.

Each holder should enquire for himself whether he is entitled to the benefit of a tax treaty with respect to any transaction involving Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or the Issuer a certificate as to his residence. In the absence of sufficient proof, the payer or the Issuer must withhold taxes in accordance with the above discussion. Each holder must submit an application for entitlement to reduced tax rate on domestic source income in order to benefit from reduced rates under a tax treaty for any income (e.g., interest).

Further, in order for a non-resident to obtain the benefit of a tax exemption under an applicable tax treaty, Korean tax law requires such non-resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of residence, subject to certain exceptions. If the

Korean source incomes are paid to Non-Residents through an overseas investment vehicle, such investment vehicle must obtain an application for tax exemption from each Non Resident, who are the beneficial owners of such investment vehicle and submit to the payer of such Korean source incomes an overseas investment vehicle report, together with the applications for tax exemption prepared by the Non-Resident beneficial owners. An application for tax exemption submitted by a Non-Resident remains effective for three years from submission, and if any material changes occur with respect to information provided in the application, an application reflecting such change must be newly submitted.

The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax authority by the ninth day of the month following the date of the first payment of such income. However, this requirement does not apply to tax exemptions under Korean tax laws.

Withholding and Gross Up

As mentioned above, interest under the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the payer or the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in Condition 9), the Issuer has agreed to pay (subject to the customary exceptions as set out in such Condition 9) such additional amounts as may be necessary in order that the net amounts receivable by the holder of any Note or Coupon after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction.

BOOK-ENTRY CLEARANCE SYSTEMS

This section includes provisions applicable to Rule 144A Global Notes and Definitive IAI Registered Notes in case the Program and the related Offering Circular are amended to permit such notes to be issued under the Program. The Notes offered or sold pursuant to this Offering Circular may be offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the "**Clearing System**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-entry Systems

Depositary Trust Company

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose

accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, selection of Notes for such partial redemption will be made in accordance of rules and procedures of DTC.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payment on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such Registered Global Note will be limited to Direct Participants or Indirect Participants,

including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the DTC Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form.

Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the DTC Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Issuing and Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct

or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

CMU Notes

Unless otherwise specified in the applicable Pricing Supplement, CMU Notes will initially be issued in registered form and represented by a global certificate (the "**CMU Global Note**") registered in the name of HKMA, in its capacity as operator of the CMU Service and shall be delivered to and held by a sub-custodian nominated by the HKMA as operator of the CMU Service, or the CMU operator. The CMU Global Note will be held for the account of CMU members who have accounts with the CMU operator, or the CMU participants. For persons seeking to hold a beneficial interest in the Notes through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator. Interests in the CMU Global Note will only be shown on, and transfers of interests will be effected through, records maintained by the CMU operator.

Because the CMU operator can act only on behalf of the CMU participants, who in turn may act on behalf of persons who hold interests through them, or indirect participants, the ability of persons having interests in the CMU Global Note to pledge such interests to persons or entities that are not CMU participants, or otherwise take action in respect of such interests, may be affected by the lack of definitive notes.

While the CMU Global Note representing the Notes is held by or on behalf of the CMU operator, payments of interest or principal will be made to the persons for whose account a relevant interest in the CMU Global Note is credited as being held by the CMU operator at the relevant time, as notified to the CMU Paying Agent by the CMU operator in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the CMU operator. So long as the Notes are represented by the CMU Global Note that is held by or on behalf of the CMU operator, such payment by the Issuer will discharge the Issuer's obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

Payments, transfers, exchanges and other matters relating to interests in the CMU Global Note may be subject to various policies and procedures adopted by the CMU operator from time to time. None of the Issuer, the Registrar, the Paying Agents, the CMU Lodging and Paying Agent or any other Agent will have any responsibility or liability for any aspect of the CMU operator's records relating to, or for payments made on account of, interests in the CMU Global Note, or for maintaining, supervising or reviewing any records relating to such interests.

For so long as all of the Notes are represented by the CMU Global Note and such CMU Global Note is held on behalf of the CMU operator, notices to Noteholders may be given by delivery of the relevant notice to the persons shown in a CMU instrument position report issued by the CMU operator on the business day preceding the date of dispatch of such notice as holding interests in the CMU Global Note for communication to the CMU participants. Any such notice shall be deemed to have been given to the Noteholders on the second business day on which such notice is delivered to the persons shown in the relevant CMU instrument position report as aforesaid. Indirect participants will have to rely on the CMU participants (through whom they hold the Notes, in the form of interests in the global certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

The CMU operator is under no obligation to maintain or continue to operate the CMU Service and the CMU operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of the Issuer, the Registrar, the Paying Agents, the CMU Lodging and Paying Agent or any other Agent will have any responsibility for the performance by the CMU operator or the CMU participants of their respective obligations under the rules and procedures governing their operations.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a program agreement dated August 28, 2018, as supplemented by the first supplement dated October 16, 2023 and as further amended, supplemented and/or restated from time to time (the "**Program Agreement**"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Program Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions.

Important Notice to CMIs (including private banks) pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which

may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the applicable Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

Certain Relationships

Certain of the Dealers and their affiliates may from time to time perform various investment banking, commercial banking or advisory services for the Issuer and its affiliates, for which they have received and may in the future receive customary compensation. The Dealers or their affiliates may own securities issued by the Issuer. The Dealers or their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer, or its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Transfer Restrictions

As a result of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered pursuant to this Offering Circular.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this section are defined in Regulation S.

Each purchaser of the Notes hereunder will be deemed to have represented and agreed as follows:

(i) the purchaser has offered or sold the Notes, and will offer and sell the Notes, as part of the purchaser's distribution at any time, only to, or for the account or benefit of, persons who are not U.S. persons (as defined in Rule 902 of the Securities Act) in offshore transactions outside the United States in accordance with Regulation S under the Securities Act, and the purchaser, the purchaser's Affiliates (and any persons acting on behalf thereof) have complied, and will comply, with the offering restrictions requirements of Regulation S;

(ii) the purchaser agrees that neither the purchaser nor any of the purchaser's Affiliates (or any persons acting on behalf thereof) has engaged, or will engage, in any "directed selling efforts" within the meaning of Regulation S under the Securities Act in connection with the offering of the Notes;

(iii) the purchaser acknowledges that until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act; and

(iv) at or prior to the confirmation of sale of any Notes sold in reliance on Regulation S, the purchaser will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

THE NOTES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS PART OF THEIR DISTRIBUTION AT ANY TIME, EXCEPT IN ACCORDANCE WITH REGULATION S. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.

(v) Prior to or simultaneously with the confirmation of sale by the purchaser to any subsequent purchaser of any of the Notes purchased by the purchaser from the Company pursuant hereto, the purchaser shall have furnished to that subsequent purchaser a copy of this Offering Circular (and any amendment or supplement thereto that the Company shall have furnished to the purchaser prior to the date of such confirmation of sale); and

(vi) the Notes will bear legends to the following effect, unless we determine otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM TO KOREA RAILROAD CORPORATION ("THE COMPANY") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CITIVIC NOMINEES LIMITED OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM (AND ANY PAYMENT IS MADE TO CITIVIC NOMINEES LIMITED OR TO SUCH OTHER ENTITY AS REQUESTED BY AN

AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CITIVIC NOMINEES LIMITED, HAS AN INTEREST HEREIN.

Selling Restrictions

United States of America

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each issuance of Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area ("EEA") - Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable," each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area ("**EEA**"). For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable," in relation to each Member State of the European Economic Area and the United Kingdom (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(A) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(B) at any time to any legal entity which is a "qualified investor" as defined in the Prospectus Regulation;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, (a) the expression "an offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and (b) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of the UK Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of Notes which are the

subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time if the denomination per Note being offered amounts to at least €100,000 (or equivalent); or

(D) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (A) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Switzerland

The offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act (''**FinSA**''). The Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

Korea

The Notes have not been and will not be registered under the FSCMA. Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations.

Each Dealer has undertaken, and each further Dealer appointed under the Program will be required to undertake, to ensure that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

Japan

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**FIEA**"). Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) it has not offered or sold, and will not offer or sell, in the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong and any rules made thereunder.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

If a jurisdiction requires that any offering of Notes under the Program be made by a licensed broker or dealer and any Dealer or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorization

The establishment of the Program and the issue of Notes under the Program have been duly authorized under the articles of incorporation of the Issuer. However, the issue of any particular Tranche of Notes is further subject to the authorization by the resolution of the Board of the Issuer prior to the relevant issue and the issue of Notes for a particular year is subject to approval of the plan on issuance and management of bonds for the relevant year by the MOLIT.

Listing of Notes on the Singapore Stock Exchange

Approval in-principle has been received from the Singapore Stock Exchange in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).

Documents Available

From the date hereof and so long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available for inspection at the registered office of the Issuer (in the case of clause (v) below, those documents will also be available at the specified office of the Issuing and Paying Agent):

(i) the constitutional documents (together with English translations) of the Issuer;

(ii) the Program Agreement, the Agency Agreement, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons, and the Talons;

(iii) a copy of this Offering Circular;

(iv) any future offering circulars, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent, as the case may be, as to its holding and as to identity), to this Offering Circular and any other documents incorporated herein or therein by reference; and

(v) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have the Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. For persons seeking to hold a beneficial interest in the CMU Notes held in a global certificate through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with HKMA as the CMU operator. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Auditors

The consolidated financial statements of the Issuer as of and for years ended December 31, 2023, 2022 and 2021 and as of June 30, 2024 and for six months ended June 30, 2024 and 2023 included in this Offering Circular have been audited by Nexia Samduk, an independent auditor, as stated in their reports appearing herein.

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Independent Auditors' Review Report

(Based on a report originally issued in Korean)

To the Shareholder and Board of Directors of
Korea Railroad Corporation

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of Korea Railroad Corporation ("the Company") and its subsidiaries ("the Group"). These interim consolidated financial statements consist of the interim consolidated statement of financial position of the Group as at June 30, 2024, and the related interim consolidated statements of comprehensive income for the six-month periods ended June 30, 2024 and 2023, and interim consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2024 and 2023, and material accounting policy information and other selected explanatory notes, expressed in Korean won.

Management's Responsibility for the Interim consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with Korean Government-owned and Quasi-government Accounting Regulations, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to issue a report on these interim consolidated financial statements based on our review. We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements are not prepared fairly, in all material respects, in accordance with Korean Government-owned and Quasi-government Accounting Regulations Interim Financial Reporting.

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 4, 2024. The consolidated statement of financial position as at December 31, 2023, presented herein for comparative purposes, is not different in all material respects from the above audited consolidated statement of financial position

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

Nexia Samduk

Seoul, Korea
August 29, 2024

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

A member of Nexia International
Nexia International is a leading worldwide network of independent accounting and consulting firms, providing comprehensive portfolio of audit, accountancy, tax and advisory services.

Korea Railroad Corporation and its Subsidiaries
Interim Consolidated Statements of Financial Position
June 30, 2024 and December 31, 2023

(In thousands of won)	**Notes**		**Jun 30, 2024**	**Dec 31, 2023**
Assets				
Current assets				
Cash and cash equivalents	*6,26,40,41*	₩	421,147,938	165,446,166
Short-term financial instruments	*7,12,40,41*		31,138,598	92,078,494
Short-term loans	*11,40,41*		1,377,157	690,882
Current derivative assets	*8,40,41*		194,563,435	123,274,089
Trade receivables and other receivables	*9,40,41,42*		409,307,039	690,382,338
Inventories	*13*		408,252,078	363,670,889
Prepaid income taxes			1,047,558	2,241,365
Current non-financial assets	*14,26*		75,861,036	51,326,284
Assets held-for-sale	*37*		41,194,852	48,981,938
			1,583,889,691	1,538,092,445
Non-current assets				
Long-term financial instruments	*7,12,40,42,43*		20,755	20,755
Financial assets at FVTPL	*10,40,42*		40,986,200	39,990,032
Financial assets at FVOCI	*10,40,42*		42,933,970	42,935,216
Long-term loans, net	*11,40,42*		26,493,107	28,608,357
Non-current derivative instrument assets	*8,40,42*		83,028,250	100,927,892
Long-term trade receivables and other receivables	*9,40,41*		50,838,315	45,820,649
Property, trains and equipment, net	*16,23,26*		26,152,359,113	26,043,533,571
Investment property	*17,26*		763,965,399	723,217,277
Goodwill	*19*		3,609,489	3,609,489
Intangible assets, net	*20,26*		39,842,979	41,903,908
Investment in associates	*15*		443,542,793	447,773,266
Deferred tax assets			5,902,156	5,902,156
Non-current non-financial assets	*14*		3,923,214	4,071,275
			27,657,445,740	27,528,313,843
Total assets		₩	29,241,335,431	29,066,406,288
Liabilities				
Current liabilities				
Trade payables and other payables	*21,24,40,41,42*	₩	1,041,130,219	1,153,950,110
Short-term borrowings	*22,40,41*		2,516,000	3,700,000
Current portion of long-term borrowings, net	*22*		100,000,000	100,000,000
Current portion of bonds, net	*22*		1,751,986,526	1,572,487,019
Current tax liabilities			4,621,938	1,169,005
Current non-financial liabilities	*27*		404,571,092	312,302,471
Current provisions	*25*		520,654,125	384,305,201
			3,825,479,900	3,527,913,806

Korea Railroad Corporation and its Subsidiaries
Interim Consolidated Statements of Financial Position
June 30, 2024 and December 31, 2023

(In thousands of won)	**Notes**		**Jun 30, 2024**	**Dec 31, 2023**
Non-current liabilities				
Long-term trade payables and other payables	*21,24,40,41*	₩	66,596,721	60,584,282
Bonds, net	*22,40,41*		13,495,360,758	13,403,336,877
Non-current derivative instrument liabilities	*8*		-	1,289,094
Non-current non-financial liabilities	*18,27*		7,984,162	7,903,122
Refined benefit liabilities, net	*24*		1,334,563,210	1,223,025,849
Deferred tax liabilities			2,210,211,530	2,223,301,453
Provisions	*25*		3,453,802	18,027,345
			17,118,170,183	16,937,468,022
Total liabilities		₩	20,943,650,083	20,465,381,828
Equity				
Paid-in capital	*1,28*	₩	10,951,366,001	10,919,637,641
Deficit	*29*		(12,145,846,485)	(11,824,023,452)
Other equity components	*16,30*		9,486,276,616	9,500,689,404
Equity attributable to owner of the parent Company			8,291,796,132	8,596,303,593
Non-controlling interests			5,889,216	4,720,867
Total equity		₩	8,297,685,348	8,601,024,460
Total liabilities and equity		₩	29,241,335,431	29,066,406,288

See accompanying notes to the interim consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Interim Consolidated Statements of Comprehensive income(loss)
June 30, 2024 and 2023

(In thousands of won)	**Notes**		**2024**	**2023**
Revenues	*5,18,31,39,42*	₩	3,245,176,905	3,307,788,012
Cost of revenue	*18,38,39,42*		3,152,405,144	3,188,749,200
Gross profit			92,771,761	119,038,812
Selling, general and administrative expense	*32,38*		162,183,085	162,396,625
Operating loss			(69,411,324)	(43,357,813)
Other revenue	*25,33*		3,963,027	1,670,831
Other expenses	*33*		(22,731,660)	(45,900,143)
Other income, net	*33*		3,771,738	36,632,270
Finance income	*34,40*		68,071,136	93,790,326
Finance expense	*35,40*		(265,766,563)	(253,676,562)
Gains on valuation of investments in associates	*15*		5,794,657	3,686,922
Losses on valuation of investments in associates	*15*		(1,016,725)	(276,854)
Loss before income taxes			(277,325,714)	(207,431,023)
Income tax benefit	*36*		7,407,788	13,824,952
Loss for the period		₩	(284,733,502)	(221,255,975)
Remeasurement of defined benefit liability	*24*	₩	(38,506,890)	13,615,846
Gains on valuation of equity instruments at FVOCI			(887)	40
Changes in equity of equity method investments	*15*		(6,921,594)	(88,500)
Items not reclassified to profit or loss subsequently			(45,429,371)	13,527,386
Unrealized net change in the effective portion of cash flow hedges, net of tax	*8*		(4,762,620)	12,326
Changes in equity of equity method investments	*15*		(141,978)	2,168
Items reclassified to profit or loss subsequently			(4,904,598)	14,494
Other comprehensive income (loss) for the period, net of tax	*30*		(50,333,969)	13,541,880
Total comprehensive income (loss) for the period		₩	(335,067,471)	(207,714,095)
Income (loss) attributable to:				
Owners of the parent		₩	(285,308,936)	(221,074,394)
Non-controlling interests			575,434	(181,582)
Loss for the period		₩	(284,733,502)	(221,255,976)
Total comprehensive Income (loss) attributable to:				
Owners of the parent		₩	(336,235,821)	(207,517,127)
Non-controlling interests			1,168,350	(196,968)
Total comprehensive Income (loss) for the period		₩	(335,067,471)	(207,714,095)

See accompanying notes to the interim consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Interim Consolidated Statements of Changes in Equity
June 30, 2024 and 2023

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2024	₩ 10,919,637,641	(11,824,023,452)	9,500,689,404	8,596,303,593	4,720,867	8,601,024,460
Total comprehensive income (loss) for the period:						
Income (loss) for the period	-	(285,308,937)	-	(285,308,937)	575,435	(284,733,502)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	(39,099,805)	-	(39,099,805)	592,915	(38,506,890)
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	(886)	(886)	(1)	(887)
-Reclassification of asset revaluation gain	-	9,507,303	(9,507,303)	-	-	-
-Change in accumulated deficit of equity method investments, net of tax	-	(6,921,594)	-	(6,921,594)	-	(6,921,594)
Comprehensive income (loss) that is subsequently reclassified to income (loss)						
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	(4,762,620)	(4,762,620)	-	(4,762,620)
-Change in equity of equity method investments, net of tax	-	-	(141,979)	(141,979)	-	(141,979)
Total comprehensive income (loss) for the period	-	(321,823,033)	(14,412,788)	(336,235,821)	1,168,349	(335,067,472)
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	31,728,360	-	-	31,728,360	-	31,728,360
Total transaction with owner of the parent Company	31,728,360	-	-	31,728,360	-	31,728,360
Balance at Jun. 30, 2024	₩ 10,951,366,001	(12,145,846,485)	9,486,276,616	8,291,796,132	5,889,216	8,297,685,348

See accompanying notes to the interim consolidated financial statements.

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2023	₩ 10,849,219,641	(11,503,557,897)	9,501,686,119	8,847,347,863	155,815,186	9,003,163,049
Total comprehensive income (loss) for the period:						
Income (loss) for the period	-	(221,074,394)	-	(221,074,394)	(181,581)	(221,255,976)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	13,631,233	-	13,631,233	(15,387)	13,615,846
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	40	40	-	40
-Reclassification of asset revaluation gain	-	3,136,992	(3,136,992)	-	-	-
-Change in accumulated deficit of equity method investments, net of tax		(88,500)	-	(88,500)	-	(88,500)
Comprehensive income (loss) that is subsequently reclassified to income (loss)						
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	12,326	12,326	-	12,326
-Change in equity of equity method investments, net of tax	-	-	2,168	2,168	-	2,168
Total comprehensive income (loss) for the period	-	(204,394,670)	(3,122,458)	(207,517,127)	(196,968)	(207,714,096)
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	51,405,550	-	-	51,405,550	-	51,405,550
Total transaction with owner of the parent Company	51,405,550	-	-	51,405,550	-	51,405,550
Others	-	2,705,655	147,500,000	150,205,655	(150,670,002)	(464,347)
Balance at Jun. 30, 2023	₩ 10,900,625,191	(11,705,246,912)	9,646,063,661	8,841,441,941	4,948,216	8,846,390,156

See accompanying notes to the interim consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Interim Consolidated Statements of Cash Flows
June 30, 2024 and 2023

(In thousands of won)		**2024**	**2023**
Cash flows from operating activities			
Loss for the period	₩	(284,733,502)	(221,255,976)
Adjustments for:			
Income tax benefit		7,407,788	13,824,952
Bad debt expenses		286,033	172,471
Other bad debt expenses		105,019	266,784
Depreciation expenses		280,799,544	276,013,971
Depreciation of investment property		1,968,672	1,946,217
Amortization of intangible assets		2,753,631	3,043,996
Losses on sale of property, trains and equipment		4,149,918	8,583,474
Losses(gain) on valuation of investments in associates		(4,777,934)	(3,410,069)
Losses on disposal of non-current assets held-for-sale		77,298	175,228
Retirement benefits		116,131,340	117,497,107
Increase in provisions		162,144,848	28,105,767
Losses on disposal of financial assets at FVTPL		-	(174)
Gains on valuation of financial assets at FVTPL		-	55,107
Losses on valuation of financial assets at FVTPL		(996,168)	(1,338,294)
Impairment losses on financial assets		66,000	-
Losses on valuation of derivative instruments		-	105,000
Interest expenses		204,544,320	177,717,867
Foreign currency translation losses		61,149,814	75,773,429
Other losses		14,547,522	-
Other gains		(1,873,489)	(1,627,903)
Gains on sale of property, trains and equipment		(191,820)	(26,507)
Gains on disposal of non-current assets held for sale		(7,602,630)	(2,751,772)
Reversal of provision		(2,719,745)	(442,518)
Gains on assets contributed		-	(622,800)
Foreign currency translation gains		(25,622)	(117,377)
Gains on valuation of derivative instruments		(61,149,750)	(75,773,400)
Interest income		(5,800,621)	(14,300,081)
Dividend income		(92,515)	(2,244,729)
Other income		705,302	594,748
Changes:			
- Inventories		(109,030,561)	(130,085,458)
- Trade receivables		283,848,492	98,431,035
- Other accounts receivable		(2,574,679)	76,945
- Prepayment		(25,239,821)	262,154,917
- Prepaid expenses		10,713	1,375,675
- Other current assets		(2,290,400)	(12,041)
- Employee benefits		(58,848,843)	(57,695,976)
- Trade payables		(64,381,138)	(46,977,321)
- Non-trade payables		(7,645,710)	(18,843,371)
- Accrued expenses		(61,589,533)	(30,910,338)
- Advances customers		78,891,355	11,603,133
- Withholdings		(1,877,221)	(5,547,413)
- Unearned revenues		2,052,631	7,960,006
- Current provisions		(12,208,188)	144,327,374
- Non-current provisions		(25,948,620)	(14,353,998)
- Other liabilities		39,476	82,317

(In thousands of won)		2024	2023
- Government grants classified as operating		167,476,693	115,126,379
Cash generated from operating activities	₩	647,557,899	716,676,382
Income taxes paid	₩	200,411	(8,033,397)
Net cash used in operating activities	₩	647,758,310	708,642,985
Cash flows from investing activities			
Proceeds from sales of financial assets at FVTPL	₩	124	4,955,507
Decrease in long-term loans		3,961,156	1,439,457
Decrease in long-term deposits		3,257,937	2,153,732
Proceeds from sale of non-current assets held for sale		39,338,759	13,022,356
Proceeds from sale of property, trains and equipment		1,182,001	34,879
Prodeeds from sales of short-term financial instruments		111,300,000	121,700,786
Interest received		4,809,654	12,863,161
Dividends received		2,037,349	4,439,563
Government grants received		-	49,291
Advances received of property, trains and equipment		519,869	-
Acquisition of property, trains and equipment		(433,014,831)	(988,124,376)
Purchase of intangible assets		(237,542)	(988,147)
Purchase of investment property		(166,385)	-
Increase in long-term loans		(2,530,373)	(48,265)
Increase in long-term deposits		(6,689,610)	(3,404,750)
Increase in short-term financial instruments		(50,360,104)	(8,048,597)
Net cash provided used in by investing activities	₩	(326,591,996)	(839,955,403)
Cash flows from financing activities			
Proceeds from issuance of share capital		31,728,360	51,405,550
Proceeds from borrowings		321,551,000	884,200,000
Issuance of debt securities		909,798,140	989,782,057
Receipt of rental deposits		5,238,240	2,948,757
Interest paid		(197,501,476)	(167,458,489)
Repayment of borrowings		(322,735,000)	(1,040,000,000)
Redemption of bonds		(700,000,000)	(722,277,600)
Settlement of currency swap transactions		-	30,968,630
Lease payment		(11,732,508)	(9,867,378)
Dividends paid		-	(464,347)
Net cash provided by financing activities	₩	36,346,756	19,237,180
Net increase(decrease) in cash and cash equivalents		357,513,070	(112,075,238)
Effect of foreign exchange rate changes		25,558	-
Cash and cash equivalents at the beginning of the period		490,827,638	882,649,969
Cash and cash equivalents at the end of the period		848,366,266	770,574,731
Government grants		(45,014,345)	(33,219,028)
Fund for consignment business from governments		(382,203,984)	(367,623,344)
Cash and cash equivalents at end of period	₩	421,147,938	369,732,360

See accompanying notes to the interim consolidated financial statements.

1. GENERAL INFORMATION:

(1) Description of the controlling company

Korea Railroad Corporation (the "Company") was incorporated on January 1, 2005, to engage in passenger and railroad transportation services under the Korea Railroad Act. As of June 30, 2024, the Company's issued capital amounted to ₩10,956,013 million, and the Company is wholly owned by the Government of the Republic of Korea.

The main businesses of the Company are as follows:

i. Businesses related to passenger and freight transportation and linking other means of transportation via railroad;
ii. Manufacturing, selling, maintaining and leasing railroad equipment;
iii. Maintaining and leasing passenger cars and rolling stocks;
iv. Businesses entrusted by state and local autonomous entity or public institution for various matters, including maintenance of railroad facilities;
v. Developing and operating train station facilities related to sales, operations, cultural activities, meetings and administration of parking lot, accommodations, passenger and freight terminal; and
vi. Businesses, such as distribution service, tourism business, overseas business, technology development and manpower development.

(2) Consolidated subsidiaries

1) Consolidated subsidiaries as of June 30, 2024 and December 31, 2023, are detailed as follows:

Company	Location	Reporting Date	Ownership		Industry
			2024	2023	
KORAIL Retail Co., Ltd.	Republic of Korea	Dec. 31	100.00%	100.00%	Retail
KORAIL Networks Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Service industry
KORAIL Logis Co., Ltd.	Republic of Korea	Dec. 31	97.23%	97.23%	Railroad cargo business
KORAIL Tourism Development Co., Ltd	Republic of Korea	Dec. 31	60.80%	60.80%	Service industry
KORAIL Tech Co., Ltd.	Republic of Korea	Dec. 31	97.98%	97.98%	Railway track construction
Korean Insurance Brokerage Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Insurance brokerage business

1. GENERAL INFORMATION, Continued:

(2) Consolidated subsidiaries, continued

2) The financial information of subsidiaries as of and for the six-month period ended June 30, 2024, December 31, 2023, are summarized as follows:

(In thousands of won)		2024			
Company		Total assets	Total liabilities	Total revenue	Total net Income(loss)
KORAIL Retail Co., Ltd.	₩	290,350,494	122,275,701	163,822,015	6,513,348
KORAIL Networks Co., Ltd.		51,787,908	20,878,796	58,237,334	5,297,471
KORAIL Logis Co., Ltd.		28,768,334	16,909,057	46,281,788	1,034,653
KORAIL Tourism Development Co., Ltd		30,582,722	18,902,207	39,357,149	959,145
KORAIL Tech Co., Ltd.		81,530,926	38,639,321	125,892,205	5,867,758
Korean Insurance Brokerage Co., Ltd.		2,313,759	441,453	790,787	259,091

(In thousands of won)		2023			
Company		Total assets	Total liabilities	Total revenue	Total net Income(loss)
KORAIL Retail Co., Ltd.	₩	287,598,238	119,536,792	309,312,611	9,803,309
KORAIL Networks Co., Ltd.		42,359,362	16,378,803	117,325,688	5,838,832
KORAIL Logis Co., Ltd.		27,048,676	16,224,051	91,154,947	2,214,938
KORAIL Tourism Development Co., Ltd		27,228,370	16,506,999	75,083,293	1,574,999
KORAIL Tech Co., Ltd.		69,323,699	32,365,852	246,360,174	3,682,130
Korean Insurance Brokerage Co., Ltd.		2,441,515	398,300	1,364,323	430,044

2. BASIS OF PREPARATION

(1) The interim consolidated financial statements have been prepared in accordance with Korean Government-owned and Quasi-government Accounting Regulation, and Standards. Meanwhile, except for requirements set forth in the Regulation and Standards, the Group applied Korean International Financial Reporting Standards("K-IFRS") in accordance with chapter 2.5 of the Regulation.

(2) Use of estimates and judgment

(i) The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

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

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

Significant valuation issues are reported to the Board of Directors.

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

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

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

Further information about the assumptions made in measuring fair values is included in following notes:
- Note 41 Financial risk management.

3. IMPORTANT ACCOUNTING POLICIES:

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

(1) New and amended standards and interpretations adopted by the Group

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

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

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

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. There is no impact on the interim financial statements in accordance with the transitional provision that the relevant details do not need to be disclosed during the interim reporting period within the fiscal year in which this amendment is first applied.

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

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendment to this standard does not have a significant impact on the financial statements.

(2) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for June 30, 2024 reporting period and have not been early adopted by the Group.

1) Amendments to Korean IFRS 1021 Effect of Exchange Rate Fluctuations and Korean IFRS 1101 Initial Adoption of Korean International Financial Reporting Standards - Lack of exchangeability

The amendments require assessing the exchangeability of a currency, estimating the spot exchange rate if exchangeability with another currency is not possible, and disclosing related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

4. FINANCIAL RISK MANAGEMENT:

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

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

This note presents information about the Group's exposure to each of the above risks; the Group's objectives, policies and processes for measuring and managing risk; and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Risk management activities

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to establish appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base comprises a large number of counterparties with small individual amounts; hence, the Group's credit risk is not concentrated. Also, the Group's exposure to credit risk is limited as most receivables get collected in two or three days from the date of billing.

Significant transactions are reviewed for legal and economic validity during regular internal audits and resolved based on Board of Directors' approval. Also, the Group manages credit risk by requiring collateral or guarantees with respect to significant trade and other receivables.

Assessment for expected credit losses
The Group applies the practical simplified method of using a provision setting table to measure expected credit losses depend of judgment of this method consistent with measurement principle of expected credit losses required from K-IFRS No. 1109.

The default rate is calculated using the 'Roll Rate' model based on the likelihood that trade receivable will be delinquent. 'Roll Rate' was calculated separately for each business unit exposure based on common credit risk characteristics such as region, duration of customer relationship and type of product purchased.

(ii) Guarantees
The Group can only provide financial guarantees based on the Board of Directors' resolution. At June 30, 2024, no guarantees were outstanding.

4. FINANCIAL RISK MANAGEMENT, Continued:

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To manage liquidity risk, the Group maintains short-term and medium-to-long-term cash flow plan, and continuously analyzes and reviews the actual cash flow.

(4) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollars (USD).

The Group is exposed to currency risk in respect to bonds and long-term borrowings denominated in foreign currency. The Group uses derivate instruments, such as currency swap, to mitigate foreign exchange rate fluctuation risk arising from foreign currency liabilities.

(ii) Interest rate risk
The Group borrows funds at fixed and variable interest rates. The Group's management reviews the interest rate periodically and uses derivative instruments to hedge interest rate risk.

(iii) Other market price risk
Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

4. FINANCIAL RISK MANAGEMENT, Continued:

(5) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To maintain or adjust the capital base, the Group returns capital to shareholder and sells out assets to reduce the liabilities.

Also, the Group manages the capital balance to comply with the requirement from "Korean Railroad Law Article 11 (Issuance of bonds)," which states that bonds may not exceed twice the sum of capital and reserves. Also, the Group aims to maintain the credit rating of AAA.

The Group's capital management strategy is consistent with prior period and the credit rating is maintained AAA at June 30, 2024.

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

(In thousands of won, except equity ratio)		Jun. 30, 2024	Dec. 31, 2023
Bond issued	₩	15,250,990,250	14,979,840,500
Equity capital and reserves		8,094,503,917	8,393,810,519
Net debt-to-adjusted equity ratio		188.41%	178.46%

5. OPERATING BUSINESS UNITS:

The Group has seven business units, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's business units.

(1) The Group's business units are summarized as follows:

Business units	Primary business
Korea Railroad Corporation	Railroad transportation
KORAIL Retail Co., Ltd.	Retail business
KORAIL Logis Co., Ltd.	Railroad cargo business
KORAIL Networks Co., Ltd.	Service industry
KORAIL Tourism Development Co., Ltd.	Service industry
KORAIL Tech Co., Ltd.	Railway track specialized construction
Korean Insurance Brokerage Co., Ltd.	Insurance brokerage

(2) The Group's business units' information on revenue and profit for the six-month periods ended June 30, 2024 and 2023 are as follows:

(In thousands of won)

Company		2024 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	3,059,508,821	69,247,602	2,990,261,219	17,292,926	276,378,721
KORAIL Retail Co., Ltd.		163,822,015	22,989	163,799,026	58,654,767	5,006,503
KORAIL Networks Co., Ltd.		58,237,334	35,444,442	22,792,892	(17,397,987)	1,238,208
KORAIL Logis Co., Ltd.		46,281,788	21,443,882	24,837,906	(15,001,378)	1,319,579
KORAIL Tourism Development Co., Ltd.		39,357,149	28,072,613	11,284,536	(26,241,424)	309,350
KORAIL Tech Co., Ltd.		125,892,205	94,481,666	31,410,539	(87,011,763)	1,269,487
Korean Insurance Brokerage Co., Ltd		790,787	-	790,787	293,534	-
Total	₩	3,493,890,099	248,713,194	3,245,176,905	(69,411,325)	285,521,848

(In thousands of won)

Company		2023 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	2,890,207,923	148,167,048	2,742,040,875	(25,514,274)	263,683,460
KORAIL Retail Co., Ltd.		147,854,709	29,276	147,825,433	51,512,763	5,185,907
KORAIL Networks Co., Ltd.		56,226,348	34,342,764	21,883,584	(18,285,720)	1,255,222
KORAIL Logis Co., Ltd.		45,790,451	20,215,381	25,575,070	(13,430,878)	191,683
KORAIL Tourism Development Co., Ltd.		33,256,231	28,651,378	4,604,853	(28,920,517)	251,932
KORAIL Tech Co., Ltd.		122,484,374	96,328,575	26,155,799	(95,587,775)	1,664,407
SR Co., Ltd.(*)		339,026,325	16,472	339,009,853	86,688,149	24,772,885
Korean Insurance Brokerage Co., Ltd		692,545	-	692,545	180,439	-
Total	₩	3,635,538,906	327,750,894	3,307,788,012	(43,357,813)	297,005,496

(*) During the year ended June 30, 2023, the profit or loss before being reclassified as a related company.

5. OPERATING BUSINESS UNITS, Continued:

(3) Assets and liabilities of the Group's business units as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,905,443,798	494,007,505	430,044,021	20,810,939,881
KORAIL Retail Co., Ltd.		290,350,494	10,234,411	2,412,184	122,275,701
KORAIL Networks Co., Ltd.		51,787,908	1,178,649	781,174	20,878,796
KORAIL Logis Co., Ltd.		28,768,334	-	30,121	16,909,057
KORAIL Tourism Development Co., Ltd.		30,582,722	-	64,007	18,902,207
KORAIL Tech Co., Ltd.		81,530,926	-	87,251	38,639,321
Korean Insurance Brokerage Co., Ltd		2,313,759	-	-	441,453
Total	₩	29,390,777,941	505,420,565	433,418,758	21,028,986,416

(In thousands of won)		Dec. 31, 2023			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,752,355,995	494,007,505	1,735,884,181	20,358,545,476
KORAIL Retail Co., Ltd.		287,598,238	10,234,411	12,719,707	119,536,792
KORAIL Networks Co., Ltd.		42,359,362	1,178,649	7,443,762	16,378,803
KORAIL Logis Co., Ltd.		27,048,676	-	608,214	16,224,051
KORAIL Tourism Development Co., Ltd.		27,228,370	-	506,462	16,506,999
KORAIL Tech Co., Ltd.		69,323,699	-	1,694,105	32,365,852
Korean Insurance Brokerage Co., Ltd		2,441,515	-	-	398,300
Total	₩	29,208,355,855	505,420,565	1,758,856,431	20,559,956,273

(4) External revenues by geographical regions for the six-month periods ended June 30, 2024 and 2023 and non-current assets by geographical regions as at June 30, 2024 and December 31, 2023, are summarized as follows:

(In thousands of won)		External revenue		Non-current assets	
		2024	2023	Jun. 30, 2024	Dec. 31, 2023
Domestic	₩	3,235,807,913	3,295,804,556	27,657,445,741	27,528,313,843
Overseas		9,368,992	11,983,456	-	-
Total	₩	3,245,176,905	3,307,788,012	27,657,445,741	27,528,313,843

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents in the consolidated statement of cash flow include cash and cash equivalents as at June 30, 2024 and December 31, 2023, are summarized as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	848,366,265	490,827,638
Government subsidies		(45,014,345)	(39,569,012)
Funds for consignment business from government		(382,203,982)	(285,812,460)
Total	₩	421,147,938	165,446,166

7. CASH AND CASH EQUIVALENTS RESTRICTED IN USE AND COLLATERALIZED FINANCIAL ASSETS:

Cash and cash equivalents that are restricted in use and financial assets that are held as collateral for liabilities or contingencies as at June 30, 2024 and December 31, 2023, are summarized as follows:

(In thousands of won)	Type		Jun. 30, 2024	Dec. 31, 2023
Short-term financial instruments	Loan deposit for shared growth cooperation	₩	6,000,000	6,000,000
Long-term financial instruments	Pledged assets		18,754	18,754
	Security deposit for opening of current deposit account		2,000	2,000
	Total	₩	6,020,754	6,020,754

8. DERIVATIVES:

(1) Derivative instruments outstanding as at June 30, 2024 and December 31, 2023, are as follows:

		Jun. 30, 2024		Dec. 31, 2023	
(In thousands of won)		Current	Non-current	Current	Non-current
Derivative instrument assets:					
Currency swap	₩	144,088,935	83,028,250	72,799,589	100,927,892
Right of redemption and conversion(*)		50,474,500	-	50,474,500	-
Total	₩	194,563,435	83,028,250	123,274,089	100,927,892
Derivative instrument liabilities:					
Currency swap		-	-	-	1,289,094
Total	₩	-	-	-	1,289,094

(*) The right redemption and conversion, which are the intrinsic derivatives of SR's redeemable convertible preference shares held by the consolidated entity, were recognized as derivative assets separately from preferred stock.

8. DERIVATIVES, Continued:

(2) Details of currency swap outstanding as at June 30, 2024 are summarized as follows:

(In thousands of won, CHF, USD, AUD, SEK, CAD, EUR, SGD)

Financial institutions	Contract term		Selling price	Purchasing price	Selling interest rate	Purchasing interest rate	Contractual Exchange rate		Valuation amount
Nomura Financial Investment (Korea) Co., Ltd.	2017.04.26. ~ 2032.04.26.	AUD	42,708,500	50,000,000	2.30%	AUD 4.11%	854.17	₩	3,142,727
Nomura Financial Investment (Korea) Co., Ltd	2017.05.26. ~ 2032.05.26	SEK	38,199,000	300,000,000	2.40%	SEK 2.31%	127.33		645,795
Export-Import Bank of Korea	2017.06.07. ~ 2037.06.07	CAD	91,746,600	110,000,000	2.40%	CAD 3.07%	834.06		15,794,658
Nomura Financial Investment (Korea) Co., Ltd	2017.06.09. ~ 2037.06.09	EUR	62,829,000	50,000,000	2.37%	EUR 1.89%	1,256.58		5,018,655
BNP PARIBAS S.A.	2018.10.02. ~ 2033.10.02	EUR	144,454,200	110,000,000	2.36%	EUR 1.72%	1,313.22		9,682,191
Hana Bank	2018.10.25. ~ 2038.10.25.	EUR	130,480,000	100,000,000	2.33%	EUR 1.88%	1,304.80		7,212,087
Export-Import Bank of Korea	2019.04.11. ~ 2039.04.11	EUR	76,443,000	60,000,000	1.83%	EUR 1.41%	1,274.05		5,688,017
Export-Import Bank of Korea	2019.06.13. ~ 2025.06.13.	CHF	176,400,000	150,000,000	1.61%	CHF 0%	1,176.00		55,754,721
Woori Bank	2019.11.19. ~ 2024.11.19.	CHF	178,219,500	150,000,000	1.42%	CHF (-)0.18%	1,188.13		52,472,739
Woori Bank	2019.11.19. ~ 2024.11.19.	USD	175,650,000	150,000,000	1.41%	3M USD LIBOR 0.7%	1,171.00		35,861,475
DBS Bank Ltd.	2020.09.23. ~ 2025.09.23.	SGD	126,976,800	140,000,000	0.82%	SGD 0.79%	864.12		19,731,760
BNP PARIBAS S.A.	2023.11.14~ 2025.11.14	SGD	375,000,000	250,000,000	4.07%	CHF 2.03%	1,500.00		14,433,088
BNP PARIBAS S.A.	2023.11.08~ 2025.11.08	CHF	64,350,000	65,000,000	4.22%	SGD 4.22%	990		1,679,272
			1,683,456,600	1,685,000,000				₩	227,117,185

(3) Derivative transaction gain (loss) for the six-month periods ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024		2023	
		Gain and losses from valuation	Other comprehensive income (loss)	Gain and losses from valuation	Other comprehensive income (loss)
Currency swap	₩	61,149,750	(6,470,952)	75,668,400	1,022,520
Interest rate swap		-	-	-	(942,896)
Total	₩	61,149,750	(6,470,952)	75,668,400	79,624

9. TRADE RECEIVABLES AND OTHER RECEIVABLES:

(1) Trade receivables and accounts receivable as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	409,977,301	(12,062,959)	-	397,914,342
Other receivables		68,776,256	(57,383,559)	-	11,392,697
Subtotal		478,753,557	(69,446,518)	-	409,307,039
Non-current assets:					
Other receivables		51,614,967	(6,389)	(770,263)	50,838,315
Total	₩	530,368,524	(69,452,907)	(770,263)	460,145,354

(In thousands of won)		Dec. 31, 2023			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	694,468,751	(11,776,927)	-	682,691,824
Other receivables		64,975,442	(57,284,928)	-	7,690,514
Subtotal		759,444,193	(69,061,855)	-	690,382,338
Non-current assets:					
Other receivables		46,937,864	-	(1,117,215)	45,820,649
Total	₩	806,382,057	(69,061,855)	(1,117,215)	736,202,987

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(2) Aging analysis of trade receivables and other receivables as at June 30, 2024 and December 31, 2023, are detailed as follows:

		Trade receivables	
(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Current and not impaired	₩	186,541,112	469,490,484
Overdue, but not impaired		64,214,387	49,505,136
Current reviewed for impairment		159,221,802	175,473,131
- Under 90 days		147,697,033	163,419,462
- 90 days–120 days		103,156	1,412
- 120 days or more		11,421,613	12,052,256
Subtotal		409,977,301	694,468,751
Allowance for impairment		(12,062,959)	(11,776,927)
Total	₩	397,914,342	682,691,824

		Other receivables	
(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Current and not impaired	₩	60,797,424	54,256,164
Overdue, but not impaired		452,113	243,084
Current reviewed for impairment		59,141,686	57,414,058
- Under 90 days		1,627,753	18,593
- 90 days–120 days		111,601	10,372
- 120 days or more		57,402,332	57,385,093
Subtotal		120,391,223	111,913,306
Allowance for impairment		(57,389,948)	(57,284,928)
Present value discounts		(770,263)	(1,117,215)
Total	₩	62,231,012	53,511,163

(3) Changes in allowance for impairment of trade receivables and other receivables during the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

		2024		2023	
(In thousands of won)		Trade receivable	Other receivables	Trade receivable	Other receivables
Beginning balance	₩	11,776,927	57,284,928	13,328,749	57,304,147
Impairment loss recognized		286,032	105,020	(376,572)	298,883
Write-offs		-	-	(344,902)	(316,715)
Reversal of allowance		-	-	(798,793)	(1,387)
Other		-	-	(31,555)	-
Ending balance	₩	12,062,959	57,389,948	11,776,927	57,284,928

10. FAIR VALUE MEASUREMENT FINANCIAL ASSETS:

(1) Changes of FVTPL for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follow:

		Jun. 30, 2024				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	39,990,032	-	-	996,168	40,986,200

		Dec. 31, 2023				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	36,866,585	6,660,000	(5,010,614)	1,474,060	39,990,031

(2) Changes of FVOCI for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follow:

		Jun. 30, 2024				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	5,783	-	(125)	(1,121)	4,537
Unlisted securities		42,929,433	-	-	-	42,929,433
Total	₩	42,935,216	-	(125)	(1,121)	42,933,970

		Dec. 31, 2023				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	6,081	-	-	(298)	5,783
Unlisted securities		37,188,159	-	(5,206)	5,746,480	42,929,433
Total	₩	37,194,240	-	(5,206)	5,746,182	42,935,216

11. LOANS:

Loans as at June 30, 2024 and December 31, 2023, are summarized as follows:

(In thousands of won)		Jun. 30, 2024		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	31,276,108	(3,581,217)	27,694,891
Other (*2)		175,372	-	175,372
Total	₩	31,451,480	(3,581,217)	27,870,263

(*1) Regarding student loans, the amount of W1,284,247 thousand (W46,463 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

(In thousands of won)		Dec. 31, 2023		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	32,781,008	(3,583,024)	29,197,984
Other (*2)		101,255	-	101,255
Total	₩	32,882,263	(3,583,024)	29,299,239

(*1) Regarding Tuition loans, the amount of W612,964 thousand (W23,336 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

12. FINANCIAL INSTRUMENTS:

Financial instruments as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Periodical installment savings	₩	31,138,598	20,755	12,078,494	20,755
Others		-	-	80,000,000	-
Total	₩	31,138,598	20,755	92,078,494	20,755

13. INVENTORIES:

Inventories as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	206,397	-	-	206,397
Merchandises		12,631,296	-	-	12,631,296
Work in progress		1,185,433	-	-	1,185,433
Supplies		661,206,811	(310,589,201)	(2,277)	350,615,333
Inventory in transit		43,613,619	-	-	43,613,619
Total	₩	718,843,556	(310,589,201)	(2,277)	408,252,078

(In thousands of won)		Dec. 31, 2023			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	207,282	-	-	207,282
Merchandises		10,028,371	-	-	10,028,371
Work in progress		1,244,133	-	-	1,244,133
Supplies		598,865,772	(247,134,477)	(2,277)	351,729,018
Inventory in transit		462,085	-	-	462,085
Total	₩	610,807,643	(247,134,477)	(2,277)	363,670,889

14. NON-FINANCIAL ASSETS:

(1) Non-financial assets as at June 30, 2024 and December 31, 2023 are as follows:

(In thousands of won)		Jun. 30, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Prepayment	₩	215,927,057	-	140,868,438	-
Government grants		(152,112,467)	-	(100,114,003)	-
Allowance for bad debts		(51,117)	-	(51,117)	-
Prepaid expenses		7,539,291	3,916,935	7,648,343	4,064,993
Other non-financial assets		4,558,272	6,281	2,974,622	6,281
Total	₩	75,861,036	3,923,216	51,326,283	4,071,274

(2) Other non-financial assets as at June 30, 2024 and December 31, 2023 are as follows:

(In thousands of won)		Jun. 30, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Deposits	₩	1,816,161	-	1,811,361	-
Non-financial assets-others		2,742,111	6,281	1,163,261	6,281
Total	₩	4,558,272	6,281	2,974,622	6,281

(3) Changes in allowance for impairment of non-financial assets during the six-month periods ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
		Prepayment	Prepayment
Beginning balance	₩	51,117	47,746
Impairment loss recognized		-	3,371
Ending balance	₩	51,117	51,117

15. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as at June 30, 2024 and December 31, 2023, are detailed as follows:

(In thousands of won)	Primary business	Location	Jun. 30, 2024			
			Owner-ship(%)		Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩	1,765,000	1,298,333
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00		250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90		897,000	-
SR Co., Ltd.	Businesses related to passenger Rail Transport	Republic of Korea	41.05		350,300,000	346,989,477
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	Real Estate Development, Sale and Lease	Republic of Korea	20.16		9,259,400	9,389,867
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67		84,338,340	19,559,124
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00		682,300	3,638,537
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08		699,962	2,941,777
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00		6,833,050	1,829,714
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04		12,953,517	51,950,057
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55		1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00		600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00		500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78		4,862,340	5,945,909
	Total			₩	724,792,910	443,542,795

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

15. INVESTMENTS IN ASSOCIATES, Continued:

(1) Investments in associates as at June 30, 2024 and December 31, 2023, are detailed as follows, Continued:

(In thousands of won)	Primary business	Location	Dec. 31, 2023		
			Owner-ship(%)	Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩ 1,765,000	1,329,188
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00	250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90	897,000	-
SR Co., Ltd.	Businesses related to passenger Rail Transport	Republic of Korea	41.05	350,300,000	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	Real Estate Development, Sale and Lease	Republic of Korea	20.16	9,259,400	9,186,253
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67	84,338,340	24,987,423
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	682,300	2,907,275
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08	699,962	3,115,276
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	6,833,050	2,427,954
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04	12,953,517	49,045,987
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55	1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00	600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78	4,862,340	5,668,406
	Total			₩ 724,792,910	447,773,266

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

15. INVESTMENTS IN ASSOCIATES, Continued:

(2) Details of adjustments made for book value of associates as at June 30, 2024 are as follows

(In thousands of won)		Net assets	Ownership	Share of interests in net assets	Book value
Uiwang ID Co., Ltd	₩	5,193,331	25.00%	1,298,333	1,298,333
SR Co., Ltd.		610,610,261	41.05%	250,661,027	346,989,477
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd		45,379,748	20.16%	9,150,164	9,389,867
Lotte Station Building Co., Ltd.		61,765,645	31.67%	19,559,124	19,559,124
Bupyeong Department Store Co., Ltd		14,554,149	25.00%	3,638,537	3,638,537
Anyang Station Building Co., Ltd.		11,281,984	26.08%	2,941,777	2,941,777
Bucheon Station Building Co., Ltd.		7,318,854	25.00%	1,829,714	1,829,714
Hanwha Station Development Co., Ltd.		162,127,436	32.04%	51,950,057	51,950,057
Bit Plex Co., Ltd.		25,000,592	23.78%	5,945,909	5,945,909
Total	₩	943,232,000		346,974,642	443,542,795

(3) Changes in investments in associates s for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

		Jun. 30, 2024						
(In thousands of won)		Beginning balance	Acquisition	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,329,188	-	-	(30,855)	-	-	1,298,333
SR Co., Ltd.		349,105,504	-	-	(834,980)	(141,978)	(1,139,069)	346,989,477
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd		9,186,253	-	-	205,416	-	(1,802)	9,389,867
Lotte Station Building Co., Ltd.		24,987,423	-	-	(17,215)	-	(5,411,084)	19,559,124
Bupyeong Department Store Co., Ltd.		2,907,275	-	-	649,133	-	82,129	3,638,537
Anyang Station Building Co., Ltd		3,115,276	-	(65,188)	(133,674)	-	25,363	2,941,777
Bucheon Station Building Co., Ltd.		2,427,954	-	(1,250,000)	774,662	-	(122,902)	1,829,714
Hanwha Station Development Co., Ltd.		49,045,987	-	(629,647)	3,674,670	-	(140,953)	51,950,057
Bit Plex Co., Ltd.		5,668,406	-	-	490,777	-	(213,274)	5,945,909
Total		447,773,266	-	(1,944,835)	4,777,934	(141,978)	(6,921,592)	443,542,795

		Dec. 31, 2023						
(In thousands of won)		Beginning balance	Acquisition	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,414,206	-	-	(85,018)	-	-	1,329,188
SR Co., Ltd.		-	350,300,000	-	562,732	(582,492)	(1,174,736)	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd		-	9,259,400	-	(69,670)	(3,477)	-	9,186,253
Lotte Station Building Co., Ltd.		24,912,711	-	-	(264,848)	-	339,560	24,987,423
Bupyeong Department Store Co., Ltd.		2,090,637	-	-	804,757	-	11,881	2,907,275
Anyang Station Building Co., Ltd		3,203,407	-	(65,188)	(93,905)	-	70,962	3,115,276
Bucheon Station Building Co., Ltd.		2,908,665	-	(1,500,000)	1,214,660	-	(195,371)	2,427,954
Hanwha Station Development Co., Ltd.		45,930,297	-	(629,647)	3,771,001	2,168	(27,832)	49,045,987
Bit Plex Co., Ltd.		4,931,665	-	-	1,044,133	-	(307,392)	5,668,406
Total		85,391,588	359,559,400	(2,194,835)	6,883,842	(583,801)	(1,282,928)	447,773,266

16. PROPERTY, TRAINS AND EQUIPMENT:

(1) Details of property, trains and equipment as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,540,909,340	(6,598,459)	-	-	17,534,310,881
Buildings(*)		2,280,318,264	(117,773,905)	(756,710,486)	(39,690)	1,405,794,183
Structures		338,630,654	(6,618,846)	(185,746,089)	(652,134)	145,613,585
Machinery		1,667,145,012	(14,988,512)	(1,055,278,703)	-	596,877,797
Trains		9,948,972,546	(204,694,311)	(4,661,244,641)	(2,661,000)	5,080,372,594
Vehicles		71,974,862	(33,325)	(42,658,146)	-	29,283,391
Furniture and fixtures		18,500,205	(745)	(13,947,347)	-	4,552,113
Tools		139,290,425	(56,302)	(113,051,538)	-	26,182,585
Construction in progress		1,270,588,660	-	-	-	1,270,588,660
Right-of-use assets		56,585,829	-	(26,466,045)	-	30,119,784
Other tangible assets		30,564,090	(48,091)	(1,852,459)	-	28,663,540
Total	₩	33,363,479,887	(350,812,496)	(6,856,955,454)	(3,352,824)	26,152,359,113

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

(In thousands of won)		Dec. 31, 2023				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,569,077,913	(6,598,459)	-	-	17,562,479,454
Buildings(*)		2,228,710,037	(119,385,183)	(728,257,563)	(39,690)	1,381,027,601
Structures		337,310,713	(6,869,550)	(179,654,747)	(652,134)	150,134,282
Machinery		1,683,050,723	(17,977,828)	(1,039,779,857)	-	625,293,038
Trains		9,726,568,260	(215,216,047)	(4,519,384,055)	(2,661,000)	4,989,307,158
Vehicles		50,014,024	(38,675)	(40,126,249)	-	9,849,100
Furniture and fixtures		17,949,073	(3,341)	(13,332,666)	-	4,613,066
Tools		137,529,163	(62,986)	(111,138,572)	-	26,327,605
Construction in progress		1,241,920,724	-	-	-	1,241,920,724
Right-of-use assets		48,815,588	-	(25,034,380)	-	23,781,208
Other tangible assets		30,699,266	(48,091)	(1,850,840)	-	28,800,335
Total	₩	33,071,645,484	(366,200,160)	(6,658,558,929)	(3,352,824)	26,043,533,571

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

16. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(2) Changes in property, trains and equipment for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

		2024					
(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	17,562,479,454	39,935,718	(975,411)	-	(67,128,880)	17,534,310,881
Buildings (*)		1,381,027,601	7,207,955	(106,192)	(26,388,164)	44,052,983	1,405,794,183
Structures		150,134,282	2,393,320	(118,244)	(7,131,144)	335,371	145,613,585
Machinery		625,293,038	3,642,440	(673,712)	(32,483,133)	1,099,164	596,877,797
Trains		4,989,307,158	222,381,775	(3,120,688)	(199,312,697)	71,117,046	5,080,372,594
Vehicles		9,849,100	23,534,801	(45)	(3,366,698)	(733,767)	29,283,391
Furniture and fixtures		4,613,066	767,284	(3,609)	(824,628)	-	4,552,113
Tools		26,327,605	4,774,566	(2,858)	(5,256,511)	339,783	26,182,585
Construction in progress		1,241,920,724	128,351,507	-	-	(99,683,571)	1,270,588,660
Right-of-use assets		23,781,208	-	-	(5,980,405)	12,318,981	30,119,784
Other tangible assets		28,800,335	25,465	(106,096)	(56,164)	-	28,663,540
	W	26,043,533,571	433,014,831	(5,106,855)	(280,799,544)	(38,282,890)	26,152,359,113

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

		2023					
(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	17,559,325,918	628,899	(8,830,026)	-	11,354,663	17,562,479,454
Buildings (*)		1,369,433,923	40,322,693	(5,434,891)	(50,050,692)	26,756,568	1,381,027,601
Structures		150,920,610	11,940,522	(244,138)	(13,689,558)	1,206,846	150,134,282
Machinery		538,169,397	116,444,938	(468,247)	(60,815,880)	31,962,830	625,293,038
Trains		4,707,543,349	900,381,223	(10,206,295)	(397,362,079)	(211,049,040)	4,989,307,158
Vehicles		12,109,110	26,349,738	(2,722)	(4,516,196)	(24,090,830)	9,849,100
Furniture and fixtures		4,603,393	1,676,017	(32,716)	(1,585,383)	(48,245)	4,613,066
Tools		24,214,032	11,826,725	(43,748)	(10,003,556)	334,152	26,327,605
Construction in progress		1,219,439,523	629,154,722	-	-	(606,673,521)	1,241,920,724
Right-of-use assets		20,341,305	-	(42,161)	(11,820,390)	15,302,454	23,781,208
Other tangible assets		29,656,989	854,449	(99,662)	(424,318)	(1,187,123)	28,800,335
	W	25,635,757,549	1,739,579,926	(25,404,606)	(550,268,052)	(756,131,246)	26,043,533,571

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

16. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(3) Accounting policy for subsequent measurement

The Group measured the fair value of the land, and commissioned Gaon Appraisal & Realty Advisor, the independent and publicly authorized appraisal institutions. The fair value is measured based on actual market price, taking into account differences arising from specific assets' characteristics, location and condition of the market, and the date of revaluation is December 31, 2022.

