4Q23 Conference call

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Good afternoon.
Samsung C&T's announcement of the earnings for the fourth quarter of 2023 will now commence.

Today's speakers will be:
Executive Vice President Kuejong Song, the CFO and the Head of Corporate Strategy Office,
Executive Vice President Youngmin Bae, the Head of IR&Finance Team,
Executive Vice President Sunkyoo Han, the Head of Corporate Management Division (E&C Group),
Executive Vice President Youngwoo Huh, the Head of Management Support Team (T&I Group),
Vice President Sangwook Ahn, the Head of Business Administration Division (Fashion Group),
And lastly, Executive Vice President Cheasung Lee, the Head of Corporate Management & Support Team (Resort Group).

Today's presentation will be delivered in the order of:
business performance in the fourth quarter of 2023, 2024 guidance, business strategic direction of Samsung C&T in 2024, each business group's business strategy, shareholder return and capital allocation plan; then Q&A session will follow.

This material contains forward-looking information, so please be advised that the Company's actual future performance may be different depending on the changes in future business environment and business strategy.

Now, the head of IR&Finance team, Executive Vice President Youngmin Bae, will give a presentation on the earnings of the fourth quarter of 2023 and 2024 guidance.

(Executive Vice President Youngmin Bae, the Head of IR&Finance Team)

In 4Q, Samsung C&T (hereinafter "SCT") posted 10.997 trillion KRW in sales and 627 billion KRW (OPM 6.2%) in operating profit. The operating profit decreased QoQ due to the temporary decrease in E&C group's profit and the impact of seasonality to leisure and F&B business.

In 2024, Sales and operating profit stood at 41.9 trillion KRW and 2.9 trillion KRW respectively on the back of each business group's competitiveness, achieving an operating profit of all-time high.

Non-operating profit in 4Q amounted to 104.8 billion KRW, including quarterly dividend income of 107.9 billion KRW from SEC.

Financial gains and equity method gains were -900 million KRW and -9 billion KRW respectively. Pre-tax income amounted to 721.8 billion KRW (OPM 7.1%).

< E&C >

E&C posted 4.6777 trillion KRW (-604.5 billion QoQ) in sales and 135.1 billion KRW (-167.4 billion QoQ) in operating profit in 4Q.

Sales dropped QoQ due to the base effect of completing frame work for Taylor FAB in the US and construction of Pyeongtaek P3.

Operating profit in 4Q also decreased temporarily because the company reflected the cost in advance, which includes an estimated cost in the worst case scenario, 85 billion KRW, in regard to the risk cost of recovering fire incident occurred in October 2023 at UAE power plant during the commissioning, as well as the costs related to the risk of higher production cost at domestic construction sites, about 20 billion KRW.

About the fire incident at UAE Combined Cycle Power Plant, supporting devices such as air intake facility caught fire and was damaged. After investigating the case, it is almost certain that SCT was not responsible for the cause.

The cost of recovery for fire damage at UAE power plant is an one-off loss that can be compensated by the insurance, but the Company reflected the conservative estimate of risk cost that could arise from the recovery procedure.

SCT will devise a plan to cover up the cost after discussing with the project owner and confirming the insurance amount. The E&C group expects to recover the past average level of profitability from the next quarter.

As for the new orders achievement in 4Q, E&C won renewable battery based ESS project in Australia and nuclear power plant tritium removal facility project in Romania. It also won multiple domestic building projects on the back of the repeat clients' trust in SCT, such as Krafton company building in Seongsu-dong, NC company building in Pangyo, etc. With 3.6 trillion KRW of new orders in 4Q, the annual new orders reached 19.2 trillion KRW, achieving the revised guidance level.

< T&I >

T&I’s sales and operating profit amounted to 2.8914 trillion KRW (-362.8 billion QoQ) and 57.3 billion KRW (-32.1 billion QoQ) respectively in 4Q.

