

## IS Dongseo Q4 2024 Earnings Presentation

### Page 7 - Opening Remarks

Hello, my name is Taekkyun Kim, and I am the IR Manager at IS Dongseo.

I would like to begin the presentation on our Q4 2024 earnings results.

IS Dongseo operates four key business divisions: Construction, Concrete, Environmental Services, and Secondary Batteries.

Each division plays a complementary role, ensuring a well-balanced approach between stable profitability and long-term growth.

Our Construction division, which accounts for 54.0% of total revenue, remains the core driver of our business.

We focus on high-margin, self-developed projects, maintaining a differentiated profitability model compared to peers.

While the average operating margin of major Korean construction companies stands at 1–2%, we have consistently achieved an average operating margin of 21% over the past decade.

Even in challenging market conditions like last year, we sustained a 21.2% margin.

What does this mean?

Rather than pursuing scale expansion, we focus on selectively executing projects with guaranteed profitability.

This disciplined strategy enables us to generate stable and sustainable earnings, even in a highly volatile market environment.

Our Concrete division, accounting for 10.8% of revenue, specializes in PHC piles and precast concrete (PC) products.

In recent years, we have actively expanded high-value-added PC products for semiconductor plant construction.

Additionally, by utilizing our own concrete products in our construction projects, we ensure both quality control and cost competitiveness.

The Environmental division represents 25.0% of revenue and is anchored by Insun ENT, the leading construction waste disposal company in Korea, offering services such as waste incineration, landfill, and vehicle recycling.

Additionally, Environment & Energy Solution oversees environmental EPC and O&M

projects, expanding our footprint in sustainable infrastructure development. With ESG-driven market demand rising, we are actively broadening our portfolio in eco-friendly businesses.

Lastly, our Secondary Battery division, which accounts for 7.6% of revenue, represents our strongest growth opportunity.

Through IS Eco Solution and BTS Technology, we are expanding our battery recycling operations globally.

We have already established a strong market presence in Korea and Europe and plan to expand into the U.S. and Asia.

## Page 9 - Q4 2024 Financial Performance

In Q4 2024, IS Dongseo recorded revenue of KRW 299.5 billion and operating profit of KRW 9.2 billion.

Compared to Q4 2023, revenue declined by 39.0%, and operating profit decreased by 89.3%.

This was primarily due to a decline in revenue from the Construction division.

To proactively manage risk, we have limited new project orders and residential presales, ensuring that we remain insulated from the liquidity issues and unsold inventory risks affecting many construction companies.

While this has resulted in short-term revenue declines, our financial stability remains intact.

On the other hand, the Environmental division continues to generate stable revenue despite economic fluctuations, serving as a key cash flow driver for our business.

Meanwhile, the Secondary Battery division is maintaining strong growth through global expansion.

During Q4, we recognized an impairment loss on goodwill amounting to approximately KRW 190 billion as part of a non-cash accounting adjustment.

This impairment reflects a conservative reassessment of enterprise values for the Environmental and Secondary Battery divisions in light of recent market conditions.

However, this impairment is purely an accounting measure with no cash outflow and has no impact on our cash flow or actual profitability.

As a result, the impact of this goodwill impairment on our financial soundness and business operations is minimal.

We will continue to maintain a strong financial foundation beyond 2025 while strengthening the profitability of the Environmental and Secondary Battery divisions.

Some may ask: Is there a risk of further impairments?

To address this directly—our assessment has already factored in current market conditions, so the likelihood of additional impairment losses is limited.

## Page 10 - Financial Position & Key Ratios

Now, let's take a look at our financial position and key financial ratios for Q4 2024.

As of year-end 2024, IS Dongseo's total assets stood at KRW 3.55 trillion, reflecting a decline from the previous year.

This decrease was primarily due to the goodwill impairment recognized in the Environmental and Secondary Battery divisions, as well as a temporary decline in cash and cash equivalents resulting from ongoing construction projects.

Cash and cash equivalents totaled KRW 364.2 billion, marking a decrease compared to the previous year.