Details of accumulated gain on revaluation of assets recognized in other comprehensive income for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	9,535,131,557	9,674,280,718
Reclassification of gain on revaluation of assets to retained earnings		(9,507,303)	(139,149,161)
Ending balance	₩	9,525,624,254	9,535,131,557

17. INVESTMENT PROPERTY:

(1) Investment property as at June 30, 2024 and December 31, 2023, are as follows:

		Jun. 30, 2024			
(In thousands of won)		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	611,579,860	-	-	611,579,860
Buildings and structure		224,989,096	(3,146,419)	(69,457,138)	152,385,539
Total	₩	836,568,956	(3,146,419)	(69,457,138)	763,965,399

		Dec. 31, 2023			
(In thousands of won)		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	568,033,350	-	-	568,033,350
Buildings and structure		226,973,306	(3,280,393)	(68,508,986)	155,183,927
Total	₩	795,006,656	(3,280,393)	(68,508,986)	723,217,277

17. INVESTMENT PROPERTY, Continued:

(2) Changes in investment property for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024				
		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	568,033,350	-	-	43,546,510	611,579,860
Buildings and structure		155,183,927	166,385	(1,968,672)	(996,101)	152,385,539
	₩	723,217,277	166,385	(1,968,672)	42,550,409	763,965,399

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(In thousands of won)		2023				
		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	611,494,451	567,563	-	(44,028,664)	568,033,350
Buildings and structure		166,648,311	194,438	(5,212,847)	(6,445,975)	155,183,927
	₩	778,142,762	762,001	(5,212,847)	(50,474,639)	723,217,277

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(3) Income and expense from investment property for the six-month periods ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Rental income	₩	25,956,192	31,984,554
Operating expenses		(1,968,672)	(1,946,217)
Total	₩	23,987,520	30,038,337

18. CONSTRUCTION CONTRACTS:

(1) During the six-month period ended June 30, 2024 and the year ended December 31, 2023, changes in outstanding balance of construction contracts are as follows:

(In thousands of won)		Contract price outstanding as of Jan. 1, 2024	Increase (decrease)	Current construction revenue	Contract price outstanding as of Jun. 30, 2024
Domestic civil engineering works	₩	638,576	2,000,818	(550,726)	2,088,668

(In thousands of won)		Contract price outstanding as of Jan. 1, 2023	Increase (decrease)	Current construction revenue	Contract price outstanding as of Dec. 31, 2023
Domestic civil engineering works	₩	1,521,237	513,175	(1,395,836)	638,576

Revenue from new construction contracts increased by W2,000,818 thousand (W513,175 thousand in 2023).

(2) Details of profit or loss related to the construction contract recognized during the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

		2024		
(In thousands of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	10,240,332	(9,580,188)	660,144

		2023		
(In thousands of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	9,689,606	(9,094,391)	595,215

(3) Advances from construction contracts is W359,164 thousand (W265,394 thousand in 2023) and receivables from construction contracts is W10,671 thousand at June 30, 2024.

19. GOODWILL:

(1) Goodwill as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Acquisition costs	₩	3,972,453	3,972,453
Accumulated impairment loss		(362,964)	(362,964)
Book value		3,609,489	3,609,489

(2) There is no change in goodwill during the periods presented.

20. INTANGIBLE ASSETS:

(1) Intangible assets as at June 30, 2024 and December 31, 2023, are as follows:

		Jun. 30, 2024			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	69,953,588	(62,474,130)	-	7,479,458
Industrial property rights		300,080	(231,553)	-	68,527
Development costs		27,167,521	(20,622,440)	(242,476)	6,302,605
Developing intangible assets		282,476	-	-	282,476
Service operating rights on donated assets		496,063	(413,371)	-	82,692
Other intangible assets		25,627,221	-	-	25,627,221
	₩	123,826,949	(83,741,494)	(242,476)	39,842,979

		Dec. 31, 2023			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	70,801,351	(62,258,911)	-	8,542,440
Industrial property rights		315,463	(231,552)	-	83,911
Development costs		26,427,183	(19,310,207)	(313,901)	6,803,075
Developing intangible assets		664,242	-	-	664,242
Service operating rights on donated assets		496,063	(396,836)	-	99,227
Other intangible assets		25,711,013	-	-	25,711,013
	₩	124,415,315	(82,197,506)	(313,901)	41,903,908

20. INTANGIBLE ASSETS, Continued:

(2) Changes in intangible assets for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

	2024						
(In thousands of won)	Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance ₩	83,911	6,803,075	8,542,440	99,227	25,711,013	664,242	41,903,908
Increase	-	66,066	160,836	-	-	10,640	237,542
Disposals	-	-	-	-	-	-	-
Amortization	(15,384)	(1,240,808)	(1,397,112)	(16,535)	(83,792)	-	(2,753,631)
Other	-	674,272	173,294	-	-	(392,406)	455,160
Ending balance ₩	68,527	6,302,605	7,479,458	82,692	25,627,221	282,476	39,842,979

	2023						
(In thousands of won)	Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance ₩	122,579	8,485,760	11,863,595	132,300	25,878,596	1,000	46,483,830
Increase	-	1,673,973	636,741	-	-	1,152,312	3,463,026
Disposals	-	-	(1,212)	-	-	-	(1,212)
Amortization	(31,952)	(2,407,726)	(3,042,418)	(33,073)	(167,583)	-	(5,682,752)
Other	(6,716)	(948,932)	(914,266)	-	-	(489,070)	(2,358,984)
Ending balance ₩	83,911	6,803,075	8,542,440	99,227	25,711,013	664,242	41,903,908

(3) Emission rights

(i) Free allocation of emission rights

The amounts of free allocation for emission rights for each planning period and implementation year as at June 30, 2024 are as follows (in TCO2-eq):

(In thousands of won)	2021	2022	2023	2024	2025	Total
Free allocation of emission rights ₩	2,035,174	2,035,174	2,035,174	2,035,174	2,035,174	10,175,870

(ii) Estimated greenhouse gas emissions in 2024 were 1,875,174 TCO2-eq, and permitted greenhouse gas emissions in 2024 were 2,035,174 TCO2-eq.

21. TRADE AND OTHER PAYABLES:

Details of trade and other payables as at June 30, 2024 and December 31, 2023, are as follows:

	Jun. 30, 2024		Dec. 31, 2023	
(In thousands of won)	Current	Non-current	Current	Non-current
Trade payables ₩	257,127,930	-	321,509,068	-
Other payables	416,817,857	-	423,914,126	-
Accrued expense	350,698,702	-	390,500,693	-
Other guarantee deposit received	6,404,902	46,833,426	8,510,339	46,860,577
Lease Liabilities	10,080,828	19,763,296	9,515,884	13,723,706
Total ₩	1,041,130,219	66,596,722	1,153,950,110	60,584,283

22. FINANCIAL LIABILITIES:

(1) Financial liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Current liabilities:			
Short-term borrowings	₩	2,516,000	3,700,000
Current portion of long-term borrowings		100,000,000	100,000,000
Current bonds		1,752,117,000	1,572,433,000
Deduct: Bond issuance discount		(205,411)	(117,815)
Add: Bond issuance premium		74,937	171,834
Subtotal		1,854,502,526	1,676,187,019
Non-current liabilities:			
Bonds		13,498,873,250	13,407,407,500
Deduct: Bond issuance discount		(3,512,493)	(4,070,624)
Subtotal		13,495,360,757	13,403,336,876
Total	₩	15,349,863,283	15,079,523,895

(2) Short-term borrowings as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)	Type of borrowings	Interest rate		Jun. 30, 2024	Dec. 31, 2023
NongHyup Bank	Working fund borrowing	Variable (*1)	₩	-	3,700,000
NongHyup Bank	Working fund borrowing	1.93%		2,516,000	-
	Total		₩	2,516,000	3,700,000

(*1) KORIBOR(1M) + 0.8%

(3) Current portion of long-term borrowings as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Jun. 30, 2024
DBS Bank	Working fund borrowing	1.53%	2024	100,000,000

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2023
DBS Bank	Working fund borrowing	1.53%	2024	100,000,000

22. FINANCIAL LIABILITIES, Continued:

(4) Bonds as at June 30, 2024 and December 31, 2023, are as follows:

			Jun. 30, 2024		
(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	46,170,000
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		39,216,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		111,513,600
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		74,353,500
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		163,577,700
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		148,707,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		89,224,200
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		231,868,500
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000		231,868,500
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000		208,380,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		143,185,000
Foreign public bond27	CHF 2.0275%	2025-11-14	CHF 250,000,000		386,447,500
Foreign public bond28	SGD 4.22%	2025-11-08	SGD 65,000,000		66,478,750
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-		110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-		40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-		100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-		70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-		70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-		150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-		150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-		200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000

22. FINANCIAL LIABILITIES, Continued:

(4) Bonds as at June 30, 2024 and December 31, 2023, are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Jun. 30, 2024	
			Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation157	2.40%	2047-03-21	-	140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-	150,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-	80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-	130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-	70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-	150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-	150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-	50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-	50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-	40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-	160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07	-	100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21	-	130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22	-	80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04	-	100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04	-	140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24	-	60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24	-	160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07	-	160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07	-	80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18	-	50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18	-	150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24	-	150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21	-	80,000,000
Korea Railroad Corporation220	5.04% * Accrual Factor	2034-07-28	-	30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25	-	30,000,000

22. FINANCIAL LIABILITIES, Continued:

(4) Bonds as at June 30, 2024 and December 31, 2023, are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Jun. 30, 2024 Borrowings denominated in foreign currency		Borrowings denominated in won
Korea Railroad Corporation222	3.90%	2052-09-02	-	₩	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-		60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-		190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-		90,000,000
Korea Railroad Corporation226	5.96%	2024-10-28	-		100,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-		100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-		100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-		210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-		100,000,000
Korea Railroad Corporation231	3.91%	2026-02-23	-		140,000,000
Korea Railroad Corporation232	3.92%	2028-02-23	-		60,000,000
Korea Railroad Corporation233	3.71%	2043-03-20	-		200,000,000
Korea Railroad Corporation234	3.64%	2043-03-29	-		120,000,000
Korea Railroad Corporation235	3.76%	2028-04-20	-		150,000,000
Korea Railroad Corporation236	3.62%	2028-05-12	-		100,000,000
Korea Railroad Corporation237	4.06%	2028-05-30	-		120,000,000
Korea Railroad Corporation238	4.03%	2028-06-23	-		100,000,000
Korea Railroad Corporation239	3.98%	2028-07-24	-		120,000,000
Korea Railroad Corporation240	3.89%	2053-07-24	-		190,000,000
Korea Railroad Corporation241	4.18%	2053-09-22	-		170,000,000
Korea Railroad Corporation242	4.67%	2028-10-23	-		100,000,000
Korea Railroad Corporation243	3.81%	2028-12-13	-		70,000,000
Korea Railroad Corporation244	3.82%	2033-12-13	-		220,000,000
Korea Railroad Corporation245	3.65%	2026-12-18	-		50,000,000
Korea Railroad Corporation246	3.52%	2029-03-27	-		100,000,000
Korea Railroad Corporation247	3.59%	2034-03-27	-		120,000,000
Korea Railroad Corporation248	3.51%	2029-04-03	-		80,000,000
Korea Railroad Corporation249	3.57%	2034-04-03	-		100,000,000
Korea Railroad Corporation250	3.58%	2027-05-23	-		130,000,000
Korea Railroad Corporation251	3.57%	2029-05-23	-		70,000,000
Korea Railroad Corporation252	3.58%	2029-06-04	-		110,000,000
Korea Railroad Corporation253	3.41%	2034-06-26	-		200,000,000
		KRW	-		13,100,000,000
		USD	150,000,000		208,380,000
		CHF	550,000,000		850,184,500
		SGD	205,000,000		209,663,750
Subtotal		AUD	50,000,000		46,170,000
		SEK	300,000,000		39,216,000
		CAD	110,000,000		111,513,600
		EUR	320,000,000		475,862,400
		KRW	-		1,080,000,000
Deduct: reclassified to current		USD	150,000,000		208,380,000
		CHF	300,000,000		463,737,000
		KRW	-	₩	1,223,000,000
		CHF	250,000,000		386,447,500
		SGD	205,000,000		209,663,750
Total		AUD	50,000,000		46,170,000
(Non-current bonds)		SEK	300,000,000		39,216,000
		CAD	110,000,000		111,513,600
		EUR	320,000,000		475,862,400
				₩	13,498,873,250

22. FINANCIAL LIABILITIES, Continued:

(4) Bonds as at June 30, 2024 and December 31, 2023, are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023 Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	44,004,000
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		38,700,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		107,210,400
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		71,329,500
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		156,924,900
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		142,659,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		85,595,400
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		229,023,000
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000		229,023,000
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000		193,410,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		136,760,400
Foreign public bond27	CHF 2.0275%	2025-11-14	CHF 250,000,000		381,705,000
Foreign public bond28	SGD 4.22%	2025-11-08	SGD 65,000,000		63,495,900
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-		110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-		40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-		100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-		70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-		70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-		150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-		150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-		200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000

22. FINANCIAL LIABILITIES, Continued:

(4) Bonds as at June 30, 2024 and December 31, 2023, are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023	
			Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation157	2.40%	2047-03-21	-	140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-	150,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-	80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-	130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-	70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-	150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-	150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-	50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-	50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-	40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-	160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation195	1.11%	2024-02-05	-	100,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07	-	100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21	-	130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22	-	80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04	-	100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04	-	140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24	-	60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24	-	160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07	-	160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07	-	80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18	-	50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18	-	150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24	-	150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21	-	80,000,000
Korea Railroad Corporation220	5.04% * Accrual Factor	2034-07-28	-	30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25	-	30,000,000

22. FINANCIAL LIABILITIES, Continued:

(4) Bonds as at June 30, 2024 and December 31, 2023, are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023 Borrowings denominated in foreign currency		Dec. 31, 2023 Borrowings denominated in won
Korea Railroad Corporation222	3.90%	2052-09-02	-	₩	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-		60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-		190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-		90,000,000
Korea Railroad Corporation226	5.96%	2024-10-28	-		100,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-		100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-		100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-		210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-		100,000,000
Korea Railroad Corporation231	3.91%	2026-02-23	-		140,000,000
Korea Railroad Corporation232	3.92%	2028-02-23	-		60,000,000
Korea Railroad Corporation233	3.71%	2043-03-20	-		200,000,000
Korea Railroad Corporation234	3.64%	2043-03-29	-		120,000,000
Korea Railroad Corporation235	3.76%	2028-04-20	-		150,000,000
Korea Railroad Corporation236	3.62%	2028-05-12	-		100,000,000
Korea Railroad Corporation237	4.06%	2028-05-30	-		120,000,000
Korea Railroad Corporation238	4.03%	2028-06-23	-		100,000,000
Korea Railroad Corporation239	3.98%	2028-07-24	-		120,000,000
Korea Railroad Corporation240	3.89%	2053-07-24	-		190,000,000
Korea Railroad Corporation241	4.18%	2053-09-22	-		170,000,000
Korea Railroad Corporation242	4.67%	2028-10-23	-		100,000,000
Korea Railroad Corporation243	3.81%	2028-12-13	-		70,000,000
Korea Railroad Corporation244	3.82%	2033-12-13	-		220,000,000
Korea Railroad Corporation245	3.65%	2026-12-18	-		50,000,000
		KRW	-		13,100,000,000
		USD	150,000,000		193,410,000
		CHF	550,000,000		839,751,000
Subtotal		SGD	205,000,000		200,256,300
		AUD	50,000,000		44,004,000
		SEK	300,000,000		38,700,000
		CAD	110,000,000		107,210,400
		EUR	320,000,000		456,508,800
		KRW	-		1,150,000,000
Deduct: reclassified to current		USD	150,000,000		193,410,000
		CHF	150,000,000		229,023,000
		KRW	-	₩	1,195,000,000
		CHF	400,000,000		610,728,000
		SGD	205,000,000		200,256,300
Total (Non-current bonds)		AUD	50,000,000		44,004,000
		SEK	300,000,000		38,700,000
		CAD	110,000,000		107,210,400
		EUR	320,000,000		456,508,800
				₩	13,407,407,500

23. LEASE:

(1) Details of the right-of-use assets as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	48,038,857	(21,038,648)	27,000,209
Real estate		8,546,972	(5,427,397)	3,119,575
Total	₩	56,585,829	(26,466,045)	30,119,784

(In thousands of won)		Dec. 31, 2023		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	40,025,618	(19,838,295)	20,187,323
Real estate		8,789,970	(5,196,085)	3,593,885
Total	₩	48,815,588	(25,034,380)	23,781,208

(2) Details of the changes in the right-of-use assets for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024				
		Beginning balance	Increase	Depreciation	Other	Ending balance
Vehicle	₩	20,187,323	12,236,760	(5,423,874)	-	27,000,209
Real estate		3,593,885	432,777	(556,531)	(350,556)	3,119,575
Total	₩	23,781,208	12,669,537	(5,980,405)	(350,556)	30,119,784

(In thousands of won)		2023				
		Beginning balance	Increase	Depreciation	Other	Ending balance
Vehicle	₩	15,835,566	12,049,958	(9,479,848)	1,781,647	20,187,323
Real estate		4,505,739	1,911,556	(2,340,542)	(482,868)	3,593,885
Total	₩	20,341,305	13,961,514	(11,820,390)	1,298,779	23,781,208

23. LEASE, Continued:

(3) Details of maturity analysis of lease liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
1 year or less	₩	10,304,487	9,902,847
1 year~5 years or less		20,011,544	13,550,270
More than 5 years		1,657,337	1,693,039
Subtotal		31,973,368	25,146,156
Current value adjustment amount, etc.		(2,129,243)	(1,906,566)
Present value of contractual cash flows	₩	29,844,125	23,239,590

(4) Liquidity classification of the lease liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Current lease liabilities	₩	10,080,829	9,515,884
Non-current lease liabilities		19,763,296	13,723,706

(5) Changes in lease liabilities related to the lease contract for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	23,239,590	20,111,952
New contract		12,378,722	12,543,735
Interest expense		468,806	770,166
Payments		(6,241,422)	(11,660,557)
Other		(1,571)	1,474,294
Ending balance	₩	29,844,125	23,239,590

(6) The amount recognized in profit or loss from the position of the lessee during the current period for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Depreciation of right-of-use asset	₩	5,980,405	11,820,390
Interest expenses on lease liabilities		468,806	770,166
Expenses related to short-term lease applying practical expedients		7,710	1,485,907
Expenses related to small value assets applying practical expedients		75,476	94,781
Variable lease payments not included in lease liability measurement		284,763,812	691,037,447
Total	₩	291,296,209	705,208,691

24. Defined liabilities:

(1) Defined contribution plan

The Group operates a defined contribution plan for employees of Korea Railroad Corporation, KORAIL Networks Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd. and KORAIL Tech Co., Ltd. Plan assets are operated independently from the Group's other assets in the form of funds.

Expense presented above is recognized in the consolidated statements of comprehensive loss for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Cost of sales	₩	3,580,134	7,411,566
Selling, general and administrative expense		1,732,409	3,872,234
Total	₩	5,312,543	11,283,800

(2) Defined benefits retirement plan

The Group operates a defined benefit retirement plan for all other employees who do not participate in the defined contribution plan.

The major actuarial calculation of the plan asset and the defined benefit retirement liabilities was performed by HMC investment securities Co., Ltd. whose report was dated June 30, 2024. Present value of defined benefit liabilities, current service costs and past service costs are calculated using the projected credit method.

(i) The component of defined benefit liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2023	Dec. 31, 2023
Present value of defined benefit obligations	₩	1,503,406,700	1,398,240,573
Fair value of plan assets		(168,843,489)	(175,214,723)
Recognized as defined benefit liabilities in the consolidated statement of financial position	₩	1,334,563,211	1,223,025,850

24. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(ii) Changes in defined benefit liabilities for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	1,398,240,573	1,309,489,761
Current service costs		88,231,296	167,352,720
Interests		31,773,040	67,999,454
Actuarial gains or losses		53,812,445	16,185,671
Benefit paid		(68,650,654)	(138,313,912)
Other		-	(24,473,121)
Ending balance	₩	1,503,406,700	1,398,240,573

(iii) Changes in plan assets for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	175,214,723	174,905,240
Expected return on plan assets		3,872,996	8,793,111
Actuarial gains or losses		(442,420)	692,359
Benefit paid by the plan		(13,314,833)	(21,135,284)
Contribution paid into the plan		3,513,023	11,959,297
Ending balance	₩	168,843,489	175,214,723

(iv) Expense recognized in profit or loss

(In thousands of won)		2024	2023
Current service costs	₩	88,231,296	89,680,897
Interests		31,773,040	32,585,819
Expected return on plan assets		(3,872,996)	(4,769,609)
Total	₩	116,131,340	117,497,107

24. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(iv) Expense recognized in profit or loss, continued

Expense presented above is recognized in the consolidated statements of comprehensive income as follows:

(In thousands of won)		2024	2023
Cost of sales	₩	108,096,585	109,544,002
Selling, general and administrative expense		8,034,755	7,953,105
Total	₩	116,131,340	117,497,107

(v) Remeasurement factors recognized in other comprehensive income for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Actuarial gain (loss)	₩	(53,812,445)	18,731,949
Interests of plan assets		(442,420)	(204,371)
Subtotal		(54,254,865)	18,527,578

Remeasurement factors were directly reclassified to retained earnings in the consolidated statement of financial position.

(vi) Plan assets details:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	168,843,489	175,214,723

(vii) Principal actuarial assumptions at the reporting date

	Jun. 30, 2024	Dec. 31, 2023
Discount rate (expected return on plan assets)	4.26%~5.86%	3.71%~5.95%
Future salary increases	2.00%~5.25%	2.00%~4.75%

As for the defined benefit liabilities and plan assets, the Group applied market yield of A-rated corporate bonds (Public offering, unsecured: AA0).

25. PROVISIONS:

(1) Provisions as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)	Jun. 30, 2024		Dec. 31, 2023	
	Current	Non-current	Current	Non-current
Provisions for employee benefits ₩	467,483,465	-	313,333,055	-
Warranty provision	-	67,997	-	97,021
Legal proceedings provision	-	2,717,699	-	17,528,124
Provision for decommissioning, restoration and rehabilitation costs (*1)	26,644,738	568,106	35,857,667	302,199
Miscellaneous other provisions	15,221	100,000	3,124	100,000
Provisions for ordinary wages (*2)	26,510,702	-	35,111,354	-
Total ₩	520,654,126	3,453,802	384,305,200	18,027,344

(*1) As the Group is obligated to restore contamination of lands in use, the Group recognizes the future expenditure amount as provisions during construction every year.

(*2) The Group has recognized provisions for the provision of retroactive claims for the provision of work in the past period based on the assumption that the prescribed allowances are subject to normal wage recognition.

25. PROVISIONS, Continued:

(2) Changes in provisions for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

		2024					
(In thousands of won)		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	313,333,055	159,414,241	(5,263,831)	-	-	467,483,465
Warranty provision		97,022	4,426	(33,450)	-	-	67,998
Legal proceedings provision		17,528,123	2,652,004	(17,329,762)	(132,667)	-	2,717,698
Provision for decommissioning, restoration and rehabilitation costs		36,159,866	41,332	(6,913,032)	(2,587,079)	511,757	27,212,844
Miscellaneous other provisions		103,124	27,370	(15,273)	-	-	115,221
Provisions for ordinary wages		35,111,354	5,478	(8,606,130)	-	-	26,510,702
Total	₩	402,332,544	162,144,851	(38,161,478)	(2,719,746)	511,757	524,107,928

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

		2023					
(In thousands of won)		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	315,830,559	217,096,980	(216,555,843)	-	(3,038,641)	313,333,055
Warranty provision		85,531	17,560	-	(6,070)	-	97,021
Legal proceedings provision		6,388,713	11,241,656	-	(102,245)	-	17,528,124
Provision for decommissioning, restoration and rehabilitation costs		51,674,642	41,731,153	(53,207,134)	(5,304,645)	1,265,850	36,159,866
Miscellaneous other provisions		100,738	71,065	(68,679)	-	-	103,124
Provisions for ordinary wages		285,163,807	18,004,102	(267,958,192)	-	(98,363)	35,111,354
Total	₩	659,243,990	288,162,516	(537,789,848)	(5,412,960)	(1,871,154)	402,332,544

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

26. GOVERNMENT GRANTS:

(1) Accounting treatment for government grants

In accordance with Korean Government-owned and Quasi-government Accounting Regulation and Standards, government grants used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against the depreciation expenses of the acquired assets during the useful lives of the assets.

(2) Government grants as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	(45,014,345)	(39,569,012)
Prepayment		(5,589,618)	(3,404,505)
Land		(6,598,459)	(6,598,459)
Buildings		(117,773,905)	(119,385,183)
Structures		(6,618,846)	(6,869,550)
Machinery (*1)		(14,988,512)	(17,977,828)
Trains		(204,694,311)	(215,216,047)
Vehicles		(33,325)	(38,675)
Tools		(745)	(3,341)
Fixtures		(56,301)	(62,986)
Other property, plant and equipment		(48,091)	(48,091)
Investment property (buildings)		(3,146,419)	(3,280,393)
Development costs		(242,476)	(313,901)
Total	₩	(404,805,353)	(412,767,971)

(*1) Servers are included.

26. GOVERNMENT GRANTS, Continued:

(3) Changes in government grants for the six-month period ended June 30, 2024 and the year ended December 31, 2023 are as follows:

		2024							
(In thousands of won)		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(39,569,012)	(190,554,058)	-	-	-	181,852,925	3,255,800	(45,014,345)
Prepayment		(3,404,505)	-	-	-	-		(2,185,113)	(5,589,618)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(119,385,183)	-	-	1,638,578	-	-	(27,300)	(117,773,905)
Structures		(6,869,550)	-	-	250,704	-	-	-	(6,618,846)
Machinery		(17,977,828)	-	-	2,932,858	-	-	56,458	(14,988,512)
Trains		(215,216,047)	-	-	10,254,104	-	-	267,632	(204,694,311)
Vehicles		(38,675)	-	-	5,350	-	-	-	(33,325)
Tools		(3,341)	-	-	2,596	-	-	-	(745)
Fixtures		(62,986)	-	-	6,685	-	-	-	(56,301)
Other property, plant and equipment		(48,091)	-	-	-	-	-	-	(48,091)
Investment property (buildings)		(3,280,393)	-	-	49,225	-	-	84,749	(3,146,419)
Development costs		(313,901)	-	-	71,425	-	-	-	(242,476)
Total	₩	(412,767,971)	(190,554,058)	-	15,211,525	-	181,852,925	1,452,226	(404,805,353)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

		2023							
(In thousands of won)		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(28,665,809)	(413,573,925)	78,404	-	-	398,797,618	3,794,700	(39,569,012)
Prepayment		(195,390)	-	-	-	-	-	(3,209,115)	(3,404,505)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(122,736,343)	-	-	3,277,792	-	-	73,368	(119,385,183)
Structures		(7,376,122)	-	-	506,572	-	-	-	(6,869,550)
Machinery		(25,441,642)	-	-	7,288,708	162,294	3,251	9,561	(17,977,828)
Trains		(237,750,310)	-	-	21,614,111	920,152	-	-	(215,216,047)
Vehicles		(213,934)	-	(16,500)	26,718	165,041	-	-	(38,675)
Tools		(8,792)	-	-	53,056	734	-	(48,339)	(3,341)
Fixtures		(117,405)	-	(78,404)	9,088	-	21,315	102,420	(62,986)
Other property, plant and equipment		(51,913)	-	-	-	-	1,251	2,571	(48,091)
Investment property (buildings)		(3,307,838)	-	-	99,793	-	-	(72,348)	(3,280,393)
Computer software		(22,310)	-	-	-	-	3,718	18,592	-
Development costs		(484,167)	-	-	142,849	-	3,500	23,917	(313,901)
Total	₩	(432,970,434)	(413,573,925)	(16,500)	33,018,687	1,248,221	398,830,653	695,327	(412,767,971)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

26. GOVERNMENT GRANTS, Continued:

(4) Revenues from government grants for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Revenues	₩	180,620,000	213,622,000
Offsetting with depreciation cost		15,211,525	16,626,849
Other		1,232,925	599,792
Total	₩	197,064,450	230,848,641

27. OTHER NON-FINANCIAL LIABILITIES:

(1) Non-financial liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024		Dec. 31, 2023	
		Current	Non-current	Current	Non-current
Advance payments	₩	221,775,199	-	140,943,636	-
Unearned revenues		111,628,277	7,624,999	97,807,637	7,637,729
Withholding		71,167,615	-	73,551,199	-
Advances from construction contracts		-	359,164	-	265,394
Total	₩	404,571,091	7,984,163	312,302,472	7,903,123

(2) Contract liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Current			
Advance payments			
- Customer loyalty programmes		82,818,105	81,112,174
Non-current			
- Customer loyalty programmes	₩	47,416	60,146
- Advances from construction contracts		359,164	265,394
Total	₩	83,224,685	81,437,714

(3) Changes in contract liabilities on customer loyalty programmes during the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	81,172,320	86,995,354
Increase		42,047,642	79,784,658
Revenue recognized		(40,354,441)	(83,396,345)
Changes in scope for consolidation		-	(2,211,347)
Ending balance	₩	82,865,521	81,172,320

28. Paid-in CAPITAL:

(1) Paid-in capital as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Subscription certificate (*)	₩	10,956,013,052	10,924,284,692
Discount stock issuance		(4,647,052)	(4,647,052)
Contributed capital	₩	10,951,366,000	10,919,637,640

(*) the Korean government owns 100% of the Group's equity.

(2) Changes in subscription certificate issued for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	10,924,284,692	10,853,866,692
Issue of equity		31,728,360	70,418,000
Ending balance	₩	10,956,013,052	10,924,284,692

(3) There was no change in the share discount issue of the parent Company during the six-month period ended June 30, 2024 and the year ended December 31, 2023.

29. DEFICIT:

(1) Deficit as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Undisposed deficits	₩	(12,320,153,735)	(12,002,866,542)

(2) Changes in deficit for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	(12,002,866,542)	(11,598,969,741)
Loss for the year		(286,611,460)	(542,477,933)
Gain (loss) on remeasurement factors of defined benefit plan		(39,660,044)	(415,209)
Reclassification of gain on revaluation of assets to retained earnings		8,984,311	138,996,341
Ending balance	₩	(12,320,153,735)	(12,002,866,542)

29. DEFICIT, Continued:

(3) Changes in gain (loss) on remeasurement factors of defined benefit plan for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)		2024	2023
Beginning balance	₩	220,670,945	221,086,154
Changes		(39,660,044)	(415,209)
Ending balance	₩	181,010,901	220,670,945

30. OTHER EQUITY COMPONENTS:

(1) As at June 30, 2024 and December 31, 2023, other equity components are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Other accumulated comprehensive income	₩	9,482,905,068	9,497,317,856
Other additional paid-up capital		3,371,549	3,371,549
Total	₩	9,486,276,617	9,500,689,405

(2) Other accumulated comprehensive income or loss for the six-month period ended June 30, 2024 and the year ended December 31, 2023, is detailed as follows:

(In thousands of won)		2024	2023
Gain (loss) on Valuation of equity instruments at FVOCI	₩	(11,143,110)	(11,142,224)
Change in equity of equity method investment		(5,841,282)	(5,699,304)
Gain (loss) on valuation of derivatives		(25,734,794)	(20,972,174)
Gain on reassessment of assets		9,525,624,254	9,535,131,558
Total	₩	9,482,905,068	9,497,317,856

31. REVENUE:

Details of revenues for the six-month period ended June 30, 2024 and 2023 are summarized as follows:

(In thousands of won)	2024		2023	
	Domestic	Overseas	Domestic	Overseas
Revenue from goods sold:				
Revenue from entrusted multiple business ₩	168,179,092	3,314,000	152,504,990	4,110,000
Revenue from services rendered:				
Transportation business				
Express passenger transportation	1,173,534,625	-	1,428,412,291	-
Ordinary passenger transportation	266,836,027	-	244,127,876	-
Long-distance passenger transportation	479,876,256	-	430,771,620	-
Freight and other transportation	146,285,003	-	154,006,147	-
Compensation for Public Service Obligation	180,620,000	-	213,622,000	-
Revenue from entrusted multiple business	220,252,962	6,054,992	116,013,748	7,873,457
Subtotal	2,467,404,873	6,054,992	2,586,953,682	7,873,457
Revenue from entrusted business:				
Ordinary entrusted business	16,073,460	-	9,987,113	-
Government entrusted business	583,599,762	-	546,338,288	-
Subtotal	599,673,222	-	556,325,401	-
Construction-related revenue:				
Revenue from entrusted multiple business	550,726	-	20,483	-
Total ₩	3,235,807,913	9,368,992	3,295,804,556	11,983,457

32. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE:

(1) Details of selling, general and administrative expense for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Salaries and wages	₩	86,400,262	85,792,025
Retirement benefits		9,767,164	8,399,991
Termination benefits		1,475,778	740,807
Other employee benefits		10,123,572	10,564,948
Insurance		1,937,344	1,865,012
Depreciation		9,423,699	10,341,529
Amortization		2,500,294	2,726,022
Bad debts expenses		286,033	172,471
Professional service fees		20,975,234	21,476,680
Advertising		1,887,780	2,010,142
Training		2,472,307	2,794,186
Vehicles		87,483	141,704
Printing		227,584	271,858
Business development expenses		218,029	248,597
Rent		1,545,637	1,387,731
Communications		762,338	1,044,184
Transportation costs		1,668	2,872
Taxes and dues		425,428	1,592,098
Supplies		938,846	991,977
Utilities		2,440,031	2,561,410
Maintenance		1,502,091	1,520,134
Research		888,502	1,186,801
Travel		1,739,448	1,472,181
Uniform		225,288	42,575
Annual fees		321,227	361,089
Sales commissions		38,337	507,985
Others		3,571,681	2,179,616
Total	₩	162,183,085	162,396,625

32. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE, Continued:

(2) Details of other selling, general and administrative expense for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Conference expenses	₩	811,834	567,185
Cooperation expense		129,236	127,527
Prize expense		553,825	447,256
Other expense		2,076,786	1,037,648
Total	₩	3,571,681	2,179,616

33. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME:

(1) Details of other revenues for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Reversal of provisions	₩	2,719,745	442,519
Government grants		1,232,925	599,792
Gains from assets contributed		10,357	622,800
Reversals of allowance for other doubtful accounts		-	5,720
Total	₩	3,963,027	1,670,831

(2) Details of other expenses for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Increase in provisions	₩	2,698,811	27,034,555
Other bad debts expenses		105,019	272,504
Depreciation on assets not in use		1,384,608	1,419,974
Donations		18,543,222	17,173,110
Total	₩	22,731,660	45,900,143

33. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME, Continued:

(3) Details of other income (loss) for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Gains on sale of property, trains and equipment	₩	191,820	26,507
Gains on sale of Intangible assets		-	78,663
Gains on disposal of non-current assets held-for-sale		7,602,630	2,751,772
Gains on foreign currency transaction (related to operating activities)		182,375	442,795
Other income		37,709,155	48,923,948
Losses on sale of property, trains and equipment		(4,149,918)	(8,583,474)
Losses on sale of Intangible assets		-	(563)
Losses on disposal of other non-current assets		(77,298)	(175,228)
Losses on foreign currency transaction (related to operating activities)		(803,376)	(266,785)
Other costs		(36,883,650)	(6,565,365)
Total	₩	3,771,738	36,632,270

(3-1) Details of other gains for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Gains on disposal of inventories	₩	7,664,500	4,060,713
Miscellaneous gains		30,044,655	44,863,235
Total	₩	37,709,155	48,923,948

(3-2) Details of other costs for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Losses from inventory obsolescence	₩	(994,647)	(577,767)
Other charge fee		(1,374,130)	(4,342,835)
Miscellaneous losses		(34,514,873)	(1,644,763)
Total	₩	(36,883,650)	(6,565,365)

34. FINANCE INCOME:

(1) Details of finance income for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Interest income	₩	5,800,622	14,300,081
Dividend income		92,514	2,244,729
Gains on valuation of financial assets at FVTPL		996,168	1,338,294
Gains on sale of financial assets at FVTPL		-	174
Gains on valuation of derivative instruments		61,149,750	75,773,400
Gains on foreign currency translation		25,622	117,377
Gains on foreign currency transactions		6,460	16,271
Total	₩	68,071,136	93,790,326

(2) Details of interest income by related assets for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Cash and cash equivalents	₩	4,441,056	7,240,727
Loans and receivables		1,066,324	1,894,250
Short-term financial instruments		293,242	5,165,104
Total	₩	5,800,622	14,300,081

35. FINANCE COSTS:

(1) Details of finance cost for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Interest expenses	₩	204,544,320	177,717,867
Losses on sale of financial assets at FVTPL		-	55,107
Impairment losses on financial assets		66,000	-
Losses on valuation of derivative instruments		-	105,000
Losses on foreign currency translation		61,149,814	75,773,429
Losses on foreign currency transaction		6,429	25,159
Total	₩	265,766,563	253,676,562

35. FINANCE COSTS, Continued:

(2) Details of interest cost by related assets for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Accounts payables and other payables	₩	605,921	7,336,618
Short-term borrowings		454,525	2,252,578
Long-term borrowings		760,022	759,995
Bonds		218,533,104	182,893,424
Other financial liabilities		386,666	311,249
Subtotal		220,740,238	193,553,864
Less: Capitalization of borrowing costs		(16,195,918)	(15,835,997)
Total	₩	204,544,320	177,717,867

Weighted-average capitalization interest rate for borrowings for the six-month period ended June 30, 2024 and 2023 are 2.88% and 2.75%, respectively.

36. INCOME TAXES RELATED TO CONTINUING OPERATION:

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The effective tax rate is not calculated as the income before tax is negative.

37. ASSETS HELD FOR SALE:

Details of assets held for sale as at June 30, 2024 and December 31, 2023, are detailed as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Held for sale: land (*1)	₩	41,085,026	48,840,658
Held for sale: buildings and structures (*1)		109,825	141,280
Disposal groups classified as held for sale	₩	41,194,851	48,981,938

(*1) During 2024, some of the tangible assets of the Group were classified as held for sale after obtaining approval from the general manager of asset management. The sales process is in progress at each regional headquarters by the subject of the business agreement of the development project and the public land damage compensation agreement with the government, etc., and is expected to be sold within one year from June 30, 2024.

38. EXPENSES BY NATURE:

Details of nature of expenses for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	69,486,774	-	-	69,486,774
Salaries		-	86,400,262	1,224,716,821	1,311,117,083
Retirement benefits		-	9,767,164	111,676,719	121,443,883
Employee benefits		-	1,475,778	11,873,510	13,349,288
Severance Payment		-	10,123,572	165,950,580	176,074,152
Insurance		-	1,937,344	3,412,858	5,350,202
Depreciation		-	9,423,699	271,959,908	281,383,607
Amortization		-	2,500,294	253,337	2,753,631
Bad debts expenses		-	286,033	-	286,033
Commissions		-	20,975,234	134,868,926	155,844,160
Advertising		-	1,887,780	4,364	1,892,144
Education and training		-	2,472,307	153,063	2,625,370
Vehicle maintenance		-	87,483	274,495,489	274,582,972
Printing		-	227,584	244,733	472,317
Project initiatives		-	218,029	93,633	311,662
Rental		-	1,545,637	498,876,894	500,422,531
Communication		-	762,338	1,403,621	2,165,959
Transportation		-	1,668	22,412	24,080
Taxes and dues		-	425,428	10,354,701	10,780,129
Supplies		-	938,846	11,104,176	12,043,022
Utilities		-	2,440,031	61,124,353	63,564,384
Maintenance		-	1,502,091	277,575,297	279,077,388
Ordinary development expenses		-	888,502	999,698	1,888,200
Business trip and transportation expenses		-	1,739,448	13,042,315	14,781,763
Uniforms		-	225,288	2,566,494	2,791,782
Annual fees		-	321,227	37,202	358,429
Sales commissions		-	38,337	1,839	40,176
Others		-	3,571,681	6,105,428	9,677,109
	₩	69,486,774	162,183,085	3,082,918,371	3,314,588,230

38. EXPENSES BY NATURE, Continued:

Details of nature of expenses for the six-month period ended June 30, 2024 and 2023 are as follows, continued:

(In thousands of won)		2023			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	63,371,441	-	-	63,371,441
Salaries		-	85,792,025	1,191,275,672	1,277,067,697
Retirement benefits		-	8,399,991	112,339,770	120,739,761
Employee benefits		-	10,564,948	168,432,161	178,997,109
Severance Payment		-	740,807	11,265,408	12,006,215
Insurance		-	1,865,012	4,251,111	6,116,123
Depreciation		-	10,341,529	266,198,685	276,540,214
Amortization		-	2,726,022	317,974	3,043,996
Bad debts expenses		-	172,471	-	172,471
Commissions		-	21,476,680	131,334,885	152,811,565
Advertising		-	2,010,142	4,050	2,014,192
Education and training		-	2,794,186	231,192	3,025,378
Vehicle maintenance		-	141,704	288,934,006	289,075,710
Printing		-	271,858	253,990	525,848
Project initiatives		-	248,597	91,621	340,218
Rental		-	1,387,731	627,754,365	629,142,096
Communication		-	1,044,184	1,638,483	2,682,667
Transportation		-	2,872	30,629	33,501
Taxes and dues		-	1,592,098	9,289,208	10,881,306
Supplies		-	991,977	12,379,630	13,371,607
Utilities		-	2,561,410	60,257,461	62,818,871
Maintenance		-	1,520,134	218,146,081	219,666,215
Ordinary development expenses		-	1,186,801	1,219,139	2,405,940
Business trip and transportation expenses		-	1,472,181	11,785,350	13,257,531
Uniforms		-	42,575	2,940,846	2,983,421
Annual fees		-	361,089	36,803	397,892
Sales commissions		-	507,985	2,842	510,827
Others		-	2,179,616	4,966,397	7,146,013
	₩	63,371,441	162,396,625	3,125,377,759	3,351,145,825

39. ENTRUSTED BUSINESS:

(1) Revenues and expenses for the government entrusted business reported in the consolidated financial statements for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024		2023	
		Revenue	Expense	Revenue	Expense
Government	₩	583,599,762	543,515,733	546,338,288	527,867,415
Local government		16,073,460	4,695,282	9,987,113	2,529,785
Total	₩	599,673,222	548,211,015	556,325,401	530,397,200

(2) Changes in the deferred revenue from the trusted business for the six-month period ended June 30, 2024 and the year ended December 31, 2023, are as follows:

(In thousands of won)			2024					
			Jan. 1, 2024	Received	Executed	Returned	Others	Jun. 30, 2024
Cash and cash equivalents	Government	₩	231,021,384	682,967,680	(565,410,069)	(498,286)	-	348,080,709
Cash and cash equivalents	Local government		54,791,076	40,525,611	(57,036,883)	(4,156,530)	-	34,123,274
Other receivables	Government		(342,673,910)	418,953,910	(73,256,598)	(8,300,545)	-	(5,277,143)
Total		₩	(56,861,450)	1,142,447,201	(695,703,550)	(12,955,361)	-	376,926,840

(In thousands of won)			2023					
			Jan. 1, 2023	Received	Executed	Returned	Others	Dec. 31, 2023
Cash and cash equivalents	Government	₩	251,941,538	525,060,523	(506,086,662)	(39,894,015)	-	231,021,384
Cash and cash equivalents	Local government		57,763,192	46,841,742	(48,177,584)	(1,636,274)	-	54,791,076
Other receivables	Government		(220,523,222)	574,606,753	(875,618,466)	(1,812,901)	180,673,926	(342,673,910)
Total		₩	89,181,508	1,146,509,018	(1,429,882,712)	(43,343,190)	180,673,926	(56,861,450)

40. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)	Jun. 30, 2024				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	421,147,938	-	421,147,938
Short-term loans	-	-	1,377,157	-	1,377,157
Short-term financial instruments	-	-	31,138,598	-	31,138,598
Derivative instrument assets	50,474,500	-	-	144,088,935	194,563,435
Accounts receivables and other receivables	-	-	409,307,039	-	409,307,039
Subtotal	50,474,500	-	862,970,732	144,088,935	1,057,534,167
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	40,986,200	-	-	-	40,986,200
Equity instruments at FVOCI	-	42,933,970	-	-	42,933,970
Long-term loans	-	-	26,493,107	-	26,493,107
Derivative instrument assets	-	-	-	83,028,250	83,028,250
Accounts receivables and other receivables	-	-	50,838,315	-	50,838,315
Subtotal	40,986,200	42,933,970	77,352,177	83,028,250	244,300,597
Total ₩	91,460,700	42,933,970	940,322,909	227,117,185	1,301,834,764

(In thousands of won)	Dec. 31, 2023				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	165,446,166	-	165,446,166
Short-term loans	-	-	690,882	-	690,882
Short-term financial instruments	-	-	92,078,494	-	92,078,494
Derivative instrument assets	50,474,500	-	-	72,799,589	123,274,089
Accounts receivables and other receivables	-	-	690,382,338	-	690,382,338
Subtotal	50,474,500	-	948,597,880	72,799,589	1,071,871,969
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	39,990,032	-	-	-	39,990,032
Equity instruments at FVOCI	-	42,935,216	-	-	42,935,216
Long-term loans	-	-	28,608,357	-	28,608,357
Derivative instrument assets	-	-	-	100,927,892	100,927,892
Accounts receivables and other receivables	-	-	45,820,649	-	45,820,649
Subtotal	39,990,032	42,935,216	74,449,761	100,927,892	258,302,901
Total ₩	90,464,532	42,935,216	1,023,047,641	173,727,481	1,330,174,870

40. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(2) Categories of financial liabilities as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)	Jun. 30, 2024		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	1,031,049,391	-	1,031,049,391
Short-term borrowings	2,516,000	-	2,516,000
Current portion of long-term borrowing	100,000,000	-	100,000,000
Current bonds	1,751,986,526	-	1,751,986,526
Current Lease Liabilities	10,080,828	-	10,080,828
Subtotal	2,895,632,745	-	2,895,632,745
Non-current liabilities:			
Accounts payables and other payables	46,833,426	-	46,833,426
Bonds	13,495,360,757	-	13,495,360,757
Non-current lease liabilities	19,763,296	-	19,763,296
Subtotal	13,561,957,479	-	13,561,957,479
Total ₩	16,457,590,224	-	16,457,590,224

(In thousands of won)	Dec. 31, 2023		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	1,144,434,226	-	1,144,434,226
Short-term borrowings	3,700,000	-	3,700,000
Current portion of long-term borrowing	100,000,000	-	100,000,000
Current bonds	1,572,487,019	-	1,572,487,019
Current Lease Liabilities	9,515,884	-	9,515,884
Subtotal	2,830,137,129	-	2,830,137,129
Non-current liabilities:			
Accounts payables and other payables	46,860,577	-	46,860,577
Bonds	13,403,336,876	-	13,403,336,876
Derivative instrument liabilities	-	1,289,094	1,289,094
Non-current lease liabilities	13,723,706	-	13,723,706
Subtotal	13,463,921,159	1,289,094	13,465,210,253
Total ₩	16,294,058,288	1,289,094	16,295,347,382

40. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(3) Gain and loss of financial instruments by categories for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)		2024	2023
Cash and cash equivalents:			
Interest income	₩	4,568,706	7,240,727
Financial assets at FVTPL:			
Gains on disposal of financial assets at FVTPL		-	174
Losses on disposal of financial assets at FVTPL		-	(55,107)
Gains on valuation of financial assets at FVTPL		996,168	1,338,294
Dividends income		86,259	439,019
Financial assets measured at amortized costs:			
Interest income		165,592	5,165,104
Loans and receivables:			
Interest income		1,066,324	1,894,250
Financial assets at FVOCI:			
Dividends income		6,256	1,805,710
Impairment losses on financial assets		(66,000)	-
Comprehensive income or loss recognized for the year		(1,122)	282
Derivative instrument assets for hedging:			
Gains on valuation of derivative financial instruments financial income		61,149,750	75,773,400
Losses on valuation of derivative financial instruments financial expense		-	(105,000)
Comprehensive income or loss recognized in the reporting period		(6,470,952)	79,624
Financial liabilities measured at amortized costs:			
Gains on foreign currency transaction related to borrowings		6,460	16,271
Gains on foreign currency translation related to borrowings		25,622	117,377
Interest expense		(204,544,320)	(177,717,867)
Losses on foreign currency transactions		(6,429)	(25,159)
Losses on foreign exchange translations financial expense		(61,149,814)	(75,773,429)
Total	₩	(204,167,500)	(159,806,330)

41. FINANCIAL RISK MANAGEMENT:

(1) Credit risk

As at June 30, 2024 and December 31, 2023, the Group's maximum exposure to credit risk are as follows:

(In thousands of won)		Jun. 30, 2024	Dec. 31, 2023
Cash and cash equivalents	₩	421,147,938	165,446,166
Trade receivables and other receivables		460,145,354	736,202,988
Loans		27,870,263	29,299,239
Derivative instrument assets		277,591,685	224,201,981
Long and short-term financial instruments		31,159,353	92,099,249
Total	₩	1,217,914,593	1,247,249,623

(2) Liquidity risk

Contractual maturity of financial liabilities as at June 30, 2024 and December 31, 2023, are summarized as follows:

		Jun. 30, 2024						
(In thousands of won)		Carrying amount	Contractual flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	15,247,347,283	19,843,684,100	1,111,784,311	1,071,616,614	1,960,437,133	4,658,530,425	11,041,315,617
Borrowings		102,516,000	103,276,910	103,276,910	-	-	-	-
Trade payables and other payables		1,077,882,817	1,077,882,817	1,024,761,619	6,349,201	4,529,465	42,242,532	-
Lease liabilities		29,844,124	31,973,368	5,230,688	5,073,799	8,362,123	11,649,421	1,657,337
Total	₩	16,457,590,224	21,056,817,195	2,245,053,528	1,083,039,614	1,973,328,721	4,712,422,378	11,042,972,954

The Group does not expect the cash outflow to occur significantly earlier or at a significantly different amount.