Both sales and operating profit decreased for reasons including the year-end drop in the client’s plant operation rate, falling demand for steel due to slowing construction industry, and lower profit for the chemicals trading business such as fertilizer.

In 4Q, the gain from the sale of US solar power development asset stood at 31.7 billion KRW, achieving 74.7 billion KRW in total in 2023. T&I business has now laid a foundation for more stable profit generation through the diversification of business portfolio.

< Fashion >

Fashion group’s 4Q revenue and operating profit stood at 545.2 billion KRW (+89.1 billion QoQ) and 45.6 billion KRW (+12.3 billion QoQ) respectively.

Both Sales and operating profit rose QoQ as winter product sales went up amid seasonal peak and both imported brands and online sales remain robust.

< Resort (Leisure) >

In 4Q, Leisure posted 207.6 billion KRW in sales (-11.6 billion QoQ, -15.6 billion YoY) and 23.8 billion KRW in operating profit (-28.9 billion QoQ, +12.7 billion YoY).

Sales decreased QoQ due to the slowing landscape industry caused by the domestic construction industry’s slump and the park business's seasonality, but the profitability is improving YoY driven by strengthened product competitiveness, especially park content, as shown by more customers using charged services among increasing popularity of panda.

< Resort (F&B) >

F&B recorded 704.4 billion KRW in revenue (-21 billion QoQ, +44 billion YoY) and 22.2 billion KRW in operating profit (-18 billion QoQ, +21.5 billion YoY).

There was less demand for food service compared to 3Q for entering off-peak season for golf business and increase in year-end costs contributed to lower operating profit, but F&B business sales and operating profit rose YoY thanks to improved operation efficiency of food service business sites and increased demand for food distribution within food service and restaurant industry.

< Bio >

Biologics posted 1.0735 trillion KRW (+39.5 billion QoQ) in sales and 343 billion KRW (+30.7 billion QoQ) in operating profit in 4Q.

Biologics sales rose both QoQ and YoY thanks to increased sales recognition following the ramp-up of Plant 4 and Bioepis's increased sales of biosimilar products, and for the yearly operating profit, Biologics achieved past the 1 trillion KRW mark.

< 2024 outlook >

SCT's guidance for sales and new orders in 2024 are 42.0 trillion KRW (+0.1 trillion YoY) and 18.0 trillion KRW (-1.2 trillion YoY) respectively.

Uncertainties in the business environment seem to grow in 2024, but the Company will keep up the sales of last year level by maintaining stable business operation based on its diversified portfolio and enhance the profitability on the back of each group's strong business competitiveness.

As for the new orders, SCT will continue to secure a stable amount by winning contracts from repeat clients and expanding the value chain of key products. At the same time, the Company will begin in earnest to win orders for new business such as Neom modular, Solar power and increase the participation in housing business in key locations and landmarks projects. With these, SCT set its 2024 new orders target to be 18.0 trillion KRW, which is slightly lower than that of last year.

Next, there will be a presentation on Samsung C&T's overall strategic direction, which will be followed by each group's key business strategy.

【 2024 strategic direction for each business group 】
(Executive Vice President Kuejong Song, the CFO and the Head of Corporate Strategy Office)

As part of the Company's mid- to long-term business strategy, SCT will build a sustainable business portfolio through a virtuous circle where stable incomes from core businesses get reinvested in future growth engines.

Business competitiveness will be strengthened and profitability would be enhanced by advancing the technology, product, and service of core businesses. Based on that, SCT will expand the investment in new business sectors, so as to expedite eco-friendly energy business and expand the bio business.

To strengthen the competitiveness of core businesses and to improve profitability:

E&C will expand the products that E&C technically specializes in and actively pursue highly profitable projects. T&I will diversify business model to include trading, development business, operation business, etc., while fashion group would upgrade product portfolio and attract more online customers. Park business will strengthen its competitiveness by developing new service and content, and F&B will expand its overseas operation.