However, this was mainly caused by temporary cash outflows related to project execution in the Construction division.

Notably, as our self-developed projects, including the Deok-eun District, near completion, construction expenditures have been concentrated, leading to a short-term decline in cash reserves.

Once final payments are collected, cash reserves are expected to stabilize.

Total liabilities decreased to KRW 1.99 trillion, with total borrowings declining to KRW 1.43 trillion.

As a result, our debt-to-equity ratio improved to 128.2%, down 10.9 percentage points YoY, indicating enhanced financial stability.

Meanwhile, our net debt-to-equity ratio increased to 68.7%, but as mentioned earlier, this fluctuation was caused by temporary cash movements related to ongoing construction projects.

As these projects conclude, net debt levels are expected to gradually decline.

Book value per share (BVPS) increased to KRW 55,146, reflecting our continued commitment to maintaining a solid financial foundation.

Moving forward, we will uphold financial stability while executing long-term strategies to enhance shareholder value.

Now, let's take a closer look at the performance of each business division.

## Page 11 - Construction Division Performance

Now, let's review the performance of the Construction division.

In Q4 2024, the Construction division recorded revenue of KRW 119.3 billion and operating profit of KRW 15.0 billion, with an operating margin of 12.5%.

Compared to the previous quarter, revenue declined by 47.8%, and the operating margin decreased slightly from 14.5% to 12.5%.

The revenue decline was primarily due to the timing of revenue recognition from the Ulsan New City Aileen's Garden Phase 2 project.

This project's revenue was mainly recognized in Q2 and Q3, as follows:

KRW 84.0 billion in Q2

KRW 156.1 billion in Q3

However, in Q4, only KRW 25.3 billion was recognized, leading to a base effect-driven decline in quarter-over-quarter revenue.

Additionally, the Goyang Deok-eun DMC IS Biz Tower Central (10BL) project was completed in December 2024, and tenants are currently moving in.

Meanwhile, the Goyang Deok-eun DMC IS Biz Tower Central (8BL, 9BL) projects are scheduled for completion in March 2025.

As a result, revenue from these projects will be fully recognized in 2025 when the handover of officetel units is completed.

However, as the overall volume of ongoing projects declines, construction revenue is not expected to significantly recover or improve in 2025 compared to 2024.

Moving forward, the Construction division will continue executing a selective project strategy, focusing on high-margin, profitability-secured developments rather than indiscriminate volume growth.

By doing so, we aim to sustain stable profitability and respond flexibly to market conditions.

## Page 12 - New Orders & Backlog

Now, let's review our new orders and order backlog status.

In 2024, new orders totaled KRW 323.4 billion, representing a 26.9% YoY increase.

This was primarily driven by the successful post-sale and full occupancy of the Goyang Deok-eun DMC IS Biz Tower Han River (6BL, 7BL) officetel units.

As of year-end 2024, our total order backlog stood at KRW 1.82 trillion, a 22.3% decline YoY.

This decrease reflects our conservative order strategy, which prioritizes financial stability over aggressive expansion.

By adopting a selective approach, we have effectively avoided liquidity risks and unsold inventory challenges that are currently affecting the broader real estate sector.

Our standalone borrowings totaled KRW 1.23 trillion.

A significant portion of our debt is secured through collateral-based loans, which allows us to effectively manage financial risks amid market volatility.

Notably, we utilize company-owned factories, land, and subsidiary shares as collateral, providing a stable foundation for loan refinancing and extensions with minimal financial burden.

Additionally, since we do not operate general contractor projects, our exposure to contingent liabilities remains minimal.

As self-developed projects are progressing smoothly, the balance of intermediate payment guarantees is also declining at a rapid pace.

Moving forward, we will continue implementing a selective order strategy that prioritizes profitability over volume, while maintaining a disciplined financial management approach.

## **Page 13 - Construction Project Updates**

Now, let's review the current status of our construction projects.

First, regarding ongoing projects, Ulsan New City Aileen's Garden Phase 2 has been completed, and additional contracts are in progress.

