



FINANCIAL RESULTS  
Q2 & 6 MONTHS  
ENDED JUNE 30, **2022**

It's all about **the chemistry™**

---

## About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 7 to 53) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the three and six months ended June 30, 2022 as well as the three and six months ended June 30, 2021.

A review is substantially less in scope than an audit conducted in accordance with Korean Auditing Standards (KGAAS). There have been no changes in this approach in comparison to prior quarters and is only expanded in this paragraph for clarification to the user of the financial statements.

The interim condensed consolidated financial statements for the three and six months ended June 30, 2022 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2021 can be found on our website [www.songwon.com](http://www.songwon.com).

All financials disclosed hereunder reflect consolidated numbers in Million KRW where not indicated differently.

## Forward-looking statements & information

This report contains forward-looking statements and information concerning the outlook for our business. These statements are based on current expectations, estimates and projections concerning factors that may affect SONGWON Industrial Group's future performance, including global and regional economic conditions in the regions, major markets and industries where SONGWON does business. As a result, these forward-looking statements and information are subject to uncertainties and risks, many of which are beyond our control. These may cause our actual results to differ materially from the forward-looking information and statements made in this report and possibly affect our ability to achieve any, or all of, our stated targets. SONGWON Industrial Group believes that the expectations reflected in any forward-looking statement are based upon reasonable assumptions; however, no assurance can be given that these expectations will prove to be correct.

The forward-looking statements contained herein are current only as of the date of this document.

---

## Content

### SECTION 1: Business Development

Key financial data .....	5
Sales development .....	5
Business development .....	6
Outlook .....	6

### SECTION 2: Interim Condensed Consolidated Financial Statements

Interim consolidated statements of financial position.....	8
Interim consolidated statements of comprehensive income .....	10
Interim consolidated statements of changes in equity .....	14
Interim consolidated statements of cash flows .....	16
Notes to the interim condensed consolidated financial statements .....	18

## **SECTION 1:**

# **Business Development**

## Key financial data

For the six months ended  
June 30,

	Q2 2022	Q2 2021		2022	2021	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	342,735	232,091	47.7%	681,168	454,578	49.8%
Gross profit*	74,567	48,139	54.9%	173,931	92,445	88.1%
Gross profit margin*	21.8%	20.7%		25.5%	20.3%	
Operating profit	54,258	21,737	149.6%	111,453	39,080	185.2%
EBITDA	62,902	30,210	108.2%	128,682	56,341	128.4%
EBITDA margin	18.4%	13.0%		18.9%	12.4%	
EBIT	54,643	22,048	147.8%	112,173	35,322	217.6%
EBIT margin	15.9%	9.5%		16.5%	7.8%	
Profit for the period	38,670	14,973	158.3%	82,097	24,137	240.1%
Total assets				1,257,119	959,841	31.0%
Total equity				629,478	480,961	30.9%
Equity ratio				50.1%	50.1%	
Headcounts				1,004	1,037	-3.2%

\*refer to note 2.2 for further details

## Sales development

### Divisions

For the three months ended  
June 30,

	2022	2021		2022	2021		2022	2021	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	260,406	175,711	48.2%	82,329	56,380	46.0%	342,735	232,091	47.7%

For the six months ended  
June 30,

	2022	2021		2022	2021		2022	2021	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	509,271	339,698	49.9%	171,897	114,880	49.6%	681,168	454,578	49.8%

### Regions

For the six months ended  
June 30,

	Q2 2022	Q2 2021		2022	2021	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Korea	65,597	50,112	30.9%	130,813	100,335	30.4%
Rest of Asia	87,424	64,684	35.2%	178,982	128,821	38.9%
Europe	79,031	55,902	41.4%	159,686	108,929	46.6%
North and South America	82,336	48,225	70.7%	157,898	93,196	69.4%
Australia	924	1,005	-8.1%	1,678	1,801	-6.8%
Middle East and Africa	27,423	12,163	125.5%	52,111	21,496	142.4%
<b>Total sales</b>	<b>342,735</b>	<b>232,091</b>	<b>47.7%</b>	<b>681,168</b>	<b>454,578</b>	<b>49.8%</b>

## Business development

During the 2nd quarter of 2022, Songwon Industrial Group reports consolidated sales of 342,735 Million KRW. This marks a 47.7% rise in revenue when compared to the same quarter in the previous year (Q2/2021: 232,091 Million KRW). In Q2/2022, net profit amounted to 38,670 Million KRW reflecting an increase of 158.3% compared to Q2/2021 (14,973 Million KRW). For the six months ended June 30, 2022, the Group achieved sales of 681,168 Million KRW (YTD June 2021: 454,578 Million KRW) and a net profit of 82,097 Million KRW (YTD June 2021: 24,137 Million KRW). SONGWON's gross profit margin stood at 25.5% for the first six months of 2022 which reflects an increase of 5.2%-points compared to June YTD 2021.