In order to secure new growth engines for the future, Solar power business will scale up the ongoing solar power development and EPC business. As for the hydrogen business, SCT is seeking business opportunities across the entire value chain, from production to utilization. The Company also seeks to occupy the SMR business opportunities first by participating in projects in early stage, while establishing battery recycling system by region, a system that ranges from sourcing, treatment and production. As such, SCT is actively involved in developing eco-friendly energy businesses.

In regard to the bio business, Samsung Biologics is maintaining their global no.1 CMO capacity while Bioepis is strengthening the biosimilar pipelines. SCT is using venture funds to expand the investment in promising bio tech companies and reviewing the plan to develop new business in service-to-pharma industry with its Life Science task force team.

< E&C Group >
(Executive Vice President Sunkyoo Han, the Head of Corporate Management Division)

Let me first describe the major construction market environment before discussing the 2024 business strategy.

For this year’s global construction industry, I expect to see increased new orders from the Middle East oil producing countries and more infrastructure investment in many countries as the industry recovers faster driven by stable oil prices trend.

Looking at E&C's core markets by region, the Middle East and Asia-pacific, there will be large-scale infrastructure projects in Saudi Arabia such as Neom the Line project, Riyadh metro extension lines, etc.

E&C has began to make progress in Neom tunnel project and the construction of Riyadh metro line 4, 5, 6 are successfully entering the last phase.
On the back of such local execution experience and accumulated construction know-how, E&C will pursue mega-projects such as follow-up infrastructure projects for Neom, modular buildings that comprise the Line, extension of Riyadh metro, etc.

Aside from Saudi Arabia, other Middle East countries such as UAE, Oman, Qatar and others are expected to award renewable/hydrogen development projects for their transition to renewable energy.

E&C is not only participating in key projects like power generation, LNG, and others but also getting prepared to participate in multiple renewable development projects, such as signing MOU for Oman green ammonia development project.

As for the Asia-pacific region, increased government-led infrastructure and renewable energy orders are expected from Taiwan, Australia, and other countries with financial capacity. E&C plans to actively seek projects that E&C specializes in, such as urban mixed-used development building, airport, metro, and renewable energy projects.

E&C's 2024 business strategy is for EPC, high-tech, and housing to focus on high profitability, while establishing a sustainable growth system by delivering results of new business.

For EPC, E&C will involve in projects from early stage such as airport and metro that the E&C specializes in and has technical advantage over its competitors and discover/provide values that clients want, thereby winning more key, profitable projects.

For housing, E&C will expand new orders in key landmarks locations such as Yeouido, Apgujeong, Seongsu, Mokdong, etc. by applying Raemian's "The Next Home" concept announced last year.

For high-tech, E&C will continue to participate SEC's CAPEX projects, offering competitive values such as optimal construction period and cost with the best quality.

The scale may vary depending on the semiconductor market situation, but considering the sector's fast business cycle and potential follow-up project pipelines such as Pyeongtaek FAB, Taylor FAB, Yongin cluster, etc., high-tech orders are expected to maintain a solid momentum in the long term.

For renewable energy, one of the new business target sectors, the E&C will continue to accumulate the key competitiveness and focus the capabilities on PV+ESS in Australia, hydrogen, and SMR businesses.

For smart cities, local modular manufacturing plant will be established in Saudi Arabia this year, laying a foundation for winning and executing large-scale projects in the region.

Homeniq, a home platform launched last year, will generate new income source by advancing the service and expanding the number of apartment complex/customers using the service.

On top of beginning to achieve results in the new business, the E&C will further expand the new orders awarded in the future and continue to diversify the business portfolio.

< T&I Group >
(Executive Vice President Youngwoo Huh, the Head of Management Support Team)

Thanks to the restructuring of global supply chain post-pandemic and the recovery of demand in key products like steel/metal, T&I group achieved robust earnings in 2022-2023.

However, the business environment we are in is expected to become more volatile in 2024 because protectionism is on the rise against the backdrop of Russia-Ukraine war, conflicts in the Middle East, and the upcoming U.S. presidential election amid the low growth of global economy.