		Dec. 31, 2023						
(In thousands of won)		Carrying amount	Contractual flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	14,975,823,895	19,331,191,364	912,663,451	1,007,186,917	2,443,438,204	4,364,290,219	10,603,612,573
Borrowings		103,700,000	105,229,294	4,468,384	100,760,910	-	-	-
Trade payables and other payables		1,191,294,803	1,197,032,931	1,136,041,018	8,455,478	6,368,306	46,168,129	-
Derivative financial liabilities		1,289,094	1,289,094	-	-	1,289,094	-	-
Lease liabilities		23,239,590	25,146,157	5,518,767	4,384,080	5,883,910	7,666,360	1,693,039
Total	₩	16,295,347,382	20,659,888,840	2,058,691,620	1,120,787,385	2,456,979,514	4,418,124,708	10,605,305,612

41. FINANCIAL RISK MANAGEMENT, Continued:

(2) Liquidity risk, continued

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur as at June 30, 2024 and December 31, 2023:

		Jun. 30, 2024						
(In thousands of won)		Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap								
Assets	₩	227,117,185	227,117,185	88,334,214	55,754,721	35,844,120	-	47,184,130
Total		227,117,185	227,117,185	88,334,214	55,754,721	35,844,120	-	47,184,130

		Dec. 31, 2023						
(In thousands of won)		Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap								
Assets	₩	173,727,481	173,727,481	-	72,799,589	66,504,148	-	34,423,744
Liabilities		(1,289,094)	(1,289,094)	-	-	(1,289,094)	-	-
Total		172,438,387	172,438,387	-	72,799,589	65,215,054	-	34,423,744

(3) Currency risk

(i) Exposure to currency risk
As at June 30, 2024 and December 31, 2023, monetary assets and liabilities denominated in currencies other than functional currency are detailed as follows:

		Jun. 30, 2024				
(In thousands of won)		USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency						
Cash and cash equivalents	₩	382,866	-	57,249	1	215,275
Liabilities denominated in foreign currency:						
Bonds	₩	208,380,000	850,184,500	475,862,400	209,663,750	196,899,600

		Dec. 31, 2023				
(In thousands of won)		USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency						
Cash and cash equivalents	₩	345,949	-	60,127	1	123,043
Liabilities denominated in foreign currency:						
Bonds	₩	193,410,000	839,751,000	456,508,800	200,256,300	189,914,400

41. FINANCIAL RISK MANAGEMENT, Continued:

(3) Currency risk, Continued

(i) Exposure to currency risk, continued

Foreign exchange rate applied as at June 30, 2024 and December 31, 2023, are as follows:

(In won)		Jun. 30, 2024	Dec. 31, 2023
USD	₩	1,389.20	1,289.40
CHF		1,545.79	1,526.82
EUR		1,487.07	1,426.59
SGD		1,022.75	976.86
AUD		923.40	880.08
CNH		190.43	180.84
HKD		177.90	165.06
SEK		130.72	129.00
CAD		1,013.76	974.64
JPY		864.31	912.66
PHP		23.65	23.19

(ii) Sensitivity analysis of changes in exchange rate
A strengthening of the won, as indicated below, against the USD, CHF, EUR, SGD, AUD, JPY and CNY June 30, 2024, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2024, albeit that the reasonably possible foreign exchange rate variances are different, as indicated below.

(In thousands of won)		10% increase	10% decrease
Net profit or loss before income taxes	₩	(194,033,486)	194,033,486

As the Group manages the risks through currency swaps to eliminate the currency risk of foreign currency liabilities, net exposure to foreign exchange risk is insignificant. However, as with the sensitivity analysis above, foreign currency deposits and foreign currency denominated bonds are exposed to foreign exchange risk.

41. FINANCIAL RISK MANAGEMENT, Continued:

(4) Interest rate risk

The Group has foreign currency bonds and foreign currency long-term borrowings, which has significant effect on profit or loss and equity depending on fluctuations in interest rates. The Group manages interest rate risk by interest rate swap agreements, and fluctuation in interest rates does not have significant impact on the financial position and financial results.

(i) Cash flow sensitivity analysis of fixed-rate financial instruments
The Group does not account for fixed-rate financial instruments as current financial instruments recognized in profit or loss, and does not designate derivative instruments, such as interest swap, to hedge fair value risk. As such, fluctuation of interest rate does not have effect on profit or loss.

(5) Fair value measurement

(i) Carrying value and the fair value of financial assets and liabilities as at June 30, 2024 and December 31, 2023, are detailed as follows:

(In thousands of won)		Jun. 30, 2024		Dec. 31, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:					
Equity instruments at FVTPL	₩	40,986,200	40,986,200	39,990,032	39,990,032
Equity instruments at FVOCI		42,933,970	42,933,970	42,935,216	42,935,216
Derivative instruments assets		277,591,685	277,591,685	224,201,981	224,201,981
Subtotal		361,511,855	361,511,855	307,127,230	307,127,230
Assets carried at amortized cost(*):					
Loans and other receivables		488,015,617	488,015,617	765,502,227	765,502,227
Long/short-term financial instrument		31,159,353	31,159,353	92,099,249	92,099,249
Cash and cash equivalents		421,147,938	421,147,938	165,446,166	165,446,166
Subtotal		940,322,908	940,322,908	1,023,047,642	1,023,047,642
Financial assets total	₩	1,301,834,763	1,301,834,763	1,330,174,872	1,330,174,872
Liabilities carried at fair value:					
Derivative instruments liabilities	₩	-	-	1,289,094	1,289,094
Liabilities carried at amortized cost(*):					
Borrowings		102,516,000	102,516,000	103,700,000	103,700,000
Trade payables and other payables		1,077,882,817	1,077,882,817	1,191,294,803	1,191,294,803
Bonds		15,247,347,283	15,247,347,283	14,975,823,895	14,975,823,895
Other financial liabilities		29,844,124	29,844,124	23,239,590	23,239,590
Subtotal		16,457,590,224	16,457,590,224	16,294,058,288	16,294,058,288
Financial liabilities total	₩	16,457,590,224	16,457,590,224	16,295,347,382	16,295,347,382

(*) The Group recognized some of the financial assets and liabilities at book value as it believes book value is a reasonable approximation of fair value.

41. FINANCIAL RISK MANAGEMENT, Continued:

(5) Fair value measurement, continued

(ii) Interest rate used to determine the fair value
At the end of reporting period, interest rate used to determine the expected cash flow was determined by adding interest rate of government bonds and credit spread. As at June 30, 2024 and December 31, 2023, interest rates applied are detailed as follows:

	Jun. 30, 2024	Dec. 31, 2023
Derivative instruments	0.82%~4.22%	0.82%~4.22%
Financial assets at FVOCI	7.95%~8.62%	7.95%~8.62%

(iii) The level of fair value hierarchy is as follows:

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

As at June 30, 2024, details of fair value, carrying amount and secured assets are as follows:

(In thousands of won)		Level 1	Level 2	Level 3	Total
Financial assets:					
Equity instruments at FVTPL	₩	-	-	40,986,200	40,986,200
Equity instruments at FVOCI (*1)		4,537	-	42,929,433	42,933,970
Derivative instruments assets (*2)		-	227,117,185	50,474,500	277,591,685

(*1) Equity instruments at FVOCI are not quoted in an active market and measured at valuation amount evaluated by an independent valuation agency.
(*2) Derivative assets and liabilities are measured at fair value in accordance with terms of contract with financial institutions.

The following table shows changes in financial instruments of Level 3 (fair value) for the six-month period ended June 30, 2024 and the year ended December 31, 2023:

(In thousands of won)		2024	2023
Beginning balance	₩	133,393,964	74,054,744
Acquisition		-	41,263,500
Evaluation		996,169	23,091,540
Disposal		-	(5,015,820)
Ending balance	₩	134,390,133	133,393,964

42. RELATED PARTIES:

(1) As at June 30, 2024, the controlling company that prepares the consolidated financial statements is Korea Railroad Corporation, and the related parties of the Group are detailed as follows:

	Name of Related Parties
Controlling party	Government of Korea
Subsidiaries	KORAIL Retail Co., Ltd., KORAIL Networks Co., Ltd., KORAIL Tech Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd., and Korean Insurance Brokerage Co., Ltd.
Related companies	SR Co., Ltd., Hanwha Station Development Co., Ltd., Uiwang ICD Co., Ltd., Lotte Station Building Co., Ltd., Bucheon Station Building Co., Ltd., Bupyeong Department Store Co., Ltd., Shinsegae Uijeongbu Station Building Co., Ltd., Anyang Station Building Co., Ltd., Bitplex Co., Ltd., Dream Hub Project Financial Investment Co., Ltd., Kwangwoon Univ. Building Co., Ltd., Ansan Central Station Building Co., Ltd., Cheonan station influence area urban regeneration innovation district reit Co., Ltd and Yongsan Station Around Development Co., Ltd.

(2) Significant transactions that occurred in the normal course of business with related companies for the six-month period ended June 30, 2024 and 2023 are as follows:

(In thousands of won)			Revenue		Costs	
	Name		2024	2023	2024	2023
Related companies	Lotte Station Building Co., Ltd.	₩	-	-	107,375	105,121
	SR Co., Ltd.		119,366,544	-	24,710	-
	Bucheon Station Building Co., Ltd.		1,254,507	1,504,329	313,071	303,955
	Bupyeong Department Store Co., Ltd.		-	-	118,189	113,504
	Bitplex Co., Ltd.		-	-	11,536	11,151
	Kwangwoon Univ. Station Building Co., Ltd.		25	25	-	-
	Shinsegae Uijeongbu Station Building Co., Ltd.		15,646	15,646	13,644	15,598
	Anyang Station Building Co., Ltd.		65,789	65,678	70,814	94,870
	Uiwang ICD Co., Ltd.		5,587,938	5,750,927	278,471	-
	Hanwha Station Development Co., Ltd.		787,816	785,065	122,254	103,164
	Total	₩	127,078,265	8,121,670	1,060,064	747,363

42. RELATED PARTIES, Continued:

(3) Account balances with related companies as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)	Name		Receivable		Payables	
			Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Related companies	Lotte Station Building Co., Ltd.	₩	7,104	5,348	18,597	21,507
	SR Co., Ltd.		39,223,772	47,750,339	83,650	89,882
	Bucheon Station Building Co., Ltd.		399	505	49,284	47,860
	Bupyeong Department Store Co., Ltd.		1,677	346	19,008	18,178
	Bitplex Co., Ltd.		-	-	1,692	1,752
	Kwangwoon Univ. Station Building Co., Ltd.		92	-	-	-
	Shinsegae Uijeongbu Station Building Co., Ltd.		-	-	1,960	1,404
	Ansan Central Station Building Co., Ltd.		4,025	4,025	-	-
	Anyang Station Building Co., Ltd.		4,383	913	12,138	13,148
	Uiwang ICD Co., Ltd.		1,030,295	1,023,609	-	1,788
	Hanwha Station Development Co., Ltd.		-	10,588	-	13,514
	Total	₩	40,282,864	48,795,673	186,329	209,033

(4) Compensation to management for the six-month period ended June 30, 2024 and 2023 are detailed as follows:

(In thousands of won)		2024	2023
Short-term employees benefits	₩	290,576	329,606
Accrual for retirement and severance benefits		8,335	14,633
Total	₩	298,911	344,239

(5) Short-term and long-term loans of the consolidation entity as at June 30, 2024 and December 31, 2023, are all loans to employees, as described in note 11.

43. COMMITMENTS AND CONTINGENCIES:

(1) Pending litigation in which the Group was involved as a defendant as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024 (*1)	Dec. 31, 2023 (*2)
Pending litigation	₩	164,590,105	185,780,833

(*1) The Group is a defendant for 96 litigation, such as claims for payment of goods.
(*2) The Group is a defendant for 114 litigation, such as claims for ordinary wage.

As at June 30, 2024, the Group recognized the provision of W2,717,698 thousand in connection with the lawsuit filed above.

(2) Details of contingent assets as at June 30, 2024 and December 31, 2023, are as follows:

(In thousands of won)		Jun. 30, 2024 (*1)	Dec. 31, 2023 (*2)
Pending litigation	₩	165,872,770	58,838,798

(*1) The Group has 69 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.
(*2) The Group has 81 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.

The holding tax on Yongsan land was previously paid by the company, but according to the agreement with the Seoul Housing and Communities Corporation, it is included in the land construction cost and is likely to be recovered from the Seoul Housing and Communities Corporation as much as the project share.

43. COMMITMENTS AND CONTINGENCIES, Continued:

(3) Pledged assets and guarantees

(i) Assets pledged as collateral for the Group's borrowings as at June 30, 2024, are summarized as follows:

(In thousands of won)		Carrying amount	Guaranteed amount	Type of borrowings	Lender
Buildings	₩	2,759,251	100,000	Guarantee money	Seoul Election Commission
Land and buildings		159,548,492	197,085	Guarantee money	Hyundai Card Inc.
			96,997	Guarantee money	Hyundai Commercial Inc
			220,107	Guarantee money	Samsung Life Service Inc.
			102,258	Guarantee money	Samsung Fire&Marine Insurance Financial Service Co., Ltd.
			433,536	Guarantee money	KB Claims Survey & Adjusting Co., Ltd.
			1,473,184	Guarantee money	KakaoBank of Korea Corp
			473,840	Guarantee money	BNP Paribas Cardif Life Insurance
			162,184	Guarantee money	KB Kookmin Card Co., Ltd
			215,020	Guarantee money	Korea workers' compensation and welfare Service
			158,160	Guarantee money	Hyundai Marine & Fire Insurance Co., Ltd
			144,666	Guarantee money	Seoul Regional Employment and Labor Administration (Southern District Office)
			382,355	Guarantee money	Hyundai Hilife Claims Service
			117,289	Guarantee money	BGF retail CO., LTD.
			77,057	Guarantee money	Samsung Fire&Marine Insurance Co., Ltd.
			135,220	Guarantee money	Team blackbird CO., LTD.
Long-term financial instruments		18,755	18,755	Guarantee money	Seoul Guarantee Insurance Co., Ltd. (SGI)
unlisted stock		213,718	213,718	Contract performance guarantee	Korea Speciality Contractor Financial Cooperative(KSCFC)
		142,518	142,518	Contract performance guarantee	Electric Contractors' Financial Cooperative(ECFC)
Total	₩	162,682,734	4,863,949		

43. COMMITMENTS AND CONTINGENCIES, Continued:

(3) Pledged assets and guarantees, Continued

(ii) Collaterals and guarantees provided by third parties on behalf of the Group as at June 30, 2024 are as follows:

(In thousands of won, USD)	Type of guarantees		Collaterals and guarantees Amount
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance guarantee	KRW	3,635,227
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance payment guarantee	KRW	335,419
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance warranties	KRW	1,683,040
Seoul Guarantee Insurance Co., Ltd.(SGI)	Permission	KRW	
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposition	KRW	2,019,758
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposit guarantee	KRW	2,185,098
Seoul Guarantee Insurance Co., Ltd.(SGI)	Franchise business	KRW	23,000
Seoul Guarantee Insurance Co., Ltd.(SGI)	Electronic payment method	KRW	13,000,000
Seoul Guarantee Insurance Co., Ltd.(SGI)	Other	KRW	7,552,608
Hana Bank	CP Acquisition agreement	USD	58,304,956
Kookmin Bank	Payment guarantee in foreign currency	USD	45,853,297
NongHyup Bank	Short-term limit loan	KRW	2,516,000
Woori Bank	Other	USD	1,867,226
Korea Speciality Contractor Financial Cooperative(KSCFC)	Contract guarantee insurance	KRW	3,057,705
Korea Speciality Contractor Financial Cooperative(KSCFC)	Construction warranties	KRW	184,766
Electric Contractors' Financial Cooperative(ECFC)	Contract guarantee insurance(*1)	KRW	204,757

(*1) The Group receives joint guarantees from Sehwa Co., Ltd. and one other company for contract guarantee insurance and construction warranties. And The Group provides joint guarantees to Sehwa Co., Ltd. for contract guarantee insurance and construction warranties.

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Independent Auditors' Report

(Based on a report originally issued in Korean)

To the Shareholder and Board of Directors of
Korea Railroad Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean Government-owned and Quasi-government Accounting Regulations.

Basis for Opinion

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

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

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

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

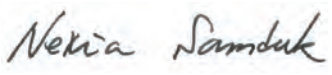
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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



Seoul, Korea
March 4, 2024

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

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

(In thousands of won)	**Notes**		**Dec 31, 2023**	**Dec 31, 2022**
Assets				
Current assets				
Cash and cash equivalents	*6,7,28,42,43*	₩	165,446,166	544,279,430
Short-term financial instruments	*7,13,42,43*		92,078,494	136,076,482
Short-term loans	*12,42,43*		690,882	508,803
Current derivative assets	*8,42,43*		123,274,089	54,977,305
Trade receivables and other receivables	*9,42,43*		690,382,338	676,765,568
Inventories	*14*		363,670,889	344,804,176
Prepaid income taxes			2,241,365	901,042
Current non-financial assets	*15,28*		51,326,284	101,392,227
Assets held-for-sale	*39*		48,981,938	333,734,506
			1,538,092,445	2,193,439,539
Non-current assets				
Long-term financial instruments	*7,13,42,43*		20,755	20,755
Financial assets at FVTPL	*11,42,43*		39,990,032	36,866,585
Financial assets at FVOCI	*11,42,43*		42,935,216	37,194,240
Long-term loans, net	*12,42,43*		28,608,357	31,976,477
Non-current derivative instrument assets	*8,42,43*		100,927,892	109,504,551
Long-term trade receivables and other receivables	*9,42,43*		45,820,649	43,758,590
Property, trains and equipment, net	*17,25,28*		26,043,533,571	25,635,757,549
Investment property	*18,28*		723,217,277	778,142,762
Goodwill	*20*		3,609,489	3,732,906
Intangible assets, net	*21,28*		41,903,908	46,483,830
Investment in associates	*16*		447,773,266	85,391,588
Deferred tax assets	*38*		5,902,156	37,240,971
Non-current non-financial assets	*15*		4,071,275	4,177,946
			27,528,313,843	26,850,248,750
Total assets		₩	29,066,406,288	29,043,688,289
Liabilities				
Current liabilities				
Trade payables and other payables	*22,25,42,43*	₩	1,153,950,110	882,071,980
Short-term borrowings	*23,42,43*		3,700,000	102,800,000
Current portion of long-term borrowings, net	*23,42,43*		100,000,000	200,000,000
Current portion of bonds, net	*23,42,43*		1,572,487,019	1,089,510,171
Other current financial liabilities	*24,42,43*		-	219,628,728
Current tax liabilities	*38*		1,169,005	7,418,444
Current non-financial liabilities	*10,29*		312,302,471	717,732,822
Current provisions	*27*		384,305,201	365,060,745
			3,527,913,806	3,584,222,890

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Financial Position, Continued
As of December 31, 2023 and 2022

(In thousands of won)	**Notes**		**Dec 31, 2023**	**Dec 31, 2022**
Non-current liabilities				
Long-term trade payables and other payables	*22,25,42,43*	₩	60,584,282	54,959,680
Long-term borrowings, net	*23,42,43*		-	100,000,000
Bonds, net	*23,42,43*		13,403,336,877	12,535,624,090
Non-current derivative instrument liabilities	*8,42,43*		1,289,094	6,342,852
Non-current non-financial liabilities	*10,19,29*		7,903,122	8,894,926
Refined benefit liabilities, net	*26*		1,223,025,849	1,134,584,520
Deferred tax liabilities	*38*		2,223,301,453	2,321,713,037
Provisions	*27*		18,027,345	294,183,245
			16,937,468,022	16,456,302,350
Total liabilities		₩	20,465,381,828	20,040,525,240
Equity				
Paid-in capital	*1,30*	₩	10,919,637,641	10,849,219,641
Deficit	*31*		(11,824,023,452)	(11,503,557,897)
Other equity components	*32*		9,500,689,404	9,501,686,119
Equity attributable to owner of the parent Company			8,596,303,593	8,847,347,863
Non-controlling interests			4,720,867	155,815,186
Total equity		₩	8,601,024,460	9,003,163,049
Total liabilities and equity		₩	29,066,406,288	29,043,688,289

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Comprehensive income(loss)
As of December 31, 2023 and 2022

(In thousands of won)	**Notes**		**2023**	**2022**
Revenues	*5,19,33,41*	₩	6,372,984,681	6,203,858,989
Cost of revenue	*19,40,41*		6,464,178,440	6,259,117,885
Gross profit (loss)			(91,193,759)	(55,258,896)
Selling, general and administrative expense	*36,40*		350,342,379	341,694,383
Operating loss			(441,536,138)	(396,953,279)
Other revenue	*9,27,35*		7,117,065	21,735,760
Other expenses	*35*		(108,758,275)	(109,228,830)
Other income, net	*35*		207,164,324	230,606,894
Finance income	*36,42*		142,634,968	88,672,845
Finance expense	*37,42*		(474,493,039)	(395,911,617)
Gains on valuation of investments in associates	*16*		7,397,283	3,756,967
Losses on valuation of investments in associates	*16*		(513,441)	(792,026)
Gain on disposal of investments in associates			123,378,188	-
Loss before income taxes			(537,609,065)	(558,113,286)
Income tax benefit	*38*		86,048,806	323,144,672
Loss for the year		₩	(451,560,259)	(234,968,614)
Remeasurement of defined benefit liability	*26*	₩	(12,323,896)	146,914,416
Gains on valuation of equity instruments at FVOCI			4,229,420	(2,176,944)
Asset revaluation gain (loss), net of tax	*17*		-	2,561,866,255
Unrealized net change in the effective portion			(1,282,930)	(23,731)
Items not reclassified to profit or loss subsequently			(9,377,406)	2,706,579,996
Unrealized net change in the effective portion of cash flow hedges, net of tax	*8*		(12,993,104)	(42,466,656)
Changes in equity of equity method investments	*16*		(583,800)	(3,731,350)
Items reclassified to profit or loss subsequently			(13,576,904)	(46,198,006)
Other comprehensive income (loss) for the year, net of tax	*32*		(22,954,310)	2,660,381,990
Total comprehensive income (loss) for the year		₩	(474,514,569)	2,425,413,376
Income (loss) attributable to:				
Owners of the parent		₩	(452,376,588)	(251,250,584)
Non-controlling interests			816,329	16,281,970
Loss for the year		₩	(451,560,259)	(234,968,614)
Total comprehensive Income (loss) attributable to:				
Owners of the parent		₩	(474,064,326)	2,403,505,046
Non-controlling interests			(450,243)	21,908,330
Total comprehensive Income (loss) for the year		₩	(474,514,569)	2,425,413,376

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Equity
As of December 31, 2023 and 2022

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2023	₩ 10,849,219,641	(11,503,557,896)	9,501,686,119	8,847,347,863	155,815,186	9,003,163,049
Total comprehensive income (loss) for the year:						
Income (loss) for the year	-	(452,376,589)	-	(452,376,589)	816,330	(451,560,259)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	(11,057,252)	-	(11,057,252)	(1,266,643)	(12,323,895)
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	4,229,350	4,229,350	70	4,229,420
-Reclassification of asset revaluation gain	-	139,149,160	(139,149,160)	-	-	-
-Change in accumulated deficit of equity method investments, net of tax		(1,282,930)	-	(1,282,930)	-	(1,282,930)
Comprehensive income (loss) that is subsequently reclassified to income (loss)	-					
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	(12,993,104)	(12,993,104)	-	(12,993,104)
-Change in equity of equity method investments, net of tax	-	-	(583,801)	(583,801)	-	(583,801)
Total comprehensive income (loss) for the year	-	(325,567,611)	(148,496,715)	(474,064,326)	(450,243)	(474,514,569)
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	70,418,000	-	-	70,418,000	-	70,418,000
Dividends	-	-	-	-	(86,747)	(86,747)
Total transaction with owner of the parent Company	70,418,000	-	-	70,418,000	(86,747)	70,331,253
Others	-	5,102,056	147,500,000	152,602,056	(150,557,330)	2,044,726
Balance at Dec. 31, 2023	₩ 10,919,637,641	(11,824,023,451)	9,500,689,404	8,596,303,593	4,720,866	8,601,024,459

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Equity, Continued
For the years ended December 31, 2023 and 2022

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2022	₩10,768,057,641	(11,489,301,653)	7,082,057,396	6,360,813,384	134,017,446	6,494,830,830
Total comprehensive income (loss) for the year:						
Income (loss) for the year	-	(251,250,585)	-	(251,250,585)	16,281,971	(234,968,614)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	143,491,747	-	143,491,747	3,422,669	146,914,416
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	(2,177,734)	(2,177,734)	790	(2,176,944)
-Asset revaluation gain, net of tax	-	-	2,561,866,255	2,561,866,255	-	2,561,866,255
-Reclassification of asset revaluation gain	-	91,658,894	(91,658,894)	-	-	-
-Change in accumulated deficit of equity method investments, net of tax		(23,731)	-	(23,731)	-	(23,731)
Comprehensive income (loss) that is subsequently reclassified to income (loss)	-					
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	(44,669,555)	(44,669,555)	2,202,899	(42,466,656)
-Change in equity of equity method investments, net of tax	-	-	(3,731,350)	(3,731,350)	-	(3,731,350)
Total comprehensive income (loss) for the year	-	(16,123,675)	2,419,628,722	2,403,505,047	21,908,329	2,425,413,376
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	81,162,000	-	-	81,162,000	-	81,162,000
Total transaction with owner of the parent Company	81,162,000	-	-	81,162,000	-	81,162,000
Others	-	1,867,432	-	1,867,432	(110,589)	1,756,843
Balance at Dec. 31, 2022	₩10,849,219,641	(11,503,557,896)	9,501,686,119	8,847,347,863	155,815,186	9,003,163,049

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

(In thousands of won)		2023	2022
Cash flows from operating activities			
Loss for the year	₩	(451,560,259)	(234,968,614)
Adjustments for:			
Income tax benefit		(86,048,806)	(323,144,672)
Bad debt expenses(Reversal Allowance Doubtful Accounts)		(1,175,365)	136,838
Other bad debt expenses		300,866	55,025,557
Depreciation expenses		550,268,053	545,110,910
Depreciation of investment property		5,212,847	5,952,448
Amortization of intangible assets		5,682,752	7,589,164
Losses on sale of property, trains and equipment		16,720,631	10,436,211
Losses(gain) on valuation of investments in associates		(6,883,842)	(2,964,942)
Losses on disposal of non-current assets held-for-sale		286,971	1,779,680
Retirement benefits		226,559,063	238,357,482
Increase in provisions		288,160,822	257,715,175
Losses on disposal of financial assets at FVTPL		55,107	118
Gains on valuation of financial assets at FVTPL		(1,474,060)	(1,000,257)
Losses on valuation of financial assets at FVTPL		-	307,367
Losses on valuation of derivative instruments		9,173,100	2,985,000
Interest expenses		372,172,687	321,222,176
Foreign currency translation losses		92,828,003	71,359,358
Other losses		721,699	6,919,788
Other gains		(768)	(8,710,622)
Gains on sale of property, trains and equipment		(2,262,465)	(27,264,802)
Gains on disposal of non-current assets held for sale		(251,059,525)	(266,735,157)
Reversal of provision		(5,412,958)	(17,118,732)
Gains on assets contributed		(774,135)	(3,706,463)
Foreign currency translation gains		(884,504)	(2,989,309)
Gains on valuation of derivative instruments		(116,995,900)	(71,352,740)
Interest income		(20,714,738)	(12,766,797)
Dividend income		(2,540,559)	(431,761)
Defined liabilities		1,313,916	1,426,337
Supplies expenses		-	20,491
Repair expenses		-	442,861
Revenues from government grants		(33,035)	(134,082)
Gain on disposal of investments in associates		(123,378,188)	-
Other income		(78,081)	25,835
Changes:			
- Inventories		(131,382,071)	(7,098,809)
- Trade receivables		(23,920,430)	(101,845,645)
- Other accounts receivable		(290,071)	8,149,866
- Prepayment		572,735,865	(76,744,058)
- Prepaid expenses		374,069	168,050
- Other current assets		(1,064,371)	(411,797)
- Other non-current assets		122,274	-
- Employee benefits		(129,137,924)	(160,714,658)
- Trade payables		48,117,997	(54,150,621)
- Non-trade payables		254,592,155	(58,285,570)
- Accrued expenses		(34,876,123)	102,301,956
- Advances customers		(61,792,620)	10,922,688
- Withholdings		(1,858,402)	(9,853,631)
- Unearned revenues		5,139,491	(7,941,882)
- Current provisions		(216,624,522)	(243,742,817)
- Non-current provisions		(267,958,192)	(248,710,215)
- Other non-current liabilities		224,972	(1,928,583)

(In thousands of won)		2023	2022
- Government grants classified as operating		112,523,301	106,529,596
Cash generated from operating activities	₩	623,104,727	(189,832,284)
Income taxes paid	₩	(13,925,763)	(10,451,092)
Net cash used in operating activities	₩	609,178,964	(200,283,376)
Cash flows from investing activities			
Proceeds from sales of financial assets at FVTPL	₩	4,955,507	82,368
Proceeds from sales of financial assets at FVOCI		4,370	-
Decrease in long-term loans		7,652,497	8,284,304
Decrease in long-term deposits		5,042,865	5,477,550
Proceeds from sale of non-current assets held for sale		175,152,620	342,610,854
Proceeds from sale of property, trains and equipment		1,724,753	81,219,814
Prodeeds from sales of short-term financial instruments		123,500,836	-
Interest received		18,534,459	10,695,217
Dividends received		4,735,393	8,076,595
Government grants received		94,904	560,080
Advances received of property, trains and equipment		30,897,781	124,066,928
Acquisition of property, trains and equipment		(1,738,900,696)	(1,023,958,780)
Purchase of intangible assets		(3,463,026)	(8,073,336)
Purchase of investment property		(762,000)	(1,651,165)
Purchase of financial assets at FVTPL		(6,660,000)	(13,213,037)
Increase in long-term loans		(4,821,216)	(5,184,791)
Increase in long-term deposits		(10,156,305)	(7,423,390)
Increase in short-term financial instruments		(84,002,012)	(121,001,607)
Changes in scope of consolidation		(113,622,052)	-
Net cash provided used in by investing activities	₩	(1,590,091,322)	(599,432,396)
Cash flows from financing activities			
Proceeds from issuance of share capital		70,418,000	81,162,000
Proceeds from borrowings		670,000,000	1,290,000,000
Government grants received		-	1,372,181
Issuance of debt securities		2,347,663,637	2,679,324,342
Receipt of rental deposits		4,229,408	-
Interest paid		(349,067,169)	(308,893,087)
Repayment of borrowings		(879,100,000)	(1,304,500,000)
Redemption of bonds		(1,089,564,600)	(1,300,000,000)
Settlement of currency swap transactions		55,422,630	-
Lease payment		(14,592,846)	(9,307,872)
Purchase of investments in associates		(226,234,246)	-
Dividends paid		(86,746)	(67,848)
Net cash provided by financing activities	₩	589,088,068	1,129,089,716
Net increase(decrease) in cash and cash equivalents		(391,824,290)	329,373,944
Effect of foreign exchange rate changes		1,956	-
Cash and cash equivalents at January 1		882,649,969	553,276,026
Cash and cash equivalents at December 31		490,827,638	882,649,969
Government grants		(39,569,012)	(28,665,809)
Fund for consignment business from governments		(285,812,460)	(309,704,730)
Cash and cash equivalents at end of year	₩	165,446,166	544,279,430

See accompanying notes to the consolidated financial statements.

1. GENERAL INFORMATION:

(1) Description of the controlling company

Korea Railroad Corporation (the "Company") was incorporated on January 1, 2005, to engage in passenger and railroad transportation services under the Korea Railroad Act. As of December 31, 2023, the Company's issued capital amounted to ₩10,924,285 million, and the Company is wholly owned by the Government of the Republic of Korea. The consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2024.

The main businesses of the Company are as follows:

i. Businesses related to passenger and freight transportation and linking other means of transportation via railroad;
ii. Manufacturing, selling, maintaining and leasing railroad equipment;
iii. Maintaining and leasing passenger cars and rolling stocks;
iv. Businesses entrusted by state and local autonomous entity or public institution for various matters, including maintenance of railroad facilities;
v. Developing and operating train station facilities related to sales, operations, cultural activities, meetings and administration of parking lot, accommodations, passenger and freight terminal; and
vi. Businesses, such as distribution service, tourism business, overseas business, technology development and manpower development.

(2) Consolidated subsidiaries

1) Consolidated subsidiaries as of December 31, 2023 and 2022 are detailed as follows:

Company	Location	Reporting Date	Ownership		Industry
			2023	2022	
KORAIL Retail Co., Ltd.	Republic of Korea	Dec. 31	100.00%	100.00%	Retail
KORAIL Networks Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Service industry
KORAIL Logis Co., Ltd.	Republic of Korea	Dec. 31	97.23%	97.23%	Railroad cargo business
KORAIL Tourism Development Co., Ltd	Republic of Korea	Dec. 31	60.80%	60.80%	Service industry
KORAIL Tech Co., Ltd.	Republic of Korea	Dec. 31	97.98%	97.98%	Railway track construction
SR Co., Ltd. (*1)	Republic of Korea	Dec. 31	-	41.00%	Railroad transportation
Korean Insurance Brokerage Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Insurance brokerage business

(*1) The consolidation company lost control of SR Co., Ltd. due to the paid-in capital increase of SR Co., Ltd.

1. GENERAL INFORMATION, Continued:

(2) Consolidated subsidiaries, continued

2) The financial information of subsidiaries as of and for the years ended December 31, 2023 and 2022 are summarized as follows:

(In thousands of won) Company		2023 Total assets	Total liabilities	Total revenue	Total net Income(loss)
KORAIL Retail Co., Ltd.	₩	287,598,238	119,536,792	309,312,611	9,803,309
KORAIL Networks Co., Ltd.		42,359,362	16,378,803	117,325,688	5,838,832
KORAIL Logis Co., Ltd.		27,048,676	16,224,051	91,154,947	2,214,938
KORAIL Tourism Development Co., Ltd		27,228,370	16,506,999	75,083,293	1,574,999
KORAIL Tech Co., Ltd.		69,323,699	32,365,852	246,360,174	3,682,130
Korean Insurance Brokerage Co., Ltd.		2,441,515	398,300	1,364,323	430,044

(In thousands of won) Company		2022 Total assets	Total liabilities	Total revenue	Total net Income(loss)
KORAIL Retail Co., Ltd.	₩	280,111,516	119,682,844	262,032,817	3,304,153
KORAIL Networks Co., Ltd.		34,323,785	7,238,634	117,192,589	6,433,331
KORAIL Logis Co., Ltd.		24,353,253	14,700,413	100,517,036	3,379,276
KORAIL Tourism Development Co., Ltd		22,854,108	12,416,517	69,861,862	866,379
KORAIL Tech Co., Ltd.		65,711,462	30,065,779	262,264,092	10,858,686
SR Co., Ltd.		831,389,317	577,081,171	641,031,026	26,378,728
Korean Insurance Brokerage Co., Ltd.		2,403,733	412,962	1,255,074	378,438

3) Changes in Scope for Consolidation

Subsidiaries excluded from the consolidation during the year ended December 31, 2023 is summarized as follows:

Company	Reason
SR Co., Ltd.	Loss of control due to changes in equity shares

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Korean Government-owned and Quasi-government Accounting Regulation, and Standards. Meanwhile, except for requirements set forth in the Regulation and Standards, the Group applied Korean International Financial Reporting Standards("K-IFRS") in accordance with chapter 2.5 of the Regulation.

(1) Accounting standards that the Group adopted in accordance with Korean Government-owned and Quasi-government Accounting Standards are as follows:

(i) Government subsidies (Article 44: Accounting of Government Subsidies)
Government subsidies used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such subsidies are amortized against the depreciation expenses of the acquired assets during the useful lives of the assets. Government subsidies received for consignment management services provided by the Group are recognized as operating revenue.

(ii) Recognition of Revenue and Expenses Related to Consignment Management Services (Article 48) The proceeds received for the consignment management services entrusted by the government or local governments shall be recognized as business revenues in response to costs incurred at the time of execution.

(iii) Contribution to the Employee Welfare Fund (Article 49)
The Group contributes to the employee welfare fund, and contributions are recognized as operating expenses in accordance with Employee Welfare Fund Act.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets; and
- Land that is periodically remeasured at fair value.

(3) Functional and presentation currency

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgment

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

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

(i) Uncertainty in assumptions and estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:
- Note 26 Remeasurement of defined benefit obligations: key actuarial assumptions;
- Notes 27 and 46 Recognition and measurement of provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources; and
- Note 38 Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- Note 41 Entrusted business: assumption of uncertain amount due to subsequent changes in transaction price

2. BASIS OF PREPARATION, Continued:

(4) Use of estimates and judgment, continued

(ii) Measurement of fair values

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

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

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

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

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

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

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

- Note 44 Financial risk management.

3. IMPORTANT ACCOUNTING POLICIES:

The consolidated financial statements were prepared in accordance with K-IFRS and the important accounting policies adopted to prepare consolidated financial statements were the same as those adopted when preparing the consolidated financial statements for the previous year unless otherwise noted.

The important accounting policies adopted to prepare the consolidated financial statements are as follows.

(1) Changes and disclosures in accounting policies

1) The enacted and revised standards adopted by the Group

The enacted and revised standards and interpretations applied by the Group from the accounting period beginning on or after January 1, 2023 are as follows:

(i) Amendments to Korean IFRS 1001, Presentation of Financial Statements

The amendments replace the term 'significant' accounting policy information with 'material' accounting policy and clarify its meaning. These amendments do not result in a change in accounting policy but affects the accounting policy information disclosed in the consolidated financial statements. In addition, IFRS Practice Statement 2, Making Materiality Judgments has been amended to provide guidance on the application of the concept of materiality. The Company has adopted the amendments to the standard and discloses the Company's material accounting policies in Note 2.

(ii) Amendments to Korean IFRS 1008, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify how accounting estimates are defined and distinguished from changes in accounting policies. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(iii) Amendments to Korean IFRS 1012, Income Tax

The amendments add to a condition to the initial recognition exemption that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(iv) Amendments to KIFRS 1001, Presentation of Financial Statements -Disclosure of gains (losses) on valuation of financial liabilities in accordance with exercise price refixing

The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(1) Changes and disclosures in accounting policies, continued

2) Standards and Interpretation published but not yet implemented

Although enacted and announced as of the end of the reporting period, the effective date has not arrived in the accounting period beginning after January 1, 2023, and the newly enacted and revised K-IFRS and interpretations that have not been applied early by the Group are as follows:

(i) Amendments to Korean IFRS 1001, Presentation of Financial Statements

The amendments to Korean-IFRS 1001 clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also introduce a definition of settlement to make clear that settlement includes the transfer to the counterparty of the entity's own equity instruments, however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments are applied for annual periods beginning on or after January 1, 2024, with early application permitted.

(ii) Amendments to Korean IFRS 1007, Statement of Cash Flows, and 1107, Financial Instruments: Presentation

The amendments add to the disclosure objectives in Korean IFRS 1007, Statement of Cash Flows, that information about supplier financing arrangements should be disclosed to enable users of financial statements to assess the impact of those arrangements on the Company's liabilities and cash flows. The amendments also amend Korean IFRS 1107, Financial Instruments: Presentation, to add supplier financing arrangements as an example of a requirement to disclose information about an entity's exposure to concentrations of liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and include specific transitional provisions for the first annual period in which they are applied. Early application is permitted.

(iii) Amendments to Korean IFRS 1116, Leases

The amendments add requirements for the subsequent measurement of sale-and-leaseback transactions that are accounted for as sales in accordance with Korean IFRS 1115, Revenue from Contracts with Customers. The amendments require the seller-lessee to calculate the 'lease payments' or 'revised lease payments' in a way that does not result in the seller-lessee recognizing any gain or loss for the rights of use that the seller-lessee continues to retain after the lease commences. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted

(2) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. The emission rights allowances received from the government free of charge are measured at zero, while purchased emission rights allowances are measured at cost. No emission liability is recognized if the expected quantity of emission for the performing period does not exceed the emission allowance in possession. If the expected emissions exceed the emission allowances held, the emission liability is measured and recognized based on the expected excess quantity of emissions and the market unit price of the emission rights at the end of the reporting period.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(3) Basis of consolidation

(i) Business combinations
A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested for impairment annually and whenever any symptom implicating impairment appears. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No. 1032, 'Financial Instruments: Presentation' and K-IFRS No. 1109, 'Financial Instruments: Recognition and Measurement.'

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

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

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

(iii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(3) Basis of consolidation, continued

(v) Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling the shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, except that any share capital of the acquired entities is recognized as part of share premium.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(5) Inventories

The cost of inventories is determined by the moving average method and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(6) Non-derivative financial assets

1) Recognition and initial measurement
Trade receivables and issued debt securities are recognized for the first time at issue. Other financial instruments and financial liabilities are recognized only when the Group becomes a party to the instrument.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL. Transaction costs that are directly attributable to its acquisition.

2) Classification and subsequent measurement
Upon initial recognition, non-derivative financial assets are measured at amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

(i) Financial assets: business model
The Group assesses the objective of the business model held in the portfolio of financial assets that properly reflects how the business is managed and how information is provided to the management. Assessment takes into account the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies that include management strategies that focus on obtaining contractual interest revenue, maintaining a specific interest rate level, matching the performance of the liability to procure the financial asset with the asset's performance, and leaking or realizing expected cash flows through the sale of the asset;
- Evaluating the performance of financial assets held in the business model and reporting their assessment to key management personnel;
- How to manage risks that affect the performance of a business model (and financial assets held in the business model);
- How to compensate management (for example, based on the fair value of the asset being managed or on the contractual cash flows received); and
- Expected frequency, amount, timing, reason and future sales of financial assets in prior periods.

For this purpose, transferring a financial asset to a third party in a transaction that does not meet the derecognition requirements is not considered a sale.

A portfolio of financial assets that meets the definition of trading or whose portfolio performance is valued at fair value is measured at fair value through profit or loss.

(ii) Financial assets: an assessment of whether contractual cash flows are solely principal and interest; The principal is defined as the fair value of the financial asset at initial recognition. Interest consists of a profit as well as consideration for the time value of money, consideration for credit risk associated with principal balances in a given period, and other basic loan risks and costs.

When assessing whether the contractual cash flows are solely payments of principal and interest, the consolidation entity considers the terms and conditions of the instrument. If a financial asset contains contractual terms that change the timing or amount of the contractual cash flows, the entity shall determine whether the contractual cash flows that may arise over the life of the instrument are solely payments of principal and interest.

When evaluating this, the Group considers the following:

- Conditional circumstances that change the amount or timing of cash flows;
- Clause for adjusting the contractual par interest rate, including variable interest rate characteristics;
- Prepayment characteristics and extension characteristics; and
- Terms and conditions that limit the Group's claim to cash flows arising from a particular asset (e.g., non-recourse features).

If the prepayment amount represents interest on the principal outstanding and the remaining principal outstanding in substance and contains reasonable additional compensation for early termination of the contract, the early repayment feature is consistent with the terms under which the principal and interest are paid on a specified date.

In addition, for financial assets acquired with significant discount or premium on the contractual par amount, the entity determines that the prepayment feature actually represents the contractual par value and the contractual interest accrued (but may include reasonable additional remuneration for early termination of the contract) and that the prepayment feature meets this condition if the fair value of the feature is insignificant at initial recognition of the financial asset.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(6) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

(iii) Financial assets: subsequent measurements and gains and losses;

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

3) De-recognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets.

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(7) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting
The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

- Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

- Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting; expires or is sold, terminated or exercised; or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(ii) Other derivative financial instruments
Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(8) Impairment of financial assets

The Group recognize a loss allowance for expected credit losses for the following assets:
- Financial assets measured at amortised cost;
- Debt investments at FVOCI; and
- Contract assets as defined in K-IFRS No. 1115.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:
- Debt securities determined to have low credit risk at the end of the reporting period; and
- Other debt securities that have not experienced significant increases in credit risk which is risk of default occurring over expected life of a financial asset since initial recognition, and the loss allowance for bank deposit accounts and contract assets are always measured at an amount equal to lifetime expected credit losses.

The loss allowance for trade receivables and contract assets is always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating expected credit losses, the Group considers information that is available, reasonable and supported without undue cost or effort. This includes qualitative and quantitative information and analysis based on the Group's past experience and known credit ratings, including forward-looking information.

1) Measurement of expected credit losses
Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls which is the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received. Expected credit losses are discounted at the effective interest rate of the financial asset.

2) Credit-impaired financial assets
At the end of each reporting period, the Group assesses whether the credit of the financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income is impaired. In the event of one or more events that adversely affect the estimated future cash flows of a financial asset, the financial asset is credit-impaired.

Evidence of impaired credit for financial assets includes the following observable information:
- Significant financial difficulties of the issuer or borrower;
- Breach of contract, such as default or delinquency over 90 days;
- Inevitable relief of the original debt conditions for economic or contractual reasons related to the borrower's financial difficulties;
- The likelihood of a borrower's bankruptcy or other financial restructuring increases; or
- Expiration of an active market for a financial asset due to financial difficulties.

3) Presentation of credit loss allowance in statement of financial position
The loss allowance for financial assets measured at amortised cost is deducted from the carrying amount of those assets.

For debt investment measured at FVOCI, the loss allowance is included in profit or loss and recognized in other comprehensive income.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(9) Property, plant and equipment

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

Subsequent to initial recognition, an item of property, plant and equipment, except the Group's land, shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses, while land whose fair value can be measured reliably is carried at revalued amount, being its fair value at the date of the revaluation, less subsequent accumulated impairment losses due to the change in the evaluation method of its land from cost model to revaluation model during the year ended December 31, 2013. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

Categories	Useful life(years)
Buildings	25-50
Structures	5-50
Machinery	5-25
Trains	6-40
Vehicles	2-7
Furniture and fixtures	5
Tools and office equipment	2-6
Others	5, Indefinite

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(10) Intangible assets

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

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

Categories	Useful life(years)
Industrial property right	5-10, Indefinite
Development costs	5
Computer software and other	5-20
Usable and profitable donation assets	15
Other intangible assets	5-20, Indefinite

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

(i) Service concession arrangements
The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

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

(11) Government grants

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

Government grants whose primary condition is that the Group purchase; construct; or, otherwise, acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense. Also, any related costs incurred with respect to the government grants are recognized in profit or loss when incurred as 'Government Grants' in the consolidated statements of comprehensive income.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(12) Investment property

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

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

Investment property, except for land, is depreciated on a straight-line basis over 25–50 years, its estimated useful lives.

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

(13) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(14) Leases

The following is a summary of the new accounting policies applied by adopting K-IFRS No. 1116 starting from first application date, January 1, 2019.

(i) Accounting as a lessee
① Right-of-use assets
The Group recognizes right-of-use assets at the lease commencement date. Right-of-use assets are measured at cost, calculated by deducting accumulated depreciation and impairment loss, and adjust when remeasurement of leased liabilities occurs.

The cost of the licensed asset includes the amount recognized for the lease liability and the amount of direct costs incurred. The lease payment or incentives paid before or after the lease commencement date are added or subtracted. If the Group does not reasonably predict that it will take ownership of the leased asset at the end of the lease period, the licensed asset is depreciated on a straight-line basis over the lesser of estimated useful life and the leased period. The Group conducts impairment reviews on right-of-use assets.

② Lease liabilities
The Group measures lease liabilities at the present value of lease payments not paid as of that day on the lease commencement date.

Lease payments include fixed lease payments excluding lease incentives to be received(including actual fixed lease payments), variable lease payments depending on the index or rate, and the amount expected to be paid by the Group under the residual value guaranteed.

The Group also includes in the lease payments the amount owed to terminate the lease if the exercise price and lease term of the purchase option reflects the exercise of the Group's termination option when it is fairly certain that the option will be exercised. Variable lease payments that do not depend on the index or rate are recognized as expenses during the period in which the lease payment is made.

When calculating the present value of lease payments, the Group uses the incremental borrowing interest rate on the lease commencement date when the lease's imputed rate of interest cannot be easily calculated.

After the lease commencement date, the Group increases the carrying amount of leased liabilities to reflect the interest on the lease liabilities, and decreases the carrying amount of leased liabilities to reflect the lease payments paid.

In addition, the Group re-measures the lease liabilities by reflecting changes in leases, actual changes in fixed lease payments, changes in lease periods, or changes in valuation options for the purchase of underlying assets.

③ Short term lease and low value lease
The Group applies a recognition exemption for short-term leases with a contract period of one year or less. In addition, the recognition exemption is applied to low-value assets. Lease payments for short-term leases and small asset leases are recognized on a straight-line basis over the lease term.

The carrying amount of the Group's right-of-use assets and leased liabilities and the amount changed during the reporting period are described in Note 25.

(ii) Accounting as a lessor
In the case of a finance lease, the Group recognizes the same amount as the lease net investment of the finance lease as a finance lease receivable, and recognizes interest income by applying the effective interest rate method to the unrecovered portion of the net investment in finance lease.

The lease income from operating leases is recognized as revenue on a straight-line basis over the lease term, and the direct cost of opening the lease incurred in the negotiation and contract stage of the operating lease is added to the carrying amount of the leased asset and extended over the lease period. It is recognized as a cost on a straight-line basis over the lease term.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(15) Construction work in progress

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

Construction work in progress is presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred, plus recognized profits, exceed progress billings.

If progress billings exceed costs incurred, plus recognized profits, then the difference is presented as deferred income in the consolidated statement of financial position.

(16) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The asset or disposal group that is classified as non-current assets held for sale is measured at the lower of its carrying amount or fair value, less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value, less costs to sell, and a gain for any subsequent increase in fair value, less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 Impairment of Assets.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(17) Borrowing Costs

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(18) Non-derivative financial liabilities

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

(i) Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at fair value through profit or loss when the financial liability is a contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS No. 1103 applies, it is held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in the consolidated statement of comprehensive income.

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

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expired).

(19) Retirement benefits

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

(ii) Retirement benefits: defined benefit plans

The Group's net obligation with respect to defined benefit plans is calculated by estimating the present value of defined benefit obligation after reflecting unrecognized past service cost and deducting the fair value of any plan assets.

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

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(20) Provision

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

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

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

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

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration with respect to contaminated land, and the related expense, is recognized when the land is contaminated.

A provision shall be used only for expenditures for which it was originally recognized.

(21) Foreign currency transactions

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(22) Equity capital

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

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

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(23) Revenue from contracts with customers

The Group recognizes revenue in accordance with the following five-step revenue recognition model, from the beginning of the contract with the customer, through the time at which control is transferred to the customer or over the period over which control is transferred to the customer.

1) Identification of contracts
The Group identifies by contract an agreement that creates enforceable rights and obligations between the customers, and further reviews subsequent steps, such as the identification of performance obligations, to determine whether revenue is recognized or not, and recognizes it as a liability if it has not been identified by the contract but has received a payment from the customer.

2) Identification of performance obligations
A performance obligation refers to a promise to transfer to a customer a set of distinct goods or services that are 'concluded' or 'substantially identical and transfer to the customer' in a contract with the customer. The Group identifies performance obligations by reviewing the goods or services promised in the contract with the customer at contract inception.

3) Determine the transaction price
The transaction price is determined by considering variable consideration, significant financing factors, non-cash consideration, and the consideration paid to the customer, which the entity expects to be entitled to receive in return for transferring the promised goods or services to the customer. The Group rationally estimates the possibility of a return based on past experience rates and reflects it in the variable consideration, and determines that there is no significant financing component since the period between when the performance obligation is transferred and when the customer pays for it is less than 12 months.

4) Allocation of transaction price
The Group allocates the transaction price on the basis of the stand-alone selling price to the various performance obligations identified in a single contract. If there is no stand-alone selling price for each performance obligation, the standalone selling price is appropriately estimated by considering the market assessment adjustment approach, etc.

5) Revenue Recognition
The Group determines whether it recognizes revenue when it satisfies performance obligations relating to the contract at contract inception or over the period over which it satisfies the performance obligations. If the customer simultaneously benefits and consumes the benefits of the Group's performance of the obligation, if the customer controls the asset in proportion to the creation or increase in value of the asset by performing the obligation, or if the Group itself has no alternative use but an enforceable right to payment for performance completed to date, the entity recognizes revenue over the duration of the performance obligation.

i) Service
Revenues from services is recognized over the period over which the performance obligation is satisfied, as the customer simultaneously receives and consumes the benefits as the Group performs its obligations. Progress is determined based on the degree of performance. Revenues from the transportation business are recognized at the time of service completion, and the amount of money that has been issued but has not been completed is recognized as advance payment.

ii) Sales of goods
Sales of goods are recognized as revenue at the time that control of the asset is transferred to the customer. The timing of transfer of control to the customer depends on the individual terms of the contract. It is usually transferred when the product arrives at the buyer's warehouse.

If more than one product or service is sold through a single contract, each product and service considered as a separate unit are separately recognized and the consideration received is allocated according to the fair value of each product of service.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(23) Revenue from contracts with customers, Continued

5) Revenue Recognition, Continued

(iii) Customer loyalty programme
For customer loyalty programme, the fair value of the consideration received or receivable with respect to the initial sale is allocated between the award credits ("Mileage") and the revenue. The Group provides mileage to customers when tickets are sold. The amounts allocated to the Mileage are estimated based on the fair value of the train ticket to be provided for the mileage points expected to be redeemed. The fair value of the train tickets is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the Mileages are redeemed and the Group has fulfilled its obligations to provide it according to the train ticket. Revenue recognition is measured based on the percentage of the mileage points redeemed in exchange for a ticket to the total mileage points expected to be redeemed.

(iv) Construction contracts
Contract revenue includes the initial amount agreed in the contract, plus any variations in contract work, claims and incentive payments, to the extent it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(v) Rental income
Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

(24) Finance income and finance costs

Finance income comprises interest income on funds invested (including fair value measurement financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(25) Income taxes

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

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

(ii) Deferred tax
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates to the extent it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. Additional income tax due to dividend payments is recognized when the Group recognizes a liability relevant to the dividend payment.

4. FINANCIAL RISK MANAGEMENT:

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

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

This note presents information about the Group's exposure to each of the above risks; the Group's objectives, policies and processes for measuring and managing risk; and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Risk management activities

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to establish appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base comprises a large number of counterparties with small individual amounts; hence, the Group's credit risk is not concentrated. Also, the Group's exposure to credit risk is limited as most receivables get collected in two or three days from the date of billing.

Significant transactions are reviewed for legal and economic validity during regular internal audits and resolved based on Board of Directors' approval. Also, the Group manages credit risk by requiring collateral or guarantees with respect to significant trade and other receivables.

Assessment for expected credit losses
The Group applies the practical simplified method of using a provision setting table to measure expected credit losses depend of judgment of this method consistent with measurement principle of expected credit losses required from K-IFRS No. 1109.

The default rate is calculated using the 'Roll Rate' model based on the likelihood that trade receivable will be delinquent. 'Roll Rate' was calculated separately for each business unit exposure based on common credit risk characteristics such as region, duration of customer relationship and type of product purchased.

(ii) Guarantees
The Group can only provide financial guarantees based on the Board of Directors' resolution. At December 31, 2023, no guarantees were outstanding.

4. FINANCIAL RISK MANAGEMENT, Continued:

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To manage liquidity risk, the Group maintains short-term and medium-to-long-term cash flow plan, and continuously analyzes and reviews the actual cash flow.

(4) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollars (USD).