Despite ongoing geopolitical tensions, supply chain challenges and increasing variable costs across the regions, SONGWON's divisions continued to build on the positive start to 2022, delivering another good result on the back of robust demand. When compared to Q2/2021, Division Industrial Chemicals recorded a rise in revenue of 48.2% in the 2nd quarter of 2022 totaling 260,406 Million KRW (Q2/2021: 175,711) and a 49.9% increase in sales in the first six months of 2022 (YTD June 2022: 509,271 Million KRW) over the previous year (YTD June 2021: 339,698 Million KRW). Division Performance Chemicals, also recorded another strong result in the 2nd quarter achieving 46.0% growth in revenue (Q2/2022: 82,329 Million KRW) over the prior year comparable quarter (Q2/2021: 56,380 Million KRW). YTD June 2022, the Division Performance Chemicals achieved 171,897 Million KRW, marking a 49.6% increase over sales achieved YTD June 2021 (114,880 Million KRW).

As expected, global demand continued to remain strong across all regions for Division Industrial Chemicals. Higher revenues were driven by global forecast volume increases as customers sought to offset potential logistics delays and competitors' supply issues. In addition, formula pricing was applied to offset the increasing cost of raw materials, energy and logistics; during Q2/2022, the Division Industrial Chemicals also benefited from favorable FX developments in all regions. Throughout Q2/2022, demand for Polymer Stabilizers was robust with higher revenues achieved over Q1/2022, despite the negative impact of the lockdowns in Asia and the conflict between Russia and the Ukraine. In Q2/2022, Fuel and Lubricant Additives saw customers continuing to order ahead of normal patterns to counter delays in logistics and shipping. The positive momentum from the previous quarter was ongoing as expected throughout the 2nd quarter with increased revenues resulting from formula driven pricing and robust demand. Q2/2022 was another solid quarter for SONGWON's Coatings business, which reported higher revenues and strong market demand across Europe, the US and Korea but stagnation in the Chinese market resulting from the lockdown and government imposed zero-tolerance policy. The ongoing recovery of industries e.g. automotive and construction and by the implementation of effective price increases led to higher revenues.

Division Performance Chemicals performed well in Q2/2022. Tin intermediates sales were in line with the maximum output of the plants and in the early part of Q2/2022, tin metal prices surged strongly and dropped again later in the quarter. Although high logistical costs are limiting PVC sales particularly outside of Asia, implemented price increases positively impacted profitability. Amid ongoing intense competition, Solution Polyurethanes and Thermoplastic Polyurethanes, reported an increase in revenue despite lower volumes but could not offset the soaring raw material costs through price increases. TPU sales in the wire and cable market increased during the quarter as a result of the strong demand from EMEA, NEA and the US.

## Outlook

With respect to the adverse geopolitical environment, the inflationary pressure on the world's economy and uncertainties related to COVID-19 in many countries, it is unfeasible to make accurate binding predictions. However, with rising oil prices, driven by the current global situation, continuing to drive market prices higher, SONGWON anticipates that the high demand for raw materials will be ongoing in Q3/2022. The slowdown already observed in Q2/2022, particularly in Europe, as well as continuing stagnation in China make it difficult at this point to predict how the market will react. In response, SONGWON will continue to pursue its market penetration strategy in key target markets while keeping a close eye on developments in the industry and worldwide. SONGWON looks towards the final six months of the year with caution but is confident that it is well-positioned to navigate emerging challenges and continue providing supply reliability to customers.