Therefore, T&I group will continue to strengthen the competitiveness of its core businesses such as fertilizer, steel, metal, solar power and semiconductor and generate stable income.

Trading business will first respond to the restructured supply chain for fertilizer/steel/metal trading and pursue quality growth by expanding the market and clients.

To that end, fertilizer will advance the “pool to pool” strategy such as regional expansion and product diversification. With key clients, steel will improve the profitability by diversifying the sources and metal will be mainly sourced from key suppliers and increase its sales in China.

As for the operation business, the Otelinox Precision Stainless Steel Mills will not only improve the production efficiency but also develop new products in preparation for the facility extension expected in 2025. While securing stable profit generation by expanding the sales to high value key clients, Otelinox will explore new potential markets in America. The efficiency of operation business in Ontario and Indonesian palm plantation will be continuously improved and we will focus on increasing the business value.

Development business is expanding the US solar power development portfolio with a goal of securing 20.1GW pipeline in total.

This year, T&I group is putting efforts into achieving tangible results by reviewing the business plan to construct and operate solar power complex in the US, winning ESS contracts in Canada, and expanding business model such as launching solar power business in Germany.

As for the new business, in the hydrogen field, the T&I group will establish a business foundation for tangible results by participating in ammonia supply infrastructure for co-firing power generation project, and then for the battery recycling business, T&I will begin the construction of plant 1 in Germany and is reviewing the follow-up projects.

< Fashion Group >
(Vice President Sangwook Ahn, the Head of Business Administration Division)

Post-pandemic, the domestic market saw some increase in demand due to revenge spending and the economic recovery. However, the market began to grow at near the past average rate recently.

We expect the growth momentum would continue in 2024 without much fluctuation, but the consumer sentiment may be influenced by high inflation rate, interest rates, and exchange rates amid low-growth economy.

Against this background, fashion group will increase the number of imported brands with competitiveness and upgrade the fundamentals of private brands. Also, it will grow online sales business and digitalize the work process, which will together contribute to higher sales and profitability.

First, while maintaining the sales and profit momentum of popular imported brands, we will keep searching for new brands. Fashion group will continue to incubate brands with potential with its two major select shops, BEAKER and 10CC, which are some of Korea's top level select shops.

8seconds will increase its market presence by expanding the distribution while maintaining the current stable profit model. Also, in 2024, we will review the post-2025 overseas operation plan as part of business expansion.

Fashion group plans to advance its strategy to turn the online sales channel into a comprehensive platform that sells domestic and overseas fashion and lifestyle products on top of company owned brands. To achieve this goal, we will attract competitive external brands and link our channel to the outside online malls, while enhancing the non-price competitiveness such as AI-based customer service.

While improving the competitiveness of brands and online sales business, fashion group will seek digitalization of work process, which involves PLM solution adoption, 3D design process expansion, CRM solution upgrade to improve the internal and external competitiveness and ultimately achieve both sales and profitability growth in 2024.

< Resort Group (Leisure) >
(Executive Vice President Cheasung Lee, the Head of Corporate Management & Support Team)

2024 Leisure group's business strategy is to continue improving earnings, especially that of park business, by innovating customer experience and strengthening data-based marketing strategy.

Park business will enhance the customer experience value by creating unique content every season and upgrading the IP product competitiveness related to Pandas that are gaining more and more popularity.

Also, Cotton Candy, an integrated customer membership program, was launched in November, 2023. Based on this, the park business will execute a customized strategy instead of the one that applies to the masses or peak season only.

< Resort Group (F&B) >
(Executive Vice President Cheasung Lee, the Head of Corporate Management & Support Team)

While the demand for food service rises due to recent spike in dining-out costs as well as the demand for food distribution from large-scale franchises, F&B business will strengthen its business competitiveness by improving product values and providing unique solutions in order to maintain the sales growth momentum.