The Group is exposed to currency risk in respect to bonds and long-term borrowings denominated in foreign currency. The Group uses derivate instruments, such as currency swap, to mitigate foreign exchange rate fluctuation risk arising from foreign currency liabilities.

(ii) Interest rate risk
The Group borrows funds at fixed and variable interest rates. The Group's management reviews the interest rate periodically and uses derivative instruments to hedge interest rate risk.

(iii) Other market price risk
Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

4. FINANCIAL RISK MANAGEMENT, Continued:

(5) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To maintain or adjust the capital base, the Group returns capital to shareholder and sells out assets to reduce the liabilities.

Also, the Group manages the capital balance to comply with the requirement from "Korean Railroad Law Article 11 (Issuance of bonds)," which states that bonds may not exceed twice the sum of capital and reserves. Also, the Group aims to maintain the credit rating of AAA.

The Group's capital management strategy is consistent with prior period and the credit rating is maintained AAA at the end of 2023

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

(In thousands of won, except equity ratio)		Dec. 31, 2023	Dec. 31, 2022
Bond issued	₩	14,979,840,500	13,528,103,300
Equity capital and reserves		8,393,810,519	8,874,312,551
Net debt-to-adjusted equity ratio		178.46%	152.44%

5. OPERATING BUSINESS UNITS:

The Group has seven business units, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's business units.

(1) The Group's business units are summarized as follows:

Business units	Primary business
Korea Railroad Corporation	Railroad transportation
KORAIL Retail Co., Ltd.	Retail business
KORAIL Logis Co., Ltd.	Railroad cargo business
KORAIL Networks Co., Ltd.	Service industry
KORAIL Tourism Development Co., Ltd.	Service industry
KORAIL Tech Co., Ltd.	Railway track specialized construction
Korean Insurance Brokerage Co., Ltd.	Insurance brokerage

(2) The Group's business units' information on revenue and profit for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

Company		2023 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	5,815,934,641	217,467,783	5,598,466,858	(280,682,711)	533,440,711
KORAIL Retail Co., Ltd.		309,312,611	98,095	309,214,516	103,600,265	9,972,165
KORAIL Networks Co., Ltd.		117,325,688	71,660,302	45,665,386	(40,619,111)	1,890,068
KORAIL Logis Co., Ltd.		91,154,947	42,573,252	48,581,695	(29,957,069)	2,321,634
KORAIL Tourism Development Co., Ltd.		75,083,293	60,248,699	14,834,594	(56,327,114)	549,530
KORAIL Tech Co., Ltd.		246,360,174	230,512,719	15,847,455	(224,701,286)	3,523,092
SR Co., Ltd.		339,026,325	16,472	339,009,853	86,688,149	9,466,452
Korean Insurance Brokerage Co., Ltd		1,364,323	-	1,364,323	462,739	-
Total	₩	6,995,562,002	622,577,322	6,372,984,680	(441,536,138)	561,163,652

(In thousands of won)

Company		2022 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	5,455,764,202	283,781,639	5,171,982,562	(436,359,583)	525,912,853
KORAIL Retail Co., Ltd.		262,032,817	49,006	261,983,811	2,061,010	9,640,269
KORAIL Networks Co., Ltd.		117,192,589	70,649,725	46,542,864	8,052,741	2,783,728
KORAIL Logis Co., Ltd.		100,517,036	41,228,829	59,288,207	4,288,528	450,667
KORAIL Tourism Development Co., Ltd.		69,861,862	60,111,347	9,750,515	1,381,292	472,358
KORAIL Tech Co., Ltd.		262,264,092	250,123,369	12,140,723	13,791,723	1,950,813
SR Co., Ltd.		641,031,026	115,792	640,915,234	14,116,852	49,519,730
Korean Insurance Brokerage Co., Ltd		1,255,074	-	1,255,073	440,875	-
Total	₩	6,909,918,698	706,059,707	6,203,858,989	(392,226,562)	590,730,418

5. OPERATING BUSINESS UNITS, Continued:

(3) Assets and liabilities of the Group's business units as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,752,355,995	494,007,505	1,735,884,181	20,358,545,476
KORAIL Retail Co., Ltd.		287,598,238	10,234,411	12,719,707	119,536,792
KORAIL Networks Co., Ltd.		42,359,362	1,178,649	7,443,762	16,378,803
KORAIL Logis Co., Ltd.		27,048,676	-	608,214	16,224,051
KORAIL Tourism Development Co., Ltd.		27,228,370	-	506,462	16,506,999
KORAIL Tech Co., Ltd.		69,323,699	-	1,694,105	32,365,852
Korean Insurance Brokerage Co., Ltd		2,441,515	-	-	398,300
Total	₩	29,208,355,855	505,420,565	1,758,856,431	20,559,956,273

(In thousands of won)		Dec. 31, 2022			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,452,553,404	344,408,694	1,013,247,716	19,578,240,852
KORAIL Retail Co., Ltd.		280,111,516	10,234,410	6,928,909	119,682,844
KORAIL Networks Co., Ltd.		34,323,785	1,178,649	2,604,121	7,238,634
KORAIL Logis Co., Ltd.		24,353,253	-	81,245	14,700,413
KORAIL Tourism Development Co., Ltd.		22,854,108	-	87,026	12,416,517
KORAIL Tech Co., Ltd.		65,711,462	-	2,709,724	30,065,779
SR Co., Ltd.		831,389,317	-	8,024,540	577,081,171
Korean Insurance Brokerage Co., Ltd		2,403,733	-	-	412,962
Total	₩	29,713,700,578	355,821,753	1,033,683,281	20,339,839,172

(4) External revenues by geographical regions for the years ended December 31, 2023 and 2022 and non-current assets by geographical regions as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)		External revenue		Non-current assets	
		2023	2022	Dec. 31, 2023	Dec. 31, 2022
Domestic	₩	6,352,919,177	6,192,619,035	27,528,313,843	26,850,248,750
Overseas		20,065,506	11,239,954	-	-
Total	₩	6,372,984,683	6,203,858,989	27,528,313,843	26,850,248,750

6. CASH AND CASH EQUIVALENTS:

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

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	₩	490,827,638	882,649,969
Government subsidies		(39,569,012)	(28,665,809)
Funds for consignment business from government		(285,812,460)	(309,704,730)
Total	₩	165,446,166	544,279,430

7. CASH AND CASH EQUIVALENTS RESTRICTED IN USE AND COLLATERALIZED FINANCIAL ASSETS:

Cash and cash equivalents that are restricted in use and financial assets that are held as collateral for liabilities or contingencies as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of won)	Type		Dec. 31, 2023	Dec. 31, 2022
Short-term financial instruments	Loan deposit for shared growth cooperation	₩	6,000,000	12,500,000
Long-term financial instruments	Pledged assets		18,754	18,754
	Security deposit for opening of current deposit account		2,000	2,000
	Total	₩	6,020,754	12,520,754

8. DERIVATIVES:

(1) Derivative instruments outstanding as of December 31, 2023 and 2022 are as follows:

		Dec. 31, 2023		Dec. 31, 2022	
(In thousands of won)		Current	Non-current	Current	Non-current
Derivative instrument assets:					
Currency swap	₩	72,799,589	100,927,892	54,977,305	103,922,665
Interest rate swap		-	-	-	5,581,886
Right of redemption and conversion(*)		50,474,500	-	-	-
Total	₩	123,274,089	100,927,892	54,977,305	109,504,551
Derivative instrument liabilities:					
Currency swap		-	1,289,094	-	6,342,852
Total	₩	-	1,289,094	-	6,342,852

(*) The right redemption and conversion, which are the intrinsic derivatives of SR's redeemable convertible preference shares held by the consolidated entity, were recognized as derivative assets separately from preferred stock.

8. DERIVATIVES, Continued:

(2) Details of currency swap outstanding as of December 31, 2023 are summarized as follows:

(In thousands of won, CHF, USD, AUD, SEK, CAD, EUR, SGD)

Financial institutions	Contract term		Selling price	Purchasing price	Selling interest rate	Purchasing interest rate	Contractual Exchange rate		Valuation amount
Nomura Financial Investment (Korea) Co., Ltd.	2017.04.26. ~ 2032.04.26.	AUD	42,708,500	50,000,000	2.30%	AUD 4.11%	854.17	₩	1,671,596
Nomura Financial Investment (Korea) Co., Ltd	2017.05.26. ~ 2032.05.26	SEK	38,199,000	300,000,000	2.40%	SEK 2.31%	127.33		460,588
Export-Import Bank of Korea	2017.06.07. ~ 2037.06.07	CAD	91,746,600	110,000,000	2.40%	CAD 3.07%	834.06		13,793,677
Nomura Financial Investment (Korea) Co., Ltd	2017.06.09. ~ 2037.06.09	EUR	62,829,000	50,000,000	2.37%	EUR 1.89%	1,256.58		4,268,822
BNP PARIBAS S.A.	2018.10.02. ~ 2033.10.02	EUR	144,454,200	110,000,000	2.36%	EUR 1.72%	1,313.22		5,849,613
Hana Bank	2018.10.25. ~ 2038.10.25.	EUR	130,480,000	100,000,000	2.33%	EUR 1.88%	1,304.80		4,298,468
Export-Import Bank of Korea	2020.04.11. ~ 2039.04.11	EUR	76,443,000	60,000,000	1.83%	EUR 1.41%	1,274.05		4,080,979
Export-Import Bank of Korea	2020.06.13. ~ 2025.06.13.	CHF	176,400,000	150,000,000	1.61%	CHF 0%	1,176.00		50,066,460
Woori Bank	2020.11.19. ~ 2024.11.19.	CHF	178,219,500	150,000,000	1.42%	CHF (-)0.18%	1,188.13		50,077,551
Woori Bank	2020.11.19. ~ 2024.11.19.	USD	175,650,000	150,000,000	1.41%	3M USD LIBOR 0.7%	1,171.00		22,722,038
DBS Bank Ltd.	2020.09.23. ~ 2025.09.23.	SGD	126,976,800	140,000,000	0.82%	SGD 0.79%	864.12		14,734,776
BNP PARIBAS S.A.	2023.11.14~ 2025.11.14	CHF	375,000,000	250,000,000	4.07%	CHF 2.03%	1,500.00		1,702,913
BNP PARIBAS S.A.	2023.11.08~ 2025.11.08	SGD	64,350,000	65,000,000	4.22%	SGD 4.22%	990		(1,289,094)
			1,683,456,600	1,685,000,000				₩	172,438,387

(3) Derivative transaction gain (loss) for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023		2022	
		Gain and losses from valuation	Other comprehensive income (loss)	Gain and losses from valuation	Other comprehensive income (loss)
Currency swap	₩	91,951,800	(16,647,901)	68,367,740	(68,478,886)
Interest rate swap		-	(942,896)	-	5,930,393
Right of redemption and conversion		15,871,000	-	-	-
Total	₩	107,822,800	(17,590,797)	68,367,740	(62,548,493)

9. TRADE RECEIVABLES AND OTHER RECEIVABLES:

(1) Trade receivables and accounts receivable as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	694,468,751	(11,776,927)	-	682,691,824
Other receivables		64,975,442	(57,284,928)	-	7,690,514
Subtotal		759,444,193	(69,061,855)	-	690,382,338
Non-current assets:					
Other receivables		46,937,864	-	(1,117,215)	45,820,649
Total	₩	806,382,057	(69,061,855)	(1,117,215)	736,202,987

(In thousands of won)		Dec. 31, 2022			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	676,086,311	(13,328,749)	-	662,757,562
Other receivables		71,365,984	(57,304,146)	(53,832)	14,008,006
Subtotal		747,452,295	(70,632,895)	(53,832)	676,765,568
Non-current assets:					
Other receivables		44,237,271	-	(478,681)	43,758,590
Total	₩	791,689,566	(70,632,895)	(532,513)	720,524,158

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

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

(In thousands of won)		Dec. 31, 2023			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Other receivables	₩	64,029,443	(57,284,928)	-	6,744,515
Accrued revenue		230,999	-	-	230,999
Deposits provided		715,000	-	-	715,000
Subtotal		64,975,442	(57,284,928)	-	7,690,514
Non-current assets:					
Deposits provided		46,937,864	-	(1,117,215)	45,820,649
Total	₩	111,913,306	(57,284,928)	(1,117,215)	53,511,163

(In thousands of won)		Dec. 31, 2022			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Other receivables	₩	64,127,901	(57,304,146)	-	6,823,755
Accrued revenue		319,583	-	-	319,583
Deposits provided		6,918,500	-	(53,832)	6,864,668
Subtotal		71,365,984	(57,304,146)	(53,832)	14,008,006
Non-current assets:					
Deposits provided		44,237,271	-	(478,681)	43,758,590
Total	₩	115,603,255	(57,304,146)	(532,513)	57,766,596

9. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(3) Aging analysis of trade receivables and other receivables as of December 31, 2023 and 2022 is detailed as follows:

(In thousands of won)		Trade receivables	
		Dec. 31, 2023	Dec. 31, 2022
Current and not impaired	₩	469,490,484	340,298,947
Overdue, but not impaired		49,505,136	128,709,316
Current reviewed for impairment		175,473,131	207,078,048
- Under 90 days		163,419,462	197,905,005
- 90 days–120 days		1,412	-
- 120 days or more		12,052,256	9,173,043
Subtotal		694,468,751	676,086,311
Allowance for impairment		(11,776,927)	(13,328,749)
Total	₩	682,691,824	662,757,562

(In thousands of won)		Other receivables	
		Dec. 31, 2023	Dec. 31, 2022
Current and not impaired	₩	54,256,164	57,227,366
Overdue, but not impaired		243,084	379,683
Current reviewed for impairment		57,414,058	57,996,206
- Under 90 days		18,593	920,114
- 90 days–120 days		10,372	1,301
- 120 days or more		57,385,093	57,074,791
Subtotal		111,913,306	115,603,255
Allowance for impairment		(57,284,928)	(57,304,146)
Present value discounts		(1,117,215)	(532,513)
Total	₩	53,511,163	57,766,596

(4) Changes in allowance for impairment of trade receivables and other receivables during the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023		2022	
		Trade receivable	Other receivables	Trade receivable	Other receivables
Beginning balance	₩	13,328,749	57,304,147	13,438,186	2,330,461
Impairment loss recognized		(376,572)	298,883	290,830	55,025,771
Write-offs		(344,902)	(316,715)	(246,275)	(51,873)
Reversal of allowance		(798,793)	(1,387)	(153,992)	(213)
Other		(31,555)	-	-	-
Ending balance	₩	11,776,927	57,284,928	13,328,749	57,304,146

10. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Contract assets and Contract liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Contract assets:			
- Receivables from unbilled construction contracts	₩	-	578,458
Contract liabilities:			
- Customer loyalty programmes	₩	81,172,320	86,995,354
- Advances from construction contracts		265,394	40,421
Total	₩	81,437,714	87,035,775

(2) Contract liabilities on customer loyalty programmes as of December 31, 2023 and 2022 are detailed as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Current liabilities:			
Short-term income received in advance			
- Customer loyalty programmes	₩	81,112,174	84,747,339
Non-current liabilities:			
Long-term income received in advance			
- Customer loyalty programmes	₩	60,146	2,248,015
Total	₩	81,172,320	86,995,354

(3) Changes in contract liabilities on customer loyalty programmes during the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Beginning balance	₩	86,995,354	90,848,081
Increase		79,784,658	65,858,950
Revenue recognized		(83,396,345)	(69,711,677)
Changes in Scope for Consolidation		(2,211,347)	-
Ending balance	₩	81,172,320	86,995,354

11. FAIR VALUE MEASUREMENT FINANCIAL ASSETS:

(1) Changes of FVTPL for the years ended December 31, 2023 and 2022 are as follow:

		2023				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	36,866,585	6,660,000	(5,010,614)	1,474,060	39,990,031

		2022				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	23,043,144	13,213,037	(82,486)	692,890	36,866,585

(2) Changes of FVOCI for the years ended December 31, 2023 and 2022 are as follow:

		2023				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	6,081	-	-	(298)	5,783
Unlisted securities		37,188,159	-	(5,206)	5,746,480	42,929,433
Total	₩	37,194,240	-	(5,206)	5,746,182	42,935,216

		2022				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	11,887	-	-	(5,806)	6,081
Unlisted securities		44,509,070	-	-	(7,320,911)	37,188,159
Total	₩	44,520,957	-	-	(7,326,717)	37,194,240

12. LOANS:

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

(In thousands of won)		Dec. 31, 2023		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	32,781,008	(3,583,024)	29,197,984
Other (*2)		101,255	-	101,255
Total	₩	32,882,263	(3,583,024)	29,299,239

(*1) Regarding Tuition loans, the amount of W612,964 thousand (W23,336 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

(In thousands of won)		Dec. 31, 2022		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	35,937,358	(3,552,874)	32,384,484
Other (*2)		100,797	-	100,797
Total	₩	36,038,155	(3,552,874)	32,485,281

(*1) Regarding student loans, the amount of W419,650 thousand (W11,643 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

13. FINANCIAL INSTRUMENTS:

Financial instruments as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023		Dec. 31, 2022	
		Current	Non-current	Current	Non-current
Periodical installment savings	₩	12,078,494	20,755	11,500,000	20,755
Others		80,000,000	-	124,576,482	-
Total	₩	92,078,494	20,755	136,076,482	20,755

14. INVENTORIES:

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

(In thousands of won)		Dec. 31, 2023			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	207,282	-	-	207,282
Merchandises		10,028,371	-	-	10,028,371
Work in progress		1,244,133	-	-	1,244,133
Supplies		598,865,772	(247,134,477)	(2,277)	351,729,018
Inventory in transit		462,085	-	-	462,085
Total	₩	610,807,643	(247,134,477)	(2,277)	363,670,889

(In thousands of won)		Dec. 31, 2022			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	182,984	-	-	182,984
Merchandises		8,363,093	-	-	8,363,093
Work in progress		1,115,589	-	-	1,115,589
Supplies		498,054,961	(163,153,665)	(2,277)	334,899,019
Inventory in transit		243,491	-	-	243,491
Total	₩	507,960,118	(163,153,665)	(2,277)	344,804,176

15. NON-FINANCIAL ASSETS:

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

(In thousands of won)		Dec. 31, 2023		Dec. 31, 2022	
		Current	Non-current	Current	Non-current
Prepayment	₩	140,868,438	-	148,355,438	-
Government grants		(100,114,003)	-	(58,582,449)	-
Allowance for bad debts		(51,117)	-	(47,746)	-
Prepaid expenses		7,648,343	4,064,993	9,756,734	4,023,040
Other non-financial assets		2,974,622	6,281	1,910,250	154,905
Total	₩	51,326,283	4,071,274	101,392,227	4,177,945

(2) Other non-financial assets as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023		Dec. 31, 2022	
		Current	Non-current	Current	Non-current
Deposits	₩	1,811,361	-	1,755,360	-
Non-financial assets-others		1,163,261	6,281	154,890	154,905
Total	₩	2,974,622	6,281	1,910,250	154,905

16. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of December 31, 2023 and 2022 are detailed as follows:

(In thousands of won)	Primary business	Location	Dec. 31, 2023		
			Owner-ship(%)	Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩ 1,765,000	1,329,188
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00	250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90	897,000	-
SR Co., Ltd.	Businesses related to passenger Rail Transport	Republic of Korea	41.05	350,300,000	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	Real Estate Development, Sale and Lease	Republic of Korea	20.16	9,259,400	9,186,253
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67	84,338,340	24,987,423
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	682,300	2,907,275
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08	699,962	3,115,276
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	6,833,050	2,427,954
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04	12,953,517	49,045,987
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55	1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00	600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78	4,862,340	5,668,406
	Total			₩ 724,792,910	447,773,266

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

16. INVESTMENTS IN ASSOCIATES, Continued:

(1) Investments in associates as of December 31, 2023 and 2022 are detailed as follows, Continued:

(In thousands of won)	Primary business	Location	Dec. 31, 2022		
			Owner-ship(%)	Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩ 1,765,000	1,414,206
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00	250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90	897,000	-
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67	84,338,340	24,912,711
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	682,300	2,090,637
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08	699,962	3,203,407
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	6,833,050	2,908,665
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04	12,953,517	45,930,297
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55	1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00	600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78	4,862,340	4,931,665
	Total			₩ 365,233,510	85,391,588

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

16. INVESTMENTS IN ASSOCIATES, Continued:

(2) Financial information of significant associates as of December 31, 2023 and 2022 are as follows:

(In thousands of won)	Lotte Station Building Co., Ltd.		Hanwha Station Development Co., Ltd.		SR Co., Ltd.	
	2023	2022	2023	2022	2023	2022
Current Assets ₩	69,838,667	78,844,122	32,258,794	30,420,089	185,053,911	-
Non-current assets	96,455,855	126,906,013	485,919,789	444,485,788	893,425,593	-
Current liabilities	74,498,618	101,306,380	88,188,396	97,919,989	221,826,081	-
Non-current liabilities	12,888,263	25,772,045	276,925,866	233,645,113	240,888,521	-
Revenue	111,652,349	111,554,409	191,726,993	152,272,589	697,772,029	-
Profit for the year	(835,336)	(1,769,892)	11,768,664	5,022,676	9,204,812	-
Total comprehensive profit for the year	(835,336)	(13,520,342)	11,775,431	5,186,561	7,785,862	-
Dividend received	-	6,840,000	629,647	-	-	-

(3) Details of adjustments made for book value of associates as of December 31, 2023 are as follows

(In thousands of won)	Net assets	Ownership	Share of interests in net assets	Investment difference	Book value
Uiwang ID Co., Ltd ₩	5,316,753	25.00%	1,329,188	-	1,329,188
SR Co., Ltd.	615,764,902	41.05%	252,777,053	96,328,451	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd	44,369,938	20.16%	8,946,550	239,703	9,186,253
Lotte Station Building Co., Ltd.	78,907,641	31.67%	24,987,423	-	24,987,423
Bupyeong Department Store Co., Ltd	11,629,089	25.00%	2,907,275	-	2,907,275
Anyang Station Building Co., Ltd.	11,947,369	26.08%	3,115,276	-	3,115,276
Bucheon Station Building Co., Ltd.	9,711,817	25.00%	2,427,954	-	2,427,954
Hanwha Station Development Co., Ltd.	153,064,322	32.04%	49,045,987	-	49,045,987
Bit Plex Co., Ltd.	23,833,783	23.78%	5,668,406	-	5,668,406
Total ₩	954,545,614		351,205,112	96,568,154	447,773,266

16. INVESTMENTS IN ASSOCIATES, Continued:

(4) Book value of non-significant associates and joint ventures is as follows:

(In thousands of won)		Individually non-significant associates and joint ventures
Book value	₩	24,634,352
Profit attributable to associates and joint ventures:		
Profit from continuing operations	₩	12,926,098
Other comprehensive income		17,933
Total	₩	12,944,031

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

(In thousands of won)		Beginning balance	Acquisition	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,414,206	-	-	(85,018)	-	-	1,329,188
SR Co., Ltd.		-	350,300,000	-	562,732	(582,492)	(1,174,736)	349,105,504
Cheonan station influence area urban regeneration innovation district reit Co,. Ltd		-	9,259,400	-	(69,670)	(3,477)	-	9,186,253
Lotte Station Building Co., Ltd.		24,912,711	-	-	(264,848)	-	339,560	24,987,423
Bupyeong Department Store Co., Ltd.		2,090,637	-	-	804,757	-	11,881	2,907,275
Anyang Station Building Co., Ltd		3,203,407	-	(65,188)	(93,905)	-	70,962	3,115,276
Bucheon Station Building Co., Ltd.		2,908,665	-	(1,500,000)	1,214,660	-	(195,371)	2,427,954
Hanwha Station Development Co., Ltd.		45,930,297	-	(629,647)	3,771,001	2,168	(27,832)	49,045,987
Bit Plex Co., Ltd.		4,931,665	-	-	1,044,133	-	(307,392)	5,668,406
		85,391,588	359,559,400	(2,194,835)	6,883,842	(583,801)	(1,282,928)	447,773,266

(In thousands of won)		Beginning balance	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,444,136	-	(29,930)	-	-	1,414,206
Lotte Station Building Co., Ltd.		34,878,751	(5,700,000)	(560,466)	(3,720,976)	15,402	24,912,711
Bupyeong Department Store Co., Ltd.		2,259,405	-	(86,004)	-	(82,764)	2,090,637
Anyang Station Building Co., Ltd		3,353,374	(65,187)	(115,625)	-	30,845	3,203,407
Bucheon Station Building Co., Ltd.		2,897,589	(1,250,000)	1,227,069	-	34,007	2,908,665
Hanwha Station Development Co., Ltd.		44,982,655	(629,647)	1,609,403	(10,374)	(21,740)	45,930,297
Bit Plex Co., Ltd.		4,010,652	-	920,495	-	518	4,931,665
		93,826,562	(7,644,834)	2,964,942	(3,731,350)	(23,732)	85,391,588

16. INVESTMENTS IN ASSOCIATES, Continued:

(6) Details of unrecognized equity losses for the year ended December 31, 2023 and accumulated unrecognized equity losses due to discontinuance of equity method application are as follows:

(In thousands of won)	Unrecognized equity losses for the year ended	Unrecognized equity losses Accumulated
YongSan Station Around Development Co., Ltd.	-	(2,904,581)
Shinsegae Uijeongbu Station Building Co., Ltd.	28,519	(1,236,472)
Kwangwoon Univ. Building Co., Ltd.	-	(3,505,086)
Ansan Central Station Building Co., Ltd.	-	(174,474)

Investment stocks that have lost significant influence due to bankruptcy are not included.

17. PROPERTY, TRAINS AND EQUIPMENT:

(1) Details of property, trains and equipment as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,569,077,913	(6,598,459)	-	-	17,562,479,454
Buildings(*)		2,228,710,037	(119,385,183)	(728,257,563)	(39,690)	1,381,027,601
Structures		337,310,713	(6,869,550)	(179,654,747)	(652,134)	150,134,282
Machinery		1,683,050,723	(17,977,828)	(1,039,779,857)	-	625,293,038
Trains		9,726,568,260	(215,216,047)	(4,519,384,055)	(2,661,000)	4,989,307,158
Vehicles		50,014,024	(38,675)	(40,126,249)	-	9,849,100
Furniture and fixtures		17,949,073	(3,341)	(13,332,666)	-	4,613,066
Tools		137,529,163	(62,986)	(111,138,572)	-	26,327,605
Construction in progress		1,241,920,724	-	-	-	1,241,920,724
Right-of-use assets		48,815,588	-	(25,034,380)	-	23,781,208
Other tangible assets		30,699,266	(48,091)	(1,850,840)	-	28,800,335
Total	₩	33,071,645,484	(366,200,160)	(6,658,558,929)	(3,352,824)	26,043,533,571

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

(In thousands of won)		Dec. 31, 2022				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,565,924,377	(6,598,459)	-	-	17,559,325,918
Buildings(*)		2,168,733,527	(122,736,343)	(676,501,028)	(62,233)	1,369,433,923
Structures		325,563,286	(7,376,122)	(166,614,420)	(652,134)	150,920,610
Machinery		1,593,272,376	(25,441,642)	(1,029,661,337)	-	538,169,397
Trains		9,352,315,629	(237,750,310)	(4,404,360,970)	(2,661,000)	4,707,543,349
Vehicles		53,175,179	(213,934)	(40,852,135)	-	12,109,110
Furniture and fixtures		18,789,066	(8,792)	(14,176,881)	-	4,603,393
Tools		142,785,058	(117,405)	(118,453,621)	-	24,214,032
Construction in progress		1,219,439,523	-	-	-	1,219,439,523
Right-of-use assets		38,086,036	-	(17,744,731)	-	20,341,305
Other tangible assets		34,888,763	(51,913)	(5,179,861)	-	29,656,989
Total	₩	32,512,972,820	(400,294,920)	(6,473,544,984)	(3,375,367)	25,635,757,549

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

17. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(2) Changes in property, trains and equipment for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	17,559,325,918	628,899	(8,830,026)	-	11,354,663	17,562,479,454
Buildings (*)		1,369,433,923	40,322,693	(5,434,891)	(50,050,692)	26,756,568	1,381,027,601
Structures		150,920,610	11,940,522	(244,138)	(13,689,558)	1,206,846	150,134,282
Machinery		538,169,397	116,444,938	(468,247)	(60,815,880)	31,962,830	625,293,038
Trains		4,707,543,349	900,381,223	(10,206,295)	(397,362,079)	(211,049,040)	4,989,307,158
Vehicles		12,109,110	26,349,738	(2,722)	(4,516,196)	(24,090,830)	9,849,100
Furniture and fixtures		4,603,393	1,676,017	(32,716)	(1,585,383)	(48,245)	4,613,066
Tools		24,214,032	11,826,725	(43,748)	(10,003,556)	334,152	26,327,605
Construction in progress		1,219,439,523	629,154,722	-	-	(606,673,521)	1,241,920,724
Right-of-use assets		20,341,305	-	(42,161)	(11,820,390)	15,302,454	23,781,208
Other tangible assets		29,656,989	854,449	(99,662)	(424,318)	(1,187,123)	28,800,335
	W	25,635,757,549	1,739,579,926	(25,404,606)	(550,268,052)	(756,131,246)	26,043,533,571

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	14,458,254,512	51,444,658	(54,899,694)	-	3,104,526,442	17,559,325,918
Buildings (*)		1,366,747,342	41,610,518	(715,045)	(48,114,963)	9,906,071	1,369,433,923
Structures		159,771,335	4,731,728	(1,718,968)	(14,985,780)	3,122,295	150,920,610
Machinery		415,480,111	42,620,918	(1,044,861)	(58,883,267)	139,996,496	538,169,397
Trains		4,610,495,264	439,767,742	(5,244,772)	(391,122,723)	53,647,838	4,707,543,349
Vehicles		108,082,294	43,531,046	(515,159)	(7,876,812)	(131,112,259)	12,109,110
Furniture and fixtures		3,420,729	1,107,861	(25,142)	(1,430,266)	1,530,211	4,603,393
Tools		28,357,746	7,667,455	(16,373)	(13,012,648)	1,217,852	24,214,032
Construction in progress		884,164,797	391,348,453	-	-	(56,073,727)	1,219,439,523
Right-of-use assets		11,802,005	-	-	(8,798,020)	17,337,320	20,341,305
Other tangible assets		30,509,754	128,400	(97,235)	(886,432)	2,502	29,656,989
	W	22,077,085,889	1,023,958,779	(64,277,249)	(545,110,911)	3,144,101,041	25,635,757,549

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

17. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(3) Accounting policy for subsequent measurement

The Group measured the fair value of the land, and commissioned Gaon Appraisal & Realty Advisor, the independent and publicly authorized appraisal institutions. The fair value is measured based on actual market price, taking into account differences arising from specific assets' characteristics, location and condition of the market, and the date of revaluation is December 31, 2022.

Details of accumulated gain on revaluation of assets recognized in other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Beginning balance	₩	9,674,280,718	7,204,073,356
Gain on revaluation of the land		-	3,330,542,588
Tax effect		-	(768,676,332)
Reclassification of gain on revaluation of assets to retained earnings		(139,149,161)	(91,658,894)
Ending balance	₩	9,535,131,557	9,674,280,718

18. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2023 and 2022 are as follows:

		Dec. 31, 2023			
(In thousands of won)		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	568,033,350	-	-	568,033,350
Buildings and structure		226,973,306	(3,280,393)	(68,508,986)	155,183,927
Total	₩	795,006,656	(3,280,393)	(68,508,986)	723,217,277

		Dec. 31, 2022			
(In thousands of won)		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	611,494,451	-	-	611,494,451
Buildings and structure		235,084,156	(3,307,838)	(65,128,007)	166,648,311
Total	₩	846,578,607	(3,307,838)	(65,128,007)	778,142,762

18. INVESTMENT PROPERTY, Continued:

(2) Changes in investment property for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	611,494,451	567,563	-	(44,028,664)	568,033,350
Buildings and structure		166,648,311	194,438	(5,212,847)	(6,445,975)	155,183,927
	₩	778,142,762	762,001	(5,212,847)	(50,474,639)	723,217,277

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(In thousands of won)		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	635,600,799	-	-	(24,106,348)	611,494,451
Buildings and structure		183,002,623	169,925	(5,952,448)	(10,571,789)	166,648,311
	₩	818,603,422	169,925	(5,952,448)	(34,678,137)	778,142,762

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(3) Income and expense from investment property for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Rental income	₩	63,929,996	61,240,453
Operating expenses		(10,502,145)	(5,952,448)
Total	₩	53,427,851	55,288,005

19. CONSTRUCTION CONTRACTS:

(1) During the year ended December 31, 2023 and 2022, changes in outstanding balance of construction contracts are as follows:

(In thousands of won)		Contract price outstanding as of Jan. 1, 2023	Increase (decrease)	Current construction revenue	Contract price outstanding as of Dec. 31, 2023
Domestic civil engineering works	₩	1,521,237	513,175	(1,395,836)	638,576

(In thousands of won)		Contract price outstanding as of Jan. 1, 2022	Increase (decrease)	Current construction revenue	Contract price outstanding as of Dec. 31, 2022
Domestic civil engineering works	₩	9,847,351	145,819	(8,471,933)	1,521,237

Revenue from new construction contracts increased by W513,175 thousand (W426,182 thousand in 2022) and revenue from changes in construction contracts decreased by W273,896 thousand in 2022.

(2) Details of profit or loss related to the construction contract recognized during the years ended December 31, 2023 and 2022 are as follows:

		2023		
(In thousands of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	9,689,606	(9,094,391)	595,215

		2022		
(In thousands of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	26,097,979	(22,823,253)	3,274,726

(3) Advances from construction contracts is W265,394 thousand at December 31, 2023.

20. GOODWILL:

(1) Goodwill as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Acquisition costs	₩	3,972,453	4,095,870
Accumulated impairment loss		(362,964)	(362,964)
Book value		3,609,489	3,732,906

(2) During the year ended December 31, 2023 and 2022, changes in goodwill are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Beginning balance	₩	3,732,906	3,732,906
Changes in Scope for Consolidation(*)		(123,417)	-
Ending balance		3,609,489	3,732,906

(*) During the year ended December 31, 2023, the consolidation company lost control of SR Co., Ltd.

21. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2023 and 2022 are as follows:

		Dec. 31, 2023			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	70,801,351	(62,258,911)	-	8,542,440
Industrial property rights		315,463	(231,552)	-	83,911
Development costs		26,427,183	(19,310,207)	(313,901)	6,803,075
Developing intangible assets		664,242	-	-	664,242
Service operating rights on donated assets		496,063	(396,836)	-	99,227
Other intangible assets		25,711,013	-	-	25,711,013
	₩	124,415,315	(82,197,506)	(313,901)	41,903,908

		Dec. 31, 2022			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	81,137,386	(69,251,480)	(22,311)	11,863,595
Industrial property rights		354,131	(231,552)	-	122,579
Development costs		30,230,031	(21,260,104)	(484,167)	8,485,760
Developing intangible assets		1,000	-	-	1,000
Service operating rights on donated assets		496,063	(363,763)	-	132,300
Other intangible assets		25,878,596	-	-	25,878,596
	₩	138,097,207	(91,106,899)	(506,478)	46,483,830

21. INTANGIBLE ASSETS, Continued:

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

		2023						
(In thousands of won)		Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance	W	122,579	8,485,760	11,863,595	132,300	25,878,596	1,000	46,483,830
Increase		-	1,673,973	636,741	-	-	1,152,312	3,463,026
Disposals		-	-	(1,212)		-		(1,212)
Amortization		(31,952)	(2,407,726)	(3,042,418)	(33,073)	(167,583)	-	(5,682,752)
Other		(6,716)	(948,932)	(914,266)	-	-	(489,070)	(2,358,984)
Ending balance	W	83,911	6,803,075	8,542,440	99,227	25,711,013	664,242	41,903,908

		2022						
(In thousands of won)		Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance	W	155,671	11,452,378	3,414,225	165,372	25,803,917	1,718,634	42,710,197
Increase		-	669,255	7,404,081	-	1,481,240	-	9,554,576
Disposals		-	-	-	-	(20,796)	-	(20,796)
Amortization		(33,092)	(4,913,756)	(2,375,482)	(33,072)	(233,762)	-	(7,589,164)
Other		-	1,277,883	3,420,771	-	(1,152,003)	(1,717,634)	1,829,017
Ending balance	W	122,579	8,485,760	11,863,595	132,300	25,878,596	1,000	46,483,830

(3) Emission rights

(i) Free allocation of emission rights

The amounts of free allocation for emission rights for each planning period and implementation year as of December 31, 2023 are as follows (in TCO2-eq):

(In thousands of won)		2021	2022	2023	2024	2025	Total
Free allocation of emission rights	₩	2,035,174	2,035,174	2,035,174	2,035,174	2,035,174	10,175,870

(ii) Estimated greenhouse gas emissions in 2023 were 1,817,573 TCO2-eq, and permitted greenhouse gas emissions in 2023 were 2,035,174 TCO2-eq.

22. TRADE AND OTHER PAYABLES:

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

		Dec. 31, 2023		Dec. 31, 2022	
(In thousands of won)		Current	Non-current	Current	Non-current
Trade payables	₩	321,509,068	-	271,104,934	-
Other payables		423,914,126	-	173,212,648	-
Accrued expense		390,500,693	-	418,528,331	-
Other guarantee deposit received		8,510,339	46,860,577	11,542,182	42,531,614
Lease Liabilities		9,515,884	13,723,706	7,683,885	12,428,067
Total	₩	1,153,950,110	60,584,283	882,071,980	54,959,681

23. FINANCIAL LIABILITIES:

(1) Financial liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Current liabilities:			
Short-term borrowings	₩	3,700,000	102,800,000
Current portion of long-term borrowings		100,000,000	200,000,000
Current bonds		1,572,433,000	1,089,564,600
Deduct: Bond issuance discount		(117,815)	(54,429)
Add: Bond issuance premium		171,834	-
Subtotal		1,676,187,019	1,392,310,171
Non-current liabilities:			
Long-term borrowings		-	100,000,000
Bonds		13,407,407,500	12,538,538,700
Deduct: Bond issuance discount		(4,070,624)	(3,280,764)
Add: Bond issuance premium		-	366,153
Subtotal		13,403,336,876	12,635,624,089
Total	₩	15,079,523,895	14,027,934,260

(2) Short-term borrowings as of December 31, 2023 and 2022 are as follows:

(In thousands of won)	Type of borrowings	Interest rate		Dec. 31, 2023	Dec. 31, 2022
NongHyup Bank	Working fund borrowing	Variable (*1)	₩	3,700,000	-
NongHyup Bank	Working fund borrowing	1.93%		-	12,800,000
Shinhan bank	CP	4.33%		-	90,000,000
	Total		₩	3,700,000	102,800,000

(*1) KORIBOR(1M) + 0.8%

(3) Current portion of long-term borrowings as of December 31, 2023 are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2023
DBS Bank	Working fund borrowing	1.53%	2024	100,000,000

23. FINANCIAL LIABILITIES, Continued:

(4) Long-term borrowings as of December 31, 2023 and 2022 are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2023
DBS Bank	Working capital loan	1.53%	2024	100,000,000
	Subtotal			100,000,000
	Less: reclassified to current borrowings			(100,000,000)
	Total			₩ -

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2022
Hana Bank	Long-term loan	Variable (*1)	2023	200,000,000
DBS Bank	Working capital loan	1.53%	2024	100,000,000
	Subtotal			300,000,000
	Less: reclassified to current borrowings			(200,000,000)
	Total			₩ 100,000,000

(*1) 91-day CD+0.33%

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2023 and 2022 are as follows:

			Dec. 31, 2023		
(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	44,004,000
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		38,700,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		107,210,400
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		71,329,500
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		156,924,900
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		142,659,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		85,595,400
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		229,023,000
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000		229,023,000
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000		193,410,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		136,760,400
Foreign public bond27	CHF 2.0275%	2025-11-14	CHF 250,000,000		381,705,000
Foreign public bond28	SGD 4.22%	2025-11-08	SGD 65,000,000		63,495,900
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-		110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-		40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-		100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-		70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-		70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-		150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-		150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-		200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2023 and 2022 are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023	
			Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation157	2.40%	2047-03-21	-	140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-	150,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-	80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-	130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-	70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-	150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-	150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-	50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-	50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-	40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-	160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation195	1.11%	2024-02-05	-	100,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07	-	100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21	-	130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22	-	80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04	-	100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04	-	140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24	-	60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24	-	160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07	-	160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07	-	80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18	-	50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18	-	150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24	-	150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21	-	80,000,000
Korea Railroad Corporation220	5.04% * Accrual Factor	2034-07-28	-	30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25	-	30,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2023and 2022 are as follows, continued:

(In CHF, USD, AUD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2023 Borrowings denominated in foreign currency		Dec. 31, 2023 Borrowings denominated in won
Korea Railroad Corporation222	3.90%	2052-09-02	-	₩	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-		60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-		190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-		90,000,000
Korea Railroad Corporation226	5.96%	2024-10-28	-		100,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-		100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-		100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-		210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-		100,000,000
Korea Railroad Corporation231	3.91%	2026-02-23	-		140,000,000
Korea Railroad Corporation232	3.92%	2028-02-23	-		60,000,000
Korea Railroad Corporation233	3.71%	2043-03-20	-		200,000,000
Korea Railroad Corporation234	3.64%	2043-03-29	-		120,000,000
Korea Railroad Corporation235	3.76%	2028-04-20	-		150,000,000
Korea Railroad Corporation236	3.62%	2028-05-12	-		100,000,000
Korea Railroad Corporation237	4.06%	2028-05-30	-		120,000,000
Korea Railroad Corporation238	4.03%	2028-06-23	-		100,000,000
Korea Railroad Corporation239	3.98%	2028-07-24	-		120,000,000
Korea Railroad Corporation240	3.89%	2053-07-24	-		190,000,000
Korea Railroad Corporation241	4.18%	2053-09-22	-		170,000,000
Korea Railroad Corporation242	4.67%	2028-10-23	-		100,000,000
Korea Railroad Corporation243	3.81%	2028-12-13	-		70,000,000
Korea Railroad Corporation244	3.82%	2033-12-13	-		220,000,000
Korea Railroad Corporation245	3.65%	2026-12-18	-		50,000,000
		KRW	-		13,100,000,000
		USD	150,000,000		193,410,000
		CHF	550,000,000		839,751,000
Subtotal		SGD	205,000,000		200,256,300
		AUD	50,000,000		44,004,000
		SEK	300,000,000		38,700,000
		CAD	110,000,000		107,210,400
		EUR	320,000,000		456,508,800
		KRW	-		1,150,000,000
Deduct: reclassified to current		USD	150,000,000		193,410,000,000
		CHF	150,000,000		229,023,000,000
		KRW	-	₩	1,195,000,000
		CHF	400,000,000		610,728,000
		SGD	205,000,000		200,256,300
Total (Non-current bonds)		AUD	50,000,000		44,004,000
		SEK	300,000,000		38,700,000
		CAD	110,000,000		107,210,400
		EUR	320,000,000		456,508,800
				₩	13,407,407,500

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2023 and 2022 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2022	
			Borrowings denominated in foreign currency	Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩ 42,920,500
Foreign public bond13	HKD 2.60%	2023-05-25	HKD 921,000,000	149,708,550
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000	36,351,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000	102,891,800
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000	67,560,000
Foreign public bond18	HKD 3.375%	2023-06-07	HKD 631,000,000	102,569,050
Foreign public bond19	CHF 0.2%	2023-07-12	CHF 100,000,000	137,287,000
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000	148,632,000
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000	135,120,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000	81,072,000
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000	205,930,500
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000	205,930,500
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000	190,095,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000	132,035,400
Korea Railroad Corporation82	4.27%	2026-08-08	-	120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-	100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-	130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-	200,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-	90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-	100,000,000
Korea Railroad Corporation102	3.20%	2023-02-07	-	100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-	90,000,000
Korea Railroad Corporation107	3.62%	2023-09-26	-	100,000,000
Korea Railroad Corporation110	3.68%	2023-10-29	-	50,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-	110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-	40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-	60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-	40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-	60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-	50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-	100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-	70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-	70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-	150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-	150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-	150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-	100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-	220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-	200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-	200,000,000
Korea Railroad Corporation142	1.79%	2023-04-11	-	150,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-	110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-	100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-	70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-	150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-	70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-	40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-	130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-	150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-	70,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2023 and 2022 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2022	
			Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation157	2.40%	2047-03-21	-	140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-	150,000,000
Korea Railroad Corporation160	2.12%	2023-04-17	-	120,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-	80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-	130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-	70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-	150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-	150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-	50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-	50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-	40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-	160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation192	1.10%	2023-09-15	-	80,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation195	1.11%	2024-02-05	-	100,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07	-	100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21	-	130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22	-	80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04	-	100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04	-	140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24	-	60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24	-	160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07	-	160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07	-	80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18	-	50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18	-	150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24	-	150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21	-	80,000,000
Korea Railroad Corporation220	5.04% * Accrual Factor	2034-07-28	-	30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25	-	30,000,000

23. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2023 and 2022 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2022 Borrowings denominated in foreign currency		Dec. 31, 2022 Borrowings denominated in won
Korea Railroad Corporation222	3.90%	2052-09-02	-	₩	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-		60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-		190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-		90,000,000
Korea Railroad Corporation226	5.96%	2024-10-28	-		100,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-		100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-		100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-		210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-		100,000,000
Bond issuance	1.79%	2023-06-28	-		100,000,000
		KRW	-		11,890,000,000
		USD	150,000,000		190,095,000
		CHF	400,000,000		549,148,000
		SGD	140,000,000		132,035,400
Subtotal		AUD	50,000,000		42,920,500
		HKD	1,552,000,000		252,277,600
		SEK	300,000,000		36,351,000
		CAD	110,000,000		102,891,800
		EUR	320,000,000		432,384,000
		KRW	-		700,000,000
Deduct: reclassified to current		CHF	100,000,000		137,287,000,000
		HKD	1,552,000,000		252,277,600,000
		KRW	-	₩	1,119,000,000
		USD	150,000,000		190,095,000
		CHF	300,000,000		411,861,000
Total		SGD	140,000,000		132,035,400
(Non-current bonds)		AUD	50,000,000		42,920,500
		SEK	300,000,000		36,351,000
		CAD	110,000,000		102,891,800
		EUR	320,000,000		432,384,000
				₩	12,538,538,700

24. OTHER FINANCIAL LIABILITIES:

Other Financial Liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023 Current	Dec. 31, 2023 Non-current	Dec. 31, 2022 Current	Dec. 31, 2022 Non-current
Other financial liabilities (*)	₩	-	-	219,628,728	-

(*) The Group acquired a non-controlling shareholder's equity in SR Co., Ltd. and decreased accordingly.

25. LEASE:

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

(In thousands of won)		Dec. 31, 2023		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	40,025,618	(19,838,295)	20,187,323
Real estate		8,789,970	(5,196,085)	3,593,885
Total	₩	48,815,588	(25,034,380)	23,781,208

(In thousands of won)		Dec. 31, 2022		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	27,663,837	(11,828,270)	15,835,567
Real estate		10,422,198	(5,916,460)	4,505,738
Total	₩	38,086,035	(17,744,730)	20,341,305

(2) Details of the changes in the right-of-use assets for the year ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023				
		Beginning balance	Increase	Depreciation	Other	Ending balance
Vehicle	₩	15,835,566	12,049,958	(9,479,848)	1,781,647	20,187,323
Real estate		4,505,739	1,911,556	(2,340,542)	(482,868)	3,593,885
Total	₩	20,341,305	13,961,514	(11,820,390)	1,298,779	23,781,208

(In thousands of won)		2022			
		Beginning balance	Increase	Depreciation	Ending balance
Vehicle	₩	7,986,555	14,419,969	(6,570,958)	15,835,566
Real estate		3,815,450	2,917,351	(2,227,062)	4,505,739
Total	₩	11,802,005	17,337,320	(8,798,020)	20,341,305

25. LEASE, Continued:

(3) Details of maturity analysis of lease liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
1 year or less	₩	9,902,847	2,896,704
1 year~5 years or less		13,550,270	10,353,162
More than 5 years		1,693,039	8,900,118
Subtotal		25,146,156	22,149,984
Current value adjustment amount, etc.		(1,906,566)	(2,038,032)
Present value of contractual cash flows	₩	23,239,590	20,111,952

(4) Liquidity classification of the lease liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Current lease liabilities	₩	9,515,884	7,683,885
Non-current lease liabilities		13,723,706	12,428,067

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

(In thousands of won)		2023	2022
Beginning balance	₩	20,111,952	20,748,541
New contract		12,543,735	7,451,580
Interest expense		770,166	580,128
Payments		(11,660,557)	(8,668,297)
Other		1,474,294	-
Ending balance	₩	23,239,590	20,111,952

(6) The amount recognized in profit or loss from the position of the lessee for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Depreciation of right-of-use asset	₩	11,820,390	8,798,020
Interest expenses on lease liabilities		770,166	580,128
Expenses related to short-term lease applying practical expedients		1,485,907	245,426
Expenses related to small value assets applying practical expedients		94,781	178,690
Variable lease payments not included in lease liability measurement		691,037,447	723,231,831
Total	₩	705,208,691	733,034,095

26. Defined liabilities:

(1) Defined contribution plan

The Group operates a defined contribution plan for employees of Korea Railroad Corporation, KORAIL Networks Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd. and KORAIL Tech Co., Ltd. Plan assets are operated independently from the Group's other assets in the form of funds.

Total expense included in the consolidated statement of comprehensive loss for the year ended December 31, 2023, amounting to W11,283,800 thousand (2022: W7,400,676 thousand), represents the contributions to the retirement benefit plan according to the ratio pursuant to retirement benefit plan.

Expense presented above is recognized in the consolidated statements of comprehensive loss for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Cost of sales	₩	7,411,566	6,432,341
Selling, general and administrative expense		3,872,234	968,335
Total	₩	11,283,800	7,400,676

(2) Defined benefits retirement plan

The Group operates a defined benefit retirement plan for all other employees who do not participate in the defined contribution plan.

The major actuarial calculation of the plan asset and the defined benefit retirement liabilities was performed by HMC investment securities Co., Ltd. whose report was dated December 31, 2023. Present value of defined benefit liabilities, current service costs and past service costs are calculated using the projected credit method.

(i) The component of defined benefit liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligations	₩	1,398,240,573	1,309,489,761
Fair value of plan assets		(175,214,723)	(174,905,240)
Recognized as defined benefit liabilities in the consolidated statement of financial position	₩	1,223,025,850	1,134,584,521

26. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

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

(In thousands of won)		2023	2022
Beginning balance	₩	1,309,489,761	1,404,750,598
Current service costs		167,352,720	196,924,952
Interests		67,999,454	45,286,622
Actuarial gains or losses		16,185,671	(201,113,157)
Benefit paid		(138,313,912)	(137,391,225)
Other		(24,473,121)	1,031,971
Ending balance	₩	1,398,240,573	1,309,489,761

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

(In thousands of won)		2023	2022
Beginning balance	₩	174,905,240	148,010,845
Expected return on plan assets		8,793,111	3,982,943
Actuarial gains or losses		692,359	(1,315,101)
Benefit paid by the plan		(21,135,284)	(15,247,650)
Contribution paid into the plan		11,959,297	39,474,203
Ending balance	₩	175,214,723	174,905,240

(iv) Expense recognized in profit or loss

(In thousands of won)		2023	2022
Current service costs	₩	167,352,720	196,924,952
Interests		67,999,454	45,286,622
Expected return on plan assets		(8,793,111)	(3,982,943)
Other		-	128,851
Total	₩	226,559,063	238,357,482

26. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(iv) Expense recognized in profit or loss, continued

Expense presented above is recognized in the consolidated statements of comprehensive income as follows:

(In thousands of won)		2023	2022
Cost of sales	₩	212,208,661	221,356,538
Selling, general and administrative expense		14,350,402	17,000,944
Total	₩	226,559,063	238,357,482

(v) Remeasurement factors recognized in other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Actuarial gain (loss)	₩	(16,185,671)	201,113,158
Interests of plan assets		692,359	(1,315,101)
Subtotal		(15,493,312)	199,798,057
Tax effect		3,169,416	(52,883,641)
Total	₩	(12,323,896)	146,914,416

Remeasurement factors were directly reclassified to retained earnings in the consolidated statement of financial position.

(vi) Plan assets details:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	₩	175,214,723	174,905,240

(vii) Principal actuarial assumptions at the reporting date

	Dec. 31, 2023	Dec. 31, 2022
Discount rate (expected return on plan assets)	3.71%~5.13%	3.71%~5.95%
Future salary increases	2.00%~5.25%	2.00%~4.75%

As for the defined benefit liabilities and plan assets, the Group applied market yield of A-rated corporate bonds (Public offering, unsecured: AA0).

27. PROVISIONS:

(1) Provisions as of December 31, 2023 and 2022 are as follows:

(In thousands of won)	Dec. 31, 2023		Dec. 31, 2022	
	Current	Non-current	Current	Non-current
Provisions for employee benefits ₩	313,333,055	-	315,830,559	-
Warranty provision	-	97,021	-	85,531
Legal proceedings provision	-	17,528,124	-	6,388,713
Provision for decommissioning, restoration and rehabilitation costs (*1)	35,857,667	302,199	49,229,448	2,445,194
Miscellaneous other provisions	3,124	100,000	738	100,000
Provisions for ordinary wages (*2)	35,111,354	-	-	285,163,807
Total ₩	384,305,200	18,027,344	365,060,745	294,183,245

(*1) As the Group is obligated to restore contamination of lands in use, the Group recognizes the future expenditure amount as provisions during construction every year.

(*2) The Group has recognized provisions for the provision of retroactive claims for the provision of work in the past period based on the assumption that the prescribed allowances are subject to normal wage recognition.