# **SECTION 2:**

## **Interim Condensed Consolidated Financial Statements (unaudited)**

## Interim consolidated statements of financial position (unaudited)

		<b>June 30, 2022</b>	<b>As of December 31, 2021</b>
	Notes	Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>505,081</b>	<b>487,268</b>
Property, plant and equipment	5.2.2, 6, 25	436,997	424,301
Right-of-use assets	5.2.2, 6.1	17,800	17,901
Investment properties	5.2.2, 25	3,458	3,467
Intangible assets	5.2.2, 7	10,627	9,650
Investments accounted for using the equity method	4	7,224	6,466
Other non-current assets		1,214	6,028
Other non-current financial assets	12, 22, 23	17,966	12,068
Deferred tax assets		9,795	7,387
<b>Current assets</b>		<b>752,038</b>	<b>628,381</b>
Inventories	8	406,739	335,880
Trade and other receivables	9, 22, 23	211,322	179,720
Income tax receivables		1,680	308
Other current assets	11	23,012	13,584
Other current financial assets	12, 20, 22	2,596	1,145
Cash and cash equivalents	10, 22	106,689	97,744
<b>Total assets</b>		<b>1,257,119</b>	<b>1,115,649</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>629,478</b>	<b>543,254</b>
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	13.1	29,103	28,623
Retained earnings	13.1	561,368	483,732
Other components of equity	13.1	6,525	-1,583
<b>Non-current liabilities</b>		<b>126,906</b>	<b>128,396</b>
Bonds, interest-bearing loans and borrowings	14, 22, 25, 26.3	62,266	60,502
Pension liability		3,241	5,945
Other long-term employee-related liabilities		7,797	8,544
Non-current lease liabilities	6.1, 22, 26.3	15,540	15,454
Other non-current financial liabilities	19, 22, 26.3	1	1
Other non-current liabilities		463	428
Deferred tax liabilities		37,598	37,522
<b>Current liabilities</b>		<b>500,735</b>	<b>443,999</b>
Bonds, interest-bearing loans and borrowings	14, 22, 24, 25, 26.3	253,070	235,311
Trade and other payables	15, 22, 23, 26.3	194,786	173,266
Current lease liabilities	6.1, 22, 26.3	2,241	2,480
Other current financial liabilities	19, 20, 22, 26.3	481	689
Other current liabilities	21	9,458	4,043
Income tax payable		40,699	28,210
<b>Total liabilities</b>		<b>627,641</b>	<b>572,395</b>
<b>Total equity and liabilities</b>		<b>1,257,119</b>	<b>1,115,649</b>



## Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	June 30, 2022	December 31, 2021
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>389,245</b>	<b>375,518</b>
Property, plant and equipment	336,775	326,991
Right-of-use assets	13,718	13,796
Investment properties	2,665	2,672
Intangible assets	8,190	7,437
Investments accounted for using the equity method	5,567	4,983
Other non-current assets	936	4,646
Other non-current financial assets	13,846	9,300
Deferred tax assets	7,548	5,693
<b>Current assets</b>	<b>579,564</b>	<b>484,267</b>
Inventories	313,457	258,849
Trade and other receivables	162,857	138,503
Income tax receivables	1,295	237
Other current assets	17,734	10,469
Other current financial assets	2,001	882
Cash and cash equivalents	82,220	75,327
<b>Total assets</b>	<b>968,809</b>	<b>859,785</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>485,112</b>	<b>418,662</b>
Issued capital	9,248	9,248
Capital surplus	15,784	15,784
Reserves	22,428	22,058
Retained earnings	432,623	372,792
Other components of equity	5,029	-1,220
<b>Non-current liabilities</b>	<b>97,802</b>	<b>98,950</b>
Bonds, interest-bearing loans and borrowings	47,986	46,626
Pension liability	2,498	4,582
Other long-term employee-related liabilities	6,009	6,584
Non-current lease liabilities	11,976	11,910
Other non-current financial liabilities	1	1
Other non-current liabilities	357	330
Deferred tax liabilities	28,975	28,917
<b>Current liabilities</b>	<b>385,895</b>	<b>342,173</b>
Bonds, interest-bearing loans and borrowings	195,030	181,344
Trade and other payables	150,113	133,529
Current lease liabilities	1,727	1,911
Other current financial liabilities	371	532
Other current liabilities	7,289	3,117
Income tax payable	31,365	21,740
<b>Total liabilities</b>	<b>483,697</b>	<b>441,123</b>
<b>Total equity and liabilities</b>	<b>968,809</b>	<b>859,785</b>