For the food service business, innovative food service model which applies digital technology to the entire process including cooking and distributing will be adopted, and the product manufacturing via the central kitchen, whose construction will be completed this year, is expected to make the use of labor force efficient and lower the materials costs.

Also, the business will upgrade the food service quality by continuously launching brand collaboration products.

Food distribution business plans to expand revenue generated from key clients by providing customized solutions such as F&B consulting service.

【 Shareholder Return 】

(Executive Vice President Kuejong Song, the CFO and the Head of Corporate Strategy Office)

In accordance with the previously mentioned mid to long term business strategy, SCT has continued to invest in the new business and business structure advancement, declaring a total of 3-4 trillion KRW of investment in FY 23-25 except Samsung Biologics.

Therefore, SCT invested 0.8 trillion KRW already in 2023 and it plans to invest another around 1 trillion KRW in life science, eco-friendly energy sectors such as solar power, hydrogen, and battery recycling, and modular, so as to strengthen the business competitiveness.

In response to the continuing uncertainties in the financial market caused by high interest rates, SCT will maintain stable cashflow while continuing to make investments.

For 2023 dividends, the Company will pay out 2,550 KRW per common share and 2,600 KRW per preferred share.

Amid business investment expansion, SCT is maintaining the dividend policy that states the redistribution of 60-70% of dividend income from group affiliates to pay out stable amount of dividend. 2023 final dividend was applied the highest possible redistribution rate the current policy allows.

The Company also promised the cancellation of entire treasury shares. This year, to carry out the promise, SCT decided to cancel around 7.81 million common shares, which account for 1/3 of total treasury common shares, 23.42 million, and the entire preferred shares (around 160 thousand).

For the remaining treasury shares, SCT will cancel 7.81 million shares in 2025 and 2026 repectively.

This concludes the earnings announcement and we will take questions.

【 Closing 】

(Executive Vice President Youngmin Bae, the Head of IR&Finance Team)

This year's business environment might be challenging, but SCT will do the best to continue the solid performance based on its strong business fundamentals.

SCT will also expedite tangible results of new businesses currently being pursued in sectors with future growth potential so as to enhance the corporate value and achieve an even better reputation as a good company.

Thank you.

(Q&A)

Q) With regard to the investment plan, investors would understand the link between the investments and the shareholder return if you could elaborate on the plan to achieve investment results.

A) The total investment made in 2023, 0.8 trillion KRW, includes CAPEX for core businesses and equity investment for new business growth. In case of 2023, CAPEX was about 0.3 trillion KRW and equity investment was about 0.5 trillion KRW. This year's ratio between the CAPEX and the equity investment will be similar to that of last year. In regard to the return on investment, each investment agenda has its own investment guideline. Therefore, the return period may vary among agenda to agenda. If we continue to make investments until next year, we expect to see the results starting from 2026, but each investment may deliver result at different time.

Q) Recently, the Korean government mentioned the "value-up" of corporations. In response to the government policy, could you share the details of potential business strategies?

A) Samsung C&T is making investments to achieve growth, and growing to increase its corporate value. Also, we promised last year to cancel the entire treasury shares in order to enhance the shareholder value. This year, we are presenting the specific cancellation size and timing. We believe all these can be considered as part of efforts to enhance the corporate value. Enhancing the corporate value is our priority, so for the extra measures, we could have internal discussion on them, considering the future business environment, investment plan, cash flow, etc.

Q) SCT has achieved the sales past the guidance by 5-10% on average. Is this year's 42 trillion KRW also a conservative estimate?

A) Last year's sales stood at 42.9 trillion KRW, which was lower than the 2022 sales. The sales dropped because T&I group closed the low-efficient and low-profitable products and some trading businesses. In regard to the profitability, in 2023, T&I's profitability has been higher than the past average, but we believe this year's business environment is rather unfavorable. We established the yearly target considering the business environment, instead of aiming to grow the top-line by a great extent. E&C's sales are expected to decline due to the base effect of achieving the all-time high sales and operating profit last year, but T&I would see its sales grow as it has almost completed the process of restructuring inefficient business units.