27. PROVISIONS, Continued:

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

		2023					
(In thousands of won)		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	315,830,559	217,096,980	(216,555,843)	-	(3,038,641)	313,333,055
Warranty provision		85,531	17,560	-	(6,070)	-	97,021
Legal proceedings provision		6,388,713	11,241,656	-	(102,245)	-	17,528,124
Provision for decommissioning, restoration and rehabilitation costs		51,674,642	41,731,153	(53,207,134)	(5,304,645)	1,265,850	36,159,866
Miscellaneous other provisions		100,738	71,065	(68,679)	-	-	103,124
Provisions for ordinary wages		285,163,807	18,004,102	(267,958,192)	-	(98,363)	35,111,354
Total	₩	659,243,990	288,162,516	(537,789,848)	(5,412,960)	(1,871,154)	402,332,544

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

		2022					
(In thousands of won)		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	320,482,668	239,085,737	(243,758,609)	-	20,763	315,830,559
Warranty provision		70,763	19,748	(4,980)	-	-	85,531
Legal proceedings provision		6,835,155	394,586	-	(841,028)	-	6,388,713
Provision for decommissioning, restoration and rehabilitation costs		119,025,577	228,045	(54,719,686)	(15,771,436)	2,912,142	51,674,642
Miscellaneous other provisions		100,324	5,385	(4,971)	-	-	100,738
Provisions for ordinary wages		516,390,302	17,985,008	(248,705,235)	(506,268)	-	285,163,807
Total	₩	962,904,789	257,718,509	(547,193,481)	(17,118,732)	2,932,905	659,243,990

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

28. GOVERNMENT GRANTS:

(1) Accounting treatment for government grants

In accordance with Korean Government-owned and Quasi-government Accounting Regulation and Standards, government grants used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against the depreciation expenses of the acquired assets during the useful lives of the assets.

(2) Government grants as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	₩	(39,569,012)	(28,665,809)
Land		(6,598,459)	(6,598,459)
Buildings		(119,385,183)	(122,736,343)
Prepayment		(3,404,505)	(195,390)
Structures		(6,869,550)	(7,376,122)
Machinery (*1)		(17,977,828)	(25,441,642)
Trains		(215,216,047)	(237,750,310)
Vehicles		(38,675)	(213,934)
Tools		(3,341)	(8,792)
Fixtures		(62,986)	(117,405)
Investment property (buildings)		(48,091)	(51,913)
Other property, plant and equipment		(3,280,393)	(3,307,838)
Computer software		-	(22,310)
Development costs		(313,901)	(484,167)
Total	₩	(412,767,971)	(432,970,434)

(*1) Servers are included.

28. GOVERNMENT GRANTS, Continued:

(3) Changes in government grants for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023							
		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(28,665,809)	(413,573,925)	78,404	-	-	398,797,618	3,794,700	(39,569,012)
Prepayment		(195,390)	-	-	-	-	-	(3,209,115)	(3,404,505)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(122,736,343)	-	-	3,277,792	-	-	73,368	(119,385,183)
Structures		(7,376,122)	-	-	506,572	-	-	-	(6,869,550)
Machinery (*1)		(25,441,642)	-	-	7,288,708	162,294	3,251	9,561	(17,977,828)
Trains		(237,750,310)	-	-	21,614,111	920,152	-	-	(215,216,047)
Vehicles		(213,934)	-	(16,500)	26,718	165,041	-	-	(38,675)
Tools		(8,792)	-	-	53,056	734	-	(48,339)	(3,341)
Fixtures		(117,405)	-	(78,404)	9,088	-	21,315	102,420	(62,986)
Construction in progress		-	-	-	-	-	-	-	-
Other property, plant and equipment		(51,913)	-	-	-	-	1,251	2,571	(48,091)
Investment property (buildings)		(3,307,838)	-	-	99,793	-	-	(72,348)	(3,280,393)
Computer software		(22,310)	-	-	-	-	3,718	18,592	-
Development costs		(484,167)	-	-	142,849	-	3,500	23,917	(313,901)
Total	₩	(432,970,434)	(413,573,925)	(16,500)	33,018,687	1,248,221	398,830,653	695,327	(412,767,971)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

(In thousands of won)		2022							
		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(19,305,862)	(395,912,136)	540,080	-	-	385,836,591	175,518	(28,665,809)
Prepayment		(937,730)	-	-	-	-	-	742,340	(195,390)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(125,841,565)	-	-	3,278,657	18,422	-	(191,857)	(122,736,343)
Structures		(7,896,650)	-	-	514,498	60,000	-	(53,970)	(7,376,122)
Machinery (*1)		(33,229,861)	-	-	7,781,717	-	6,502	-	(25,441,642)
Trains		(261,390,649)	-	-	22,421,352	1,218,987	-	-	(237,750,310)
Vehicles		(275,932)	-	(20,000)	81,998	-	-	-	(213,934)
Tools		(19,477)	-	-	10,685	-	-	-	(8,792)
Fixtures		(196,091)	-	-	48,717	-	29,969	-	(117,405)
Other property, plant and equipment		(54,415)	-	-	-	-	2,502	-	(51,913)
Investment property (buildings)		(3,600,089)	-	-	99,426	-	-	192,825	(3,307,838)
Computer software		(29,127)	-	-	-	-	8,056	(1,239)	(22,310)
Development costs		(34,417)	-	(540,080)	83,330	-	7,000	-	(484,167)
Total	₩	(459,410,324)	(395,912,136)	(20,000)	34,320,380	1,297,409	385,890,620	863,617	(432,970,434)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

28. GOVERNMENT GRANTS, Continued:

(4) Revenues from government grants for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Revenues	₩	397,896,000	384,474,000
Offsetting with depreciation cost		33,018,687	34,320,380
Other		934,653	1,416,620
Total	₩	431,849,340	420,211,000

29. OTHER NON-FINANCIAL LIABILITIES:

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

		Dec. 31, 2023		Dec. 31, 2022	
(In thousands of won)		Current	Non-current	Current	Non-current
Advance payments	₩	140,943,636	-	533,492,789	-
Unearned revenues		97,807,637	7,637,729	104,527,369	8,854,506
Withholding		73,551,199	-	79,712,664	-
Advances from construction contracts		-	265,394	-	40,421
Total	₩	312,302,472	7,903,123	717,732,822	8,894,927

30. Paid-in CAPITAL:

(1) Paid-in capital as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Subscription certificate (*)	₩	10,924,284,692	10,853,866,693
Discount stock issuance		(4,647,052)	(4,647,052)
Contributed capital	₩	10,919,637,640	10,849,219,641

(*) the Korean government owns 100% of the Group's equity.

(2) Changes in subscription certificate issued for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Beginning balance	₩	10,853,866,692	10,772,704,692
Issue of equity		70,418,000	81,162,000
Ending balance	₩	10,924,284,692	10,853,866,692

30. Paid-in CAPITAL, Continued:

(3) There was no change in the share discount issue of the parent Company during the years ended December 31, 2023 and 2022.

31. DEFICIT:

(1) Deficit as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Undisposed deficits	₩	(12,002,866,542)	(11,598,969,741)

(2) Changes in deficit for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Beginning balance	₩	(11,598,969,741)	(11,521,378,004)
Loss for the year		(542,477,933)	(310,411,071)
Gain (loss) on remeasurement factors of defined benefit plan		(415,209)	141,640,690
Reclassification of gain on revaluation of assets to retained earnings		138,996,341	91,178,644
Ending balance	₩	(12,002,866,542)	(11,598,969,741)

(3) Changes in gain (loss) on remeasurement factors of defined benefit plan for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Beginning balance	₩	221,086,154	79,445,464
Changes		(415,209)	141,640,690
Ending balance	₩	220,670,945	221,086,154

31. DEFICIT, Continued:

(4) Details of statement of disposition of accumulated deficit for the years ended December 31, 2023 and 2022 are as follows:

Date of disposition for 2023: March 29, 2024
Date of disposition for 2022: March 31, 2023

(In thousands of won)		2023	2022
Undisposed deficit:			
Balance at beginning of year	₩	(11,598,969,741)	(11,521,378,004)
Loss for the year		(542,477,933)	310,411,071
Gain (loss) on remeasurement factors of defined benefit plan		(415,209)	141,640,690
Reclassification of gain on revaluation of assets to retained earnings		138,996,341	91,178,643
Balance at end of year before disposition		(12,002,866,542)	(11,598,969,741)
Disposition of accumulated deficit		-	-
Undisposed deficit to be carried over to subsequent year	₩	(12,002,866,542)	(11,598,969,741)

32. OTHER EQUITY COMPONENTS:

(1) As of December 31, 2023 and 2022, other equity components are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Other accumulated comprehensive income	₩	9,497,317,856	9,645,814,570
Other additional paid-up capital		3,371,549	(144,128,451)
Total	₩	9,500,689,405	9,501,686,119

(2) Other accumulated comprehensive income or loss for the years ended December 31, 2023 and 2022 is detailed as follows:

(In thousands of won)		2023	2022
Gain (loss) on Valuation of equity instruments at FVOCI	₩	(11,142,224)	(15,371,574)
Change in equity of equity method investment		(5,699,304)	(5,115,503)
Gain (loss) on valuation of derivatives		(20,972,174)	(7,979,071)
Gain on reassessment of assets		9,535,131,558	9,674,280,718
Total	₩	9,497,317,856	9,645,814,570

33. REVENUE:

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

(In thousands of won)	2023		2022	
	Domestic	Overseas	Domestic	Overseas
Revenue from goods sold:				
Revenue from entrusted multiple business ₩	318,929,789	5,790,000	270,501,159	2,703,400
Revenue from services rendered:				
Transportation business				
Express passenger transportation	2,599,744,789	-	2,508,206,265	-
Ordinary passenger transportation	493,076,478	-	446,759,842	-
Long-distance passenger transportation	901,650,212	-	809,512,481	-
Freight and other transportation	296,147,963	-	296,193,183	-
Compensation for Public Service Obligation	397,896,000	-	384,474,000	-
Revenue from entrusted multiple business	278,852,028	14,275,506	178,436,154	8,536,554
Subtotal	4,967,367,470	14,275,506	4,623,581,925	8,536,554
Revenue from entrusted business:				
Ordinary entrusted business	32,820,855	-	33,823,405	-
Government entrusted business	1,032,405,225	-	1,256,240,613	-
Subtotal	1,065,226,080	-	1,290,064,018	-
Construction-related revenue:				
Revenue from entrusted multiple business	1,395,836	-	8,471,933	-
Total ₩	6,352,919,175	20,065,506	6,192,619,035	11,239,954

34. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE:

(1) Details of selling, general and administrative expense for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Salaries and wages	₩	181,499,506	168,850,414
Retirement benefits		18,222,635	17,969,278
Termination benefits		2,360,755	2,891,532
Other employee benefits		20,525,730	20,401,126
Insurance		3,542,928	3,393,476
Depreciation		20,074,666	23,960,294
Amortization		5,184,945	6,848,517
Bad debts expenses		(1,175,365)	136,838
Professional service fees		43,085,047	34,474,997
Advertising		4,017,863	4,281,303
Training		6,111,893	5,502,344
Vehicles		219,902	174,405
Printing		534,783	692,601
Business development expenses		492,003	543,697
Rent		2,545,470	3,832,455
Communications		1,813,204	2,161,203
Transportation costs		4,347	6,330
Taxes and dues		16,408,839	18,233,512
Supplies		2,623,012	1,678,464
Utilities		5,527,043	4,364,005
Maintenance		4,529,895	9,523,439
Research		2,671,215	2,516,025
Travel		2,770,231	2,384,101
Uniform		106,676	329,386
Analysis		440,857	423,834
Annual fees		543,950	1,009,326
Others		5,660,349	5,111,481
Total	₩	350,342,379	341,694,383

34. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE, Continued:

(2) Details of other selling, general and administrative expense for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Conference expenses	₩	1,377,135	1,155,219
Cooperation expense		285,871	279,901
Prize expense		1,168,559	1,299,806
Other expense		2,828,784	2,376,555
Total	₩	5,660,349	5,111,481

35. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME:

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

(In thousands of won)		2023	2022
Reversal of provisions	₩	5,406,890	16,612,464
Government grants		934,653	1,416,620
Gains from assets contributed		774,135	3,706,463
Reversals of allowance for other doubtful accounts		1,387	213
Total	₩	7,117,065	21,735,760

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

(In thousands of won)		2023	2022
Increase in provisions	₩	70,902,847	16,755,077
Other bad debts expenses		302,254	55,025,771
Depreciation on assets not in use		2,785,248	2,746,282
Donations		34,767,926	34,701,700
Total	₩	108,758,275	109,228,830

35. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME, Continued:

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

(In thousands of won)		2023	2022
Gains on sale of property, trains and equipment	₩	2,262,465	27,264,802
Gains on disposal of non-current assets held-for-sale		251,138,189	266,735,158
Gains on foreign currency transaction (related to operating activities)		1,110,841	228,434
Other income		84,306,202	83,228,132
Losses on sale of property, trains and equipment		(16,720,631)	(10,436,211)
Losses on sale of Intangible assets		(309,514)	(20,796)
Losses on disposal of other non-current assets		(583)	(1,779,680)
Losses on foreign currency transaction (related to operating activities)		(725,575)	(638,610)
Other costs		(113,897,070)	(133,974,336)
Total	₩	207,164,324	230,606,893

(3-1) Details of other gains for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Gains on disposal of inventories	₩	13,310,658	15,111,777
Miscellaneous gains		70,973,000	59,842,408
Gains revaluation of the land		-	8,273,947
Total	₩	84,283,658	83,228,132

(3-2) Details of other costs for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Losses from inventory obsolescence	₩	721,700	2,376,109
Other charge fee		5,524,034	2,087,192
Losses on revaluation of the land		-	5,119,223
Miscellaneous losses		107,628,412	124,391,812
Total	₩	113,874,146	133,974,336

36. FINANCE INCOME:

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

(In thousands of won)		2023	2022
Interest income	₩	20,714,738	12,766,797
Dividend income		2,540,559	431,761
Gains on valuation of financial assets at FVTPL		1,474,060	1,000,257
Gains on valuation of derivative instruments		116,995,900	71,352,740
Gains on foreign currency translation		884,504	2,989,309
Gains on foreign currency transactions		25,207	131,981
Total	₩	142,634,968	88,672,845

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

(In thousands of won)		2023	2022
Cash and cash equivalents	₩	12,120,418	6,229,430
Loans and receivables		3,687,874	1,845,041
Short-term financial instruments		4,906,446	4,651,073
Other financial assets		-	41,253
Total	₩	20,714,738	12,766,797

37. FINANCE COSTS:

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

(In thousands of won)		2023	2022
Interest expenses	₩	372,172,687	321,222,176
Losses on sale of financial assets at FVTPL		55,107	118
Losses on valuation of financial assets at FVTPL		-	307,367
Losses on valuation of derivative instruments		9,173,100	2,985,000
Losses on foreign currency translation		92,828,003	71,365,832
Losses on foreign currency transaction		30,142	31,124
Impairment of financial asset		234,000	-
Total	₩	474,493,039	395,911,617

37. FINANCE COSTS, Continued:

(2) Details of interest cost by related assets for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Accounts payables and other payables	₩	8,113,340	2,912,142
Short-term borrowings		3,119,761	8,892,877
Long-term borrowings		1,516,000	1,526,000
Bonds		388,649,934	312,478,795
Derivative liabilities		-	17,912,597
Lease liabilities		879,156	580,128
Other financial liabilities		2,031,122	871,098
Subtotal		404,309,313	345,173,637
Less: Capitalization of borrowing costs		(32,136,626)	(23,951,461)
Total	₩	372,172,687	321,222,176

Weighted-average capitalization interest rate for borrowings for the years ended December 31, 2023 and 2022 are 2.87% and 2.41%, respectively.

38. INCOME TAXES RELATED TO CONTINUING OPERATION:

(1) The component of income tax benefit for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Current tax expense:			
Current tax	₩	1,986,364	6,309,888
Adjustment for prior periods:			
Origination and reversal of temporary differences		(129,750,399)	481,797,286
Income tax recognized in other comprehensive income		7,109,709	(808,178,723)
Unrecognized deferred tax assets		34,605,520	(3,073,123)
Income tax benefit	₩	(86,048,806)	(323,144,672)

38. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(2) Reconciliation between income tax benefit and accounting income is detailed as follows:

(In thousands of won)		2023	2022
Loss before income tax benefit	₩	(537,609,065)	(558,113,285)
Tax rate		26.40%	26.40%
Income tax benefit using the Company's statutory tax rate	₩	(141,928,793)	(147,341,907)
Adjustments:			
Tax effect of non-taxable income		(6,944,678)	(94,363,048)
Tax effect of non-deductible expenses		1,691,812	938,135,494
Unrecognized deferred tax assets and others		61,132,853	(1,019,575,211)
Income tax benefit	₩	(86,048,806)	(323,144,672)
Average effective tax rate		-	-

Effective tax rate was not calculated due to net loss before income tax expense for the years ended December 31, 2023 and 2022.

(3) Deferred income tax recognized directly in other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Effect of deferred tax:			
Gains (losses) on remeasurement factors of defined benefit plan	₩	3,966,188	(56,306,310)
Gains (losses) on valuation of equity instruments at FVOCI		(1,517,049)	781,145
Gains (losses) on valuation of derivative financial instruments		4,660,570	16,022,775
Gains (losses) on revaluation of assets		-	(768,676,333)
Subtotal		7,109,709	(808,178,723)
Income tax recognized directly in other comprehensive income	₩	7,109,709	(808,178,723)

38. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

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

	2023			
(In thousands of won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
The Company:				
Deferred income tax assets ₩	-	-	-	-
Deferred income tax liabilities	2,305,995,566	(95,440,426)	-	2,210,555,140
Subsidiary:				
Deferred income tax assets	37,240,971	(31,338,815)	-	5,902,156
Deferred income tax liabilities	15,717,470	(2,971,158)	-	12,746,312
The Group:				
Deferred income tax assets	37,240,971	(31,338,815)	-	5,902,156
Deferred income tax liabilities	2,321,713,037	(98,411,584)	-	2,223,301,453

During 2023, Income tax expense related to items that are recognised outside profit is W4,081,564 in the subsidiary.

	2022			
(In thousands of won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
The Company:				
Deferred income tax assets ₩	-	-	-	-
Deferred income tax liabilities	1,835,996,622	469,998,944	-	2,305,995,566
Subsidiary:				
Deferred income tax assets	28,307,565	8,933,406	-	37,240,971
Deferred income tax liabilities	12,852,534	2,864,936	-	15,717,470
The Group:				
Deferred income tax assets	28,307,565	8,933,406	-	37,240,971
Deferred income tax liabilities	1,848,849,157	472,863,880	-	2,321,713,037

38. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(5) Temporary differences not recognized as deferred income tax assets as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Temporary differences to be deducted	₩	1,027,380,544	1,097,617,474

The Group did not recognize deferred tax assets amounted to W235,054,318 thousand as of December 31, 2023, due to the uncertainty that the deductible temporary difference related to the investment in the associate would realize in the foreseeable future.

In addition, the Group did not recognize the deferred tax assets amounted to W965,325,204 thousand as of December 31, 2023, due to the uncertainty whether it is probable that future taxable income will be available against temporary differences.

39. ASSETS HELD FOR SALE:

Details of assets held for sale as of December 31, 2023 and 2022 are detailed as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Held for sale: land (*1)	₩	48,840,658	333,585,597
Held for sale: buildings and structures (*1)		141,280	148,909
Disposal groups classified as held for sale	₩	48,981,938	333,734,506

(*1) During 2023, some of the tangible assets of the Group were classified as held for sale after obtaining approval from the general manager of asset management. The sales process is in progress at each regional headquarters by the subject of the business agreement of the development project and the public land damage compensation agreement with the government, etc., and is expected to be sold within one year from December 31, 2023.

40. EXPENSES BY NATURE:

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

(In thousands of won)	2023			
	Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods ₩	132,729,035	-	-	132,729,035
Salaries	-	181,499,506	2,288,031,768	2,469,531,274
Retirement benefits	-	18,222,635	219,620,227	237,842,862
Employee benefits	-	2,360,755	22,934,486	25,295,241
Severance Payment	-	20,525,730	336,729,378	357,255,108
Insurance	-	3,542,928	7,755,362	11,298,290
Depreciation	-	20,074,666	532,620,986	552,695,652
Amortization	-	5,184,945	497,807	5,682,752
Bad debts expenses	-	(1,175,365)	-	(1,175,365)
Commissions	-	43,085,047	246,456,871	289,541,918
Advertising	-	4,017,863	5,043	4,022,906
Education and training	-	6,111,893	643,859	6,755,752
Vehicle maintenance	-	219,902	561,354,943	561,574,845
Printing	-	534,783	724,669	1,259,452
Project initiatives	-	492,003	196,044	688,047
Rental	-	2,545,470	1,133,251,783	1,135,797,253
Communication	-	1,813,204	2,708,983	4,522,187
Transportation	-	4,347	124,338	128,685
Taxes and dues	-	16,408,839	35,232,895	51,641,734
Supplies	-	2,623,012	26,099,778	28,722,790
Utilities	-	5,527,043	120,734,869	126,261,912
Maintenance	-	4,529,895	751,746,547	756,276,442
Ordinary development expenses	-	2,671,215	1,972,603	4,643,818
Business trip and transportation expenses	-	2,770,231	23,696,060	26,466,291
Uniforms	-	106,676	7,705,190	7,811,866
Research and analysis	-			
Annual fees	-	440,857	78,508	519,365
Sales promotion	-			
Sales commissions	-	543,950	4,985	548,935
Others	-	5,660,349	10,521,419	16,181,768
₩	132,729,035	350,342,379	6,331,449,401	6,814,520,815

40. EXPENSES BY NATURE, Continued:

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

(In thousands of won)		2022			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	117,046,034	-	-	117,046,034
Salaries		-	168,850,414	2,347,806,947	2,516,657,361
Retirement benefits		-	17,969,278	227,788,879	245,758,157
Employee benefits		-	2,891,532	16,951,776	19,843,308
Severance Payment		-	20,401,125	300,054,929	320,456,054
Insurance		-	3,393,476	7,876,550	11,270,026
Depreciation		-	23,960,294	524,356,782	548,317,076
Amortization		-	6,848,517	740,647	7,589,164
Bad debts expenses		-	136,838	-	136,838
Commissions		-	34,474,997	238,088,638	272,563,635
Advertising		-	4,281,303	14,576	4,295,879
Education and training		-	5,502,344	666,759	6,169,103
Vehicle maintenance		-	174,405	517,040,196	517,214,601
Printing		-	692,601	934,251	1,626,852
Project initiatives		-	543,697	186,848	730,545
Rental		-	3,832,455	1,084,182,711	1,088,015,166
Communication		-	2,161,203	3,150,195	5,311,398
Transportation		-	6,330	310,163	316,493
Taxes and dues		-	18,233,512	35,146,011	53,379,523
Supplies		-	1,678,464	29,318,260	30,996,724
Utilities		-	4,364,005	99,174,086	103,538,091
Maintenance		-	9,523,439	666,384,536	675,907,975
Ordinary development expenses		-	2,516,025	1,988,287	4,504,312
Business trip and transportation expenses		-	2,384,101	23,124,735	25,508,836
Uniforms		-	329,386	9,356,942	9,686,328
Research and analysis		-			
Annual fees		-	423,834	85,710	509,544
Sales promotion		-			
Sales commissions		-	1,009,326	3,614	1,012,940
Others		-	5,111,481	7,338,824	12,450,305
	₩	117,046,034	341,694,382	6,142,071,852	6,600,812,268

41. ENTRUSTED BUSINESS:

(1) Revenues and expenses for the government entrusted business reported in the consolidated financial statements as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023		2022	
		Revenue	Expense	Revenue	Expense
Government	₩	1,032,405,225	1,237,523,018	1,256,240,613	1,208,110,667
Local government		32,820,855	32,156,676	33,823,405	30,893,149
Total	₩	1,065,226,080	1,269,679,694	1,290,064,018	1,239,003,816

(2) Changes in the deferred revenue from the trusted business for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)			2023					
			Jan. 1, 2023	Received	Executed	Returned	Others	Dec. 31, 2023
Cash and cash equivalents	Government	₩	251,941,538	525,060,523	(506,086,662)	(39,894,015)	-	231,021,384
Cash and cash equivalents	Local government		57,763,192	46,841,742	(48,177,584)	(1,636,274)	-	54,791,076
Other receivables	Government		(220,523,222)	574,606,753	(875,618,466)	(1,812,901)	180,673,926	(342,673,910)
Total		₩	89,181,508	1,146,509,018	(1,429,882,712)	(43,343,190)	180,673,926	(56,861,450)

(In thousands of won)			2022					
			Jan. 1, 2022	Received	Executed	Returned	Others	Dec. 31, 2022
Cash and cash equivalents	Government	₩	171,227,060	541,062,745	(334,027,951)	(126,338,576)	18,260	251,941,538
Cash and cash equivalents	Local government		50,563,754	57,834,957	(48,405,054)	(2,230,465)	-	57,763,192
Other receivables	Government		(202,675,585)	895,151,940	(897,319,138)	(15,662,179)	(18,260)	(220,523,222)
Total		₩	19,115,229	1,494,049,642	(1,279,752,143)	(144,231,220)	-	89,181,508

42. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2023 and 2022 are as follows:

(In thousands of won)	Dec. 31, 2023				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	165,446,166	-	165,446,166
Short-term loans	-	-	690,882	-	690,882
Short-term financial instruments	-	-	92,078,494	-	92,078,494
Derivative instrument assets	50,474,500	-	-	72,799,589	123,274,089
Accounts receivables and other receivables	-	-	690,382,338	-	690,382,338
Subtotal	50,474,500	-	948,597,880	72,799,589	1,071,871,969
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	39,990,032	-	-	-	39,990,032
Equity instruments at FVOCI	-	42,935,216	-	-	42,935,216
Long-term loans	-	-	28,608,357	-	28,608,357
Derivative instrument assets	-	-	-	100,927,892	100,927,892
Accounts receivables and other receivables	-	-	45,820,649	-	45,820,649
Subtotal	39,990,032	42,935,216	74,449,761	100,927,892	258,302,901
Total ₩	90,464,532	42,935,216	1,023,047,641	173,727,481	1,330,174,870

(In thousands of won)	Dec. 31, 2022				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	544,279,430	-	544,279,430
Short-term loans	-	-	508,803	-	508,803
Short-term financial instruments	-	-	136,076,482	-	136,076,482
Derivative instrument assets	-	-	-	54,977,305	54,977,305
Accounts receivables and other receivables	-	-	676,765,568	-	676,765,568
Subtotal	-	-	1,357,630,283	54,977,305	1,412,607,588
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	36,866,585	-	-	-	36,866,585
Equity instruments at FVOCI	-	37,194,240	-	-	37,194,240
Long-term loans	-	-	31,976,477	-	31,976,477
Derivative instrument assets	-	-	-	109,504,551	109,504,551
Accounts receivables and other receivables	-	-	43,758,590	-	43,758,590
Subtotal	36,866,585	37,194,240	75,755,822	109,504,551	259,321,198
Total ₩	36,866,585	37,194,240	1,433,386,105	164,481,856	1,671,928,786

42. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(2) Categories of financial liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)	Dec. 31, 2023		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	1,144,434,226	-	1,144,434,226
Short-term borrowings	3,700,000	-	3,700,000
Current portion of long-term borrowing	100,000,000	-	100,000,000
Current bonds	1,572,487,019	-	1,572,487,019
Current Lease Liabilities	9,515,884	-	9,515,884
Subtotal	2,830,137,129	-	2,830,137,129
Non-current liabilities:			
Accounts payables and other payables	46,860,577	-	46,860,577
Bonds	13,403,336,876	-	13,403,336,876
Derivative instrument liabilities	-	1,289,094	1,289,094
Non-current lease liabilities	13,723,706	-	13,723,706
Subtotal	13,463,921,159	1,289,094	13,465,210,253
Total ₩	16,294,058,288	1,289,094	16,295,347,382

(In thousands of won)	Dec. 31, 2022		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	874,388,095	-	874,388,095
Short-term borrowings	102,800,000	-	102,800,000
Current portion of long-term borrowing	200,000,000	-	200,000,000
Current bonds	1,089,510,171	-	1,089,510,171
Current Lease Liabilities	7,683,885	-	7,683,885
Other financial liabilities	219,628,728	-	219,628,728
Subtotal	2,494,010,879	-	2,494,010,879
Non-current liabilities:			
Accounts payables and other payables	42,531,614	-	42,531,614
Long-term borrowings	100,000,000	-	100,000,000
Bonds	12,535,624,089	-	12,535,624,089
Derivative instrument liabilities	-	6,342,852	6,342,852
Non-current lease liabilities	12,428,067	-	12,428,067
Subtotal	12,690,583,770	6,342,852	12,696,926,622
Total ₩	15,184,594,649	6,342,852	15,190,937,501

42. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(3) Gain and loss of financial instruments by categories for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Cash and cash equivalents:			
Interest income	₩	12,120,418	6,229,430
Financial assets at FVTPL:			
Losses on disposal of financial assets at FVTPL		(55,107)	(118)
Gains on valuation of financial assets at FVTPL		1,474,060	1,000,257
Losses on valuation of financial assets at FVTPL		-	(307,367)
Dividends income		734,849	426,369
Loans and receivables:			
Interest income		3,687,874	1,845,041
Other Financial instrument:			
Interest income		4,906,446	4,651,073
Financial assets at FVOCI:			
Dividends income		1,805,710	5,392
Impairment of financial asset		(234,000)	-
Comprehensive income or loss recognized for the year		5,746,183	(7,326,717)
Derivative instrument assets for hedging:			
Gains on valuation of derivative financial instruments financial income		92,805,900	71,352,740
Losses on valuation of derivative financial instruments financial expense		(854,100)	(2,985,000)
Comprehensive income or loss recognized in the reporting period		(17,590,797)	(62,548,493)
Financial liabilities measured at amortized costs:			
Gains on foreign currency transaction related to borrowings		25,207	131,981
Gains on foreign currency translation related to borrowings		884,504	2,989,309
Interest expense		(372,172,687)	(321,222,176)
Losses on foreign currency transactions		(30,142)	(31,124)
Losses on foreign exchange translations financial expense		(92,828,003)	(71,365,832)
Derivative instrument at FVTPL:			
Gains on valuation of derivative financial instruments financial income		24,190,000	-
Losses on valuation of derivative financial instruments financial expense		(8,319,000)	-
Total	₩	(343,702,685)	(377,155,235)

43. FINANCIAL RISK MANAGEMENT:

(1) Credit risk

As of December 31, 2023 and 2022 the Group's maximum exposure to credit risk are as follows:

(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	₩	165,446,166	544,279,430
Trade receivables and other receivables		736,202,988	720,524,158
Loans		29,299,239	32,485,281
Long and short-term financial instruments		92,099,249	136,097,236
Derivative instrument assets		224,201,981	164,481,856
Total	₩	1,247,249,623	1,597,867,961

(2) Liquidity risk

Contractual maturity of financial liabilities as of December 31, 2023 and 2022 are summarized as follows:

		Dec. 31, 2023						
(In thousands of won)		Carrying amount	Contractual flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	14,975,823,895	19,331,191,364	912,663,451	1,007,186,917	2,443,438,204	4,364,290,219	10,603,612,573
Borrowings		103,700,000	105,229,294	4,468,384	100,760,910	-	-	-
Trade payables and other payables		1,191,294,803	1,197,032,931	1,136,041,018	8,455,478	6,368,306	46,168,129	-
Derivative financial liabilities		1,289,094	1,289,094	-	-	1,289,094	-	-
Lease liabilities		23,239,590	25,146,157	5,518,767	4,384,080	5,883,910	7,666,360	1,693,039
Total	₩	16,295,347,382	20,659,888,840	2,058,691,620	1,120,787,385	2,456,979,514	4,418,124,708	10,605,305,612

The Group does not expect the cash outflow to occur significantly earlier or at a significantly different amount.

		Dec. 31, 2022						
(In thousands of won)		Carrying amount	Contractual flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	13,625,134,260	17,400,618,074	870,704,141	515,735,701	1,826,040,027	4,755,356,392	9,432,781,813
Borrowings		402,800,000	406,868,427	304,581,517	756,729	101,530,181	-	-
Trade payables and other payables		916,919,707	916,919,709	862,844,211	11,542,182	1,930,847	40,602,469	-
Derivative financial liabilities		6,342,852	6,342,852	-	-	-	-	6,342,852
Lease liabilities		20,111,952	22,149,983	1,474,333	1,422,371	5,016,486	5,336,675	8,900,118
Other financial liabilities		219,628,728	231,927,937	231,927,937	-	-	-	-
Total	₩	15,190,937,499	18,984,826,982	2,271,532,139	529,456,983	1,934,517,541	4,801,295,536	9,448,024,783

43. FINANCIAL RISK MANAGEMENT, Continued:

(2) Liquidity risk, continued

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2023 and 2022:

	Dec. 31, 2023						
(In thousands of won)	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap							
Assets ₩	173,727,481	173,727,481	-	72,799,589	66,504,148	-	34,423,744
Liabilities	(1,289,094)	(1,289,094)	-	-	(1,289,094)	-	-
Total	172,438,387	172,438,387	-	72,799,589	65,215,054	-	34,423,744

	Dec. 31, 2022						
(In thousands of won)	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap							
Assets ₩	158,899,970	158,899,970	31,293,678	23,683,628	51,964,331	37,656,533	14,301,800
Liabilities	(6,342,852)	(6,342,852)	-	-	-	-	(6,342,852)
Total	152,557,118	152,557,118	31,293,678	23,683,628	51,964,331	37,656,533	7,958,948
Interest rate swap							
Assets	5,581,886	5,581,886	-	5,581,886	-	-	-

(3) Currency risk

(i) Exposure to currency risk
As of December 31, 2023 and 2022 monetary assets and liabilities denominated in currencies other than functional currency are detailed as follows:

	Dec. 31, 2023				
(In thousands of won)	USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency					
Cash and cash equivalents ₩	345,949	-	60,127	1	123,043
Liabilities denominated in foreign currency:					
Bonds ₩	193,410,000	839,751,000	456,508,800	200,256,300	189,914,400

	Dec. 31, 2022				
(In thousands of won)	USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency					
Cash and cash equivalents ₩	314,315	-	17,502	1	53,278
Liabilities denominated in foreign currency:					
Bonds ₩	190,095,000	549,148,000	432,384,000	132,035,400	434,440,900

43. FINANCIAL RISK MANAGEMENT, Continued:

(3) Currency risk, Continued

(i) Exposure to currency risk, continued

Foreign exchange rate applied as of December 31, 2023 and 2022 are as follows:

(In won)		Dec. 31, 2023	Dec. 31, 2022
USD	₩	1,289.40	1,267.30
CHF		1,526.82	1,372.87
EUR		1,426.59	1,351.20
SGD		976.86	943.11
AUD		880.08	858.41
CNH		180.84	181.44
HKD		165.06	162.55
SEK		129.00	121.17
CAD		974.64	935.38
JPY		912.66	9.53
PHP		23.19	22.70

(ii) Sensitivity analysis of changes in exchange rate
A strengthening of the won, as indicated below, against the USD, CHF, EUR, SGD, AUD, JPY and CNY at December 31, 2023, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2023, albeit that the reasonably possible foreign exchange rate variances are different, as indicated below.

(In thousands of won)		10% increase	10% decrease
Net profit or loss before income taxes	₩	(187,931,138)	187,931,138

As the Group manages the risks through currency swaps to eliminate the currency risk of foreign currency liabilities, net exposure to foreign exchange risk is insignificant. However, as with the sensitivity analysis above, foreign currency deposits and foreign currency denominated bonds are exposed to foreign exchange risk.

43. FINANCIAL RISK MANAGEMENT, Continued:

(4) Interest rate risk

The Group has foreign currency bonds and foreign currency long-term borrowings, which has significant effect on profit or loss and equity depending on fluctuations in interest rates. The Group manages interest rate risk by interest rate swap agreements, and fluctuation in interest rates does not have significant impact on the financial position and financial results.

(i) Cash flow sensitivity analysis of fixed-rate financial instruments
The Group does not account for fixed-rate financial instruments as current financial instruments recognized in profit or loss, and does not designate derivative instruments, such as interest swap, to hedge fair value risk. As such, fluctuation of interest rate does not have effect on profit or loss.

(5) Fair value measurement

(i) Carrying value and the fair value of financial assets and liabilities as of December 31, 2023 and 2022 are detailed as follows:

(In thousands of won)		Dec. 31, 2023		Dec. 31, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:					
Equity instruments at FVTPL	₩	39,990,032	39,990,032	36,866,585	36,866,585
Equity instruments at FVOCI		42,935,216	42,935,216	37,194,240	37,194,240
Derivative instruments assets		224,201,981	224,201,981	164,481,856	164,481,856
Subtotal		307,127,230	307,127,230	238,542,681	238,542,681
Assets carried at amortized cost(*):					
Loans and other receivables		765,502,227	765,502,227	753,009,439	753,009,439
Long/short-term financial instrument		92,099,249	92,099,249	136,097,236	136,097,236
Cash and cash equivalents		165,446,166	165,446,166	544,279,430	544,279,430
Subtotal		1,023,047,642	1,023,047,642	1,433,386,105	1,433,386,105
Financial assets total	₩	1,330,174,872	1,330,174,872	1,671,928,786	1,671,928,786
Liabilities carried at fair value:					
Derivative instruments liabilities	₩	1,289,094	1,289,094	6,342,852	6,342,852
Liabilities carried at amortized cost(*):					
Borrowings		103,700,000	103,700,000	402,800,000	402,800,000
Trade payables and other payables		1,191,294,803	1,191,294,803	916,919,709	916,919,709
Bonds		14,975,823,895	14,975,823,895	13,625,134,260	13,625,134,260
Other financial liabilities		23,239,590	23,239,590	20,111,952	20,111,952
Lease liabilities		-	-	219,628,728	219,628,728
Subtotal		16,294,058,288	16,294,058,288	15,184,594,649	15,184,594,649
Financial liabilities total	₩	16,295,347,382	16,295,347,382	15,190,937,501	15,190,937,501

(*) The Group recognized some of the financial assets and liabilities at book value as it believes book value is a reasonable approximation of fair value.

43. FINANCIAL RISK MANAGEMENT, Continued:

(5) Fair value measurement, continued

(ii) Interest rate used to determine the fair value
At the end of reporting period, interest rate used to determine the expected cash flow was determined by adding interest rate of government bonds and credit spread. As of December 31, 2023 and 2022 interest rates applied are detailed as follows:

	Dec. 31, 2023	Dec. 31, 2022
Derivative instruments	0.82%~4.22%	0.82%~2.40%
Financial assets at FVOCI	7.95%~8.62%	10.00%~11.22%

(iii) The level of fair value hierarchy is as follows:

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

As of December 31, 2023, details of fair value, carrying amount and secured assets are as follows:

(In thousands of won)		Level 1	Level 2	Level 3	Total
Financial assets:					
Equity instruments at FVTPL	₩	-	-	39,990,032	39,990,032
Equity instruments at FVOCI (*1)		5,783	-	42,929,433	42,935,216
Derivative instruments assets (*2)		-	173,727,481	50,474,500	224,201,981
Total	₩	5,783	173,727,481	133,393,965	307,127,230
Financial liabilities:					
Derivative instruments liabilities (*2)	₩	-	1,289,094	-	1,289,094

(*1) Equity instruments at FVOCI are not quoted in an active market and measured at valuation amount evaluated by an independent valuation agency.
(*2) Derivative assets and liabilities are measured at fair value in accordance with terms of contract with financial institutions.

The following table shows changes in financial instruments of Level 3 (fair value) for the years ended December 31, 2023 and 2022:

(In thousands of won)		2023	2022
Beginning balance	₩	74,054,744	67,552,214
Acquisition		41,263,500	13,213,037
Evaluation		23,091,540	(6,628,021)
Disposal		(5,015,820)	(82,486)
Others			
Ending balance	₩	133,393,964	74,054,744

44. RELATED PARTIES:

(1) As of December 31, 2023, the controlling company that prepares the consolidated financial statements is Korea Railroad Corporation, and the related parties of the Group are detailed as follows:

	Name of Related Parties
Controlling party	Government of Korea
Subsidiaries	KORAIL Retail Co., Ltd., KORAIL Networks Co., Ltd., KORAIL Tech Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd., and Korean Insurance Brokerage Co., Ltd.
Related companies	SR Co., Ltd.,(*1) , Hanwha Station Development Co., Ltd., Uiwang ICD Co., Ltd., Lotte Station Building Co., Ltd., Bucheon Station Building Co., Ltd., Bupyeong Department Store Co., Ltd., Shinsegae Uijeongbu Station Building Co., Ltd., Anyang Station Building Co., Ltd., Bitplex Co., Ltd., Dream Hub Project Financial Investment Co., Ltd., Kwangwoon Univ. Building Co., Ltd., Ansan Central Station Building Co., Ltd., Cheonan station influence area urban regeneration innovation district reit Co,. Ltd(*2) and Yongsan Station Around Development Co., Ltd.

(*1) During the year ended December 31, 2023, reclassified from a subsidiary to an related company.
(*2) During the year ended December 31, 2023, included as a related company.

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

(In thousands of won)

	Name		Revenue		Costs	
			2023	2022	2023	2022
Related companies	Lotte Station Building Co., Ltd.	₩	-	5,700,063	222,998	201,708
	SR Co., Ltd.(*1)		106,988,562	-	12,922	-
	Bucheon Station Building Co., Ltd.		1,507,870	1,257,822	594,246	571,379
	Bupyeong Department Store Co., Ltd.		-	-	222,428	209,215
	Bitplex Co., Ltd.		445	68,991	22,727	20,584
	Kwangwoon Univ. Station Building Co., Ltd.		49	25	-	-
	Shinsegae Uijeongbu Station Building Co., Ltd.		15,646	15,499	34,912	67,049
	Anyang Station Building Co., Ltd.		65,677	65,628	170,697	142,764
	Uiwang ICD Co., Ltd.		11,267,536	11,263,327	-	-
	Hanwha Station Development Co., Ltd.		842,815	839,429	241,865	202,504
	Total	₩	120,688,600	19,210,784	1,522,795	1,415,203

(*1) During the year ended December 31, 2023, the transaction details after being reclassified as a related company.

44. RELATED PARTIES, Continued:

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

(In thousands of won)	Name		Receivable		Payables	
			Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Related companies	Lotte Station Building Co., Ltd.	₩	5,348	3,094	21,507	17,391
	SR Co., Ltd.		47,750,339	-	89,882	-
	Bucheon Station Building Co., Ltd.		505	539	47,860	47,020
	Bupyeong Department Store Co., Ltd.		346	560	18,178	17,238
	Bitplex Co., Ltd.		-	13,979	1,752	1,691
	Shinsegae Uijeongbu Station Building Co., Ltd.		-	-	1,404	4,006
	Ansan Central Station Building Co., Ltd.		4,025	4,025	-	-
	Anyang Station Building Co., Ltd.		913	-	13,148	12,328
	Uiwang ICD Co., Ltd.		1,023,609	1,323,286	1,788	-
	Yongsan Development Co., Ltd.		-	360,529	-	-
	Hanwha Station Development Co., Ltd.		10,588	10,313	13,514	12,326
	Total	₩	48,795,673	1,716,325	209,033	112,000

(4) Compensation to management for the years ended December 31, 2023 and 2022 are detailed as follows:

(In thousands of won)		2023	2022
Short-term employees benefits	₩	586,395	611,563
Accrual for retirement and severance benefits		29,244	40,826
Total	₩	615,639	652,389

(5) Short-term and long-term loans of the consolidation entity as of December 31, 2023 and 2022 are all loans to employees, as described in note 12.

45. NON-CASH INVESTING AND FINANCING ACTIVITIES:

(1) Major non-cash investing transactions and non-cash financing transactions not included in the statement of cash flows for the current term and the prior term for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)		2023	2022
Reclassification of construction in progress to the original account	₩	61,197,854	79,677,101
Reclassification of current portion of bonds		1,572,433,000	1,089,584,034
Reclassification of current portion of long-term loans		100,000,000	-
Reclassification of property, trains and equipment to assets held for sale		30,373,275	271,084,569
Reclassification of Other comprehensive income gains losses on revaluation to retained earnings		139,149,160	91,658,894
Reclassification of Investments in associates		359,559,400	-
Reclassification of advance payments to assets held for sale		390,747,309	-
Revaluation of the land		-	3,330,542,588

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

		2023				
				Non-cash transactions		
(In thousands of won)		Beginning balance	Cash flows	Acquisitions	Amortization and others	Ending balance
borrowings	₩	402,800,000	(209,100,000)	-	(90,000,000)	103,700,000
bonds		13,625,134,261	1,258,099,037	-	92,590,597	14,975,823,895
Finance lease liabilities		20,111,953	(11,660,557)	12,543,735	2,244,459	23,239,590
Derivative liabilities		6,342,852	-	-	(5,053,758)	1,289,094
	₩	14,054,389,066	1,037,338,480	12,543,735	(218,702)	15,104,052,579

		2022				
				Non-cash transactions		
(In thousands of won)		Beginning balance	Cash flows	Acquisitions	Amortization and others	Ending balance
borrowings	₩	417,300,000	(14,500,000)	-	-	402,800,000
bonds		12,176,873,592	1,379,324,342	-	68,936,326	13,625,134,260
Finance lease liabilities		20,748,541	(8,668,297)	7,451,581	580,128	20,111,953
Derivative liabilities		1,240,279	-	-	5,102,574	6,342,853
	₩	12,616,162,412	1,356,156,045	7,451,581	74,619,028	14,054,389,066

46. COMMITMENTS AND CONTINGENCIES:

(1) Pending litigation in which the Group was involved as a defendant as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023 (*1)	Dec. 31, 2022 (*2)
Pending litigation	₩	185,780,833	158,822,665

(*1) The Group is a defendant for 114 litigation, such as claims for payment of goods.
(*2) The Group is a defendant for 148 litigation, such as claims for ordinary wage.

46. COMMITMENTS AND CONTINGENCIES, Continued:

As of December 31, 2023, the Group recognized the provision of W17,528,123 thousand in connection with the lawsuit filed above.

(2) Details of contingent assets as of December 31, 2023 and 2022 are as follows:

(In thousands of won)		Dec. 31, 2023 (*1)	Dec. 31, 2022 (*2)
Pending litigation	₩	58,838,798	46,364,278

(*1) The Group has 81 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.
(*2) The Group has 75 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.

(3) Pledged assets and guarantees

(i) Assets pledged as collateral for the Group's borrowings as of December 31, 2023 are summarized as follows:

(In thousands of won)		Carrying amount	Guaranteed amount	Type of borrowings	Lender
Buildings	₩	2,804,485	100,000	Guarantee money	Seoul Election Commission
Land and buildings		160,333,532	197,085	Guarantee money	Hyundai Card Inc.
			96,997	Guarantee money	Hyundai Commercial Inc
			220,107	Guarantee money	Samsung Life Service Inc.
			102,258	Guarantee money	Samsung Fire&Marine Insurance Financial Service Co., Ltd.
			229,500	Guarantee money	KB Claims Survey & Adjusting Co., Ltd.
			1,473,184	Guarantee money	KakaoBank of Korea Corp
			473,840	Guarantee money	BNP Paribas Cardif Life Insurance
			162,184	Guarantee money	KB Kookmin Card Co., Ltd
			215,020	Guarantee money	Korea workers' compensation and welfare Service
			158,160	Guarantee money	Hyundai Marine & Fire Insurance Co., Ltd
			218,466	Guarantee money	Seoul Regional Employment and Labor Administration (Southern District Office)
			382,355	Guarantee money	Hyundai Hilife Claims Service
			117,289	Guarantee money	BGF retail CO., LTD.
			135,220	Guarantee money	Team blackbird CO., LTD.
Long-term financial instruments		18,755	18,755	Guarantee money	Seoul Guarantee Insurance Co., Ltd. (SGI)
unlisted stock		213,718	213,718	Contract performance guarantee	Korea Speciality Contractor Financial Cooperative(KSCFC)
		142,518	142,518	Contract performance guarantee	Electric Contractors' Financial Cooperative(ECFC)
Total	₩	163,513,008	4,656,656		

46. COMMITMENTS AND CONTINGENCIES, Continued:

(3) Pledged assets and guarantees, Continued

(ii) Collaterals and guarantees provided by third parties on behalf of the Group as of December 31, 2023 are as follows:

(In thousands of won, USD, EUR, JPY, AUD)	Type of guarantees		Collaterals and guarantees Amount
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance guarantee	KRW	3,494,600
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance payment guarantee	KRW	258,016
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance contract	KRW	454,109
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance payment guarantee	KRW	100,840
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance warranties	KRW	1,525,079
Seoul Guarantee Insurance Co., Ltd.(SGI)	Permission	KRW	812,122
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposition	KRW	2,208,379
Seoul Guarantee Insurance Co., Ltd.(SGI)	Franchise business	KRW	3,024,720
Seoul Guarantee Insurance Co., Ltd.(SGI)	Electronic payment method	KRW	23,000
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposit guarantee	KRW	13,095,145
Seoul Guarantee Insurance Co., Ltd.(SGI)	Other	KRW	5,586,635
Hana Bank	CP Acquisition agreement	USD	47,876,989
Hana Bank	Import L/C issue	USD	2,229
Kookmin Bank	Payment guarantee in foreign currency	EUR	56,235,875
Kookmin Bank	Payment guarantee in foreign currency	USD	278,885
Kookmin Bank	Payment guarantee in foreign currency	AUD	29,475
Kookmin Bank	Other	KRW	287,833
Woori Bank	Other	USD	1,867,226
Korea Speciality Contractor Financial Cooperative(KSCFC)	Contract guarantee insurance	KRW	3,055,395
Korea Speciality Contractor Financial Cooperative(KSCFC)	Construction warranties	KRW	198,214
Electric Contractors' Financial Cooperative(ECFC)	Contract guarantee insurance(*1)	KRW	373,145
Electric Contractors' Financial Cooperative(ECFC)	Construction warranties(*1)	KRW	204,757

The Group receives joint guarantees from Sehwa Co., Ltd. and one other company for contract guarantee insurance and construction warranties. And The Group provides joint guarantees to Sehwa Co., Ltd. for contract guarantee insurance and construction warranties.

47. TRANSACTIONS WITH THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS:

(1) Transactions with the Government and other public institutions for the years ended December 31, 2023 and 2022 are as follows:

		Revenue		Costs	
(In thousands of won)		2023	2022	2023	2022
Ministries	₩	460,476,930	527,813,939	4,417,361	50,752,930
Local governments		93,788,020	70,629,433	3,541,521	2,346,254
Public companies		222,045,312	181,049,342	12,928,044	15,150,127
Semipublic institutions		1,441,465,766	1,355,008,894	905,843,474	772,313,988
Other public institution		865,810,239	775,630,815	406,137,147	355,737,076
Total	₩	3,083,586,267	2,910,132,423	1,332,867,547	1,196,300,375

(2) Account balances with government and other public institutions as of December 31, 2023 and 2022 are as follows:

		Receivable		Payable	
(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Ministries	₩	57,042,337	12,427,282	260,835	44,067
Local governments		5,211,532	4,727,580	239,259	182,059
Public companies		49,105,247	39,457,907	5,057,312	2,179,546
Semipublic institutions		399,144,404	328,333,539	144,151,489	3,097,959
Other public institution		26,815,590	73,994,901	10,755,417	42,897,060
Total	₩	537,319,110	458,941,209	160,464,312	48,400,691

(3) Government grants and receivables for entrusted business with the Government and other public institutions as of December 31, 2023 and 2022 are as follows:

		Government grants		Receivables for entrusted business	
(In thousands of won)		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Ministries	₩	39,439,041	28,515,809	231,021,384	251,941,538
Local governments		-	-	54,791,076	57,763,192
Total	₩	39,439,041	28,515,809	285,812,460	309,704,730

48. SEGMENT ACCOUNTING:

(1) The Group defines business segment as follows:

1) Passenger transport business : KTX, ITX-Saemaeul, Saemaeul, Moogoonghwa, Nuri and trains for commuters
2) Metro business : Passenger transport business for Seoul metro area and ITX-Chungchoon
3) Freight business : Freight and storage for industrial materials such as coal, cement
4) Other multiple business : Development of station area and overseas business
5) Yongsan : Development of Yongsan station area (Cancellation on April 2013)
6) Entrusted business : Maintenance of properties for trains, etc.
7) Others - Operation and management of special vehicles
8) Airport train : Acquired stock of Incheon International Airport Railroad (stock sold in 2015)

(2) Details of financial information of business departments as of and for the years ended December 31, 2023 and 2022 are as follows:

		2023				
(In thousands of won)		Assets	Liabilities	Revenue	Operating income (loss)	Net income (loss)
Passenger	₩	17,062,563,572	14,511,119,928	3,213,500,001	423,283,840	571,106,091
Metro		5,978,300,535	2,877,971,948	1,131,209,806	(234,464,880)	(243,210,691)
Freight		2,503,890,451	6,132,904,693	338,232,554	(230,276,551)	(383,336,748)
Yongsan		7,419,876,748	2,829,423,119	-	(1,582,750)	(155,088,182)
Other multiple		3,358,814,584	603,370,323	62,540,713	43,709,461	178,898,568
Entrusted		1,092,842,480	2,079,798,613	1,064,538,062	(476,834,472)	(512,856,444)
Others		23,977,609	11,866,836	5,913,505	1,849,990	2,009,474
Transactions between departments		(8,687,909,982)	(8,687,909,982)	-	-	-
Subsidiaries		1,175,841,017	659,850,060	1,179,627,362	35,424,381	31,378,249
Internal transactions		(861,790,727)	(553,013,711)	(622,577,322)	(2,645,157)	59,539,424
Total	₩	29,066,406,287	20,465,381,827	6,372,984,681	(441,536,138)	(451,560,259)

		2022				
(In thousands of won)		Assets	Liabilities	Revenue	Operating income (loss)	Net income (loss)
Passenger	₩	17,062,563,572	14,511,119,928	2,707,451,338	98,814,668	(29,917,732)
Metro		5,978,300,535	2,877,971,948	1,055,356,118	(210,650,342)	(29,995,370)
Freight		2,503,890,451	6,132,904,693	347,394,667	(211,699,160)	(164,116,156)
Yongsan		7,419,876,748	2,829,423,119	-	(1,677,646)	(133,544,460)
Other multiple		3,358,814,584	603,370,323	52,304,977	33,516,828	102,068,381
Entrusted		1,092,842,480	2,079,798,613	1,287,928,306	(145,930,395)	(61,381,577)
Others		23,977,609	11,866,836	5,328,796	1,266,465	6,475,842
Transactions between departments		(8,687,909,982)	(8,687,909,982)	-	-	-
Subsidiaries		1,175,841,017	659,850,060	1,454,154,496	44,133,021	51,598,992
Internal transactions		(861,790,727)	(553,013,711)	(706,059,708)	(4,726,717)	23,843,465
Total	₩	29,066,406,287	20,465,381,827	6,203,858,990	(396,953,278)	(234,968,615)

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Independent Auditors' Report

(Based on a report originally issued in Korean)

To the Shareholder and Board of Directors of
Korea Railroad Corporation

Opinion

We have audited the consolidated financial statements of Korea Railroad Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the consolidated statements of comprehensive income (Loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean Government-owned and Quasi-government Accounting Regulations.