## Interim consolidated statements of comprehensive income (unaudited)

		For the three months ended June 30,	
		2022	2021 (restated)*
	Notes	Million KRW	Million KRW
Sales	5	342,735	232,091
Cost of sales	23	-268,168	-183,952
<b>Gross profit</b>		<b>74,567</b>	<b>48,139</b>
Selling and administration costs	16.1, 23	-20,309	-26,402
<b>Operating profit</b>		<b>54,258</b>	<b>21,737</b>
Other income		1,071	969
Other expenses	6, 6.1, 8	-686	-658
Share of result from investments accounted for using the equity method	4	769	202
Finance income	16.2	19,304	4,114
Finance expenses	16.3	-17,427	-5,245
<b>Profit before tax</b>		<b>57,289</b>	<b>21,119</b>
Income tax expenses	17	-18,619	-6,146
<b>Profit for the period</b>		<b>38,670</b>	<b>14,973</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		7,792	-1,720
Gains on valuation of interest rate swaps		19	265
Exchange differences on translation of foreign operations		7,773	-1,985
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		1,051	-183
Re-measurement losses on defined benefit plans		1,051	-183
<b>Total other comprehensive income, net of taxes</b>		<b>8,843</b>	<b>-1,903</b>
<b>Total comprehensive income</b>		<b>47,513</b>	<b>13,070</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	18	38,670	15,200
Non-controlling interests		-	-227
<b>Profit for the period</b>		<b>38,670</b>	<b>14,973</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		47,513	13,398
Non-controlling interests		-	-328
<b>Total comprehensive income</b>		<b>47,513</b>	<b>13,070</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	1,611	633

\*refer to note 2.2 for further details

## Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended June 30, (refer to note 2.1)	
	2022	2021 (restated)*
	Thousand USD	Thousand USD
Sales	264,131	178,863
Cost of sales	-206,666	-141,764
<b>Gross profit</b>	<b>57,465</b>	<b>37,099</b>
Selling and administration costs	-15,651	-20,347
<b>Operating profit</b>	<b>41,814</b>	<b>16,752</b>
Other income	825	747
Other expenses	-530	-507
Share of result from investments accounted for using the equity method	593	156
Finance income	14,877	3,170
Finance expenses	-13,430	-4,042
<b>Profit before tax</b>	<b>44,149</b>	<b>16,276</b>
Income tax expenses	-14,348	-4,737
<b>Profit for the period</b>	<b>29,801</b>	<b>11,539</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	6,005	-1,326
Gains on valuation of interest rate swaps	15	204
Exchange differences on translation of foreign operations	5,990	-1,530
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	810	-141
Re-measurement losses on defined benefit plans	810	-141
<b>Total other comprehensive income, net of taxes</b>	<b>6,815</b>	<b>-1,467</b>
<b>Total comprehensive income</b>	<b>36,616</b>	<b>10,072</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	29,801	11,714
Non-controlling interests	-	-175
<b>Profit for the period</b>	<b>29,801</b>	<b>11,539</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	36,616	10,325
Non-controlling interests	-	-253
<b>Total comprehensive income</b>	<b>36,616</b>	<b>10,072</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1.24	0.49

\*refer to note 2.2 for further details

## Interim consolidated statements of comprehensive income (unaudited)

		For the six months ended June 30,	
		2022	2021 (restated)*
	Notes	Million KRW	Million KRW
Sales	5	681,168	454,578
Cost of sales	23	-507,237	-362,133
<b>Gross profit</b>		<b>173,931</b>	<b>92,445</b>
Selling and administration costs	16.1, 23	-62,478	-53,365
<b>Operating profit</b>		<b>111,453</b>	<b>39,080</b>
Other income		1,690	1,710
Other expenses	6, 6.1, 8	-970	-5,468
Share of result from investments accounted for using the equity method	4	1,297	429
Finance income	16.2	29,016	12,335
Finance expenses	16.3	-27,849	-13,676
<b>Profit before tax</b>		<b>114,637</b>	<b>34,410</b>
Income tax expenses	17	-32,540	-10,273
<b>Profit for the period</b>		<b>82,097</b>	<b>24,137</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		8,107	2,245
Gains on valuation of interest rate swaps		41	672
Exchange differences on translation of foreign operations		8,066	1,573
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		820	-333
Gains on valuation of financial assets at FVOCI		1	-
Re-measurement losses on defined benefit plans		819	-333
<b>Total other comprehensive income, net of taxes</b>		<b>8,927</b>	<b>1,912</b>
<b>Total comprehensive income</b>		<b>91,024</b>	<b>26,049</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	18	82,097	25,201
Non-controlling interests		-	-1,064
<b>Profit for the period</b>		<b>82,097</b>	<b>24,137</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		91,024	27,009
Non-controlling interests		-	-960
<b>Total comprehensive income</b>		<b>91,024</b>	<b>26,049</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	3,421	1,050