Q) Looking at the breakdown of the sales guidance, I could see that F&B business's growth rate is the highest. Is there any large-scale investment for F&B?

A) Demand for food service is gradually rising in line with the recent increase in dining-out costs. In response, F&B business is focusing on making investments in strengthening the product value and business competitiveness since last year. For the details, we are constructing a central kitchen for take-outs and RTX in Asan industrial cluster and aim to achieve efficient labor force and lowering materials costs. Our main customer group, the millennials and the generation Z, prefers take-outs, so we plan to open the central kitchen this year to achieve a competitive advantage. We will enhance the food service business competitiveness by establishing IT infrastructure and expanding the facilities and equipment for distribution centers in other regions.

Q) It seems that E&C group's one-off cost of 85 billion KRW have been confirmed, and what is the probability of settlement this year without a substantial legal issue?

A) The one-off cost is from the Combined Cycle Power Plant project in UAE. An unexpected fire broke out in October last year and the cause has not been confirmed yet. However, it is believed that the spread of fire is caused by the instability of the protection facility that we had raised the issue and proposed several times from the bidding stage, but our proposal has been rejected. We will share the cost later after negotiating with the client, but we believe that it would be in our favor even if we fail to negotiate. However, the construction delay caused by the incident may raise a concern of L/D (liquidated damages), so we reflected an estimated cost in the worst case scenario. In the case, if there would be a delay of negotiating with the client, it would take more time for the settlement.

Q) Without a sizable investment plan, more cash flow would be available for other purposes, such as additional shares repurchase besides the current treasury shares cancellation plan.

A) As we mentioned in the presentation, we are first making investments in securing future growth engines and advancing the business structure. We have decided the dividend amount in accordance with the current dividend policy, and as of now we have no plan for any additional shares repurchase. The current treasury shares scale is huge enough, so we plan to cancel 1/3 of them this year and the rest of them throughout the next two years. However, we are always discussing measures to enhance the shareholder value. For the next shareholder return policy, we will review various measures such as shares repurchase program, considering the investment results and cash flow at that time.

Q) It seems like this year's earnings call format and participants have changed. Would this format continue and what's the reason behind the change?

A) There are various businesses ongoing under each group, so each group's head of Business Support has participated this time to enhance the shareholders' understanding of SCT business. It means we are confident to continue sharing our business strategies or directions. There could be some changes in the participants, but this new format would continue.

Q) The market has continuously demanded and some shareholders made proposals last year to tackle the SCT's significant discount to NAV. Was there any discussion in this regard, maybe new shareholder return policy that involves the sale of some equity?

A) We are not considering selling certain businesses or the equity asset, but we have continued to sold inefficient asset, especially the stakes we hold to maintain right to business that have no significant link to our operations.

Q) Last year, the order guidance was initially 18 trillion KRW, but SCT achieved the target just in the first half of 2023. For 2024 guidance, I would like to ask how much high-tech orders account for the total guidance and whether the target is a conservative estimate or if the target is decided considering the potentially unfavorable macro economy.

A) Regarding high-tech orders, this year's order target is 8.3 trillion. This is about 46% of the total 18 trillion. We don't consider it to be a conservative estimate, but we have made plans based on a reasonable outlook, and it is difficult to accurately identify SEC's investment plan in real time because the semiconductor industry changes rapidly. However, it is a reasonable figure that reflects the trend so far, and it is difficult to consider it conservative.

Q) The Korean government has frequently mentioned the low PBR in regard to the "value-up". In this regard, does SCT executives' KPI include NAV discount rate, or is it currently being discussed?

A) Stock performance accounts for the 30% of the executive compensation policy. NAV discount rate is difficult to be objectively valued, and, in our view, the current compensation policy is linked to the stock performance. However, we will continue to review various measures to reflect the stock performance to the executive incentives.