Basis for Opinion

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

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

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

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Nexia Samduk

Seoul, Korea
March 2, 2023

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

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2022 and 2021

(In thousands of won)	Notes		Dec 31, 2022	Dec 31, 2021
Assets				
Current assets				
Cash and cash equivalents	*7,8,29,43,44*	₩	544,279,430	312,179,350
Short-term financial instruments	*8,14,43,44*		136,076,482	15,074,875
Short-term loans	*13,43,44*		508,803	387,677
Current derivative assets	*9,43,44*		54,977,305	891,772
Trade receivables and other receivables	*10,11,43,44*		676,765,568	632,556,239
Inventories	*15,29*		344,804,176	322,014,818
Prepaid income taxes			901,042	448,944
Current non-financial assets	*16,29*		101,392,227	50,278,146
Assets held-for-sale	*40*		333,734,506	451,558,258
			2,193,439,539	1,785,390,079
Non-current assets				
Long-term financial instruments	*8,14,43,44*		20,755	20,755
Financial assets at FVTPL	*12,43,44*		36,866,585	23,043,144
Financial assets at FVOCI	*12,43,44*		37,194,240	44,520,957
Long-term loans, net	*13,43,44*		31,976,477	34,762,871
Non-current derivative instrument assets	*9,43,44*		109,504,551	152,668,264
Long-term trade receivables and other receivables	*10,43,44*		43,758,590	46,345,803
Property, trains and equipment, net	*18,26,29*		25,635,757,549	22,077,085,889
Investment property	*19,29*		778,142,762	818,603,422
Goodwill	*21*		3,732,906	3,732,906
Intangible assets, net	*22*		46,483,830	42,710,197
Investment in associates	*17*		85,391,588	93,826,562
Deferred tax assets	*39*		37,240,971	28,307,565
Non-current non-financial assets	*16*		4,177,946	4,584,988
			26,850,248,750	23,370,213,323
Total assets		₩	29,043,688,289	25,155,603,402
Liabilities				
Current liabilities				
Trade payables and other payables	*23,26,43,44*	₩	882,071,980	857,919,674
Short-term borrowings	*24,43,44*		102,800,000	27,300,000
Current portion of long-term borrowings, net	*24*		200,000,000	90,000,000
Current portion of bonds, net	*24*		1,089,510,171	1,299,954,209
Other current financial liabilities	*25*		219,628,728	-
Current tax liabilities	*39*		7,418,444	6,527,084
Current non-financial liabilities	*11,30*		717,732,822	849,827,699
Current provisions	*28*		365,060,745	431,429,170
			3,584,222,890	3,562,957,836

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Financial Position, Continued
As of December 31, 2022 and 2021

(In thousands of won)	**Notes**		**Dec 31, 2022**	**Dec 31, 2021**
Non-current liabilities				
Long-term trade payables and other payables	*23,26,43,44*	₩	54,959,680	66,419,953
Long-term borrowings, net	*24,43,44*		100,000,000	300,000,000
Bonds, net	*24,43,44*		12,535,624,090	10,876,919,384
Non-current derivative instrument liabilities	*9,43,44*		6,342,852	1,240,279
Other non-current financial liabilities	*25,43,44*		-	204,035,913
Non-current non-financial liabilities	*11,20,30*		8,894,926	12,134,678
Refined benefit liabilities, net	*27*		1,134,584,520	1,256,739,753
Deferred tax liabilities	*39*		2,321,713,037	1,848,849,157
Provisions	*28*		294,183,245	531,475,619
			16,456,302,350	15,097,814,736
Total liabilities		₩	20,040,525,240	18,660,772,572
Equity				
Paid-in capital	*1,31*	₩	10,849,219,641	10,768,057,641
Deficit	*32*		(11,503,557,897)	(11,489,301,653)
Other equity components	*33*		9,501,686,119	7,082,057,396
Equity attributable to owner of the parent Company			8,847,347,863	6,360,813,384
Non-controlling interests			155,815,186	134,017,446
Total equity		₩	9,003,163,049	6,494,830,830
Total liabilities and equity		₩	29,043,688,289	25,155,603,402

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Comprehensive income(loss)
For the years ended December 31, 2022 and 2021

(In thousands of won)	**Notes**		**2022**	**2021**
Revenues	*6,20,34,42*	₩	6,203,858,989	5,764,689,979
Cost of revenue	*20,41,42*		6,259,117,885	6,307,231,287
Gross profit (loss)			(55,258,896)	(542,541,308)
Selling, general and administrative expense	*35,41*		341,694,383	345,576,523
Operating loss			(396,953,279)	(888,117,831)
Other revenue	*28,36*		21,735,760	18,850,024
Other expenses	*36*		(109,228,830)	(74,616,034)
Other income, net	*36*		230,606,894	50,621,697
Finance income	*37,43*		88,672,845	83,799,264
Finance expense	*38,43*		(395,911,617)	(371,574,199)
Gains on valuation of investments in associates	*17*		3,756,967	1,982,668
Losses on valuation of investments in associates	*17*		(792,026)	(10,363,557)
Loss before income taxes			(558,113,286)	(1,189,417,968)
Income tax benefit	*39*		323,144,672	34,218,429
Loss for the year		₩	(234,968,614)	(1,155,199,539)
Remeasurement of defined benefit liability	*27*	₩	146,914,416	79,483,059
Gains on valuation of equity instruments at FVOCI			(2,176,944)	(4,382,879)
Asset revaluation gain (loss), net of tax	*18*		2,561,866,255	9,655,505
Unrealized net change in the effective portion			(23,731)	-
Items not reclassified to profit or loss subsequently			2,706,579,996	84,755,685
Unrealized net change in the effective portion of changes in the fair value of cash flow hedges, net of tax	*9*		(42,466,656)	15,313,628
Changes in equity of equity method investments	*17*		(3,731,350)	(243,108)
Items reclassified to profit or loss subsequently			(46,198,006)	15,070,520
Other comprehensive income (loss) for the year, net of tax	*33*		2,660,381,990	99,826,205
Total comprehensive income (loss) for the year		₩	2,425,413,376	(1,055,373,334)
Income (loss) attributable to:				
Owners of the parent		₩	(251,250,584)	(1,140,711,546)
Non-controlling interests			16,281,970	(14,487,993)
Loss for the year		₩	(234,968,614)	(1,155,199,539)
Total comprehensive Income (loss) attributable to:				
Owners of the parent		₩	2,403,505,046	(1,042,551,623)
Non-controlling interests			21,908,330	(12,821,711)
Total comprehensive Income (loss) for the period		₩	2,425,413,376	(1,055,373,334)

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Comprehensive income(loss) , Continued
For the years ended December 31, 2022 and 2021

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2022	₩ 10,768,057,641	(11,489,301,653)	7,082,057,396	6,360,813,384	134,017,446	6,494,830,830
Total comprehensive income (loss) for the year:						
Income (loss) for the year	-	(251,250,585)	-	(251,250,585)	16,281,971	(234,968,614)
Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	143,491,747	-	143,491,747	3,422,669	146,914,416
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	(2,177,734)	(2,177,734)	790	(2,176,944)
-Asset revaluation gain, net of tax	-	-	2,561,866,255	2,561,866,255	-	2,561,866,255
-Reclassification of asset revaluation gain	-	91,658,894	(91,658,894)	-	-	-
Comprehensive income (loss) that is subsequently reclassified to income (loss)	-	(23,731)	-	(23,731)	-	(23,731)
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	(44,669,555)	(44,669,555)	2,202,899	(42,466,656)
-Change in equity of equity method investments, net of tax	-	-	(3,731,350)	(3,731,350)	-	(3,731,350)
Total comprehensive income (loss) for the year	-	(16,123,675)	2,419,628,722	2,403,505,047	21,908,329	2,425,413,376
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	81,162,000	-	-	81,162,000	-	81,162,000
Total transaction with owner of the parent Company	81,162,000	-	-	81,162,000	-	81,162,000
Others	-	1,867,432	-	1,867,432	(110,589)	1,756,843
Balance at Dec. 31, 2022	₩ 10,849,219,641	(11,503,557,896)	9,501,686,119	8,847,347,863	155,815,186	9,003,163,049

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021

(In thousands of won)	Paid-in capital	Accumulated deficit	Other equity components	Equity attributable to owners of the parent Company	Non-controlling interests	Total Equity
Balance at Jan. 1, 2021	₩10,497,470,939	(10,553,934,254)	7,177,540,628	7,121,077,314	146,499,031	7,267,576,345
Total comprehensive income (loss) for the year:						
Income (loss) for the year	-	(1,140,711,547)	-	(1,140,711,547)	(14,487,992)	(1,155,199,539)
999Other comprehensive income (loss)						
Comprehensive income (loss) that is not subsequently reclassified to income (loss)						
- Remeasurement of defined benefit liability	-	78,215,799	-	78,215,799	1,267,260	79,483,059
-Gains on valuation of equity instruments at FVOCI, net of tax	-	-	(4,383,081)	(4,383,081)	202	(4,382,879)
-Asset revaluation gain, net of tax	-	-	9,655,505	9,655,505	-	9,655,505
-Reclassification of asset revaluation gain	-	115,427,356	(115,427,356)	-	-	-
Comprehensive income (loss) that is subsequently reclassified to income (loss)						
-Unrealized change in the effective portion of changes in the fair value of cash flow hedges, net of tax	-	-	14,914,809	14,914,809	398,819	15,313,628
-Change in equity of equity method investments, net of tax	-	-	(243,108)	(243,108)	-	(243,108)
Total comprehensive income (loss) for the year	-	(947,068,392)	(95,483,231)	(1,042,551,623)	(12,821,711)	(1,055,373,334)
Transactions with owners of the Group, recognized directly in equity						
Issuance of common stock	90,163,000	-	-	90,163,000	-	90,163,000
Investment in kind	180,423,702	-	-	180,423,702	-	180,423,702
Total transaction with owner of the parent Company	270,586,702	-	-	270,586,702	-	270,586,702
Others	-	11,700,993	-	11,700,993	340,126	12,041,119
Balance at Dec. 31, 2021	₩10,768,057,641	(11,489,301,653)	7,082,057,396	6,360,813,384	134,017,446	6,494,830,830

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

(In thousands of won)		2022	2021
Cash flows from operating activities			
Loss for the year	₩	(234,968,614)	(1,155,199,539)
Adjustments for:			
Income tax benefit		(323,144,672)	(34,218,429)
Bad debt expenses(Reversal Allowance Doubtful Accounts)		136,838	1,552,986
Other bad debt expenses		55,025,557	1,585,528
Depreciation expenses		545,110,910	527,612,353
Depreciation of investment property		5,952,448	6,394,456
Amortization of intangible assets		7,589,164	8,995,463
Losses on sale of property, trains and equipment		10,436,211	10,616,640
Losses(gain) on valuation of investments in associates		(2,964,942)	8,380,889
Losses on disposal of non-current assets held-for-sale		1,779,680	458,632
Retirement benefits		238,357,482	244,824,333
Increase in provisions		257,715,175	33,694,585
Gains on disposal of financial assets at FVTPL		-	(1,961)
Losses on disposal of financial assets at FVTPL		118	-
Gains on valuation of financial assets at FVTPL		(1,000,257)	(547,814)
Losses on valuation of financial assets at FVTPL		307,367	-
Losses on valuation of derivative instruments		2,985,000	519,000
Interest expenses		321,222,176	294,406,521
Foreign currency translation losses		71,359,358	76,629,760
Other losses		6,919,788	856,995
Other gains		(8,710,622)	(73,377)
Gains on sale of property, trains and equipment		(27,264,802)	(207,853)
Gains on disposal of non-current assets held for sale		(266,735,157)	(116,937,612)
Reversal of provision		(17,118,732)	(8,916,515)
Gains on assets contributed		(3,706,463)	(10,000)
Foreign currency translation gains		(2,989,309)	(519,000)
Gains on valuation of derivative instruments		(71,352,740)	(76,629,760)
Interest income		(12,766,797)	(5,745,947)
Dividend income		(431,761)	(313,131)
Defined liabilities		1,426,337	1,483,528
Rental Expenses		20,491	-
Repair expenses		442,861	3,818,763
Taxes dues		-	613,444
Revenues from government grants		(134,082)	(275,643)
Other income		25,835	-
Changes:			
- Inventories		(7,098,809)	(2,121,829)
- Trade receivables		(101,845,645)	7,380,231
- Other accounts receivable		8,149,866	(1,449,618)
- Prepayment		(76,744,058)	71,199,565
- Prepaid expenses		168,050	75,630,251
- Loan		-	1,738,615
- Other current assets		(411,797)	61,361
- Employee benefits		(160,714,658)	(132,867,361)
- Trade payables		(54,150,621)	32,385,979
- Outstanding expenses		(58,285,570)	(6,054,304)

(In thousands of won)		2022	2021
-Accrued expenses		102,301,956	(31,736,832)
-Advances customers		10,922,688	14,634,584
-Withholdings		(9,853,631)	13,536,533
-Unearned revenues		(7,941,882)	(1,943,012)
-Current provisions		(243,742,817)	3,175,536
-'Non-current provisions		(248,710,215)	(73,970,840)
-Other current liabilities		-	(25,528,999)
-Other non-current liabilities		(1,928,583)	(4,567,576)
-Government grants classified as operating		106,529,596	(383,227,460)
-Other long-term deposits		-	(126,837)
Cash generated from operating activities	₩	(189,832,284)	(621,004,720)
Income taxes paid	₩	(10,451,092)	(3,026,617)
Net cash used in operating activities	₩	(200,283,376)	(624,031,337)

See accompanying notes to the consolidated financial statements.

Korea Railroad Corporation and its Subsidiaries
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2022 and 2021

(In thousands of won)		2022	2021
Cash flows from investing activities			
Proceeds from sales of financial assets for trading purpose	₩	-	-
Proceeds from sales of financial assets at FVTPL		82,368	105,111
Decrease in long-term loans		8,284,304	20,088
Decrease in long-term deposits		5,477,550	5,600,426
Proceeds from sale of non-current assets held for sale		342,610,854	366,412,888
Proceeds from sale of property, trains and equipment		81,219,814	227,763
prodeeds from sales of short-term financial instruments		-	105,500,000
Interest received		10,695,217	3,443,364
Dividends received		8,076,595	11,138,099
Government grants received		560,080	237,528
Advances received of property, trains and equipment		124,066,928	160,507,491
Advances received of property, trains and equipment		(1,023,958,780)	(547,632,015)
Purchase of intangible assets		(8,073,336)	(6,605,587)
Purchase of investment property		(1,651,165)	(76,812)
Purchase of financial assets at FVTPL		(13,213,037)	(11,097,097)
Increase in long-term loans		(5,184,791)	(74,355)
Increase in long-term deposits		(7,423,390)	(8,613,960)
Increase in short-term financial instruments		(121,001,607)	(276,875)
Purchase of financial assets for trading purpose		-	-
Net cash provided used in by investing activities	₩	(599,432,396)	78,816,057
Cash flows from financing activities			
Proceeds from issuance of share capital		81,162,000	90,163,000
Proceeds from borrowings		1,290,000,000	627,700,000
Government grants received		1,372,181	-
Issuance of debt securities		2,679,324,342	1,559,604,742
Receipt of rental deposits		-	-
Interest paid		(308,893,087)	(258,253,439)
Repayment of borrowings		(1,304,500,000)	(651,500,000)
Redemption of bonds		(1,300,000,000)	(1,140,000,000)
Settlement of currency swap transactions		-	-
Lease payment		(9,307,872)	(14,638,603)
Dividends paid		(67,848)	(3,230,323)
Net cash provided by financing activities	₩	1,129,089,716	209,845,377
Net increase(decrease) in cash and cash equivalents		329,373,944	(335,369,903)
Cash and cash equivalents at January 1		553,276,026	888,645,929
Cash and cash equivalents at December 31		882,649,969	553,276,026
Government grants		(28,665,809)	(19,305,862)
Fund for consignment business from governments		(309,704,730)	(221,790,814)
Cash and cash equivalents at end of year	₩	544,279,430	312,179,350

See accompanying notes to the consolidated financial statements.

1. GENERAL INFORMATION:

(1) Description of the controlling company

Korea Railroad Corporation (the "Company") was incorporated on January 1, 2005, to engage in passenger and railroad transportation services under the Korea Railroad Act. As of December 31, 2022, the Company's issued capital amounted to ₩10,853,867 million, and the Company is wholly owned by the Government of the Republic of Korea. The consolidated financial statements were authorized for issue by the Board of Directors on February 23, 2023.

The main businesses of the Company are as follows:

i. Businesses related to passenger and freight transportation and linking other means of transportation via railroad;
ii. Manufacturing, selling, maintaining and leasing railroad equipment;
iii. Maintaining and leasing passenger cars and rolling stocks;
iv. Businesses entrusted by state and local autonomous entity or public institution for various matters, including maintenance of railroad facilities;
v. Developing and operating train station facilities related to sales, operations, cultural activities, meetings and administration of parking lot, accommodations, passenger and freight terminal; and
vi. Businesses, such as distribution service, tourism business, overseas business, technology development and manpower development.

(2) Consolidated subsidiaries

1) Consolidated subsidiaries as of December 31, 2022 and 2021 are detailed as follows:

Company	Location	Reporting Date	Ownership		Industry
			2022	2021	
KORAIL Retail Co., Ltd.	Republic of Korea	Dec. 31	100.00%	100.00%	Retail
KORAIL Networks Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Service industry
KORAIL Logis Co., Ltd.	Republic of Korea	Dec. 31	97.23%	97.23%	Railroad cargo business
KORAIL Tourism Development Co., Ltd	Republic of Korea	Dec. 31	60.80%	60.80%	Service industry
KORAIL Tech Co., Ltd.	Republic of Korea	Dec. 31	97.98%	97.98%	Railway track construction
SR Co., Ltd. (*1)	Republic of Korea	Dec. 31	41.00%	41.00%	Railroad transportation
Korean Insurance Brokerage Co., Ltd.	Republic of Korea	Dec. 31	98.98%	98.98%	Insurance brokerage business

(*1) The consolidation company determined that the consolidation entity controls SR Co., Ltd. even though the ownership share rate is less than a majority, considering the power of the investment entity, exposure to variable returns, and the ability to use force to affect variable returns.

1. GENERAL INFORMATION, Continued:

(2) Consolidated subsidiaries, continued

2) The financial information of subsidiaries as of and for the years ended December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)		2022			
Company		Total assets	Total liabilities	Total revenue	Total net Income(loss)
KORAIL Retail Co., Ltd.	₩	280,111,516	119,682,844	262,032,817	3,304,153
KORAIL Networks Co., Ltd.		34,323,785	7,238,634	117,192,589	6,433,331
KORAIL Logis Co., Ltd.		24,353,253	14,700,413	100,517,036	3,379,276
KORAIL Tourism Development Co., Ltd		22,854,108	12,416,517	69,861,862	866,379
KORAIL Tech Co., Ltd.		65,711,462	30,065,779	262,264,092	10,858,686
SR Co., Ltd.		831,389,317	577,081,171	641,031,026	26,378,728
Korean Insurance Brokerage Co., Ltd.		2,403,733	412,962	1,255,074	378,438

(In thousands of won)		2021			
Company		Total assets	Total liabilities	Total revenue	Total net Income(loss)
KORAIL Retail Co., Ltd.	₩	283,286,254	122,373,082	207,413,382	(5,743,564)
KORAIL Networks Co., Ltd.		35,857,567	11,827,687	99,652,327	3,449,539
KORAIL Logis Co., Ltd.		23,189,484	16,915,920	89,167,539	4,940,760
KORAIL Tourism Development Co., Ltd		19,918,865	13,770,137	64,883,120	(453,475)
KORAIL Tech Co., Ltd.		62,825,950	32,760,116	244,090,483	2,129,667
SR Co., Ltd.		784,587,208	563,971,572	529,436,251	(24,620,180)
Korean Insurance Brokerage Co., Ltd.		2,348,911	402,580	1,211,785	334,217

1. GENERAL INFORMATION, Continued:

(2) Consolidated subsidiaries, continued

3) Subsidiaries whose non-controlling interests are significant to the Group are detailed as follows:

i) Proportion held by non-controlling interests as of December 31, 2022 and 2021 are as follows:

Company	2022	2021	Location
SR Co., Ltd.	59.00%	59.00%	Republic of Korea

ii) Attributable to non-controlling interests for the year ended December 31, 2021 is as follows:

(In thousands of won)

Company	Profit attributable to Non-controlling interests	Accumulated Non-controlling interests	Location
SR Co., Ltd.	₩ 15,563,449	150,041,806	Republic of Korea

iii) Financial information of subsidiaries whose non-controlling interests are significant to the Group as of and for the year ended December 31, 2022 is summarized as follows:

- Statements of Financial Position and Comprehensive Income

(In thousands of won)

Company	Current assets	Non-Current assets	Current liability	Non-current liability	Revenue	Income for The year	Comprehensive loss
SR Co., Ltd.	₩ 251,495,693	579,893,624	311,846,858	265,234,313	641,031,026	26,378,728	33,692,511

- Statements of Cash flows

(In thousands of won)

Company	Cash flows From operation activities	Cash flows From investing activities	Cash flows From financing activities	Net increase in Cash and cash equivalents
SR Co., Ltd. ₩	77,532,011	(1,883,855)	(34,184,624)	41,463,532

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Korean Government-owned and Quasi-government Accounting Regulation, and Standards. Meanwhile, except for requirements set forth in the Regulation and Standards, the Group applied Korean International Financial Reporting Standards("K-IFRS") in accordance with chapter 2.5 of the Regulation.

(1) Accounting standards that the Group adopted in accordance with Korean Government-owned and Quasi-government Accounting Standards are as follows:

(i) Government subsidies (Article 44: Accounting of Government Subsidies)
Government subsidies used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such subsidies are amortized against the depreciation expenses of the acquired assets during the useful lives of the assets. Government subsidies received for consignment management services provided by the Group are recognized as operating revenue.

(ii) Recognition of Revenue and Expenses Related to Consignment Management Services (Article 48) The proceeds received for the consignment management services entrusted by the government or local governments shall be recognized as business revenues in response to costs incurred at the time of execution.

(iii) Contribution to the Employee Welfare Fund (Article 49)
The Group contributes to the employee welfare fund, and contributions are recognized as operating expenses in accordance with Employee Welfare Fund Act.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets; and
- Land that is periodically remeasured at fair value.

(3) Functional and presentation currency

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgment

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

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

(i) Uncertainty in assumptions and estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:
- Note 27 Remeasurement of defined benefit obligations: key actuarial assumptions;
- Notes 28 and 47 Recognition and measurement of provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources; and
- Note 39 Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

2. BASIS OF PREPARATION, Continued:

(4) Use of estimates and judgment, continued

(ii) Measurement of fair values

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

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

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

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

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

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

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

- Note 44 Financial risk management.

3. IMPORTANT ACCOUNTING POLICIES:

The consolidated financial statements were prepared in accordance with K-IFRS and the important accounting policies adopted to prepare consolidated financial statements were the same as those adopted when preparing the consolidated financial statements for the previous year unless otherwise noted.

The important accounting policies adopted to prepare the consolidated financial statements are as follows.

(1) Changes and disclosures in accounting policies

1) The enacted and revised standards adopted by the Group

The enacted and revised standards and interpretations applied by the Group from the accounting period beginning on or after January 1, 2022 are as follows:

(i) Amendments to Korean IFRS 1103 'Business Combination' - Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets', and Korean IFRS 2121 'Levies'. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments do not have a significant impact on the consolidated financial statements.

(ii) Amendments to Korean IFRS 1016 'Property, Plant and Equipment' - Proceeds before Intended Use

The amendments prohibit an entity from deducting from cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments do not have a significant impact on the consolidated financial statements.

(iii) Amendments to Korean IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments do not have a significant impact on the consolidated financial statements.

(iv) Amendments to Korean IFRS 1116 ‘Leases’ (revised) - Rent discounts related to COVID-19 beyond 30 June 2021

The amendments to Korean IFRS 1116 introduced a practical expedient that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19. The amendments extend the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022. The amendments do not have a significant impact on the consolidated financial statements.

(v) Annual Improvements to Korean IFRS 2018-2020

- Korean IFRS 1101 'First time Adoption of Korean International Financial Reporting Standards' - Subsidiaries that are first-time adopters
- Korean IFRS 1109 'Financial Instruments' - Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 'Lease' - Lease incentives
- Korean IFRS 1041 'Agriculture' - Fair value measurement

The Group expects that the application of the revised standard will not have a significant impact on the consolidated financial statements.

3. IMPORTANT ACCOUNTING POLICIES, Continued:

(1) Changes and disclosures in accounting policies, continued

2) Standards and Interpretation published but not yet implemented

Although enacted and announced as of the end of the reporting period, the effective date has not arrived in the accounting period beginning after January 1, 2022, and the newly enacted and revised K-IFRS and interpretations that have not been applied early by the Group are as follows:

(i) Amendments to Korean IFRS 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(ii) Amendments to Korean IFRS 1001 'Presentation of Financial Statements' - Disclosure of 'Accounting Policy'

The amendments defined and required the Group to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

The amendments defined accounting estimates and clarified how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(iv) Amendments to Korean IFRS 1012 "Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

The Group expects that the application of the revised standard will not have a significant impact on the consolidated financial statements.

(v) Enactment of K-IFRS No. 1117 ‘Insurance Contracts’

K-IFRS No.1117 ‘Insurance Contracts’ supersedes K-IFRS No.1104 ‘Insurance Contracts’. Under K-IFRS No.1117, all cash flows under an insurance contract are estimated and measured as insurance liabilities using discount rates reflecting assumptions and risks at the time of reporting and reflect services (insurance coverage) provided to policyholders for each financial year to recognize revenue on an accrual basis. In addition, regardless of insurance cases, investment factors (cancellation/maturity refunds) paid to policyholders are excluded from insurance revenue, and insurance and investment gains and losses are separately presented so that information users to identify the source of profits and losses. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted for the entities that have applied K-IFRS No.1109 ‘Financial Instruments’. The Company expects that the amendment will not have a material impact on its separate financial statements.

An entity applying K-IFRS No.1117 for the first time may apply an optional classification adjustment ('overlay') to the comparison period. This classification adjustment is applicable to all financial assets, including financial assets that are not associated with contracts within the scope of K-IFRS No.1117. An entity that applies classification adjustments to financial assets presents comparative information as if the classification and measurement requirements in K-IFRS No.1109 had been applied to that financial asset, and these classification adjustments can be applied by product.

vi) K-IFRS No. 1001 ‘Presentation of Financial Statements’ – Classification of Debt with Covenants as Current or Non-current

The amendments require disclosure of the carrying amount of the financial liability and its related gains or losses if, all or part of a financial instrument subject to adjustment of the exercise price according to changes in the issuer's stock price. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company expects that the amendments will not have a material impact on its separate financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES:

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

(1) Basis of consolidation

(i) Business combinations
A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested for impairment annually and whenever any symptom implicating impairment appears. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No. 1032, 'Financial Instruments: Presentation' and K-IFRS No. 1109, 'Financial Instruments: Recognition and Measurement.'

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

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

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

(iii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(1) Basis of consolidation, continued

(v) Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling the shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, except that any share capital of the acquired entities is recognized as part of share premium.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(3) Inventories

The cost of inventories is determined by the moving average method and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(4) Non-derivative financial assets

1) Recognition and initial measurement
Trade receivables and issued debt securities are recognized for the first time at issue. Other financial instruments and financial liabilities are recognized only when the Group becomes a party to the instrument.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL. Transaction costs that are directly attributable to its acquisition.

2) Classification and subsequent measurement
Upon initial recognition, non-derivative financial assets are measured at amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(4) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

(i) Financial assets: business model
The Group assesses the objective of the business model held in the portfolio of financial assets that properly reflects how the business is managed and how information is provided to the management. Assessment takes into account the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies that include management strategies that focus on obtaining contractual interest revenue, maintaining a specific interest rate level, matching the performance of the liability to procure the financial asset with the asset's performance, and leaking or realizing expected cash flows through the sale of the asset;
- Evaluating the performance of financial assets held in the business model and reporting their assessment to key management personnel;
- How to manage risks that affect the performance of a business model (and financial assets held in the business model);
- How to compensate management (for example, based on the fair value of the asset being managed or on the contractual cash flows received); and
- Expected frequency, amount, timing, reason and future sales of financial assets in prior periods.

For this purpose, transferring a financial asset to a third party in a transaction that does not meet the derecognition requirements is not considered a sale.

A portfolio of financial assets that meets the definition of trading or whose portfolio performance is valued at fair value is measured at fair value through profit or loss.

(ii) Financial assets: an assessment of whether contractual cash flows are solely principal and interest; The principal is defined as the fair value of the financial asset at initial recognition. Interest consists of a profit as well as consideration for the time value of money, consideration for credit risk associated with principal balances in a given period, and other basic loan risks and costs.

When assessing whether the contractual cash flows are solely payments of principal and interest, the consolidation entity considers the terms and conditions of the instrument. If a financial asset contains contractual terms that change the timing or amount of the contractual cash flows, the entity shall determine whether the contractual cash flows that may arise over the life of the instrument are solely payments of principal and interest.

When evaluating this, the Group considers the following:

- Conditional circumstances that change the amount or timing of cash flows;
- Clause for adjusting the contractual par interest rate, including variable interest rate characteristics;
- prepayment characteristics and extension characteristics; and
- Terms and conditions that limit the Group's claim to cash flows arising from a particular asset (e.g., non-recourse features).

If the prepayment amount represents interest on the principal outstanding and the remaining principal outstanding in substance and contains reasonable additional compensation for early termination of the contract, the early repayment feature is consistent with the terms under which the principal and interest are paid on a specified date.

In addition, for financial assets acquired with significant discount or premium on the contractual par amount, the entity determines that the prepayment feature actually represents the contractual par value and the contractual interest accrued (but may include reasonable additional remuneration for early termination of the contract) and that the prepayment feature meets this condition if the fair value of the feature is insignificant at initial recognition of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(4) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

(iii) Financial assets: subsequent measurements and gains and losses;

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

3) De-recognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(5) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting
The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

- Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

- Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting; expires or is sold, terminated or exercised; or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(ii) Other derivative financial instruments
Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(6) Impairment of financial assets

The Group recognize a loss allowance for expected credit losses for the following assets:
- Financial assets measured at amortised cost;
- Debt investments at FVOCI; and
- Contract assets as defined in K-IFRS No. 1115.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:
- Debt securities determined to have low credit risk at the end of the reporting period; and
- Other debt securities that have not experienced significant increases in credit risk which is risk of default occurring over expected life of a financial asset since initial recognition, and the loss allowance for bank deposit accounts and contract assets are always measured at an amount equal to lifetime expected credit losses.

The loss allowance for trade receivables and contract assets is always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating expected credit losses, the Group considers information that is available, reasonable and supported without undue cost or effort. This includes qualitative and quantitative information and analysis based on the Group's past experience and known credit ratings, including forward-looking information.

1) Measurement of expected credit losses
Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls which is the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received. Expected credit losses are discounted at the effective interest rate of the financial asset.

2) Credit-impaired financial assets
At the end of each reporting period, the Group assesses whether the credit of the financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income is impaired. In the event of one or more events that adversely affect the estimated future cash flows of a financial asset, the financial asset is credit-impaired.

Evidence of impaired credit for financial assets includes the following observable information:
- Significant financial difficulties of the issuer or borrower;
- Breach of contract, such as default or delinquency over 90 days;
- Inevitable relief of the original debt conditions for economic or contractual reasons related to the borrower's financial difficulties;
- The likelihood of a borrower's bankruptcy or other financial restructuring increases; or
- Expiration of an active market for a financial asset due to financial difficulties.

3) Presentation of credit loss allowance in statement of financial position
The loss allowance for financial assets measured at amortised cost is deducted from the carrying amount of those assets.

For debt investment measured at FVOCI, the loss allowance is included in profit or loss and recognized in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(7) Property, plant and equipment

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

Subsequent to initial recognition, an item of property, plant and equipment, except the Group's land, shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses, while land whose fair value can be measured reliably is carried at revalued amount, being its fair value at the date of the revaluation, less subsequent accumulated impairment losses due to the change in the evaluation method of its land from cost model to revaluation model during the year ended December 31, 2013. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

Categories	Useful life(years)
Buildings	25-50
Structures	5-50
Machinery	5-25
Trains	6-40
Vehicles	2-7
Furniture and fixtures	5
Tools and office equipment	2-6
Others	5, Indefinite

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(8) Intangible assets

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

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

Categories	Useful life(years)
Industrial property right	5-10, Indefinite
Development costs	5
Computer software and other	5-20
Usable and profitable donation assets	15
Other intangible assets	5-20, Indefinite

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

(i) Service concession arrangements
The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

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

(9) Government grants

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

Government grants whose primary condition is that the Group purchase; construct; or, otherwise, acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense. Also, any related costs incurred with respect to the government grants are recognized in profit or loss when incurred as 'Government Grants' in the consolidated statements of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(10) Investment property

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

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

Investment property, except for land, is depreciated on a straight-line basis over 25–50 years, its estimated useful lives.

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

(11) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(12) Leases

The following is a summary of the new accounting policies applied by adopting K-IFRS No. 1116 starting from first application date, January 1, 2019.

(i) Accounting as a lessee
① Right-of-use assets
The Group recognizes right-of-use assets at the lease commencement date. Right-of-use assets are measured at cost, calculated by deducting accumulated depreciation and impairment loss, and adjust when remeasurement of leased liabilities occurs.

The cost of the licensed asset includes the amount recognized for the lease liability and the amount of direct costs incurred. The lease payment or incentives paid before or after the lease commencement date are added or subtracted. If the Group does not reasonably predict that it will take ownership of the leased asset at the end of the lease period, the licensed asset is depreciated on a straight-line basis over the lesser of estimated useful life and the leased period. The Group conducts impairment reviews on right-of-use assets.

② Lease liabilities
The Group measures lease liabilities at the present value of lease payments not paid as of that day on the lease commencement date.

Lease payments include fixed lease payments excluding lease incentives to be received(including actual fixed lease payments), variable lease payments depending on the index or rate, and the amount expected to be paid by the Group under the residual value guaranteed.

The Group also includes in the lease payments the amount owed to terminate the lease if the exercise price and lease term of the purchase option reflects the exercise of the Group's termination option when it is fairly certain that the option will be exercised. Variable lease payments that do not depend on the index or rate are recognized as expenses during the period in which the lease payment is made.

When calculating the present value of lease payments, the Group uses the incremental borrowing interest rate on the lease commencement date when the lease's imputed rate of interest cannot be easily calculated.

After the lease commencement date, the Group increases the carrying amount of leased liabilities to reflect the interest on the lease liabilities, and decreases the carrying amount of leased liabilities to reflect the lease payments paid.

In addition, the Group re-measures the lease liabilities by reflecting changes in leases, actual changes in fixed lease payments, changes in lease periods, or changes in valuation options for the purchase of underlying assets.

③ Short term lease and low value lease
The Group applies a recognition exemption for short-term leases with a contract period of one year or less. In addition, the recognition exemption is applied to low-value assets. Lease payments for short-term leases and small asset leases are recognized on a straight-line basis over the lease term.

The carrying amount of the Group's right-of-use assets and leased liabilities and the amount changed during the reporting period are described in Note 26.

(ii) Accounting as a lessor
In the case of a finance lease, the Group recognizes the same amount as the lease net investment of the finance lease as a finance lease receivable, and recognizes interest income by applying the effective interest rate method to the unrecovered portion of the net investment in finance lease.

The lease income from operating leases is recognized as revenue on a straight-line basis over the lease term, and the direct cost of opening the lease incurred in the negotiation and contract stage of the operating lease is added to the carrying amount of the leased asset and extended over the lease period. It is recognized as a cost on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(13) Construction work in progress

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

Construction work in progress is presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred, plus recognized profits, exceed progress billings.

If progress billings exceed costs incurred, plus recognized profits, then the difference is presented as deferred income in the consolidated statement of financial position.

(14) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The asset or disposal group that is classified as non-current assets held for sale is measured at the lower of its carrying amount or fair value, less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value, less costs to sell, and a gain for any subsequent increase in fair value, less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 Impairment of Assets.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(15) Borrowing Costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(16) Non-derivative financial liabilities

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

(i) Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at fair value through profit or loss when the financial liability is a contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS No. 1103 applies, it is held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in the consolidated statement of comprehensive income.

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

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expired).

(17) Retirement benefits

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

(ii) Retirement benefits: defined benefit plans

The Group's net obligation with respect to defined benefit plans is calculated by estimating the present value of defined benefit obligation after reflecting unrecognized past service cost and deducting the fair value of any plan assets.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(18) Provision

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

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

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

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

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration with respect to contaminated land, and the related expense, is recognized when the land is contaminated.

A provision shall be used only for expenditures for which it was originally recognized.

(19) Foreign currency transactions

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(20) Equity capital

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

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

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(21) Revenue from contracts with customers

The Group recognizes revenue in accordance with the following five-step revenue recognition model, from the beginning of the contract with the customer, through the time at which control is transferred to the customer or over the period over which control is transferred to the customer.

1) Identification of contracts
The Group identifies by contract an agreement that creates enforceable rights and obligations between the customers, and further reviews subsequent steps, such as the identification of performance obligations, to determine whether revenue is recognized or not, and recognizes it as a liability if it has not been identified by the contract but has received a payment from the customer.

2) Identification of performance obligations
A performance obligation refers to a promise to transfer to a customer a set of distinct goods or services that are 'concluded' or 'substantially identical and transfer to the customer' in a contract with the customer. The Group identifies performance obligations by reviewing the goods or services promised in the contract with the customer at contract inception.

3) Determine the transaction price
The transaction price is determined by considering variable consideration, significant financing factors, non-cash consideration, and the consideration paid to the customer, which the entity expects to be entitled to receive in return for transferring the promised goods or services to the customer. The Group rationally estimates the possibility of a return based on past experience rates and reflects it in the variable consideration, and determines that there is no significant financing component since the period between when the performance obligation is transferred and when the customer pays for it is less than 12 months.

4) Allocation of transaction price
The Group allocates the transaction price on the basis of the stand-alone selling price to the various performance obligations identified in a single contract. If there is no stand-alone selling price for each performance obligation, the standalone selling price is appropriately estimated by considering the market assessment adjustment approach, etc.

5) Revenue Recognition
The Group determines whether it recognizes revenue when it satisfies performance obligations relating to the contract at contract inception or over the period over which it satisfies the performance obligations. If the customer simultaneously benefits and consumes the benefits of the Group's performance of the obligation, if the customer controls the asset in proportion to the creation or increase in value of the asset by performing the obligation, or if the Group itself has no alternative use but an enforceable right to payment for performance completed to date, the entity recognizes revenue over the duration of the performance obligation.

i) Service
Revenues from services is recognized over the period over which the performance obligation is satisfied, as the customer simultaneously receives and consumes the benefits as the Group performs its obligations. Progress is determined based on the degree of performance. Revenues from the transportation business are recognized at the time of service completion, and the amount of money that has been issued but has not been completed is recognized as advance payment.

ii) Sales of goods
Sales of goods are recognized as revenue at the time that control of the asset is transferred to the customer. The timing of transfer of control to the customer depends on the individual terms of the contract. It is usually transferred when the product arrives at the buyer's warehouse.

If more than one product or service is sold through a single contract, each product and service considered as a separate unit are separately recognized and the consideration received is allocated according to the fair value of each product of service.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(21) Revenue from contracts with customers, Continued

5) Revenue Recognition, Continued

(iii) Customer loyalty programme
For customer loyalty programme, the fair value of the consideration received or receivable with respect to the initial sale is allocated between the award credits ("Mileage") and the revenue. The Group provides mileage to customers when tickets are sold. The amounts allocated to the Mileage are estimated based on the fair value of the train ticket to be provided for the mileage points expected to be redeemed. The fair value of the train tickets is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the Mileages are redeemed and the Group has fulfilled its obligations to provide it according to the train ticket. Revenue recognition is measured based on the percentage of the mileage points redeemed in exchange for a ticket to the total mileage points expected to be redeemed.

(iv) Construction contracts
Contract revenue includes the initial amount agreed in the contract, plus any variations in contract work, claims and incentive payments, to the extent it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(v) Rental income
Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

(22) Finance income and finance costs

Finance income comprises interest income on funds invested (including fair value measurement financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES, Continued:

(23) Income taxes

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

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

(ii) Deferred tax
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates to the extent it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. Additional income tax due to dividend payments is recognized when the Group recognizes a liability relevant to the dividend payment.

5. FINANCIAL RISK MANAGEMENT:

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

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

This note presents information about the Group's exposure to each of the above risks; the Group's objectives, policies and processes for measuring and managing risk; and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Risk management activities

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to establish appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base comprises a large number of counterparties with small individual amounts; hence, the Group's credit risk is not concentrated. Also, the Group's exposure to credit risk is limited as most receivables get collected in two or three days from the date of billing.

Significant transactions are reviewed for legal and economic validity during regular internal audits and resolved based on Board of Directors' approval. Also, the Group manages credit risk by requiring collateral or guarantees with respect to significant trade and other receivables.

Assessment for expected credit losses
The Group applies the practical simplified method of using a provision setting table to measure expected credit losses depend of judgment of this method consistent with measurement principle of expected credit losses required from K-IFRS No. 1109.

The default rate is calculated using the 'Roll Rate' model based on the likelihood that trade receivable will be delinquent. 'Roll Rate' was calculated separately for each business unit exposure based on common credit risk characteristics such as region, duration of customer relationship and type of product purchased.

(ii) Guarantees
The Group can only provide financial guarantees based on the Board of Directors' resolution. At December 31, 2021, no guarantees were outstanding.

5. FINANCIAL RISK MANAGEMENT, Continued:

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To manage liquidity risk, the Group maintains short-term and medium-to-long-term cash flow plan, and continuously analyzes and reviews the actual cash flow.

(4) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollars (USD).

The Group is exposed to currency risk in respect to bonds and long-term borrowings denominated in foreign currency. The Group uses derivate instruments, such as currency swap, to mitigate foreign exchange rate fluctuation risk arising from foreign currency liabilities.

(ii) Interest rate risk
The Group borrows funds at fixed and variable interest rates. The Group's management reviews the interest rate periodically and uses derivative instruments to hedge interest rate risk.

(iii) Other market price risk
Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

5. FINANCIAL RISK MANAGEMENT, Continued:

(5) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To maintain or adjust the capital base, the Group returns capital to shareholder and sells out assets to reduce the liabilities.

Also, the Group manages the capital balance to comply with the requirement from "Korean Railroad Law Article 11 (Issuance of bonds)," which states that bonds may not exceed twice the sum of capital and reserves. Also, the Group aims to maintain the credit rating of AAA.

The Group's capital management strategy is consistent with prior period and the credit rating is maintained AAA at the end of 2022

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

(In thousands of won, except equity ratio)		Dec. 31, 2022	Dec. 31, 2021
Bond issued	₩	13,528,103,300	12,079,735,560
Equity capital and reserves		8,874,312,551	6,448,503,857
Net debt-to-adjusted equity ratio		152.44%	187.33%

6. OPERATING BUSINESS UNITS:

The Group has eight business units, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's business units.

(1) The Group's business units are summarized as follows:

Business units	Primary business
Korea Railroad Corporation	Railroad transportation
KORAIL Retail Co., Ltd.	Retail business
KORAIL Logis Co., Ltd.	Railroad cargo business
KORAIL Networks Co., Ltd.	Service industry
KORAIL Tourism Development Co., Ltd.	Service industry
KORAIL Tech Co., Ltd.	Railway track specialized construction
SR Co., Ltd.	Railroad transportation
Korean Insurance Brokerage Co., Ltd.	Insurance brokerage

(2) The Group's business units' information on revenue and profit for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

Company		2022 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	5,455,764,202	283,781,639	5,171,982,562	(436,359,583)	525,912,853
KORAIL Retail Co., Ltd.		262,032,817	49,006	261,983,811	2,061,010	9,640,269
KORAIL Networks Co., Ltd.		117,192,589	70,649,725	46,542,864	8,052,741	2,783,728
KORAIL Logis Co., Ltd.		100,517,036	41,228,829	59,288,207	4,288,528	450,667
KORAIL Tourism Development Co., Ltd.		69,861,862	60,111,347	9,750,515	1,381,292	472,358
KORAIL Tech Co., Ltd.		262,264,092	250,123,369	12,140,723	13,791,723	1,950,813
SR Co., Ltd.		641,031,026	115,792	640,915,234	14,116,852	49,519,730
Korean Insurance Brokerage Co., Ltd		1,255,074	-	1,255,073	440,875	-
Total	₩	6,909,918,698	706,059,707	6,203,858,989	(392,226,562)	590,730,418

(In thousands of won)

Company		2021 Total revenue	Inter-unit revenue	External revenue	Operating Profit (loss)	Depreciation and Amortization expenses
Korea Railroad Corporation	₩	5,142,778,602	216,815,246	4,925,963,356	(866,063,083)	508,258,391
KORAIL Retail Co., Ltd.		207,413,382	64,399	207,348,983	(8,455,535)	8,821,193
KORAIL Networks Co., Ltd.		99,652,327	58,838,453	40,813,874	2,892,595	2,858,790
KORAIL Logis Co., Ltd.		89,167,539	42,269,661	46,897,878	3,976,405	472,375
KORAIL Tourism Development Co., Ltd.		64,883,120	58,550,619	6,332,501	(1,560,365)	439,530
KORAIL Tech Co., Ltd.		244,090,483	237,223,775	6,866,708	2,462,467	1,496,405
SR Co., Ltd.		529,436,251	181,356	529,254,894	(17,257,660)	52,487,228
Korean Insurance Brokerage Co., Ltd		1,211,785	-	1,211,785	442,515	-
Total	₩	6,378,633,489	613,943,509	5,764,689,979	(883,562,661)	574,833,912

6. OPERATING BUSINESS UNITS, Continued:

(3) Assets and liabilities of the Group's business units as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	28,452,553,404	344,408,694	1,013,247,716	19,578,240,852
KORAIL Retail Co., Ltd.		280,111,516	10,234,410	6,928,909	119,682,844
KORAIL Networks Co., Ltd.		34,323,785	1,178,649	2,604,121	7,238,634
KORAIL Logis Co., Ltd.		24,353,253	-	81,245	14,700,413
KORAIL Tourism Development Co., Ltd.		22,854,108	-	87,026	12,416,517
KORAIL Tech Co., Ltd.		65,711,462	-	2,709,724	30,065,779
SR Co., Ltd.		831,389,317	-	8,024,540	577,081,171
Korean Insurance Brokerage Co., Ltd		2,403,733	-	-	412,962
Total	₩	29,713,700,578	355,821,753	1,033,683,281	20,339,839,172

(In thousands of won)		Dec. 31, 2021			
Company		Total assets	Investment in associates	Acquisition of non-current assets	Total liabilities
Korea Railroad Corporation	₩	24,593,779,699	322,902,205	527,391,554	18,145,275,842
KORAIL Retail Co., Ltd.		283,286,254	16,863,608	7,821,971	122,373,082
KORAIL Networks Co., Ltd.		35,857,567	1,178,649	1,819,231	11,827,687
KORAIL Logis Co., Ltd.		23,189,484	-	132,970	16,915,920
KORAIL Tourism Development Co., Ltd.		19,918,865	-	291,258	13,770,137
KORAIL Tech Co., Ltd.		62,825,950	-	5,130,400	32,760,116
SR Co., Ltd.		784,587,208	-	11,727,031	563,971,572
Korean Insurance Brokerage Co., Ltd		2,348,911	-	-	402,580
Total	₩	25,805,793,938	340,944,462	554,314,415	18,907,296,936

(4) External revenues by geographical regions for the years ended December 31, 2022 and 2021 and non-current assets by geographical regions as of December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)		External revenue		Non-current assets	
		2022	2021	Dec. 31, 2022	Dec. 31, 2021
Domestic	₩	6,192,619,035	5,756,449,259	26,850,248,750	23,370,213,322
Overseas		11,239,954	8,240,720	-	-
Total	₩	6,203,858,989	5,764,689,979	26,850,248,750	23,370,213,322

7. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents in the consolidated statement of cash flow include cash and cash equivalents as of December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	₩	882,649,969	553,276,026
Government subsidies		(28,665,809)	(19,305,862)
Funds for consignment business from government		(309,704,730)	(221,790,814)
Total	₩	544,279,430	312,179,350

8. CASH AND CASH EQUIVALENTS RESTRICTED IN USE AND COLLATERALIZED FINANCIAL ASSETS:

Cash and cash equivalents that are restricted in use and financial assets that are held as collateral for liabilities or contingencies as of December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)	Type		Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	Cash on demand deposits	₩	-	6,536,022
Short-term financial instruments	Loan deposit for shared growth cooperation		12,500,000	12,000,000
Long-term financial instruments	Pledged assets		18,754	18,754
	Security deposit for opening of current deposit account		2,000	2,000
	Total	₩	12,520,754	18,556,776

9. DERIVATIVES:

(1) Derivative instruments outstanding as of December 31, 2022 and 2021 are as follows:

		Dec. 31, 2022		Dec. 31, 2021	
(In thousands of won)		Current	Non-current	Current	Non-current
Derivative instrument assets:					
Currency swap	₩	54,977,305	103,922,665	-	152,668,264
Interest rate swap		-	5,581,886	891,772	-
Total	₩	54,977,305	109,504,551	891,772	152,668,264
Derivative instrument liabilities:		-	6,342,852		
Currency swap		-	-	-	-
Interest rate swap				-	1,240,279
			6,342,852		
Total	₩	54,977,305	103,922,665	-	1,240,279

9. DERIVATIVES, Continued:

(2) Details of currency swap outstanding as of December 31, 2022 are summarized as follows:

(In thousands of won, CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD)

Financial institutions	Contract term		Selling price	Purchasing price	Selling interest rate	Purchasing interest rate	Contractual Exchange rate		Valuation amount
Nomura Financial Investment (Korea) Co., Ltd.	2017.04.26. ~ 2032.04.26.	AUD	42,708,500	50,000,000	2.30%	AUD 4.11%	854.17	₩	469,382
Nomura Financial Investment (Korea) Co., Ltd	2017.05.25. ~ 2023.05.25.	HKD	134,180,490	921,000,000	2.17%	HKD 2.60%	145.69		14,960,706
Nomura Financial Investment (Korea) Co., Ltd	2017.05.26. ~ 2032.05.26	SEK	38,199,000	300,000,000	2.40%	SEK 2.31%	127.33		(3,016,138)
Export-Import Bank of Korea	2017.06.07. ~ 2037.06.07	CAD	91,746,600	110,000,000	2.40%	CAD 3.07%	834.06		11,515,886
Nomura Financial Investment (Korea) Co., Ltd	2017.06.09. ~ 2037.06.09	EUR	62,829,000	50,000,000	2.37%	EUR 1.89%	1,256.58		958,813
Industrial Bank of Korea	2018.06.07. ~ 2023.06.07.	HKD	87,128,480	631,000,000	2.23%	HKD 3.375%	138.08		16,332,971
BNP PARIBAS S.A.	2018.07.12. ~ 2023.07.12.	CHF	112,833,000	100,000,000	2.05%	CHF 0.20%	1,128.33		23,683,628
BNP PARIBAS S.A.	2018.10.02. ~ 2033.10.02	EUR	144,454,200	110,000,000	2.36%	EUR 1.72%	1,313.22		(3,023,850)
Hana Bank	2018.10.25. ~ 2038.10.25.	EUR	130,480,000	100,000,000	2.33%	EUR 1.88%	1,304.80		(302,864)
Export-Import Bank of Korea	2020.04.11. ~ 2039.04.11	EUR	76,443,000	60,000,000	1.83%	EUR 1.41%	1,274.05		1,357,719
Export-Import Bank of Korea	2020.06.13. ~ 2025.06.13.	CHF	176,400,000	150,000,000	1.61%	CHF 0%	1,176.00		27,714,963
Woori Bank	2020.11.19. ~ 2024.11.19.	CHF	178,219,500	150,000,000	1.42%	CHF (-)0.18%	1,188.13		28,090,418
Woori Bank	2020.11.19. ~ 2024.11.19.	USD	175,650,000	150,000,000	1.41%	3M USD LIBOR 0.7%	1,171.00		23,873,913
DBS Bank Ltd.	2020.09.23. ~ 2025.09.23.	SGD	126,976,800	140,000,000	0.82%	SGD 0.79%	864.12		9,941,571
			1,578,248,570	3,022,000,000				₩	152,557,118

(3) Details of interest rate swap outstanding as of December 31, 2022 are summarized as follows:

(In thousands of won)

Type	Financial institutions	Contract term	Selling interest rate	Purchasing interest rate		Contract price	Valuation amount
Cash flow hedge.	Shinhan Bank	2021.06.28 ~ 2026.06.24	1.95%	91-day CD+0.35%	₩	90,000,000	5,581,886

(4) Derivative transaction gain (loss) for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022		2021	
		Gain and losses from valuation	Other comprehensive income (loss)	Gain and losses from valuation	Other comprehensive income (loss)
Currency swap	₩	68,367,740	(68,478,886)	76,110,760	15,801,693
Interest rate swap			5,930,393	-	5,279,961
Total	₩	68,367,740	(62,548,493)	76,110,760	21,081,654

10. TRADE RECEIVABLES AND OTHER RECEIVABLES:

(1) Trade receivables and accounts receivable as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	676,086,311	(13,328,749)	-	662,757,562
Other receivables		71,365,984	(57,304,146)	(53,832)	14,008,006
Subtotal		747,452,295	(70,632,895)	(53,832)	676,765,568
Non-current assets:					
Other receivables		44,237,271	-	(478,681)	43,758,590
Total	₩	791,689,566	(70,632,895)	(532,513)	720,524,158

(In thousands of won)		Dec. 31, 2021			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Trade receivables	₩	573,553,582	(13,438,186)	-	560,115,396
Other receivables		74,790,605	(2,330,461)	(19,302)	72,440,842
Subtotal		648,344,187	(15,768,647)	(19,302)	632,556,238
Non-current assets:					
Other receivables		46,771,958	-	(426,155)	46,345,803
Total	₩	695,116,145	(15,768,647)	(445,457)	678,902,041

10. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(2) Other receivables as of December 31, 2022 and 2021 are detailed as follows:

(In thousands of won)		Dec. 31, 2022			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Other receivables	₩	64,127,901	(57,304,146)	-	6,823,755
Accrued revenue		319,583	-	-	319,583
Deposits provided		6,918,500	-	(53,832)	6,864,668
Subtotal		71,365,984	(57,304,146)	(53,832)	14,008,006
Non-current assets:					
Deposits provided		44,237,271	-	(478,681)	43,758,590
Total	₩	115,603,255	(57,304,146)	(532,513)	57,766,596

(In thousands of won)		Dec. 31, 2021			
		Receivables	Allowance for impairment	Present value of discount	Carrying amounts
Current assets:					
Other receivables	₩	72,357,516	(2,330,461)	-	70,027,055
Accrued revenue		22,752	-	-	22,752
Deposits provided		2,410,337	-	(19,302)	2,391,035
Subtotal		74,790,605	(2,330,461)	(19,302)	72,440,842
Non-current assets:					
Deposits provided		46,771,958	-	(426,155)	46,345,803
Total	₩	121,562,563	(2,330,461)	(445,457)	118,786,645

10. TRADE RECEIVABLES AND OTHER RECEIVABLES, Continued:

(3) Aging analysis of trade receivables and other receivables as of December 31, 2022 and 2021 is detailed as follows:

(In thousands of won)		Trade receivables	
		Dec. 31, 2022	Dec. 31, 2021
Current and not impaired	₩	340,298,947	317,037,217
Overdue, but not impaired		128,709,316	91,821,561
Current reviewed for impairment		207,078,048	164,694,805
- Under 90 days		197,905,005	154,896,104
- 90 days–120 days		-	-
- 120 days or more		9,173,043	9,798,701
Subtotal		676,086,311	573,553,583
Allowance for impairment		(13,328,749)	(13,438,186)
Total	₩	662,757,562	560,115,397

(In thousands of won)		Other receivables	
		Dec. 31, 2022	Dec. 31, 2021
Current and not impaired	₩	57,227,366	62,908,709
Overdue, but not impaired		379,683	55,015,072
Current reviewed for impairment		57,996,206	3,638,783
- Under 90 days		920,114	964,961
- 90 days–120 days		1,301	9,157
- 120 days or more		57,074,791	2,664,665
Subtotal		115,603,255	121,562,564
Allowance for impairment		(57,304,146)	(2,330,461)
Present value discounts		(532,513)	(445,458)
Total	₩	57,766,596	118,786,645

(4) Changes in allowance for impairment of trade receivables and other receivables during the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022		2021	
		Trade receivable	Other receivables	Trade receivable	Other receivables
Beginning balance	₩	13,438,186	2,330,461	12,417,955	755,512
Impairment loss recognized		290,830	55,025,771	2,011,997	1,668,755
Write-offs		(246,275)	(51,873)	(532,755)	(9,504)
Reversal of allowance		(153,992)	(213)	(459,011)	(84,302)
Ending balance	₩	13,328,749	57,304,146	13,438,186	2,330,461

11. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Contract assets and Contract liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Contract assets:			
- Receivables from unbilled construction contracts	₩	578,458	73,523
Contract liabilities:			
- Customer loyalty programmes	₩	86,995,354	90,848,081
- Advances from construction contracts		40,421	1,969,002
Total	₩	87,035,775	92,817,083

(2) Contract liabilities on customer loyalty programmes as of December 31, 2022 and 2021 are detailed as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Current liabilities:			
Short-term income received in advance			
- Customer loyalty programmes	₩	84,747,339	88,864,537
Non-current liabilities:			
Long-term income received in advance			
- Customer loyalty programmes	₩	2,248,015	1,983,544
Total	₩	86,995,354	90,848,081

(3) Changes in contract liabilities on customer loyalty programmes during the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	90,848,081	90,472,029
Increase		65,858,950	49,753,065
Revenue recognized		(69,711,677)	(49,377,013)
Ending balance	₩	86,995,354	90,848,081

12. FAIR VALUE MEASUREMENT FINANCIAL ASSETS:

(1) Changes of FVTPL for the years ended December 31, 2022 and 2021 are as follow:

		2022				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	23,043,144	13,213,037	(82,486)	692,890	36,866,585

		2021				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Debt securities	₩	11,501,383	11,097,097	(103,150)	547,814	23,043,144

(2) Changes of FVOCI for the years ended December 31, 2022 and 2021 are as follow:

		2022				
(In thousands of won)		Beginning balance	Acquisition	Disposal	Valuation	Ending balance
Listed securities	₩	11,887	-	-	(5,806)	6,081
Unlisted securities		44,509,070	-	-	(7,320,911)	37,188,159
Total	₩	44,520,957	-	-	(7,326,717)	37,194,240

		2021				
(In thousands of won)		Beginning balance	Acquisition	Valuation	Other	Ending balance
Listed securities	₩	8,828	-	-	3,059	11,887
Unlisted securities		50,558,455	-	-	(6,049,385)	44,509,070
Total	₩	50,567,283	-	-	(6,046,326)	44,520,957

13. LOANS:

Loans as of December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)		Dec. 31, 2022		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	35,937,358	(3,552,874)	32,384,484
Other (*2)		100,797	-	100,797
Total	₩	36,038,155	(3,552,874)	32,485,281

(*1) Regarding Tuition loans, the amount of W419,650 thousand (W11,643 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group has recorded social security insurances paid on behalf of employess on leave as other borrowings.