\*refer to note 2.2 for further details

## Interim consolidated statements of comprehensive income (unaudited)

	For the six months ended June 30, (refer to note 2.1)	
	2022	2021 (restated)*
	Thousand USD	Thousand USD
Sales	524,947	350,324
Cost of sales	-390,906	-279,081
<b>Gross profit</b>	<b>134,041</b>	<b>71,243</b>
Selling and administration costs	-48,149	-41,126
<b>Operating profit</b>	<b>85,892</b>	<b>30,117</b>
Other income	1,302	1,318
Other expenses	-747	-4,214
Share of result from investments accounted for using the equity method	1,000	331
Finance income	22,361	9,506
Finance expenses	-21,462	-10,540
<b>Profit before tax</b>	<b>88,346</b>	<b>26,518</b>
Income tax expenses	-25,077	-7,917
<b>Profit for the period</b>	<b>63,269</b>	<b>18,601</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	6,248	1,731
Gains on valuation of interest rate swaps	32	518
Exchange differences on translation of foreign operations	6,216	1,213
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	632	-257
Gains on valuation of financial assets at FVOCI	1	-
Re-measurement losses on defined benefit plans	631	-257
<b>Total other comprehensive income, net of taxes</b>	<b>6,880</b>	<b>1,474</b>
<b>Total comprehensive income</b>	<b>70,149</b>	<b>20,075</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	63,269	19,421
Non-controlling interests	-	-820
<b>Profit for the period</b>	<b>63,269</b>	<b>18,601</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	70,149	20,815
Non-controlling interests	-	-740
<b>Total comprehensive income</b>	<b>70,149</b>	<b>20,075</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	2.64	0.81

\*refer to note 2.3 for further details

## Interim consolidated statements of changes in equity (unaudited)

For the six months ended June 30, 2021 and 2022

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Million KRW	Million KRW	Million KRW
<b>As of January 1, 2021</b>	<b>12,000</b>	<b>22,359</b>	<b>28,335</b>	<b>405,105</b>	<b>-1,207</b>	<b>-362</b>	<b>-7,521</b>	<b>458,709</b>	<b>4,788</b>	<b>463,497</b>
Profit for the period	-	-	-	25,201	-	-	-	25,201	-1,064	24,137
Other comprehensive income	-	-	-	-333	672	-	1,469	1,808	104	1,912
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,868</b>	<b>672</b>	<b>-</b>	<b>1,469</b>	<b>27,009</b>	<b>-960</b>	<b>26,049</b>
Dividends	-	-	-	-2,880	-	-	-	-2,880	-	-2,880
Appropriation to reserves	-	-	288	-288	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,877	-	-	-	-	-	-1,877	-1,230	-3,107
Change in non-controlling interest due to disposal of subsidiary	-	-	-	-	-	-	-	-	-2,598	-2,598
<b>As of June 30, 2021</b>	<b>12,000</b>	<b>20,482</b>	<b>28,623</b>	<b>426,805</b>	<b>-535</b>	<b>-362</b>	<b>-6,052</b>	<b>480,961</b>	<b>-</b>	<b>480,961</b>
<b>As of January 1, 2022</b>	<b>12,000</b>	<b>20,482</b>	<b>28,623</b>	<b>483,732</b>	<b>-25</b>	<b>-614</b>	<b>-944</b>	<b>543,254</b>	<b>-</b>	<b>543,254</b>
Profit for the period	-	-	-	82,097	-	-	-	82,097	-	82,097
Other comprehensive income	-	-	-	819	41	1	8,066	8,927	-	8,927
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,916</b>	<b>41</b>	<b>1</b>	<b>8,066</b>	<b>91,024</b>	<b>-</b>	<b>91,024</b>
Dividends	-	-	-	-4,800	-	-	-	-4,800	-	-4,800
Appropriation to reserves	-	-	480	-480	-	-	-	-	-	-
<b>As of June 30, 2022</b>	<b>12,000</b>	<b>20,482</b>	<b>29,103</b>	<b>561,368</b>	<b>16</b>	<b>-613</b>	<b>7,122</b>	<b>629,478</b>	<b>-</b>	<b>629,478</b>

## Interim consolidated statements of changes in equity (unaudited)

For the six months ended June 30, 2021 and 2022 (refer to note 2.1)