Goyang Deok-eun DMC IS Biz Tower Central (8BL, 9BL) is scheduled for completion in March 2025, while (10BL) has already been completed, and move-ins are currently underway.

Additionally, Goyang Deok-eun DMC IS Biz Tower Han River (6BL, 7BL) is expected to be completed in November 2025.

Construction and move-ins across these projects are progressing as planned.

Next, regarding upcoming projects, the Ulsan Nam-gu B-14 Redevelopment Project underwent a contract revision on February 14, 2024, resulting in an increase in total construction costs from KRW 298.7 billion to KRW 450.2 billion.

Presales and construction commencement are expected within the year.

For self-developed projects, Ulsan Yaum-dong is planned for presales in the first half of 2025, while Gyeongsan Jungsan District is planned for the second half of 2025, although timelines may be subject to change based on market conditions.

In particular, Gyeongsan Jungsan District is a large-scale project comprising 3,443 residential units and is expected to be a key contributor to our long-term growth. Once presales begin, this project will play a crucial role in boosting revenue and profitability in the construction division.

We will continue to focus on sustainable land development and a selective presales strategy to ensure stable growth and profitability.

## Page 14 - Concrete Division Performance

Now, let's review the performance of the Concrete division.

In Q4 2024, the Concrete division recorded revenue of KRW 47.8 billion and an operating loss of KRW 4.0 billion, with an operating margin of -8.3%.

Compared to the previous quarter, revenue increased by 32.4%, and while the division remained in deficit, profitability showed signs of improvement.

The operating loss was primarily due to the weak PHC pile market and rising raw material costs.

On the other hand, precast concrete (PC) products benefited from strong demand, as revenue from the SK Hynix Cheongju M15X project was fully recognized, leading to both revenue growth and improved profitability.

Currently, the PC market continues to show robust growth, driven by expanding domestic semiconductor investments.

As a result, following the merger with Young Poong Pile, we have reduced PHC pile production capacity while expanding production capacity for high-value-added PC products, improving asset efficiency and profitability.

In other words, we are shifting our Concrete division's business structure from PHC pile products to high-margin PC products.

Going forward, we will continue optimizing PHC pile operations by enhancing asset efficiency and cost reductions to drive gradual profitability improvement.

Meanwhile, we plan to expand PC production capacity, leveraging new orders such as the Yongin Y Project, which will serve as a foundation for revenue growth in the coming years.

The Concrete division will continue its structural business transformation efforts, with a strong focus on profitability enhancement and sustainable growth.

## Page 15 - Environmental Division Performance

Now, let's review the performance of the Environmental division.

In Q4 2024, the Environmental division recorded revenue of KRW 100.3 billion and operating profit of KRW 9.9 billion, with an operating margin of 9.9%. Compared to the previous quarter, revenue increased by 17.3%, and the operating margin improved from 6.4% to 9.9%.

However, this performance was influenced by temporary factors. Insun ENT saw an increase in revenue from construction waste disposal, landfill, and incineration services, but this was largely driven by short-term factors. Similarly, Environment & Energy Solution experienced a temporary increase in revenue due to a large-scale maintenance project in the O&M division, funded by year-end government budget execution.

For 2025, we expect the Environmental division to deliver results similar to those of 2024. Rather than pursuing rapid expansion, our focus will be on maintaining stable performance. The waste management industry is closely linked to the construction and manufacturing sectors, which means that a meaningful growth trajectory will depend on a recovery in these industries.

Regarding Environment & Energy Solution's construction-related revenue, new infrastructure project orders have been delayed due to budget constraints at the municipal level.

This is limiting short-term business opportunities, but once local government budgets recover, there is a high likelihood that deferred projects will be approved in bulk. As a result, we expect an increase in new project orders as well as a potential rise in infrastructure-related contract pricing.

Despite short-term market challenges, we will continue to enhance cost efficiency and optimize business operations to maintain stable profitability. As municipal finances recover, we anticipate an increase in infrastructure project orders for Environment & Energy Solution, and we will adapt our business strategy accordingly to maximize opportunities.