(In thousands of won)		Dec. 31, 2021		
		Face value	Present value discount	Carrying amount
Tuition loans (*1)	₩	39,070,625	(3,987,120)	35,083,505
Other (*2)		67,043	-	67,043
Total	₩	39,137,668	(3,987,120)	35,150,548

(*1) Regarding student loans, the amount of W329,181 thousand (W8,546 thousand Present value discounts), which is due within one year, is reclassified to short-term loans.

(*2) The Group recognizes the four major insurance payments for leavers and others.

14. FINANCIAL INSTRUMENTS:

Financial instruments as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022		Dec. 31, 2021	
		Current	Non-current	Current	Non-current
Periodical installment savings	₩	11,500,000	20,755	12,300,000	20,755
Others		124,576,482	-	2,774,875	-
Total	₩	136,076,482	20,755	15,074,875	20,755

15. INVENTORIES:

Inventories as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	182,984	-	-	182,984
Merchandises		8,363,093	-	-	8,363,093
Work in progress		1,115,589	-	-	1,115,589
Supplies		498,054,961	(163,153,665)	(2,277)	334,899,019
Inventory in transit		243,491	-	-	243,491
Total	₩	507,960,118	(163,153,665)	(2,277)	344,804,176

(In thousands of won)		Dec. 31, 2021			
		Acquisition costs	Government grants	Provision for loss on valuation	Carrying amount
Raw materials	₩	227,908	-	-	227,908
Merchandises		9,190,162	-	-	9,190,162
Work in progress		3,166,755	-	-	3,166,755
Supplies		489,878,134	(181,206,439)	(2,277)	308,669,418
Inventory in transit		760,575	-	-	760,575
Total	₩	503,223,534	(181,206,439)	(2,277)	322,014,818

16. NON-FINANCIAL ASSETS:

(1) Non-financial assets as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022		Dec. 31, 2021	
		Current	Non-current	Current	Non-current
Prepayment	₩	148,355,438	-	71,611,380	-
Government grants		(58,582,449)	-	(31,353,994)	-
Allowance for bad debts		(47,746)	-	(47,746)	-
Prepaid expenses		9,756,734	4,023,040	8,570,054	4,568,280
Other non-financial assets		1,910,250	154,905	1,498,452	16,708
Total	₩	101,392,227	4,177,945	50,278,146	4,584,988

(2) Other non-financial assets as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022		Dec. 31, 2021	
		Current	Non-current	Current	Non-current
Deposits	₩	1,755,360	-	1,002,011	-
Non-financial assets-others		154,890	154,905	496,441	16,708
Total	₩	1,910,250	154,905	1,498,452	16,708

17. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of December 31, 2022 and 2021 are detailed as follows:

(In thousands of won)	Primary business	Location	Dec. 31, 2022			
			Owner-ship(%)		Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩	1,765,000	1,414,206
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00		250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90		897,000	-
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67		84,338,340	24,912,711
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00		682,300	2,090,637
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08		699,962	3,203,407
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00		6,833,050	2,908,665
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04		12,953,517	45,930,297
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55		1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00		600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00		500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78		4,862,340	4,931,665
	Total			₩	365,233,510	85,391,588

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

17. INVESTMENTS IN ASSOCIATES, Continued:

(1) Investments in associates as of December 31, 2022 and 2021 are detailed as follows, Continued:

(In thousands of won)	Primary business	Location	Dec. 31, 2021		
			Owner-ship(%)	Acquisition cost	Carrying amounts
Uiwang ICD Co., Ltd	Construction and operation of container depot	Republic of Korea	25.00	₩ 1,765,000	1,444,136
Dream Hub Project Financial Investment Co., Ltd	Developing, trading and leasing of real estate	Republic of Korea	25.00	250,000,000	-
YongSan Station Around Development Co., Ltd.	Asset management	Republic of Korea	29.90	897,000	-
Lotte Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	31.67	84,338,340	34,878,751
Bupyeong Department Store Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	682,300	2,259,405
Anyang Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	26.08	699,962	3,353,374
Bucheon Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	6,833,050	2,897,589
Hanwha Station Development Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	32.04	12,953,517	44,982,655
Shinsegae Uijeongbu Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	27.55	1,102,000	-
Gwangun Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	30.00	600,001	-
Ansan Central Station Building Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	25.00	500,000	-
Bitplex Co., Ltd.	Development and operation of privatized station's sphere of influence	Republic of Korea	23.78	4,862,340	4,010,652
	Total			₩ 365,233,510	93,826,562

Affiliated companies over which the Group has lost significant influence due to bankruptcy or rehabilitation procedures were excluded from the above.

17. INVESTMENTS IN ASSOCIATES, Continued:

(2) Financial information of significant associates as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Lotte Station Building Co., Ltd.		Hanwha Station Development Co., Ltd.	
		2022	2021	2022	2021
Current Assets	₩	78,844,122	100,268,554	30,420,089	25,169,244
Non-current assets		126,906,013	159,756,899	444,485,788	468,700,084
Current liabilities		101,306,380	93,770,553	97,919,989	92,099,131
Non-current liabilities		25,772,045	56,111,475	233,645,113	261,416,386
Revenue		111,554,409	107,817,386	152,272,589	134,856,537
Profit for the year		(1,769,892)	(30,962,551)	5,022,676	3,041,599
Total comprehensive profit for the year		(13,520,342)	(31,730,261)	5,186,561	3,041,599
Dividend received		6,840,000	6,840,000	-	-

(3) Details of adjustments made for book value of associates as of December 31, 2022 are as follows

(In thousands of won)		Net assets	Ownership	Share of interests in net assets	Book value
Uiwang ID Co., Ltd	₩	5,656,823	25.00%	1,414,206	1,414,206
Lotte Station Building Co., Ltd.		78,671,709	31.67%	24,912,711	24,912,711
Bupyeong Department Store Co., Ltd		8,362,549	25.00%	2,090,637	2,090,637
Anyang Station Building Co., Ltd.		12,285,359	26.08%	3,203,407	3,203,407
Bucheon Station Building Co., Ltd.		11,634,662	25.00%	2,908,665	2,908,665
Hanwha Station Development Co., Ltd.		143,340,775	32.04%	45,930,297	45,930,297
Bit Plex Co., Ltd.		20,736,030	23.78%	4,931,665	4,931,665
Total	₩	280,687,907		85,391,588	85,391,588

(4) Book value of non-significant associates and joint ventures is as follows:

(In thousands of won)		Individually non-significant associates and joint ventures
Book value	₩	14,548,581
Profit attributable to associates and joint ventures:		
Profit from continuing operations	₩	12,682,179
Other comprehensive income		13,735
Total	₩	12,695,914

17. INVESTMENTS IN ASSOCIATES, Continued:

(5) Changes in investments in associates for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		Beginning balance	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,444,136	-	(29,930)	-	-	1,414,206
Lotte Station Building Co., Ltd.		34,878,751	(5,700,000)	(560,466)	(3,720,976)	15,402	24,912,711
Bupyeong Department Store Co., Ltd.		2,259,405	-	(86,004)	-	(82,764)	2,090,637
Anyang Station Building Co., Ltd		3,353,374	(65,187)	(115,625)	-	30,845	3,203,407
Bucheon Station Building Co., Ltd.		2,897,589	(1,250,000)	1,227,069	-	34,007	2,908,665
Hanwha Station Development Co., Ltd.		44,982,655	(629,647)	1,609,403	(10,374)	(21,740)	45,930,297
Bit Plex Co., Ltd.		4,010,652	-	920,495	-	518	4,931,665
		93,826,562	(7,644,834)	2,964,942	(3,731,350)	(23,732)	85,391,588

(In thousands of won)		Beginning balance	Dividend	Share of profits	Change in equity method investments	Other increase (decrease)	Ending balance
Uiwang ID Co., Ltd.	₩	1,542,035	-	(97,899)	-	-	1,444,136
Lotte Station Building Co., Ltd.		50,279,089	(6,840,000)	(9,804,808)	(243,108)	1,487,578	34,878,751
Bupyeong Department Store Co., Ltd.		2,659,613	-	(352,344)	-	(47,864)	2,259,405
Anyang Station Building Co., Ltd		3,731,030	(65,188)	(108,505)	-	(203,963)	3,353,374
Bucheon Station Building Co., Ltd.		3,079,650	(750,000)	578,877	-	(10,938)	2,897,589
Hanwha Station Development Co., Ltd.		44,178,532	-	974,620	-	(170,497)	44,982,655
Bit Plex Co., Ltd.		3,599,722	-	429,170	-	(18,240)	4,010,652
		109,069,671	(7,655,188)	(8,380,889)	(243,108)	1,036,076	93,826,562

17. INVESTMENTS IN ASSOCIATES, Continued:

(6) Details of unrecognized equity losses for the year ended December 31, 2022 and accumulated unrecognized equity losses due to discontinuance of equity method application are as follows:

(In thousands of won)	Unrecognized equity losses for the year ended	Unrecognized equity losses Accumulated
YongSan Station Around Development Co., Ltd.	-	(2,904,581)
Shinsegae Uijeongbu Station Building Co., Ltd.	1,471,764	(1,236,472)
Kwangwoon Univ. Building Co., Ltd.	(159,439)	(2,905,086)
Ansan Central Station Building Co., Ltd.	-	(174,474)

Investment stocks that have lost significant influence due to bankruptcy are not included.

18. PROPERTY, TRAINS AND EQUIPMENT:

(1) Details of property, trains and equipment as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	17,565,924,377	(6,598,459)	-	-	17,559,325,918
Buildings(*)		2,168,733,527	(122,736,343)	(676,501,028)	(62,233)	1,369,433,923
Structures		325,563,286	(7,376,122)	(166,614,420)	(652,134)	150,920,610
Machinery		1,593,272,376	(25,441,642)	(1,029,661,337)	-	538,169,397
Trains		9,352,315,629	(237,750,310)	(4,404,360,970)	(2,661,000)	4,707,543,349
Vehicles		53,175,179	(213,934)	(40,852,135)	-	12,109,110
Furniture and fixtures		18,789,066	(8,792)	(14,176,881)	-	4,603,393
Tools		142,785,058	(117,405)	(118,453,621)	-	24,214,032
Construction in progress		1,219,439,523	-	-	-	1,219,439,523
Right-of-use assets		38,086,036	-	(17,744,731)	-	20,341,305
Other tangible assets		34,888,763	(51,913)	(5,179,861)	-	29,656,989
Total	₩	32,512,972,820	(400,294,920)	(6,473,544,984)	(3,375,367)	25,635,757,549

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

(In thousands of won)		Dec. 31, 2021				
		Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book value
Land(*)	₩	14,464,852,971	(6,598,459)	-	-	14,458,254,512
Buildings(*)		2,124,206,600	(125,841,565)	(631,555,460)	(62,233)	1,366,747,342
Structures		322,933,375	(7,896,650)	(154,613,256)	(652,134)	159,771,335
Machinery		1,396,568,593	(33,229,861)	(947,858,621)	-	415,480,111
Trains		8,958,319,789	(261,390,649)	(4,083,772,877)	(2,661,000)	4,610,495,263
Vehicles		169,978,677	(275,932)	(61,620,451)	-	108,082,294
Furniture and fixtures		16,673,529	(19,477)	(13,233,322)	-	3,420,730
Tools		157,832,443	(196,091)	(129,278,606)	-	28,357,746
Construction in progress		884,164,797	-	-	-	884,164,797
Right-of-use assets		25,528,166	-	(13,726,161)	-	11,802,005
Other tangible assets		35,018,084	(54,415)	(4,453,915)	-	30,509,754
Total	₩	28,556,077,024	(435,503,099)	(6,040,112,669)	(3,375,367)	22,077,085,889

(*) Some land and buildings of the Group are being provided as collateral for the Group's borrowings.

18. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(2) Changes in property, trains and equipment for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	14,458,254,512	51,444,658	(54,899,694)	-	3,104,526,442	17,559,325,918
Buildings (*)		1,366,747,342	41,610,518	(715,045)	(48,114,963)	9,906,071	1,369,433,923
Structures		159,771,335	4,731,728	(1,718,968)	(14,985,780)	3,122,295	150,920,610
Machinery		415,480,111	42,620,918	(1,044,861)	(58,883,267)	139,996,496	538,169,397
Trains		4,610,495,264	439,767,742	(5,244,772)	(391,122,723)	53,647,838	4,707,543,349
Vehicles		108,082,294	43,531,046	(515,159)	(7,876,812)	(131,112,259)	12,109,110
Furniture and fixtures		3,420,729	1,107,861	(25,142)	(1,430,266)	1,530,211	4,603,393
Tools		28,357,746	7,667,455	(16,373)	(13,012,648)	1,217,852	24,214,032
Construction in progress		884,164,797	391,348,453	-	-	(56,073,727)	1,219,439,523
Right-of-use assets		11,802,005	-	-	(8,798,020)	17,337,320	20,341,305
Other tangible assets		30,509,754	128,400	(97,235)	(886,432)	2,502	29,656,989
	W	22,077,085,889	1,023,958,779	(64,277,249)	(545,110,911)	3,144,101,041	25,635,757,549

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

(In thousands of won)		Beginning balance	Acquisitions	Disposals	Depreciation	Other (*)	Ending balance
Land	W	14,596,905,593	8,496,009	-	-	(147,147,090)	14,458,254,512
Buildings (*)		1,355,198,527	5,885,395	(1,067,310)	(46,710,910)	53,441,640	1,366,747,342
Structures		164,386,231	7,119,627	(332,385)	(12,810,038)	1,407,900	159,771,335
Machinery		396,425,158	28,538,177	(3,232,122)	(50,235,863)	43,984,761	415,480,111
Trains		4,543,439,818	137,673,141	(6,241,321)	(381,377,526)	317,001,152	4,610,495,264
Vehicles		34,143,099	87,237,922	(110,843)	(14,178,379)	990,495	108,082,294
Furniture and fixtures		3,689,523	1,159,893	(43,302)	(1,410,765)	25,381	3,420,729
Tools		29,777,795	10,264,126	(56,354)	(12,579,894)	952,072	28,357,746
Construction in progress		1,004,619,297	260,075,951	-	-	(380,530,451)	884,164,797
Right-of-use assets		9,387,305	-	-	(7,218,939)	9,633,639	11,802,005
Other tangible assets		30,499,239	1,181,774	(54,838)	(1,090,040)	(26,381)	30,509,754
	W	22,168,471,585	547,632,015	(11,138,475)	(527,612,354)	(100,266,882)	22,077,085,889

(*) Other increase (decrease) relates to reclassification of assets under construction, payment in kind, assets contribution and land revaluation.

18. PROPERTY, TRAINS AND EQUIPMENT, Continued:

(3) Accounting policy for subsequent measurement

The Group measured the fair value of the land, and commissioned Gaon Appraisal & Realty Advisor, the independent and publicly authorized appraisal institutions. The fair value is measured based on actual market price, taking into account differences arising from specific assets' characteristics, location and condition of the market, and the date of revaluation is December 31, 2022.

Details of accumulated gain on revaluation of assets recognized in other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	7,204,073,356	7,309,845,208
Gain on revaluation of the land		3,330,542,588	12,611,042
Tax effect		(768,676,332)	(2,955,538)
Reclassification of gain on revaluation of assets to retained earnings		(91,658,894)	(115,427,356)
Ending balance	₩	9,674,280,718	7,204,073,356

19. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2022 and 2021 are as follows:

		Dec. 31, 2022			
(In thousands of won)		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	611,494,451	-	-	611,494,451
Buildings and structure		235,084,156	(3,307,838)	(65,128,007)	166,648,311
Total	₩	846,578,607	(3,307,838)	(65,128,007)	778,142,762

		Dec. 31, 2021			
(In thousands of won)		Acquisition costs	Government grants	Accumulated depreciation	Book value
Land	₩	635,600,799	-	-	635,600,799
Buildings and structure		249,141,332	(3,600,089)	(62,538,621)	183,002,623
Total	₩	884,742,131	(3,600,089)	(62,538,621)	818,603,422

19. INVESTMENT PROPERTY, Continued:

(2) Changes in investment property for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	635,600,799	-	-	(24,106,348)	611,494,451
Buildings and structure		183,002,623	169,925	(5,952,448)	(10,571,789)	166,648,311
	₩	818,603,422	169,925	(5,952,448)	(34,678,137)	778,142,762

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(In thousands of won)		Beginning balance	Acquisitions	Depreciation	Other (*)	Ending balance
Land	₩	445,646,023	-	-	189,954,776	635,600,799
Buildings and structure		195,391,886	76,812	(6,394,456)	(6,071,620)	183,002,623
	₩	641,037,909	76,812	(6,394,456)	183,883,156	818,603,422

(*) Other changes represent reclassification of investment property from property, trains and equipment.

(3) Income and expense from investment property for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Rental income	₩	61,240,453	59,646,369
Operating expenses		(5,952,448)	(6,394,456)
Total	₩	55,288,005	53,251,913

20. CONSTRUCTION CONTRACTS:

(1) During the year ended December 31, 2022 and 2021, changes in outstanding balance of construction contracts are as follows:

(In thousands of won)		Contract price outstanding as of Jan. 1, 2022	Increase (decrease)	Current construction revenue	Contract price outstanding as of Dec. 31, 2022
Domestic civil engineering works	₩	9,847,351	145,819	(8,471,933)	1,521,237

(In thousands of won)		Contract price outstanding as of Jan. 1, 2021	Increase (decrease)	Current construction revenue	Contract price outstanding as of Dec. 31, 2021
Domestic civil engineering works	₩	3,847,741	14,366,363	(8,366,753)	9,847,351

Revenue from new construction contracts increased by W426,182 thousand (W15,485,768 thousand in 2021) and revenue from changes in construction contracts decreased by W 273,896 thousand (W639,191 thousand in 2021).

(2) Details of profit or loss related to the construction contract recognized during the years ended December 31, 2022 and 2021 are as follows:

		2022		
(In thousands of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	26,097,979	(22,823,253)	3,274,726

		2021		
(In thousands of won)		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit or loss of construction
Domestic civil engineering works	₩	17,626,047	(15,861,864)	1,764,183

(3) Receivables from unbilled construction contracts is W578,458 thousand, and advances from construction contracts is W40,421 thousand at December 31, 2022.

21. GOODWILL:

(1) Goodwill as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Acquisition costs	₩	4,095,870	4,095,870
Accumulated impairment loss		(362,964)	(362,964)
Book value		3,732,906	3,732,906

(2) There is no change in goodwill during the periods presented.

22. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2022 and 2021 are as follows:

		Dec. 31, 2022			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	81,137,386	(69,251,480)	(22,311)	11,863,595
Industrial property rights		354,131	(231,552)	-	122,579
Development costs		30,230,031	(21,260,104)	(484,167)	8,485,760
Developing intangible assets		1,000	-	-	1,000
Service operating rights on donated assets		132,300	-	-	132,300
Other intangible assets		25,878,596	-	-	25,878,596
	₩	137,733,444	(90,743,136)	(506,478)	46,483,830

		Dec. 31, 2021			
(In thousands of won)		Acquisition cost	Accumulated amortization	Government grants	Book value
Computer software	₩	71,836,152	(68,392,800)	(29,127)	3,414,225
Industrial property rights		387,223	(231,552)	-	155,671
Development costs		28,501,154	(17,014,359)	(34,417)	11,452,378
Developing intangible assets		1,718,634	-	-	1,718,634
Service operating rights on donated assets		165,372	-	-	165,372
Other intangible assets		25,803,917	-	-	25,803,917
	₩	128,412,452	(85,638,711)	(63,544)	42,710,197

22. INTANGIBLE ASSETS, Continued:

(2) Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows:

	2022						
(In thousands of won)	Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance ₩	155,671	11,452,378	3,414,225	165,372	25,803,917	1,718,634	42,710,197
Increase	-	669,255	7,404,081	-	1,481,240	-	9,554,576
Disposals	-	-	-	-	(20,796)	-	(20,796)
Amortization	(33,092)	(4,913,756)	(2,375,482)	(33,072)	(233,762)	-	(7,589,164)
Other	-	1,277,883	3,420,771	-	(1,152,003)	(1,717,634)	1,829,017
Ending balance ₩	122,579	8,485,760	11,863,595	132,300	25,878,596	1,000	46,483,830

	2021						
(In thousands of won)	Industrial property rights	Development costs	Computer software	Service operating rights on donated assets	Other intangible assets	Developing intangible assets	Total
Beginning balance ₩	128,085	9,521,632	3,887,904	198,445	26,451,093	5,124,313	45,311,472
Increase	60,975	3,215,401	1,607,972	-	3,605	1,717,634	6,605,587
Amortization	(33,389)	(6,024,166)	(2,254,054)	(33,073)	(650,781)	-	(8,995,463)
Other	-	4,739,511	172,403	-	-	(5,123,313)	(211,399)
Ending balance ₩	155,671	11,452,378	3,414,225	165,372	25,803,917	1,718,634	42,710,197

(3) Emission rights

(i) Free allocation of emission rights

The amounts of free allocation for emission rights for each planning period and implementation year as of December 31, 2022 are as follows (in tCO2-eq):

(In thousands of won)	2021	2022	2023	2024	2025	Total
Free allocation of emission rights ₩	2,222,010	2,222,010	2,222,010	2,222,010	2,222,010	11,110,050

(ii) Estimated greenhouse gas emissions in 2022 were 1,815,000 tCO2-eq, and permitted greenhouse gas emissions in 2022 were 2,222,010 tCO2-eq.

23. TRADE AND OTHER PAYABLES:

Details of trade and other payables as of December 31, 2022 and 2021 are as follows:

	Dec. 31, 2022		Dec. 31, 2021	
(In thousands of won)	Current	Non-current	Current	Non-current
Trade payables ₩	271,104,934	-	325,259,864	-
Other payables	173,212,648	-	226,770,588	-
Accrued expense	418,528,331	-	299,195,050	-
Other guarantee deposit received	11,542,182	42,531,614	-	52,365,584
Lease Liabilities	7,683,885	12,428,067	6,694,172	14,054,369
Total ₩	882,071,980	54,959,681	857,919,674	66,419,953

24. FINANCIAL LIABILITIES:

(1) Financial liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Current liabilities:			
Short-term borrowings	₩	102,800,000	27,300,000
Current portion of long-term borrowings		200,000,000	90,000,000
Current bonds		1,089,564,600	1,300,000,000
Deduct: Bond issuance discount		(54,429)	(45,791)
Subtotal		1,392,310,171	1,417,254,209
Non-current liabilities:			
Long-term borrowings		100,000,000	300,000,000
Bonds		12,538,538,700	10,879,735,560
Deduct: Bond issuance discount		(3,280,764)	(3,428,594)
Add: Bond issuance premium		366,153	612,418
Subtotal		12,635,624,089	11,176,919,384
Total	₩	14,027,934,260	12,594,173,593

(2) Short-term borrowings as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	Type of borrowings	Interest rate		Dec. 31, 2022	Dec. 31, 2021
NongHyup Bank	Working fund borrowing	-	₩	-	2,500,000
NongHyup Bank	Working fund borrowing	1.93%		12,800,000	24,800,000
Shinhan bank	CP	4.33%		90,000,000	-
	Total		₩	102,800,000	27,300,000

(3) Current portion of long-term borrowings as of December 31, 2022 are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2022
Hana Bank (*2)	CP	Variable (*1)	2023	200,000,000

(*1) 91-day CD+0.33%

(*2) The contractual period exceeds one year, but the maturity of CP issued under the acceptance agreement is three months. At the time of maturity, the Group(the issuer of CP) does not have the right to request extension of maturity from the holder of CP, so they are classified as current portion of long-term borrowings.

24. FINANCIAL LIABILITIES, Continued:

(4) Long-term borrowings as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2022
Hana Bank	Long-term loan	Variable (*1)	2023	200,000,000
DBS Bank	Working capital loan	1.53%	2024	100,000,000
	Subtotal			300,000,000
	Less: reclassified to current borrowings			(200,000,000)
	Total			₩ 100,000,000

(*1) 91-day CD+0.33%

(In thousands of won)	Type of borrowings	Interest rate	Maternity	Dec. 31, 2021
Hana Bank	Long-term loan	Variable (*1)	2023	200,000,000
DBS Bank	Working capital loan	1.53%	2024	100,000,000
Shinhan Bank	CP	Variable (*2)	2026	90,000,000
	Subtotal			390,000,000
	Less: reclassified to current borrowings			(90,000,000)
	Total			₩ 300,000,000

(*1) 91-day CD+0.33%
(*2) 91-day CD+0.35%

24. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2022 and 2021 are as follows:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2022 Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	42,920,500
Foreign public bond13	HKD 2.60%	2023-05-25	HKD 921,000,000		149,708,550
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		36,351,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		102,891,800
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		67,560,000
Foreign public bond18	HKD 3.375%	2023-06-07	HKD 631,000,000		102,569,050
Foreign public bond19	CHF 0.2%	2023-07-12	CHF 100,000,000		137,287,000
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		148,632,000
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		135,120,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		81,072,000
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		205,930,500
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000		205,930,500
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000		190,095,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		132,035,400
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation93	3.84%	2022-05-22	-		190,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation102	3.20%	2023-02-07	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation107	3.62%	2023-09-26	-		100,000,000
Korea Railroad Corporation110	3.68%	2023-10-29	-		50,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-		110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-		40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-		100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-		70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-		70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-		150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-		150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-		200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation142	1.79%	2023-04-11	-		150,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000

24. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2022 and 2021 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2022	
			Borrowings denominated in foreign currency	Borrowings denominated in won
Korea Railroad Corporation157	2.40%	2047-03-21	-	140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-	150,000,000
Korea Railroad Corporation160	2.12%	2023-04-17	-	120,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-	80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-	130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-	70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-	150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-	150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-	50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-	50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-	40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-	160,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-	150,000,000
Korea Railroad Corporation172	2.87%	2048-03-09	-	120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-	140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-	90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-	210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-	100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-	110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-	110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-	90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-	80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-	60,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-	170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-	160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-	160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-	150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-	200,000,000
Korea Railroad Corporation192	1.10%	2023-09-15	-	80,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-	190,000,000
Korea Railroad Corporation195	1.11%	2024-02-05	-	100,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-	150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-	130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-	150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-	50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-	100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-	250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-	130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-	140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-	250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-	110,000,000
Korea Railroad Corporation206	2.44%	2025-02-07	-	130,000,000
Korea Railroad Corporation207	2.68%	2052-02-07		100,000,000
Korea Railroad Corporation208	2.62%	2025-02-21		130,000,000
Korea Railroad Corporation209	2.82%	2052-02-22		80,000,000
Korea Railroad Corporation210	2.69%	2027-03-04		100,000,000
Korea Railroad Corporation211	2.80%	2052-03-04		140,000,000
Korea Railroad Corporation212	2.70%	2025-03-24		60,000,000
Korea Railroad Corporation213	2.88%	2027-03-24		160,000,000
Korea Railroad Corporation214	3.27%	2027-04-07		160,000,000
Korea Railroad Corporation215	3.21%	2052-04-07		80,000,000
Korea Railroad Corporation216	3.48%	2027-05-18		50,000,000
Korea Railroad Corporation217	3.34%	2052-05-18		150,000,000
Korea Railroad Corporation218	3.73%	2052-06-24		150,000,000
Korea Railroad Corporation219	3.51%	2042-07-21		80,000,000
Korea Railroad Corporation220	5.04% * Accrual Factor	2034-07-28		30,000,000
Korea Railroad Corporation221	3.65%	2042-08-25		30,000,000

24. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2022and 2021 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2022 Borrowings denominated in foreign currency		Dec. 31, 2022 Borrowings denominated in won
Korea Railroad Corporation222	3.90%	2052-09-02	-	₩	100,000,000
Korea Railroad Corporation223	5.26%	2027-09-27	-		60,000,000
Korea Railroad Corporation224	5.07%	2025-09-29	-		190,000,000
Korea Railroad Corporation225	5.97%	2027-10-20	-		90,000,000
Korea Railroad Corporation226	5.96%	2024-10-28	-		100,000,000
Korea Railroad Corporation227	5.99%	2025-10-28	-		100,000,000
Korea Railroad Corporation228	5.57%	2025-11-15	-		100,000,000
Korea Railroad Corporation229	5.45%	2025-11-21	-		210,000,000
Korea Railroad Corporation230	4.51%	2025-12-05	-		100,000,000
Bond issuance	1.79%	2023-06-28	-		100,000,000
		KRW	-		11,890,000,000
		USD	150,000,000		190,095,000
		CHF	400,000,000		549,148,000
		SGD	140,000,000		132,035,400
Subtotal		AUD	50,000,000		42,920,500
		HKD	1,552,000,000		252,277,600
		SEK	300,000,000		36,351,000
		CAD	110,000,000		102,891,800
		EUR	320,000,000		432,384,000
		KRW	-		700,000,000
Deduct: reclassified to current		CHF	100,000,000		137,287,000,000
		HKD	1,552,000,000		252,277,600,000
		KRW	-	₩	1,119,000,000
		USD	150,000,000		190,095,000
		CHF	300,000,000		411,861,000
Total		SGD	140,000,000		132,035,400
(Non-current bonds)		AUD	50,000,000		42,920,500
		SEK	300,000,000		36,351,000
		CAD	110,000,000		102,891,800
		EUR	320,000,000		432,384,000
				₩	12,538,538,700

24. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2022 and 2021 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2021 Borrowings denominated in foreign currency		Borrowings denominated in won
Foreign public bond12	AUD 4.11%	2032-04-26	AUD 50,000,000	₩	42,944,500
Foreign public bond13	HKD 2.60%	2023-05-25	HKD 921,000,000		140,019,630
Foreign public bond14	SEK 2.31%	2032-05-26	SEK 300,000,000		39,312,000
Foreign public bond15	CAD 3.07%	2037-06-07	CAD 110,000,000		102,367,100
Foreign public bond16	EUR 1.89%	2037-06-09	EUR 50,000,000		67,117,000
Foreign public bond18	HKD 3.375%	2023-06-07	HKD 631,000,000		95,930,930
Foreign public bond19	CHF 0.2%	2023-07-12	CHF 100,000,000		129,747,000
Foreign public bond20	EUR 1.72%	2033-10-02	EUR 110,000,000		147,657,400
Foreign public bond21	EUR 1.88%	2038-10-25	EUR 100,000,000		134,234,000
Foreign public bond22	EUR 1.41%	2039-04-11	EUR 60,000,000		80,540,400
Foreign public bond23	CHF 0%	2025-06-13	CHF 150,000,000		194,620,500
Foreign public bond24	CHF -0.18%	2024-11-19	CHF 150,000,000		194,620,500
Foreign public bond25	3M USD Libor+0.70%	2024-11-29	USD 150,000,000		177,825,000
Foreign public bond26	SGD 0.79%	2025-09-23	SGD 140,000,000		122,799,600
Korea Railroad Corporation82	4.27%	2026-08-08	-		120,000,000
Korea Railroad Corporation84	4.06%	2026-09-06	-		100,000,000
Korea Railroad Corporation89	4.00%	2022-02-24	-		130,000,000
Korea Railroad Corporation90	4.26%	2027-03-19	-		130,000,000
Korea Railroad Corporation92	4.09%	2027-04-23	-		200,000,000
Korea Railroad Corporation93	3.84%	2022-05-22	-		190,000,000
Korea Railroad Corporation96	3.16%	2027-09-11	-		90,000,000
Korea Railroad Corporation98	3.06%	2022-10-09	-		130,000,000
Korea Railroad Corporation99	3.12%	2027-10-18	-		100,000,000
Korea Railroad Corporation102	3.20%	2023-02-07	-		100,000,000
Korea Railroad Corporation106	4.04%	2033-09-06	-		90,000,000
Korea Railroad Corporation107	3.62%	2023-09-26	-		100,000,000
Korea Railroad Corporation110	3.68%	2023-10-29	-		50,000,000
Korea Railroad Corporation114	3.89%	2024-01-15	-		110,000,000
Korea Railroad Corporation118	3.81%	2034-02-17	-		40,000,000
Korea Railroad Corporation121	3.82%	2029-03-12	-		60,000,000
Korea Railroad Corporation123	3.70%	2024-03-19	-		40,000,000
Korea Railroad Corporation125	3.68%	2024-03-31	-		60,000,000
Korea Railroad Corporation128	3.84%	2034-04-18	-		50,000,000
Korea Railroad Corporation130	3.70%	2024-04-29	-		100,000,000
Korea Railroad Corporation132	3.62%	2024-05-14	-		70,000,000
Korea Railroad Corporation133	3.55%	2024-05-21	-		70,000,000
Korea Railroad Corporation135	3.52%	2024-06-10	-		150,000,000
Korea Railroad Corporation136	3.26%	2024-07-04	-		150,000,000
Korea Railroad Corporation137	3.25%	2029-07-24	-		150,000,000
Korea Railroad Corporation138	2.93%	2029-10-28	-		100,000,000
Korea Railroad Corporation139	2.86%	2026-11-12	-		220,000,000
Korea Railroad Corporation140	2.79%	2024-11-25	-		200,000,000
Korea Railroad Corporation141	2.07%	2036-03-08	-		200,000,000
Korea Railroad Corporation142	1.79%	2023-04-11	-		150,000,000
Korea Railroad Corporation143	1.98%	2036-04-26	-		110,000,000
Korea Railroad Corporation144	1.47%	2026-08-01	-		100,000,000
Korea Railroad Corporation145	1.57%	2036-08-09	-		70,000,000
Korea Railroad Corporation146	1.56%	2036-08-26	-		150,000,000
Korea Railroad Corporation148	1.88%	2046-10-27	-		70,000,000
Korea Railroad Corporation149	1.94%	2046-11-03	-		40,000,000
Korea Railroad Corporation151	2.39%	2046-11-23	-		130,000,000
Korea Railroad Corporation152	2.35%	2046-12-06	-		150,000,000
Korea Railroad Corporation154	1.99%	2022-02-09	-		200,000,000
Korea Railroad Corporation155	2.40%	2047-03-03	-		70,000,000

24. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2022 and 2021 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2021 Borrowings denominated in foreign currency		Borrowings denominated in won
Korea Railroad Corporation156	2.11%	2022-03-07	-	₩	150,000,000
Korea Railroad Corporation157	2.40%	2047-03-21	-		140,000,000
Korea Railroad Corporation159	2.49%	2047-04-12	-		150,000,000
Korea Railroad Corporation160	2.12%	2023-04-17	-		120,000,000
Korea Railroad Corporation161	2.38%	2047-07-20	-		80,000,000
Korea Railroad Corporation162	2.37%	2037-07-24	-		130,000,000
Korea Railroad Corporation163	2.31%	2027-07-25	-		70,000,000
Korea Railroad Corporation164	2.44%	2037-08-08	-		150,000,000
Korea Railroad Corporation165	2.38%	2047-09-12	-		150,000,000
Korea Railroad Corporation166	2.37%	2037-09-19	-		50,000,000
Korea Railroad Corporation167	2.38%	2047-09-19	-		50,000,000
Korea Railroad Corporation168	2.59%	2047-10-30	-		40,000,000
Korea Railroad Corporation169	2.65%	2037-11-09	-		160,000,000
Korea Railroad Corporation170	2.58%	2022-11-23	-		150,000,000
Korea Railroad Corporation171	2.55%	2047-12-15	-		150,000,000
Korea Railroad Corporation172	2.90%	2048-03-09	-		120,000,000
Korea Railroad Corporation173	2.66%	2048-06-22	-		140,000,000
Korea Railroad Corporation174	2.13%	2049-03-13	-		90,000,000
Korea Railroad Corporation176	2.00%	2049-04-05	-		210,000,000
Korea Railroad Corporation177	2.01%	2049-04-24	-		100,000,000
Korea Railroad Corporation178	1.59%	2049-07-18	-		110,000,000
Korea Railroad Corporation179	1.44%	2049-07-26	-		110,000,000
Korea Railroad Corporation180	1.31%	2049-08-29	-		90,000,000
Korea Railroad Corporation181	1.47%	2049-09-19	-		80,000,000
Korea Railroad Corporation183	1.75%	2029-10-24	-		60,000,000
Korea Railroad Corporation184	1.55%	2022-10-24	-		50,000,000
Korea Railroad Corporation186	1.56%	2022-12-20	-		110,000,000
Korea Railroad Corporation187	1.56%	2050-03-18	-		170,000,000
Korea Railroad Corporation188	1.67%	2050-04-14	-		160,000,000
Korea Railroad Corporation189	1.41%	2025-05-08	-		160,000,000
Korea Railroad Corporation190	1.32%	2025-05-21	-		150,000,000
Korea Railroad Corporation191	1.61%	2050-08-12	-		200,000,000
Korea Railroad Corporation192	1.10%	2023-09-15	-		80,000,000
Korea Railroad Corporation193	1.60%	2030-10-16	-		190,000,000
Korea Railroad Corporation194	1.03%	2022-11-25	-		190,000,000
Korea Railroad Corporation195	1.11%	2024-02-05	-		100,000,000
Korea Railroad Corporation196	1.73%	2028-02-16	-		150,000,000
Korea Railroad Corporation197	2.14%	2031-03-11	-		130,000,000
Korea Railroad Corporation198	1.72%	2026-04-14	-		150,000,000
Korea Railroad Corporation199	2.11%	2031-04-14	-		50,000,000
Korea Railroad Corporation200	2.19%	2051-04-14	-		100,000,000
Korea Railroad Corporation201	2.04%	2051-07-22	-		250,000,000
Korea Railroad Corporation202	1.84%	2026-08-24	-		130,000,000
Korea Railroad Corporation203	1.94%	2026-09-13	-		140,000,000
Korea Railroad Corporation204	2.23%	2026-10-08	-		250,000,000
Korea Railroad Corporation205	2.51%	2051-11-05	-		110,000,000
Bond issuance	1.79%	2023-06-28	-		100,000,000
		KRW	-		10,510,000,000
		USD	150,000,000		177,825,000
		CHF	400,000,000		518,988,000
		SGD	140,000,000		122,799,600
Subtotal		AUD	50,000,000		42,944,500
		HKD	1,552,000,000		235,950,560
		SEK	300,000,000		39,312,000
		CAD	110,000,000		102,367,100
		EUR	320,000,000		429,548,800
Deduct: reclassified to current					1,300,000,000

24. FINANCIAL LIABILITIES, Continued:

(5) Bonds as of December 31, 2022 and 2021 are as follows, continued:

(In CHF, USD, AUD, HKD, SEK, CAD, EUR, SGD, and thousands of won)	Interest rate	Maturity	Dec. 31, 2021 Borrowings denominated in foreign currency		Dec. 31, 2021 Borrowings denominated in won
Total (Non-current bonds)		KRW	-	₩	921,000,000
		USD	150,000,000		177,825,000
		CHF	400,000,000		518,988,000
		SGD	140,000,000		122,799,600
		AUD	50,000,000		42,944,500
		HKD	1,552,000,000		235,950,560
		SEK	300,000,000		39,312,000
		CAD	110,000,000		102,367,100
		EUR	320,000,000		429,548,800
				₩	10,879,735,560

25. OTHER FINANCIAL LIABILITIES:

Other Financial Liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022 Current	Dec. 31, 2022 Non-current	Dec. 31, 2021 Current	Dec. 31, 2021 Non-current
Other financial liabilities (*)	₩	219,628,728	-	-	204,035,913

(*) The Group may assume the obligation to purchase the non-controlling interest of its subsidiary company, SR Company, at an annual allowance of 5.6% by 2023, respectively. The Group recognizes the present value of the amount that may be repaid as a financial liability.

26. LEASE:

(1) Details of the right-of-use assets as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	27,663,837	(11,828,270)	15,835,567
Real estate		10,422,198	(5,916,460)	4,505,738
Total	₩	38,086,035	(17,744,730)	20,341,305

(In thousands of won)		Dec. 31, 2021		
		Acquisition cost	Accumulated depreciation	Book value
Vehicle	₩	20,084,699	(12,098,144)	7,986,555
Real estate		5,443,467	(1,628,017)	3,815,450
Total	₩	25,528,166	(13,726,161)	11,802,005

(2) Details of the changes in the right-of-use assets for the year ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022			
		Beginning balance	Increase	Depreciation	Ending balance
Vehicle	₩	7,986,555	14,419,969	(6,570,958)	15,835,566
Real estate		3,815,450	2,917,351	(2,227,062)	4,505,739
Total	₩	11,802,005	17,337,320	(8,798,020)	20,341,305

(In thousands of won)		2021			
		Beginning balance	Increase	Depreciation	Ending balance
Vehicle	₩	7,580,720	4,582,057	(4,176,221)	7,986,556
Real estate		1,806,585	5,051,581	(3,042,717)	3,815,449
Total	₩	9,387,305	9,633,638	(7,218,938)	11,802,005

26. LEASE, Continued:

(3) Details of maturity analysis of lease liabilities as of December 31, 2022 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
1 year or less	₩	2,896,704	6,868,168
1 year~5 years or less		10,353,162	2,605,044
More than 5 years		8,900,118	12,610,234
Subtotal		22,149,984	22,083,446
Current value adjustment amount, etc.		(2,038,032)	(1,334,905)
Present value of contractual cash flows	₩	20,111,952	20,748,541

(4) Liquidity classification of the lease liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Current lease liabilities	₩	7,683,885	6,694,172
Non-current lease liabilities		12,428,067	14,054,369

(5) Changes in lease liabilities related to the lease contract for the year ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	20,748,541	14,791,801
New contract		7,451,580	20,175,609
Interest expense		580,128	419,734
Payments		(8,668,297)	(14,638,603)
Ending balance	₩	20,111,952	20,748,541

(6) The amount recognized in profit or loss from the position of the lessee during the current period for the year ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Depreciation of right-of-use asset	₩	8,798,020	7,218,939
Interest expenses on lease liabilities		580,128	419,734
Expenses related to short-term lease applying practical expedients		245,426	202,267
Expenses related to small value assets applying practical expedients		178,690	114,883
Variable lease payments not included in lease liability measurement		723,231,831	317,194,682
Total	₩	733,034,095	325,150,505

27. Defined liabilities:

(1) Defined contribution plan

The Group operates a defined contribution plan for employees of Korea Railroad Corporation, KORAIL Networks Co., Ltd., KORAIL Logis Co., Ltd. and KORAIL Tech Co., Ltd. Plan assets are operated independently from the Group's other assets in the form of funds.

Total expense included in the consolidated statement of comprehensive loss for the year ended December 31, 2022, amounting to W7,400,676 thousand (2021: W5,484,875 thousand), represents the contributions to the retirement benefit plan according to the ratio pursuant to retirement benefit plan.

Expense presented above is recognized in the consolidated statements of comprehensive loss for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Cost of sales	₩	6,432,341	4,045,641
Selling, general and administrative expense		968,335	1,439,234
Total	₩	7,400,676	5,484,875

(2) Defined benefits retirement plan

The Group operates a defined benefit retirement plan for all other employees who do not participate in the defined contribution plan.

The major actuarial calculation of the plan asset and the defined benefit retirement liabilities was performed by HMC investment securities Co., Ltd. whose report was dated December 31, 2022. Present value of defined benefit liabilities, current service costs and past service costs are calculated using the projected credit method.

(i) The component of defined benefit liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligations	₩	1,309,489,761	1,404,750,598
Fair value of plan assets		(174,905,240)	(148,010,845)
Recognized as defined benefit liabilities in the consolidated statement of financial position	₩	1,134,584,521	1,256,739,753

27. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(ii) Changes in defined benefit liabilities for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	1,404,750,598	1,346,134,473
Current service costs		196,924,952	208,699,729
Interests		45,286,622	37,591,411
Actuarial gains or losses		(201,113,157)	(109,821,253)
Service costs related past periods		-	-
Benefit paid		(137,391,225)	(109,399,803)
Other		1,031,971	31,546,041
Ending balance	₩	1,309,489,761	1,404,750,598

(iii) Changes in plan assets for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	148,010,845	92,371,856
Expected return on plan assets		3,982,943	2,689,068
Actuarial gains or losses		(1,315,101)	(841,417)
Benefit paid by the plan		(15,247,650)	(7,858,873)
Contribution paid into the plan		39,474,203	31,326,430
Other		-	30,323,781
Ending balance	₩	174,905,240	148,010,845

(iv) Expense recognized in profit or loss

(In thousands of won)		2022	2021
Current service costs	₩	196,924,952	208,699,729
Interests		45,286,622	37,591,411
Expected return on plan assets		(3,982,943)	(2,689,068)
Service costs related past periods		-	-
Other		128,851	1,222,261
Total	₩	238,357,482	244,824,333

27. EMPLOYEE BENEFITS, Continued:

(2) Defined benefits retirement plan, continued

(iv) Expense recognized in profit or loss, continued

Expense presented above is recognized in the consolidated statements of comprehensive income as follows:

(In thousands of won)		2022	2021
Cost of sales	₩	221,356,538	227,316,723
Selling, general and administrative expense		17,000,944	17,507,610
Total	₩	238,357,482	244,824,333

(v) Remeasurement factors recognized in other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Actuarial gain (loss)	₩	201,113,158	109,821,253
Interests of plan assets		(1,315,101)	(841,417)
		199,798,057	108,979,836
Tax effect		(52,883,641)	(29,496,777)
Total	₩	146,914,416	79,483,059

Remeasurement factors were directly reclassified to retained earnings in the consolidated statement of financial position.

(vi) Plan assets details:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	₩	174,905,240	148,010,845

(vii) Principal actuarial assumptions at the reporting date

	Dec. 31, 2022	Dec. 31, 2021
Discount rate (expected return on plan assets)	3.71%~5.95%	2.29% ~ 3.65%
Future salary increases	2.00%~4.75%	2.00% ~ 3.83%

As for the defined benefit liabilities and plan assets, the Group applied market yield of A-rated corporate bonds (Public offering, unsecured: AA0).

28. PROVISIONS:

(1) Provisions as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	Dec. 31, 2022		Dec. 31, 2021	
	Current	Non-current	Current	Non-current
Provisions for employee benefits ₩	315,830,559	-	320,482,668	-
Warranty provision	-	85,531	-	70,763
Legal proceedings provision	-	6,388,713	-	6,835,155
Provision for decommissioning, restoration and rehabilitation costs (*1)	49,229,448	2,445,194	110,946,178	8,079,399
Miscellaneous other provisions	738	100,000	324	100,000
Provisions for ordinary wages (*2)	-	285,163,807	-	516,390,302
Total ₩	365,060,745	294,183,245	431,429,170	531,475,619

(*1) As the Group is obligated to restore contamination of lands in use, the Group recognizes the future expenditure amount as provisions during construction every year.

(*2) The Group has recognized provisions for the provision of retroactive claims for the provision of work in the past period based on the assumption that the prescribed allowances are subject to normal wage recognition.

28. PROVISIONS, Continued:

(2) Changes in provisions for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022					
		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	320,482,668	239,085,737	(243,758,609)	-	20,763	315,830,559
Warranty provision		70,763	19,748	(4,980)	-	-	85,531
Legal proceedings provision		6,835,155	394,586	-	(841,028)	-	6,388,713
Provision for decommissioning, restoration and rehabilitation costs		119,025,577	228,045	(54,719,686)	(15,771,436)	2,912,142	51,674,642
Miscellaneous other provisions		100,324	5,385	(4,971)	-	-	100,738
Provisions for ordinary wages		516,390,302	17,985,008	(248,705,235)	(506,268)	-	285,163,807
Total	₩	962,904,789	257,718,509	(547,193,481)	(17,118,732)	2,932,905	659,243,990

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

(In thousands of won)		2021					
		Beginning balance	Increase	Used	Reversal	Others(*1)	Ending balance
Provisions for employee benefits	₩	322,590,501	306,974,472	(309,567,264)	-	484,959	320,482,668
Warranty provision		54,952	20,691	(4,880)	-	-	70,763
Legal proceedings provision		531,607	6,827,266	-	(523,718)	-	6,835,155
Provision for decommissioning, restoration and rehabilitation costs		140,217,331	15,579,757	(31,808,408)	(8,392,797)	3,429,694	119,025,577
Miscellaneous other provisions		182,036	-	(82,036)	-	324	100,324
Provisions for ordinary wages		547,422,923	5,064,850	(36,847,471)	-	750,000	516,390,302
Total	₩	1,010,999,350	334,467,036	(378,310,059)	(8,916,515)	4,664,977	962,904,789

(*1) Other details of provision for decommissioning, restoration and rehabilitation costs are the amortization of the discount on present value using the effective interest method.

29. GOVERNMENT GRANTS:

(1) Accounting treatment for government grants

In accordance with Korean Government-owned and Quasi-government Accounting Regulation and Standards, government grants used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against the depreciation expenses of the acquired assets during the useful lives of the assets.

(2) Government grants as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	₩	(28,665,809)	(19,305,862)
Land		(163,153,665)	(181,206,439)
Buildings		(58,582,449)	(31,353,994)
Supplies		(6,598,459)	(6,598,459)
Prepayment		(122,736,343)	(125,841,565)
Structures		(7,376,122)	(7,896,650)
Machinery (*1)		(25,441,642)	(33,229,861)
Trains		(237,750,310)	(261,390,649)
Vehicles		(213,934)	(275,932)
Tools		(8,792)	(19,477)
Fixtures		(117,405)	(196,091)
Construction in progress		-	-
Investment property (buildings)		(51,913)	(54,415)
Other property, plant and equipment		(3,307,838)	(3,600,089)
Computer software		(22,310)	(29,127)
Development costs		(484,167)	(34,417)
Total	₩	(654,511,158)	(671,033,027)

(*1) Servers are included.