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
As of January 1, 2021	9,248	17,231	21,836	312,197	-930	-279	-5,796	353,507	3,691	357,198
Profit for the period	-	-	-	19,421	-	-	-	19,421	-820	18,601
Other comprehensive income	-	-	-	-257	518	-	1,133	1,394	80	1,474
Total comprehensive income	-	-	-	19,164	518	-	1,133	20,815	-740	20,075
Dividends	-	-	-	-2,219	-	-	-	-2,219	-	-2,219
Appropriation to reserves	-	-	222	-222	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,447	-	-	-	-	-	-1,447	-949	-2,396
Change in non-controlling interest due to disposal of subsidiary	-	-	-	-	-	-	-	-	-2,002	-2,002
As of June 30, 2021	9,248	15,784	22,058	328,920	-412	-279	-4,663	370,656	-	370,656
As of January 1, 2022	9,248	15,784	22,058	372,792	-20	-473	-727	418,662	-	418,662
Profit for the period	-	-	-	63,269	-	-	-	63,269	-	63,269
Other comprehensive income	-	-	-	631	32	1	6,216	6,880	-	6,880
Total comprehensive income	-	-	-	63,900	32	1	6,216	70,149	-	70,149
Dividends	-	-	-	-3,699	-	-	-	-3,699	-	-3,699
Appropriation to reserves	-	-	370	-370	-	-	-	-	-	-
As of June 30, 2022	9,248	15,784	22,428	432,623	12	-472	5,489	485,112	-	485,112

## Interim consolidated statements of cash flows (unaudited)

		For the six months ended June 30,	
		2022	2021
	Notes	Million KRW	Million KRW
<b>Profit for the period</b>		<b>82,097</b>	<b>24,137</b>
<b>Total adjustments</b>	<b>27</b>	<b>51,769</b>	<b>37,772</b>
<b>Changes in operating assets and liabilities</b>	<b>27</b>	<b>-76,526</b>	<b>-75,270</b>
Interest received		190	137
Payments of income tax		-23,988	-8,965
<b>Net cash flow from operating activities</b>		<b>33,542</b>	<b>-22,189</b>
Proceeds from sale of property, plant and equipment	6	1	32
Purchases of property, plant and equipment	6	-20,953	-9,427
Purchases of intangible assets	7	-1,440	-699
Dividends received from investments using equity method		581	519
Disposal of a subsidiary, net of cash disposed		-	5,584
Increase in other financial assets, net		-3,572	-859
<b>Net cash flow from investing activities</b>		<b>-25,383</b>	<b>-4,850</b>
Proceeds from borrowings		452,614	259,310
Repayments of borrowings		-436,365	-235,726
Payment of lease liabilities		-1,670	-1,808
Increase / (decrease) in other financial liabilities, net		89	-1,250
Interest paid		-3,697	-2,658
Acquisition of additional interest in a subsidiary		-	-3,107
Dividends paid		-4,800	-2,880
<b>Net cash flow from financing activities</b>		<b>6,171</b>	<b>11,881</b>
Increase / (decrease) in cash and cash equivalents		14,330	-15,158
Net foreign exchange differences		-5,385	37
Cash and cash equivalents as of January 1	10	97,744	72,784
<b>Cash and cash equivalents as of June 30</b>	<b>10</b>	<b>106,689</b>	<b>57,663</b>



## Interim consolidated statements of cash flows (unaudited)

	For the six months ended June 30, (refer to note 2.1)	
	2022	2021
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>63,269</b>	<b>18,601</b>
<b>Total adjustments</b>	<b>39,896</b>	<b>29,109</b>
<b>Changes in operating assets and liabilities</b>	<b>-58,975</b>	<b>-58,007</b>
Interest received	146	106
Payments of income tax	-18,487	-6,909
<b>Net cash flow from operating activities</b>	<b>25,849</b>	<b>-17,100</b>
Proceeds from sale of property, plant and equipment	1	25
Purchases of property, plant and equipment	-16,148	-7,265
Purchases of intangible assets	-1,110	-539
Dividends received from investments using equity method	448	400
Disposal of a subsidiary, net of cash disposed	-	4,303
Increase in other financial assets, net	-2,753	-662
<b>Net cash flow from investing activities</b>	<b>-19,562</b>	<b>-3,738</b>
Proceeds from borrowings	348,810	199,839
Repayments of borrowings	-336,288	-181,664
Payment of lease liabilities	-1,287	-1,393
Increase / (decrease) in other financial liabilities, net	69	-963
Interest paid	-2,849	-2,048
Acquisition of additional interest in a subsidiary	-	-2,394
Dividends paid	-3,699	-2,219
<b>Net cash flow from financing activities</b>	<b>4,756</b>	<b>9,158</b>
Increase / (decrease) in cash and cash equivalents	11,043	-11,680
Net foreign exchange differences	-4,150	28
Cash and cash equivalents as of January 1	75,327	56,092
<b>Cash and cash equivalents as of June 30</b>	<b>82,220</b>	<b>44,439</b>