Q) What is the reason to cancel the treasury shares within 3 years instead of 5 years which was the original plan?

A) When the policy was announced last year, some questions remained in the market because it is said that the board of directors will decide the size and timing of the cancellation. We focused on resolving uncertainty in the market and made such decision.

Q) You mentioned 8.3trillion KRW of new orders from high-tech, and please tell us projects pipeline in detail.

A) It is not appropriate to disclose the specifics of project pipeline, but Pyeongtaek and US Taylor projects are still ongoing.

Q) You mentioned about the Yongin cluster, and as far as I know the project will start from 2026 at the earliest.

A) No order has been made yet, and it is expected to be made around the late 2020s.

Q) Net cash level at the end of 2023 based on separate financial statement.

A) Total debt is 2.6 trillion KRW and net borrowing around 2.0 trillion KRW.

Q) In regard to the 2024 operating profit, can I say that the overall profitability might decrease as high-tech order decreases to 8.3 trillion KRW? Does T&I have any downside risk due to the falling raw material prices? Can I say that the profitability would go down for E&C and T&I, slightly go up for Biologics and increase for Fashion/Leisure/F&B?

A) E&C's business strategy is to focus on key businesses with high profitability. E&C plans to increase the profit margin by winning more profitable projects or projects with low competition. Also, there was a one-off loss in 2023 but there will be no such cost in 2024, so we do not expect this year's profit to decrease.

As for the T&I business, it achieved a quantum jump through various efforts made in 2021-2023. T&I group closed businesses with low profit margin and those that spend a lot of working capital. We invested resources in businesses we excel in, and now we are in a stage where our business structure has been stabilized. We believe 2024 is the year we prepare for an even greater jump for the future. In regard to the business environment, prices are falling since the end of last year to the beginning of this year, but we assume that the prices won't fall too much as there are high hopes of interest rate cuts in 2024. The business structure is now stabilized and the U.S. solar power business may secure additional margin, so 2024 operating profit would not be too different from that of 2023.

Q) Looking at the cash flow, it looks like some debts were repaid in 2023. Is there any particular reason? Was there a certain capital structure target or did you repay temporarily because of the high cost of renewing the debts and interest rates? Do you have any particular target amount of debts and cash flow?

A) Most of current debt is related to the working capital needs of the E&C and T&I's overseas operations. Overseas operations repaid some of the short-term debt temporarily, resulting in the lower total debt. The appropriate level of cash would be the sum of the amount of required working capital and the amount of debt due in 6 months, considering the risk of unfavorable financial environment and liquidity issue. The ratio between the cash and credit line will be decided depending on the financial environment.

Q) In terms of investment, you said that the funds are invested to secure the growth engine of the company rather than to return to the shareholders, so I wonder, from now on, if you could share with us the performance of the investment. For example, it's not the amount of investment made last year, which is 0.8 trillion KRW, that I want to know, but it's the actual progress and final result of the investments. I wonder if you could update the information with analysts and investors on a regular basis.

A) We have presented our overall investment plan and will continue to share the investment progress. We will try to update the actual investment returns and progress regularly.

Q) About the solar power development business, I heard that you will expand the business model, which is to construct and operate all together, unlike the previous model. Are you trying to be involved in the operation and then sell the assets when they begin to be on track?

A) The initial U.S. solar power development business model was to select the land, develop it until solar power projects can become feasible and then sell before the EPC contract. Last year, the model has been extended to include the EPC contract and sell the asset only when the operation enters the critical path phase. By doing so, T&I would earn the sales income from the buyer, in the form of success fee.

In 2024, we will test how far we could go with a 100-200 megawatt sized project. We will find a partner at the EPC stage. We are not doing everything 100% alone, but we will cooperate with companies with experience and expertise in EPC. We could be a controlling shareholder or make an equity investment. Our goal this year is to try this kind of pilot projects. If the performance is good, the return is sufficient, and stable return is expected, then we are willing to extend our operation business model further.

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