## Page 16 - Secondary Battery Division Performance

Now, let's review the performance of the Secondary Battery division.

In Q4 2024, the Secondary Battery division recorded revenue of KRW 23.8 billion and an operating loss of KRW 9.3 billion, with an operating margin of -42.4%. Compared to the previous quarter, revenue declined by 26.1%, and operating losses widened.

The primary reasons for the increased deficit were a sharp drop in metal prices and a slowdown in the EV market.

As battery manufacturers lowered production rates, the supply of battery scrap declined, making raw material procurement more challenging.

At the same time, the decline in metal prices reduced the profitability of recycled metals, further deteriorating market conditions.

Additionally, due to the drop in metal prices, we recorded an inventory valuation loss, leading to the recognition of an inventory asset impairment provision. This was a non-cash accounting adjustment with no actual cash outflow.

In the short term, we are prioritizing cost reduction and operational efficiency optimization. Furthermore, BTS Technology's Poland plant is set to commence full-scale commercial operations in Q2 2025.

Through this expansion, we will strengthen our presence in the European battery recycling market and expand collaborations with EV manufacturers and battery producers.

Over the long term, we expect an increase in demand driven by stricter battery recycling regulations in Europe.

We will continue to enhance our competitive edge and position ourselves for sustainable growth.

## Page 24 - Shareholder Return Policy

We are committed to maintaining a stable dividend policy while actively enhancing shareholder value through share repurchases.

For 2024, we have declared a dividend of KRW 1,000 per share, amounting to a total dividend payout of KRW 29.8 billion.

Additionally, we have executed a share buyback program totaling KRW 10 billion, including KRW 8.9 billion in 2023 and KRW 1.1 billion in early 2024 as part of our ongoing efforts to return value to shareholders.



To further maximize shareholder returns, we are introducing a tax-free dividend structure. At the upcoming Annual General Meeting (AGM) on March 27, 2024, we will propose the transfer of capital surplus to retained earnings to expand our dividend-paying capacity and enable tax-free dividends starting from the 2025 fiscal year.

For example, under the current dividend system, a KRW 1,000 per-share dividend results in a net payout of KRW 846 after a 15.4% withholding tax.

With the introduction of tax-free dividends, shareholders will receive the full KRW 1,000, effectively enhancing real returns.

This initiative is part of our long-term strategy to enhance shareholder value and maintain a stable and consistent dividend policy.

We will continue to evaluate additional share buyback opportunities and optimize our capital allocation strategy to further strengthen our commitment to shareholder returns.

## Page 25 - Closing Remarks

This concludes our presentation on IS Dongseo's Q4 2024 earnings results and business outlook.

To summarize, let's review our performance from the perspectives of profitability, stability, and growth potential.

**Profitability:** The Construction division has maintained an industry-leading operating margin of 21% on average over the past decade.

Rather than pursuing uncontrolled revenue expansion, we focus on selectively executing high-margin projects.

This disciplined strategy enables us to maintain a resilient business model, regardless of market conditions.

**Stability:** The Environmental division generates strong and consistent cash flows, ensuring stable profitability even amid economic fluctuations.

Furthermore, through strict risk management, we have remained insulated from liquidity issues and unsold inventory risks that have affected other construction companies.

**Growth Potential:** Despite short-term challenges in the battery sector, the Secondary Battery division is preparing for long-term expansion in Europe and other global markets. Additionally, within the Construction division, the Gyeongsan Jungsan District project is expected to play a key role in performance improvement over the next few years.

By expanding our self-developed projects, we will continue unlocking new growth opportunities in the Construction sector.

At IS Dongseo, we are committed to prioritizing profitability, securing financial stability, and continuously expanding growth opportunities.

Additionally, through share buybacks and dividend policies, we will remain focused on enhancing shareholder value.

The introduction of tax-free dividends will provide direct financial benefits to our shareholders, allowing more investors to realize greater net returns from our long-term commitment to capital efficiency.

Thank you for your time and attention.