29. GOVERNMENT GRANTS, Continued:

(3) Changes in government grants for the years ended December 31, 2022 and 2021 are as follows:

		2022							
(In thousands of won)		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(19,305,862)	(395,912,136)	540,080	-	-	385,836,591	175,518	(28,665,809)
Supplies		(181,206,439)	-	-	-	-	-	18,052,774	(163,153,665)
Prepayment		(31,353,994)	-	-	-	-	-	(27,228,455)	(58,582,449)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(125,841,565)	-	-	3,278,657	18,422	-	(191,857)	(122,736,343)
Structures		(7,896,650)	-	-	514,498	60,000	-	(53,970)	(7,376,122)
Machinery (*1)		(33,229,861)	-	-	7,781,717	-	6,502	-	(25,441,642)
Trains		(261,390,649)	-	-	22,421,352	1,218,987	-	-	(237,750,310)
Vehicles		(275,932)	-	(20,000)	81,998	-	-	-	(213,934)
Tools		(19,477)	-	-	10,685	-	-	-	(8,792)
Fixtures		(196,091)	-	-	48,717	-	29,969	-	(117,405)
Construction in progress		-	-	-	-	-	-	-	-
Other property, plant and equipment		(54,415)	-	-	-	-	2,502	-	(51,913)
Investment property (buildings)		(3,600,089)	-	-	99,426	-	-	192,825	(3,307,838)
Computer software		(29,127)	-	-	-	-	8,056	(1,239)	(22,310)
Cash and cash equivalents		(34,417)	-	(540,080)	83,330	-	7,000	-	(484,167)
Total	₩	(671,033,027)	(395,912,136)	(20,000)	34,320,380	1,297,409	385,890,620	(9,054,404)	(654,511,158)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

		2021							
(In thousands of won)		Beginning balance	Receipt	Acquisition of assets	Offsetting with depreciation cost	Disposal	Recognized as revenue	Other(*)	Ending balance
Cash and cash equivalents	₩	(58,849,260)	(395,926,830)	44,283,995	-	-	389,263,776	1,922,457	(19,305,862)
Supplies		(188,355,069)	-	-	-	-	-	7,148,630	(181,206,439)
Prepayment		(114,321,977)	-	-	-	-	-	82,967,983	(31,353,994)
Land		(6,598,459)	-	-	-	-	-	-	(6,598,459)
Buildings		(101,075,892)	-	(18,710,321)	2,883,230	-	-	(8,938,582)	(125,841,565)
Structures		(8,337,569)	-	(72,419)	513,338	-	-	-	(7,896,650)
Machinery (*1)		(40,074,552)	-	(1,133,357)	7,935,635	535,908	6,502	(499,997)	(33,229,861)
Trains		(262,453,546)	-	(24,031,468)	23,751,675	1,342,690	-	-	(261,390,649)
Vehicles		(91)	(17,000)	(336,430)	77,589	-	-	-	(275,932)
Tools		(31,336)	-	-	11,859	-	-	-	(19,477)
Fixtures		(263,288)	-	(9,920)	48,966	-	28,151	-	(196,091)
Construction in progress		(11,590,093)	-	-	-	-	-	11,590,093	-
Other property, plant and equipment		(8,826)	-	-	-	-	2,502	(48,091)	(54,415)
Investment property (buildings)		(2,191,553)	-	-	95,629	-	-	(1,504,165)	(3,600,089)
Computer software		(36,564)	-	-	-	-	7,437	-	(29,127)
Cash and cash equivalents		-	-	(35,000)	-	-	583	-	(34,417)
Total	₩	(794,188,075)	(395,943,830)	(44,920)	35,317,921	1,878,598	389,308,951	92,638,328	(671,033,027)

(*) Other increase and decrease are related to transfers between accounts caused by the acquisition of each asset item.

29. GOVERNMENT GRANTS, Continued:

(4) Revenues from government grants for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Revenues	₩	384,474,000	379,652,430
Offsetting with depreciation cost		34,320,380	35,317,921
Other		1,416,620	9,656,521
Total	₩	420,211,000	424,626,872

30. OTHER NON-FINANCIAL LIABILITIES:

Non-financial liabilities as of December 31, 2022 and 2021 are as follows:

		Dec. 31, 2022		Dec. 31, 2021	
(In thousands of won)		Current	Non-current	Current	Non-current
Advance payments	₩	533,492,789	-	654,876,809	-
Unearned revenues		104,527,369	8,854,506	104,410,001	10,165,675
Withholding		79,712,664	-	90,540,889	-
Advances from construction contracts		-	40,421	-	1,969,002
Other		-	-	-	-
Total	₩	717,732,822	8,894,927	849,827,699	12,134,677

31. Paid-in CAPITAL:

(1) paid-in capital as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Subscription certificate (*)	₩	10,853,866,693	10,772,704,693
Discount stock issuance		(4,647,052)	(4,647,052)
Contributed capital	₩	10,849,219,641	10,768,057,641

(*) the Korean government owns 100% of the Group's equity.

(2) Changes in subscription certificate issued for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	10,772,704,692	10,502,117,991
Issue of equity		81,162,000	90,163,000
Investment in kind		-	180,423,702
Ending balance	₩	10,853,866,692	10,772,704,693

(3) There was no change in the share discount issue of the parent Company during the years ended December 31, 2022 and 2021.

32. DEFICIT:

(1) Deficit as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Undisposed deficits	₩	(11,598,969,741)	(11,521,378,004)

(2) Changes in deficit for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	(11,521,378,004)	(10,601,095,460)
Loss for the year		(310,411,071)	(1,108,124,111)
Gain (loss) on remeasurement factors of defined benefit plan		141,640,690	72,414,211
Reclassification of gain on revaluation of assets to retained earnings		91,178,644	115,427,356
Ending balance	₩	(11,598,969,741)	(11,521,378,004)

(3) Changes in gain (loss) on remeasurement factors of defined benefit plan for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Beginning balance	₩	79,445,464	7,031,253
Changes		141,640,690	72,414,211
Ending balance	₩	221,086,154	79,445,464

(4) Details of statement of disposition of accumulated deficit for the years ended December 31, 2022 and 2021 are as follows:

Date of disposition for 2022: March 31, 2023
Date of disposition for 2021: March 31, 2022

(In thousands of won)		2022	2021
Undisposed deficit:			
Balance at beginning of year	₩	(11,521,378,004)	(10,601,095,460)
Loss for the year		310,411,071	(1,108,124,111)
Gain (loss) on remeasurement factors of defined benefit plan		141,640,690	72,414,211
Reclassification of gain on revaluation of assets to retained earnings		91,178,643	115,427,356
Balance at end of year before disposition		(11,598,969,741)	(11,521,378,004)
Disposition of accumulated deficit		-	-
Undisposed deficit to be carried over to subsequent year	₩	(11,598,969,741)	(11,521,378,004)

33. OTHER EQUITY COMPONENTS:

(1) As of December 31, 2022 and 2021, other equity components are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Other accumulated comprehensive income	₩	9,645,814,570	7,226,185,848
Other additional paid-up capital		(144,128,451)	(144,128,451)
Total	₩	9,501,686,119	7,082,057,397

(2) Other accumulated comprehensive income or loss for the years ended December 31, 2022 and 2021 is detailed as follows:

(In thousands of won)		2022	2021
Gain (loss) on Valuation of equity instruments at FVOCI	₩	(15,371,574)	(13,193,840)
Change in equity of equity method investment		(5,115,503)	(1,384,153)
Gain (loss) on valuation of derivatives		(7,979,071)	36,690,485
Gain on reassessment of assets		9,674,280,718	7,204,073,356
Total	₩	9,645,814,570	7,226,185,848

34. REVENUE:

Details of revenues for the years ended December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)	2022		2021	
	Domestic	Overseas	Domestic	Overseas
Revenue from goods sold:				
Revenue from entrusted multiple business ₩	270,501,159	2,703,400	214,585,494	2,207,600
Revenue from services rendered:				
Transportation business				
Express passenger transportation	2,508,206,265	-	1,829,378,076	-
Ordinary passenger transportation	446,759,842	-	357,846,633	-
Long-distance passenger transportation	809,512,481	-	747,362,662	-
Freight and other transportation	296,193,183	-	300,918,237	-
Compensation for Public Service Obligation	384,474,000	-	379,561,000	-
Revenue from entrusted multiple business	178,436,154	8,536,554	155,058,863	6,033,120
Subtotal	4,623,581,925	8,536,554	3,770,125,471	6,033,120
Revenue from entrusted business:				
Ordinary entrusted business	33,823,405	-	47,646,395	-
Government entrusted business	1,256,240,613	-	1,715,725,146	-
Subtotal	1,290,064,018	-	1,763,371,541	-
Construction-related revenue:				
Revenue from entrusted multiple business	8,471,933	-	8,366,753	-
Total ₩	6,192,619,035	11,239,954	5,756,449,259	8,240,720

35. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE:

(1) Details of selling, general and administrative expense for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Salaries and wages	₩	168,850,414	172,049,105
Retirement benefits		17,969,278	18,946,845
Termination benefits		2,891,532	2,692,350
Other employee benefits		20,401,126	18,570,684
Insurance		3,393,476	3,254,641
Depreciation		23,960,294	27,494,729
Amortization		6,848,517	7,104,424
Bad debts expenses		136,838	1,552,986
Professional service fees		34,474,997	32,339,948
Advertising		4,281,303	3,651,199
Training		5,502,344	3,853,915
Vehicles		174,405	162,242
Printing		692,601	753,624
Business development expenses		543,697	426,338
Rent		3,832,455	2,436,249
Communications		2,161,203	2,157,051
Transportation costs		6,330	9,125
Taxes and dues		18,233,512	22,931,241
Supplies		1,678,464	1,969,598
Utilities		4,364,005	4,059,850
Maintenance		9,523,439	9,062,420
Research		2,516,025	2,441,908
Travel		2,384,101	1,968,737
Uniform		329,386	81,279
Analysis		423,834	40392,0
Annual fees		1,009,326	891,690
Others		5,111,481	4,310,427
Total	₩	341,694,383	345,576,525

35. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE, Continued:

(2) Details of other selling, general and administrative expense for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Conference expenses	₩	1,155,219	524,711
Cooperation expense		279,901	242,344
Prize expense		1,299,806	1,149,243
Other expense		2,376,555	2,341,115
Total	₩	5,111,481	4,310,427

36. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME:

(1) Details of other revenues for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Reversal of provisions	₩	16,612,464	8,916,517
Government grants		1,416,620	9,794,206
Gains from assets contributed		3,706,463	55,000
Reversals of allowance for other doubtful accounts		213	84,301
Others		-	-
Reversal of provisions			
Total	₩	21,735,760	18,850,024

(2) Details of other expenses for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Increase in provisions	₩	16,755,077	33,694,585
Other bad debts expenses		55,025,771	1,669,830
Depreciation on assets not in use		2,746,282	5,652,057
Donations		34,701,700	33,599,562
Total	₩	109,228,830	74,616,034

36. OTHER REVENUES, OTHER EXPENSES AND OTHER INCOME, Continued:

(3) Details of other income (loss) for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Gains on sale of property, trains and equipment	₩	27,264,802	207,852
Gains on disposal of non-current assets held-for-sale		266,735,158	116,937,613
Gains on foreign currency transaction (related to operating activities)		228,434	535,893
Other income		83,228,132	78,701,989
Losses on sale of property, trains and equipment		(10,436,211)	(10,616,640)
Losses on sale of Intangible assets		(20,796)	-
Losses on disposal of other non-current assets		(1,779,680)	(458,632)
Losses on foreign currency transaction (related to operating activities)		(638,610)	(475,194)
Other costs		(133,974,336)	(134,211,184)
Total	₩	230,606,893	50,621,697

(3-1) Details of other gains for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Gains on disposal of inventories	₩	15,111,777	10,505,324
Miscellaneous gains		59,842,408	68,196,665
Gains revaluation of the land		8,273,947	-
Total	₩	83,228,132	78,701,989

(3-2) Details of other costs for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Losses from inventory obsolescence	₩	2,376,109	4,477,805
Other charge fee		2,087,192	2,661,901
Losses on revaluation of the land		5,119,223	-
Miscellaneous losses		124,391,812	127,071,478
Total	₩	133,974,336	134,211,184

37. FINANCE INCOME:

(1) Details of finance income for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Interest income	₩	12,766,797	5,745,947
Dividend income		431,761	313,131
Gains on valuation of financial assets at FVTPL		1,000,257	547,814
Gains on sale of financial assets at FVTPL		-	1,961
Gains on valuation of derivative instruments		71,352,740	76,629,760
Gains on foreign currency translation		2,989,309	543,810
Gains on foreign currency transactions		131,981	16,841
Total	₩	88,672,845	83,799,264

(2) Details of interest income by related assets for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Cash and cash equivalents	₩	6,229,430	1,212,746
Loans and receivables		1,845,041	2,498,423
Short-term financial instruments		4,651,073	2,034,763
Other financial assets		41,253	15
Total	₩	12,766,797	5,745,947

38. FINANCE COSTS:

(1) Details of finance cost for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Interest expenses	₩	321,222,176	294,406,521
Losses on sale of financial assets at FVTPL		118	-
Losses on valuation of financial assets at FVTPL		307,367	-
Losses on valuation of derivative instruments		2,985,000	519,000
Losses on foreign currency translation		71,365,832	76,629,789
Losses on foreign currency transaction		31,124	18,889
Total	₩	395,911,617	371,574,199

38. FINANCE COSTS, Continued:

(2) Details of interest cost by related assets for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Accounts payables and other payables	₩	2,912,142	10,799,003
Short-term borrowings		8,892,877	648,485
Long-term borrowings		1,526,000	2,310,221
Bonds		312,478,795	286,769,518
Derivative liabilities		17,912,597	9,474,367
Lease liabilities		580,128	419,734
Other financial liabilities		871,098	1,393,821
Subtotal		345,173,637	311,815,149
Less: Capitalization of borrowing costs		(23,951,461)	(17,408,628)
Total	₩	321,222,176	294,406,521

Weighted-average capitalization interest rate for borrowings for the years ended December 31, 2022 and 2021 are 2.41% and 2.34%, respectively.

39. INCOME TAXES RELATED TO CONTINUING OPERATION:

(1) The component of income tax benefit for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Current tax expense:			
Current tax	₩	6,309,888	12,818,617
Adjustment for prior periods:			
Origination and reversal of temporary differences		481,797,286	(6,806,491)
Income tax recognized in other comprehensive income		(808,178,723)	(36,556,894)
Unrecognized deferred tax assets		(3,073,123)	(3,673,660)
Income tax benefit	₩	(323,144,672)	(34,218,428)

39. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(2) Reconciliation between income tax benefit and accounting income is detailed as follows:

(In thousands of won)		2022	2021
Loss before income tax benefit	₩	(558,113,285)	(1,189,417,967)
Tax rate		26.40%	27.50%
Income tax benefit using the Company's statutory tax rate	₩	(147,341,907)	(327,089,941)
Adjustments:			
Tax effect of non-taxable income		(94,363,048)	(4,374,100)
Tax effect of non-deductible expenses		938,135,494	9,237,701
Unrecognized deferred tax assets and others		(1,019,575,211)	288,007,912
Income tax benefit	₩	(323,144,672)	(34,218,428)
Average effective tax rate		-	-

Effective tax rate was not calculated due to net loss before income tax expense for the years ended December 31, 2022 and 2021.

(3) Deferred income tax recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Effect of deferred tax:			
Gains (losses) on remeasurement factors of defined benefit plan	₩	(56,306,310)	(29,496,777)
Gains (losses) on valuation of equity instruments at FVOCI		781,145	1,663,447
Gains (losses) on valuation of derivative financial instruments		16,022,775	(5,768,026)
Gains (losses) on revaluation of assets		(768,676,333)	(2,955,538)
Subtotal		(808,178,723)	(36,556,894)
Income tax recognized directly in other comprehensive income	₩	(808,178,723)	(36,556,894)

39. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(4) Changes in deferred income tax assets (liabilities) during the years ended December 31, 2022 and 2021 are detailed as follows:

	2022			
(In thousands of won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
The Company:				
Deferred income tax assets ₩	-	-	-	-
Deferred income tax liabilities	1,835,996,622	469,998,944	-	2,305,995,566
Subsidiary:				
Deferred income tax assets	28,307,565	8,933,406	-	37,240,971
Deferred income tax liabilities	12,852,534	2,864,936	-	15,717,470
The Group:				
Deferred income tax assets	28,307,565	8,933,406	-	37,240,971
Deferred income tax liabilities	1,848,849,157	472,863,880	-	2,321,713,037

During 2022, Income tax expense related to items that are recognised outside profit is ₩15,401,704 in the subsidiary.

	2021			
(In thousands of won)	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
The Company:				
Deferred income tax assets ₩	-	-	-	-
Deferred income tax liabilities	1,839,670,284	(3,673,662)	-	1,835,996,622
Subsidiary:				
Deferred income tax assets	23,502,472	4,805,093	-	28,307,565
Deferred income tax liabilities	10,851,137	2,001,398	-	12,852,535
The Group:				
Deferred income tax assets	23,502,472	4,805,093	-	28,307,565
Deferred income tax liabilities	1,850,521,421	(1,672,264)	-	1,848,849,157

39. INCOME TAXES RELATED TO CONTINUING OPERATION, Continued:

(5) Temporary differences not recognized as deferred income tax assets as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Temporary differences to be deducted	₩	1,097,617,474	4,970,196,021

The Group did not recognize deferred tax assets amounted to W41,358,104 thousand as of December 31, 2022, due to the uncertainty that the deductible temporary difference related to the investment in the associate would realize in the foreseeable future.

In addition, the Group did not recognize the deferred tax assets amounted to W899,599,887 thousand as of December 31, 2022, due to the uncertainty whether it is probable that future taxable income will be available against temporary differences.

40. ASSETS HELD FOR SALE:

Details of assets held for sale as of December 31, 2022 and 2021 are detailed as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Held for sale: land (*1)	₩	333,585,597	450,927,652
Held for sale: buildings and structures (*1)		148,909	630,606
Disposal groups classified as held for sale	₩	333,734,506	451,558,258

(*1) During 2022, some of the tangible assets of the Group were classified as held for sale after obtaining approval from the general manager of asset management. The sales process is in progress at each regional headquarters by the subject of the business agreement of the development project and the public land damage compensation agreement with the government, etc., and is expected to be sold within one year from December 31, 2022.

41. EXPENSES BY NATURE:

Details of nature of expenses for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	117,046,034	-	-	117,046,034
Salaries		-	168,850,414	2,347,806,947	2,516,657,361
Retirement benefits		-	17,969,278	227,788,879	245,758,157
Employee benefits		-	2,891,532	16,951,776	19,843,308
Severance Payment		-	20,401,125	300,054,929	320,456,054
Insurance		-	3,393,476	7,876,550	11,270,026
Depreciation		-	23,960,294	524,356,782	548,317,076
Amortization		-	6,848,517	740,647	7,589,164
Bad debts expenses		-	136,838	-	136,838
Commissions		-	34,474,997	238,088,638	272,563,635
Advertising		-	4,281,303	14,576	4,295,879
Education and training		-	5,502,344	666,759	6,169,103
Vehicle maintenance		-	174,405	517,040,196	517,214,601
Printing		-	692,601	934,251	1,626,852
Project initiatives		-	543,697	186,848	730,545
Rental		-	3,832,455	1,084,182,711	1,088,015,166
Communication		-	2,161,203	3,150,195	5,311,398
Transportation		-	6,330	310,163	316,493
Taxes and dues		-	18,233,512	35,146,011	53,379,523
Supplies		-	1,678,464	29,318,260	30,996,724
Utilities		-	4,364,005	99,174,086	103,538,091
Maintenance		-	9,523,439	666,384,536	675,907,975
Ordinary development expenses		-	2,516,025	1,988,287	4,504,312
Business trip and transportation expenses		-	2,384,101	23,124,735	25,508,836
Uniforms		-	329,386	9,356,942	9,686,328
Research and analysis		-			
Annual fees		-	423,834	85,710	509,544
Sales promotion		-			
Sales commissions		-	1,009,326	3,614	1,012,940
Others		-	5,111,481	7,338,824	12,450,305
	₩	117,046,034	341,694,382	6,142,071,852	6,600,812,268

41. EXPENSES BY NATURE, Continued:

Details of nature of expenses for the years ended December 31, 2022 and 2021 are as follows, continued:

(In thousands of won)		2021			
		Changes in inventories	Selling, general and administrative expense	Cost of sales	Total
Goods	₩	100,176,459	-	-	100,176,459
Salaries		-	172,049,105	2,280,509,344	2,452,558,449
Retirement benefits		-	18,946,845	231,362,363	250,309,208
Employee benefits		-	18,570,684	269,827,069	288,397,753
Severance Payment		-	2,692,350	15,046,403	17,738,753
Insurance		-	3,254,641	7,193,449	10,448,090
Depreciation		-	27,494,729	500,860,023	528,354,752
Amortization		-	7,104,424	1,891,039	8,995,463
Bad debts expenses		-	1,552,986	-	1,552,986
Commissions		-	32,339,948	202,499,154	234,839,102
Advertising		-	3,651,199	17,505	3,668,704
Education and training		-	3,853,915	519,586	4,373,501
Vehicle maintenance		-	162,242	445,561,991	445,724,233
Printing		-	753,624	888,524	1,642,148
Project initiatives		-	426,338	114,113	540,451
Rental		-	2,436,249	873,738,464	876,174,713
Communication		-	2,157,051	3,225,715	5,382,766
Transportation		-	9,125	23,721	32,846
Taxes and dues		-	22,931,241	28,076,819	51,008,060
Supplies		-	1,969,598	28,887,320	30,856,918
Utilities		-	4,059,850	86,637,194	90,697,044
Maintenance		-	9,062,420	1,179,254,560	1,188,316,980
Ordinary development expenses		-	2,441,908	1,847,429	4,289,337
Business trip and transportation expenses		-	1,968,737	23,267,838	25,236,575
Uniforms		-	81,279	8,624,845	8,706,124
Annual fees		-	403,920	107,419	511,339
Sales promotion		-	-	339,196	339,196
Sales commissions		-	891,690	2,076	893,766
Others		-	4,310,425	16,731,669	21,042,094
	₩	100,176,459	345,576,523	6,207,054,828	6,652,807,810

42. ENTRUSTED BUSINESS:

(1) Revenues and expenses for the government entrusted business reported in the consolidated financial statements as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022		2021	
		Revenue	Expense	Revenue	Expense
Government	₩	1,256,240,613	1,208,110,667	1,715,725,146	1,728,793,254
Local government		33,823,405	30,893,149	47,646,395	41,172,758
Total	₩	1,290,064,018	1,239,003,816	1,763,371,541	1,769,966,012

(2) Changes in the deferred revenue from the trusted business for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)			2022					
			Jan. 1, 2021	Received	Executed	Returned	Others	Dec. 31, 2021
Cash and cash equivalents	Government	₩	171,227,060	541,062,745	(334,027,951)	(126,338,576)	18,260	251,941,538
Cash and cash equivalents	Local government		50,563,754	57,834,957	(48,405,054)	(2,230,465)	-	57,763,192
Other receivables	Government		(202,675,585)	895,151,940	(897,319,138)	(15,662,179)	(18,260)	(220,523,222)
Total		₩	19,115,229	1,494,049,642	(1,279,752,143)	(144,231,220)	-	89,181,508

(In thousands of won)			2021					
			Jan. 1, 2021	Received	Executed	Returned	Others	Dec. 31, 2021
Cash and cash equivalents	Government	₩	445,693,308	629,803,793	(668,383,240)	(235,886,801)	-	171,227,060
Cash and cash equivalents	Local government		13,006,130	87,395,697	(46,767,241)	(3,070,832)	-	50,563,754
Other receivables	Government		(144,940,919)	852,097,080	(890,856,477)	(18,975,269)	-	(202,675,585)
Total		₩	313,758,519	1,569,296,570	(1,606,006,958)	(257,932,902)	-	19,115,229

43. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Categories of financial instruments as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	Dec. 31, 2022				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	544,279,430	-	544,279,430
Short-term loans	-	-	508,803	-	508,803
Short-term financial instruments	-	-	136,076,482	-	136,076,482
Derivative instrument assets	-	-	-	54,977,305	54,977,305
Accounts receivables and other receivables	-	-	676,765,568	-	676,765,568
Subtotal	-	-	1,357,630,283	54,977,305	1,412,607,588
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	36,866,585	-	-	-	36,866,585
Equity instruments at FVOCI	-	37,194,240	-	-	37,194,240
Long-term loans	-	-	31,976,477	-	31,976,477
Derivative instrument assets	-	-	-	109,504,551	109,504,551
Accounts receivables and other receivables	-	-	43,758,590	-	43,758,590
Subtotal	36,866,585	37,194,240	75,755,822	109,504,551	259,321,198
Total ₩	36,866,585	37,194,240	1,433,386,105	164,481,856	1,671,928,786

(In thousands of won)	Dec. 31, 2021				
	Financial instruments at FVTPL	Financial instruments at FVOCI	Financial assets at amortised cost	Derivative instruments for hedging	Total
Current assets:					
Cash and cash equivalents ₩	-	-	312,179,350	-	312,179,350
Short-term loans	-	-	387,677	-	387,677
Short-term financial instruments	-	-	15,074,875	-	15,074,875
Derivative instrument assets	-	-	-	891,772	891,772
Accounts receivables and other receivables	-	-	632,556,239	-	632,556,239
Subtotal	-	-	960,198,141	891,772	961,089,913
Non-current assets:					
Long-term financial instruments	-	-	20,755	-	20,755
Equity instruments at FVTPL	23,043,144	-	-	-	23,043,144
Equity instruments at FVOCI	-	44,520,957	-	-	44,520,957
Long-term loans	-	-	34,762,871	-	34,762,871
Derivative instrument assets	-	-	-	152,668,264	152,668,264
Accounts receivables and other receivables	-	-	46,345,803	-	46,345,803
Subtotal	23,043,144	44,520,957	81,129,429	152,668,264	301,361,794
Total ₩	23,043,144	44,520,957	1,041,327,570	153,560,036	1,262,451,707

43. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(2) Categories of financial liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	Dec. 31, 2022		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	874,388,095	-	874,388,095
Short-term borrowings	102,800,000	-	102,800,000
Current portion of long-term borrowing	200,000,000		200,000,000
Current bonds	1,089,510,171	-	1,089,510,171
Current Lease Liabilities	7,683,885	-	7,683,885
Other financial liabilities	219,628,728		219,628,728
Subtotal	2,494,010,879	-	2,494,010,879
Non-current liabilities:			
Accounts payables and other payables	42,531,614	-	42,531,614
Long-term borrowings	100,000,000	-	100,000,000
Bonds	12,535,624,089	-	12,535,624,089
Derivative instrument liabilities	-	6,342,852	6,342,852
Non-current lease liabilities	12,428,067		12,428,067
Subtotal	12,690,583,770	6,342,852	12,696,926,622
Total ₩	15,184,594,649	6,342,852	15,190,937,501

(In thousands of won)	Dec. 31, 2021		
	Financial liabilities measured at amortized costs	Derivative instruments for hedging	Total
Current liabilities:			
Accounts payables and other payables ₩	851,225,502	-	851,225,502
Short-term borrowings	27,300,000	-	27,300,000
Current portion of long-term borrowing	90,000,000	-	90,000,000
Current bonds	1,299,954,209	-	1,299,954,209
Current Lease Liabilities	6,694,172	-	6,694,172
Subtotal	2,275,173,883	-	2,275,173,883
Non-current liabilities:			
Accounts payables and other payables	52,365,584	-	52,365,584
Long-term borrowings	300,000,000	-	300,000,000
Bonds	10,876,919,383	-	10,876,919,383
Derivative instrument liabilities	-	1,240,279	1,240,279
Other financial liabilities	204,035,913	-	204,035,913
Non-current lease liabilities	14,054,369	-	14,054,369
Subtotal	11,447,375,249	1,240,279	11,448,615,528
Total ₩	13,722,549,132	1,240,279	13,723,789,411

43. CATEGORIES OF FINANCIAL INSTRUMENTS, Continued:

(3) Gain and loss of financial instruments by categories for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Cash and cash equivalents:			
Interest income	₩	6,229,430	1,212,746
Financial assets at FVTPL:			
Gains on disposal of financial assets at FVTPL		-	1,961
Losses on disposal of financial assets at FVTPL		(118)	-
Gains on valuation of financial assets at FVTPL		1,000,257	547,814
Losses on valuation of financial assets at FVTPL		(307,367)	-
Dividends income		426,369	309,741
Loans and receivables:			
Interest income		1,845,041	2,498,423
Other Financial instrument:			
Interest income		4,651,073	2,034,763
Financial assets at FVOCI:			
Dividends income		5,392	3,390
Comprehensive income or loss recognized for the year		(7,326,717)	(6,046,325)
Derivative instrument assets for hedging:			
Gains on valuation of derivative financial instruments financial income		71,352,740	76,629,760
Losses on valuation of derivative financial instruments financial expense		(2,985,000)	(519,000)
Comprehensive income or loss recognized in the reporting period		(62,548,493)	21,081,654
Financial liabilities measured at amortized costs:			
Gains on foreign currency transaction related to borrowings		131,981	16,841
Gains on foreign currency translation related to borrowings		2,989,309	543,810
Interest expense		(321,222,176)	(294,406,521)
Losses on foreign currency transactions		(31,124)	(18,889)
Losses on foreign exchange translations financial expense		(71,365,832)	(76,629,789)
Total	₩	(377,155,235)	(272,739,621)

44. FINANCIAL RISK MANAGEMENT:

(1) Credit risk

As of December 31, 2022 and 2021 the Group's maximum exposure to credit risk are as follows:

(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	₩	544,279,430	312,179,350
Trade receivables and other receivables		720,524,158	678,902,042
Loans		32,485,281	35,150,548
Long and short-term financial instruments		136,097,236	15,095,630
Derivative instrument assets		164,481,856	153,560,036
Total	₩	1,597,867,961	1,194,887,606

(2) Liquidity risk

Contractual maturity of financial liabilities as of December 31, 2022 and 2021 are summarized as follows:

		Dec. 31, 2022						
(In thousands of won)		Carrying amount	Contractual flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	13,625,134,260	17,400,618,074	870,704,141	515,735,701	1,826,040,027	4,755,356,392	9,432,781,813
Borrowings		402,800,000	406,868,427	304,581,517	756,729	101,530,181	-	-
Trade payables and other payables		916,919,707	916,919,709	862,844,211	11,542,182	1,930,847	40,602,469	-
Derivative financial liabilities		6,342,852	6,342,852	-	-	-	-	6,342,852
Lease liabilities		20,111,952	22,149,983	1,474,333	1,422,371	5,016,486	5,336,675	8,900,118
Other financial liabilities		219,628,728	231,927,937	231,927,937	-	-	-	-
Total	₩	15,190,937,499	18,984,826,982	2,271,532,139	529,456,983	1,934,517,541	4,801,295,536	9,448,024,783

The Group does not expect the cash outflow to occur significantly earlier or at a significantly different amount.

		Dec. 31, 2021						
(In thousands of won)		Carrying amount	Contractual flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Bonds	₩	12,176,873,592	14,873,114,945	797,085,703	745,850,565	1,142,288,049	3,759,446,495	8,428,444,133
Borrowings		417,300,000	422,802,328	120,136,301	2,666,027	200,000,000	100,000,000	-
Trade payables and other payables		903,591,087	903,591,087	902,735,420	-	855,667	-	-
Derivative financial liabilities		1,240,279	1,240,279	-	-	1,240,279	-	-
Lease liabilities		20,748,541	22,083,445	3,510,546	3,357,622	1,290,250	1,314,794	12,610,233
Other financial liabilities		204,035,913	227,527,792	-	-	227,527,792	-	-
Total	₩	13,723,789,412	16,450,359,876	1,823,467,970	751,874,214	1,573,202,037	3,860,761,289	8,441,054,366

44. FINANCIAL RISK MANAGEMENT, Continued:

(2) Liquidity risk, continued

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur as of December 31, 2022 and 2021:

(In thousands of won)	Dec. 31, 2022						
	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap							
Assets ₩	158,899,970	158,899,970	31,293,678	23,683,628	51,964,331	37,656,533	14,301,800
Liabilities	(6,342,852)	(6,342,852)	-	-	-	-	(6,342,852)
Total	152,557,118	152,557,118	31,293,678	23,683,628	51,964,331	37,656,533	7,958,948
Interest rate swap							
Assets	5,581,886	5,581,886	-	5,581,886	-	-	-

(In thousands of won)	Dec. 31, 2021						
	Book value	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Currency swap							
Assets ₩	152,668,264	152,668,264	-	-	36,244,806	39,832,554	76,590,904
Interest rate swap							
Assets	891,772	891,772	-	891,772	-	-	-
Liabilities	(1,240,279)	(1,240,279)	-	-	(1,240,279)	-	-
Total ₩	(348,507)	(348,507)	-	891,772	(1,240,279)	-	-

(3) Currency risk

(i) Exposure to currency risk
As of December 31, 2022 and 2021 monetary assets and liabilities denominated in currencies other than functional currency are detailed as follows:

(In thousands of won)	Dec. 31, 2022				
	USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency					
Cash and cash equivalents ₩	314,315	-	17,502	1	53,278
Liabilities denominated in foreign currency:					
Bonds ₩	190,095,000	549,148,000	432,384,000	132,035,400	434,440,900

(In thousands of won)	Dec. 31, 2021				
	USD	CHF	EUR	SGD	Others
Assets denominated in foreign currency					
Cash and cash equivalents ₩	787,200	-	19,380	-	56,989
Liabilities denominated in foreign currency:					
Bonds ₩	177,825,000	518,988,000	429,548,800	122,799,600	420,574,160

44. FINANCIAL RISK MANAGEMENT, Continued:

(3) Currency risk, Continued

(i) Exposure to currency risk, continued

Foreign exchange rate applied as of December 31, 2022 and 2021 are as follows:

(In won)		Dec. 31, 2022	Dec. 31, 2021
USD	₩	1,267.30	1,185.50
CHF		1,372.87	1,297.47
EUR		1,351.20	1,342.34
SGD		943.11	877.14
AUD		858.41	858.89
CNY		181.44	186.26
HKD		162.55	152.03
SEK		121.17	131.04
CAD		935.38	930.61
JPY		9.53	10.30
PHP		22.70	23.23

(ii) Sensitivity analysis of changes in exchange rate
A strengthening of the won, as indicated below, against the USD, CHF, EUR, SGD, AUD, JPY and CNY at December 31, 2022, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2022, albeit that the reasonably possible foreign exchange rate variances are different, as indicated below.

(In thousands of won)		10% increase	10% decrease
Net profit or loss before income taxes	₩	(173,771,820)	173,771,820

As the Group manages the risks through currency swaps to eliminate the currency risk of foreign currency liabilities, net exposure to foreign exchange risk is insignificant. However, as with the sensitivity analysis above, foreign currency deposits and foreign currency denominated bonds are exposed to foreign exchange risk.

44. FINANCIAL RISK MANAGEMENT, Continued:

(4) Interest rate risk

The Group has foreign currency bonds and foreign currency long-term borrowings, which has significant effect on profit or loss and equity depending on fluctuations in interest rates. The Group manages interest rate risk by interest rate swap agreements, and fluctuation in interest rates does not have significant impact on the financial position and financial results.

(i) Cash flow sensitivity analysis of fixed-rate financial instruments
The Group does not account for fixed-rate financial instruments as current financial instruments recognized in profit or loss, and does not designate derivative instruments, such as interest swap, to hedge fair value risk. As such, fluctuation of interest rate does not have effect on profit or loss.

(5) Fair value measurement

(i) Carrying value and the fair value of financial assets and liabilities as of December 31, 2022 and 2021 are detailed as follows:

(In thousands of won)		Dec. 31, 2022		Dec. 31, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:					
Equity instruments at FVTPL	₩	36,866,585	36,866,585	23,043,144	23,043,144
Equity instruments at FVOCI		37,194,240	37,194,240	44,520,957	44,520,957
Derivative instruments assets		164,481,856	164,481,856	153,560,036	153,560,036
Subtotal		238,542,681	238,542,681	221,124,137	221,124,137
Assets carried at amortized cost(*):					
Loans and other receivables		753,009,439	753,009,439	714,052,590	714,052,590
Long/short-term financial instrument		136,097,236	136,097,236	15,095,630	15,095,630
Cash and cash equivalents		544,279,430	544,279,430	312,179,350	312,179,350
Subtotal		1,433,386,105	1,433,386,105	1,041,327,570	1,041,327,570
Financial assets total	₩	1,671,928,786	1,671,928,786	1,262,451,707	1,262,451,707
Liabilities carried at fair value:					
Derivative instruments liabilities	₩	6,342,852	6,342,852	1,240,279	1,240,279
Liabilities carried at amortized cost(*):					
Borrowings		402,800,000	402,800,000	417,300,000	417,300,000
Trade payables and other payables		916,919,709	916,919,709	903,591,087	903,591,087
Bonds		13,625,134,260	13,625,134,260	12,176,873,592	12,176,873,592
Other financial liabilities		20,111,952	20,111,952	20,748,541	20,748,541
Lease liabilities		219,628,728	219,628,728	204,035,913	204,035,913
Subtotal		15,184,594,649	15,184,594,649	13,722,549,133	13,722,549,133
Financial liabilities total	₩	15,190,937,501	15,190,937,501	13,723,789,412	13,723,789,412

(*) The Group recognized some of the financial assets and liabilities at book value as it believes book value is a reasonable approximation of fair value.

44. FINANCIAL RISK MANAGEMENT, Continued:

(5) Fair value measurement, continued

(ii) Interest rate used to determine the fair value
At the end of reporting period, interest rate used to determine the expected cash flow was determined by adding interest rate of government bonds and credit spread. As of December 31, 2022 and 2021 interest rates applied are detailed as follows:

	Dec. 31, 2022	Dec. 31, 2021
Derivative instruments	0.82%~2.40%	0.82% ~ 2.40%
Financial assets at FVOCI	10.00%~11.22%	9.22% ~ 11.41%

(iii) The level of fair value hierarchy is as follows:

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

As of December 31, 2022, details of fair value, carrying amount and secured assets are as follows:

(In thousands of won)		Level 1	Level 2	Level 3	Total
Financial assets:					
Equity instruments at FVTPL	₩	-	-	36,866,585	36,866,585
Equity instruments at FVOCI (*1)		6,081	-	37,188,159	37,194,240
Derivative instruments assets (*2)		-	164,481,856	-	164,481,856
Total	₩	6,081	164,481,856	74,054,744	238,542,681
Financial liabilities:					
Derivative instruments liabilities (*2)	₩	-	6,342,852	-	6,342,852

(*1) Equity instruments at FVOCI are not quoted in an active market and measured at valuation amount evaluated by an independent valuation agency.
(*2) Derivative assets and liabilities are measured at fair value in accordance with terms of contract with financial institutions.

The following table shows changes in financial instruments of Level 3 (fair value) for the years ended December 31, 2022 and 2021:

(In thousands of won)		2022	2021
Beginning balance	₩	67,552,214	62,059,838
Acquisition		13,213,037	11,097,097
Evaluation		(6,628,021)	(5,501,571)
Disposal		(82,486)	(103,150)
Others			
Ending balance	₩	74,054,744	67,552,214

45. RELATED PARTIES:

(1) As of December 31, 2022, the controlling company that prepares the consolidated financial statements is Korea Railroad Corporation, and the related parties of the Group are detailed as follows:

	Name of Related Parties
Controlling party	Government of Korea
Subsidiaries	KORAIL Retail Co., Ltd., KORAIL Networks Co., Ltd., KORAIL Tech Co., Ltd., KORAIL Logis Co., Ltd., KORAIL Tourism Development Co., Ltd., SR Co., Ltd. and Korean Insurance Brokerage Co., Ltd.
Related companies	Hanwha Station Development Co., Ltd., Uiwang ICD Co., Ltd., Lotte Station Building Co., Ltd., Bucheon Station Building Co., Ltd., Bupyeong Department Store Co., Ltd., Shinsegae Uijeongbu Station Building Co., Ltd., Anyang Station Building Co., Ltd., Bitplex Co., Ltd., Dream Hub Project Financial Investment Co., Ltd., Kwangwoon Univ. Building Co., Ltd., Ansan Central Station Building Co., Ltd. and Yongsan Station Around Development Co., Ltd.

(2) Significant transactions that occurred in the normal course of business with related companies for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)			Revenue		Costs	
	Name		2022	2021	2022	2021
Related companies	Lotte Station Building Co., Ltd.	₩	5,700,063	6,840,031	201,708	224,455
	Bucheon Station Building Co., Ltd.		1,257,822	757,217	571,379	583,189
	Bupyeong Department Store Co., Ltd.		-	1	209,215	201,554
	Bitplex Co., Ltd.		68,991	-	20,584	20,672
	Kwangwoon Univ. Station Building Co., Ltd.		25	34	-	-
	Shinsegae Uijeongbu Station Building Co., Ltd.		15,499	15,499	67,049	34,665
	Anyang Station Building Co., Ltd.		65,628	65,638	142,764	170,656
	Uiwang ICD Co., Ltd.		11,263,327	10,495,615	-	-
	Hanwha Station Development Co., Ltd.		839,429	207,281	202,504	177,863
	Total	₩	19,210,784	18,381,316	1,415,203	1,413,054

45. RELATED PARTIES, Continued:

(3) Account balances with related companies as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	Name		Receivable		Payables	
			Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Related companies	Lotte Station Building Co., Ltd.	₩	3,094	942	17,391	556,649
	Bucheon Station Building Co., Ltd.		539	566	47,020	532
	Bupyeong Department Store Co., Ltd.		560	184	17,238	15,915
	Bitplex Co., Ltd.		13,979	-	1,691	119,504
	Ansan Central Station Building Co., Ltd.		4,025	4,025	-	-
	Anyang Station Building Co., Ltd.		-	908	12,328	23,356
	Uiwang ICD Co., Ltd.		1,323,286	1,451,683	-	219,716
	Yongsan Development Co., Ltd.		360,529	360,529	-	-
	Hanwha Station Development Co., Ltd.		10,313	-	12,326	-
	Total	₩	1,716,325	1,818,837	112,000	935,672

(4) Compensation to management for the years ended December 31, 2022 and 2021 are detailed as follows:

(In thousands of won)		2022	2021
Short-term employees benefits	₩	611,563	662,326
Accrual for retirement and severance benefits		40,826	42,326
Total	₩	652,389	704,652

(5) Short-term and long-term loans of the consolidation entity as of the end of the current term and the prior term are all loans to employees, as described in note 13.

46. NON-CASH INVESTING AND FINANCING ACTIVITIES:

(1) Major non-cash investing transactions and non-cash financing transactions not included in the statement of cash flows for the current term and the prior term for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)		2022	2021
Reclassification of construction in progress to buildings	₩	79,677,101	392,850,876
Reclassification of current portion of bonds		1,089,584,034	1,299,954,209
Reclassification of short-term non-trade receivables to property, trains and equipment		271,084,569	133,099,678
Reclassification of long-term non-trade receivables to property, trains and equipment		91,658,894	115,427,356
Investment in kind		-	180,423,701
Revaluation of the land		3,330,542,588	-

(2) Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows:

		2022				
				Non-cash transactions		
(In thousands of won)		Beginning balance	Cash flows	Acquisitions	Amortization and others	Ending balance
borrowings	₩	417,300,000	(14,500,000)	-	-	402,800,000
bonds		12,176,873,592	1,379,324,342	-	68,936,326	13,625,134,260
Finance lease liabilities		20,748,541	(8,668,297)	7,451,581	580,128	20,111,953
Derivative liabilities		1,240,279	-	-	5,102,574	6,342,853
	₩	12,616,162,412	1,356,156,045	7,451,581	74,619,028	14,054,389,066

		2021				
				Non-cash transactions		
(In thousands of won)		Beginning balance	Cash flows	Acquisitions	Amortization and others	Ending balance
borrowings	₩	441,100,000	(23,800,000)	-	-	417,300,000
bonds		11,680,660,307	419,604,742	-	76,608,543	12,176,873,592
Finance lease liabilities		14,791,801	(14,638,603)	20,175,608	419,735	20,748,541
Derivative liabilities		30,580,722	-	-	(29,340,443)	1,240,279
	₩	12,167,132,830	381,166,139	20,175,608	47,687,835	12,616,162,412

47. COMMITMENTS AND CONTINGENCIES:

(1) Pending litigation in which the Group was involved as a defendant as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022 (*1)	Dec. 31, 2021 (*2)
Pending litigation	₩	158,822,665	393,380,746

(*1) The Group is a defendant for 148 litigation, such as claims for payment of goods.
(*2) The Group is a defendant for 189 litigation, such as claims for payment of goods.

As of December 31, 2022, the Group recognized the provision of W6,388,713 thousand in connection with the lawsuit filed above.

47. COMMITMENTS AND CONTINGENCIES:

(2) Details of contingent assets as of December 31, 2022 and 2021 are as follows:

(In thousands of won)		Dec. 31, 2022 (*1)	Dec. 31, 2021 (*2)
Pending litigation	₩	46,364,278	68,819,159

(*1) The Group has 75 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.
(*2) The Group has 67 pending litigation cases as a plaintiff including the cancellation of VAT imposition decisions.

(3) Pledged assets and guarantees

(i) Assets pledged as collateral for the Group's borrowings as of December 31, 2022 are summarized as follows:

(In thousands of won)		Carrying amount	Guaranteed amount	Type of borrowings	Lender
Buildings	₩	2,766,223	100,000	Guarantee money	Seoul Election Commission
Land and buildings		161,865,476	308,499	Guarantee money	Hyundai Card Inc.
			110,273	Guarantee money	Hyundai Commercial Inc
			602,467	Guarantee money	Samsung Life Service Inc.
			102,258	Guarantee money	Samsung Fire&Marine Insurance Financial Service Co., Ltd.
			229,500	Guarantee money	KB Claims Survey & Adjusting Co., Ltd.
			1,473,184	Guarantee money	KakaoBank of Korea Corp
			495,275	Guarantee money	Hyundai Capital Services, Inc
			162,184	Guarantee money	KB Kookmin Card Co., Ltd
			132,817	Guarantee money	Rinnai Korea Co., Ltd
			215,020	Guarantee money	Korea workers' compensation and welfare Service
			158,160	Guarantee money	Hyundai Marine & Fire Insurance Co., Ltd
			218,466	Guarantee money	Seoul Regional Employment and Labor Administration (Southern District Office)
			382,355	Guarantee money	Hyundai Hilife Claims Service
			117,289	Guarantee money	BGF retail CO., LTD.
			135,220	Guarantee money	Team blackbird CO., LTD.
Long-term financial instruments		18,755	18,755	Guarantee money	Seoul Guarantee Insurance Co., Ltd. (SGI)
unlisted stock		212,754	212,754	Contract performance guarantee	Korea Speciality Contractor Financial Cooperative(KSCFC)
		141,109	141,109	Contract performance guarantee	Electric Contractors' Financial Cooperative(ECFC)
Total	₩	165,004,317	5,315,585		

47. COMMITMENTS AND CONTINGENCIES, Continued:

(3) Pledged assets and guarantees, Continued

(ii) Collaterals and guarantees provided by third parties on behalf of the Group as of December 31, 2022 are as follows:

(In thousands of won, USD, EUR, JPY, AUD)	Type of guarantees		Collaterals and guarantees Amount
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance guarantee	KRW	4,446,472
Seoul Guarantee Insurance Co., Ltd.(SGI)	Contract performance payment guarantee	KRW	289,398
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance contract	KRW	84,900
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance payment guarantee	KRW	733,460
Seoul Guarantee Insurance Co., Ltd.(SGI)	Performance warranties	KRW	1,557,773
Seoul Guarantee Insurance Co., Ltd.(SGI)	Permission	KRW	778,079
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposition	KRW	2,423,336
Seoul Guarantee Insurance Co., Ltd.(SGI)	Franchise business	KRW	2,884,350
Seoul Guarantee Insurance Co., Ltd.(SGI)	Electronic payment method	KRW	178,136
Seoul Guarantee Insurance Co., Ltd.(SGI)	Deposit guarantee	KRW	7,142,749
Seoul Guarantee Insurance Co., Ltd.(SGI)		KRW	3,022,400
Seoul Guarantee Insurance Co., Ltd.(SGI)		KRW	4,000
Hana Bank	CP Acquisition agreement	USD	60,040,310
Hana Bank	Import L/C issue	USD	2,226
Kookmin Bank	Payment guarantee in foreign currency	EUR	6,583,453
Kookmin Bank	Payment guarantee in foreign currency	USD	771,651
Kookmin Bank	Payment guarantee in foreign currency	JPY	56,576,800
Kookmin Bank	Payment guarantee in foreign currency	AUD	497,000
Woori Bank	Other	USD	2,408,453
Korea Speciality Contractor Financial Cooperative(KSCFC)	Contract guarantee insurance	KRW	3,001,825
Korea Speciality Contractor Financial Cooperative(KSCFC)	Construction warranties	KRW	548,862
Electric Contractors' Financial Cooperative(ECFC)	Contract guarantee insurance(*1)	KRW	1,400,000
Electric Contractors' Financial Cooperative(ECFC)	Construction warranties(*1)	KRW	3,096,825
Electric Contractors' Financial Cooperative(ECFC)	Payment guarantee	KRW	1,820,000

The Group receives joint guarantees from Sehwa Co., Ltd. and one other company for contract guarantee insurance and construction warranties. And The Group provides joint guarantees to Sehwa Co., Ltd. for contract guarantee insurance and construction warranties.

48. TRANSACTIONS WITH THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS:

(1) Transactions with the Government and other public institutions for the years ended December 31, 2022 and 2021 are as follows:

		Revenue		Costs	
(In thousands of won)		2022	2021	2022	2021
Ministries	₩	527,813,939	439,772,429	50,752,930	15,015,340
Local governments		70,629,433	93,703,334	2,346,254	2,637,464
Public companies		181,049,342	179,426,670	15,150,127	17,159,849
Semipublic institutions		1,355,008,894	901,023,259	772,313,988	524,340,780
Other public institution		775,630,815	659,085,255	355,737,076	326,098,716
Total	₩	2,910,132,423	2,273,010,947	1,196,300,375	885,252,149

(2) Account balances with government and other public institutions as of December 31, 2022 and 2021 are as follows:

		Receivable		Payable	
(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Ministries	₩	12,427,282	60,952,805	44,067	157,510
Local governments		4,727,580	4,206,802	182,059	28
Public companies		39,457,907	13,983,038	2,179,546	1,975,399
Semipublic institutions		328,333,539	313,033,557	3,097,959	434,427
Other public institution		73,994,901	11,215,468	42,897,060	42,968,837
Total	₩	458,941,209	403,391,670	48,400,691	45,536,201

(3) Government grants and receivables for entrusted business with the Government and other public institutions as of December 31, 2022 and 2021 are as follows:

		Government grants		Receivables for entrusted business	
(In thousands of won)		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Ministries	₩	28,515,809	19,184,643	251,941,538	171,227,060
Local governments		-	-	57,763,192	50,563,754
Total	₩	28,515,809	19,184,643	309,704,730	221,790,814

49. SEGMENT ACCOUNTING:

(1) The Group defines business segment as follows:

1) Passenger transport business : KTX, ITX-Saemaeul, Saemaeul, Moogoonghwa, Nuri and trains for commuters
2) Metro business : Passenger transport business for Seoul metro area and ITX-Chungchoon
3) Freight business : Freight and storage for industrial materials such as coal, cement
4) Other multiple business : Development of station area and overseas business
5) Yongsan : Development of Yongsan station area (Cancellation on April 2013)
6) Entrusted business : Maintenance of properties for trains, etc.
7) Others - Operation and management of special vehicles
8) Airport train : Acquired stock of Incheon International Airport Railroad (stock sold in 2015)

(2) Details of financial information of business departments as of and for the years ended December 31, 2022 and 2021 are as follows:

		2022				
(In thousands of won)		Assets	Liabilities	Revenue	Operating income (loss)	Net income (loss)
Passenger	₩	15,934,205,577	14,010,872,754	2,707,451,338	98,814,668	577,007,285
Metro		5,358,540,629	2,020,218,386	1,055,356,118	(210,650,342)	348,713,631
Freight		2,637,711,749	5,879,544,959	347,394,667	(211,699,160)	86,065,822
Yongsan		7,216,321,746	2,470,779,641	-	(1,677,646)	1,073,564,200
Other multiple		3,389,024,006	816,670,520	52,304,977	33,516,828	243,773,702
Entrusted		922,356,306	1,395,862,812	1,287,928,306	(145,930,395)	8,913,267
Others		11,858,796	1,757,188	5,328,796	1,266,465	6,608,788
Transactions between departments		(7,017,465,405)	(7,017,465,405)	-	-	-
Subsidiaries		1,261,147,172	761,598,319	1,454,154,496	44,133,021	55,620,494
Internal transactions		(670,012,287)	(299,313,931)	(706,059,708)	(4,726,717)	25,146,187
Total	₩	29,043,688,289	20,040,525,243	6,203,858,990	(396,953,278)	2,425,413,376

		2021				
(In thousands of won)		Assets	Liabilities	Revenue	Operating income (loss)	Net income (loss)
Passenger	₩	14,243,849,474	13,345,928,863	2,014,222,569	(364,297,080)	(488,901,039)
Metro		4,789,501,814	1,828,842,271	964,082,968	(207,237,937)	(210,188,053)
Freight		2,504,560,575	5,879,045,244	353,040,151	(212,038,311)	(352,275,493)
Yongsan		5,957,063,814	2,194,913,901	-	(1,565,638)	(142,638,432)
Other multiple		2,629,110,663	443,640,129	51,017,253	34,017,789	167,967,191
Entrusted		885,437,205	1,345,055,219	1,753,265,273	(118,701,224)	(93,631,341)
Others		5,227,444	1,706,946	7,150,388	3,759,318	4,192,265
Airport train		473,100,188	214,747	-	-	7,350,792
Transactions between departments		(6,894,071,477)	(6,894,071,477)	-	-	-
Subsidiaries		1,212,014,240	762,021,094	1,235,854,886	(17,499,579)	(19,963,035)
Internal transactions		(650,190,538)	(246,524,364)	(613,943,509)	(4,555,168)	(27,112,393)
Total	₩	25,155,603,402	18,660,772,572	5,764,689,979	(888,117,831)	(1,155,199,539)

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