## Notes to the interim condensed consolidated financial statements

### 1. Corporate information

#### 1.1. The Group

SONGWON Industrial Group (the "Group") consists of the parent company Songwon Industrial Co., Ltd. (the "Company") and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965, under the law of the Republic of Korea to engage in the manufacture and commercial sale of polymer stabilizers, tin intermediates, PVC stabilizers and specialty chemicals, among others. The Company's main manufacturing plants are located in Korea in Ulsan, Maeam and Suwon and in India in Ankleshwar. The address of the registered office (Songwon Industrial Co., Ltd.) can be found at the end of the annual report.

The Company has listed its common shares on the Korea Exchange since June 1977, pursuant to the Korean Securities and Exchange Act.

#### Scope of consolidation

As of June 30, 2022, the scope of consolidation for the interim consolidated financial statements encompasses 14 entities (2021: 14 entities). Additionally, one entity is classified as a joint venture (2021: one entity) and accounted for using the equity method.

During 2021, the legal structure of the Group and in scope of consolidation changed following the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co. Ltd, with effective date as of April 30, 2021. As of this date, the Group's control in Qingdao Long Fortune Songwon Chemical Co. Ltd. ceased and the entity was deconsolidated.

The consolidated financial statements include the financial statements of the Company and of the subsidiaries listed in the following table. The table also includes the joint venture which is accounted for using the equity method.

		June 30, 2022		December 31, 2021	
Name	Location	Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Trading GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon International-Qingdao Co., Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives-Sole Proprietorship LLC	UAE	Subsidiary	100%	Subsidiary	100%
Entity accounted for using the equity method (joint venture)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

## 2. Basis of preparation

The interim condensed consolidated financial statements for the three and six months ended June 30, 2022 have been prepared in accordance with K-IFRS 1034 – *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2021.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain items such as financial instruments. The financial statements are presented in Korean won (KRW) and all values are rounded to the nearest million (000,000), except when otherwise indicated.

The Group maintains its official accounting records in Korean won. In the event of any differences in the interpretation of the financial statements or the independent auditor's review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

### 2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,297.59 to USD 1, the exchange rate in effect on June 30, 2022. Such presentation is not in accordance with generally accepted accounting principles and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

### 2.2. Changes in disclosure

In the 2<sup>nd</sup> quarter of 2022, SONGWON performed a reclassification of 3<sup>rd</sup> party freight costs related to direct shipments for IC sales in Songwon Industrial Co., Ltd., from selling and administration costs (SG&A) to cost of sales (COS). As a result of this reclassification, the financial information for the six months ended June 30, 2021 (comparable period), have been restated. For the three and the six months ended June 30, 2021, cost of sales increased by 3,969 Million KRW and 7,780 Million KRW, respectively (SG&A decreased by -3,969 Million KRW and -7,780 Million KRW, respectively). This caused a decrease in gross profit of -7.8%, and a decrease in gross profit margin of -1.7%-points when compared to the three and six months ended June 30, 2021. The changes in disclosure have no impact on the operating profit and net profit for the period.

### 3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2022, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

#### New and amended standards adopted by the Group

##### Reference to the Conceptual Framework – Amendments to K-IFRS 1103

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of K-IFRS 1103 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* or K-IFRS 2121 *Levies*, if incurred separately. The exception requires entities to apply the criteria in K-IFRS 1037 or K-IFRS 2121, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to K-IFRS 1103 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

##### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to K-IFRS 1016

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

##### K-IFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time

###### Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of K-IFRS 1101 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to K-IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of K-IFRS 1101.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

##### K-IFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for K-IFRS 1039 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to K-IFRS 1037**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

#### 4. Investment accounted for using the equity method

The summarized statements of financial position and comprehensive income of the joint venture (accounted for using the equity method) are as follows:

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,803	10,744	12,954	1,670	2,056	58	89	21,553	6,466
<b>December 31, 2021</b>	<b>1,803</b>	<b>10,744</b>	<b>12,954</b>	<b>1,670</b>	<b>2,056</b>	<b>58</b>	<b>89</b>	<b>21,553</b>	<b>6,466</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,241	12,763	14,678	1,728	3,266	62	95	24,080	7,224
<b>June 30, 2022</b>	<b>2,241</b>	<b>12,763</b>	<b>14,678</b>	<b>1,728</b>	<b>3,266</b>	<b>62</b>	<b>95</b>	<b>24,080</b>	<b>7,224</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,426	-39	9	-2	895	-224	671	-843	-172
<b>For the three months ended June 30, 2021</b>	<b>6,426</b>	<b>-39</b>	<b>9</b>	<b>-2</b>	<b>895</b>	<b>-224</b>	<b>671</b>	<b>-843</b>	<b>-172</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,364	-43	1	-1	3,418	-855	2,563	87	2,650
<b>For the three months ended June 30, 2022</b>	<b>13,364</b>	<b>-43</b>	<b>1</b>	<b>-1</b>	<b>3,418</b>	<b>-855</b>	<b>2,563</b>	<b>87</b>	<b>2,650</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,729	-81	10	-3	1,906	-477	1,429	-140	1,289
<b>For the six months ended June 30, 2021</b>	<b>13,729</b>	<b>-81</b>	<b>10</b>	<b>-3</b>	<b>1,906</b>	<b>-477</b>	<b>1,429</b>	<b>-140</b>	<b>1,289</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	22,493	-86	2	-2	5,765	-1,441	4,324	140	4,464
<b>For the six months ended June 30, 2022</b>	<b>22,493</b>	<b>-86</b>	<b>2</b>	<b>-2</b>	<b>5,765</b>	<b>-1,441</b>	<b>4,324</b>	<b>140</b>	<b>4,464</b>

The changes in the investments accounted for using the equity method are summarized as follows:

	As of January 1, 2021	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of June 30, 2021
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-519	429	-42	5,780
<b>Total</b>	<b>5,912</b>	<b>-519</b>	<b>429</b>	<b>-42</b>	<b>5,780</b>

	As of January 1, 2022	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of June 30, 2022
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,466	-581	1,297	42	7,224
<b>Total</b>	<b>6,466</b>	<b>-581</b>	<b>1,297</b>	<b>42</b>	<b>7,224</b>

## 5. Segment information

The Group is organized into two main reporting segments “Industrial Chemicals” and “Performance Chemicals”. The segments are defined based on SONGWON’s product portfolio and its respective product families.

- Industrial Chemicals**  
 Industrial Chemicals operating segment mainly includes the product lines “Polymer Stabilizers”, “Fuel and Lubricant Additives” and “Coatings”.
- Performance Chemicals**  
 Performance Chemicals operating segment mainly includes the product lines “Thermoplastic Polyurethanes / Solution Polyurethanes”, “Tin Intermediates / PVC Stabilizers and Plasticizers” and “Specialty Chemicals”.

The Chief Operating Decision Makers (CODM), at Songwon, leaders of respective divisions, monitor the sales and operating profits or losses of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. However, certain income and expense positions such as other income / expenses, finance income / expenses and income tax expenses are managed on a Group basis and therefore not allocated to operating segments. The Group does not disclose a measure of total assets and liabilities for each reportable segment as such amounts are not reported to the CODM.

There are no inter-company transactions between the two operating segments.

### 5.1. Reported key figures

The following key figures are presented each month to the CODM. For the segment reporting, the same accounting policies and methods of computation as were followed in the most recent annual financial statement are used.

For the three months ended						
June 30,						
	2022	2021	2022	2021	2022	2021
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	260,406	175,711	82,329	56,380	342,735	232,091
Operating profit	49,593	21,121	4,666	616	54,258	21,737

For the six months ended						
June 30,						
	2022	2021	2022	2021	2022	2021
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	509,271	339,698	171,897	114,880	681,168	454,578
Operating profit	100,419	38,132	11,035	948	111,453	39,080



## 5.2. Geographic information

### 5.2.1. Sales

The sales information below is based on the location of the customer. Korea is disclosed separately due to the size of the Korean market whereas all other countries have been summarized into regions. Therefore, no other country's revenues are disclosed separately.

	For the three months ended	
	June 30,	
	2022	2021
	Million KRW	Million KRW
Korea	65,597	50,112
Rest of Asia	87,424	64,684
Europe	79,031	55,902
North and South America	82,336	48,225
Australia	924	1,005
Middle East and Africa	27,423	12,163
<b>Total sales</b>	<b>342,735</b>	<b>232,091</b>

	For the six months ended	
	June 30,	
	2022	2021
	Million KRW	Million KRW
Korea	130,813	100,335
Rest of Asia	178,982	128,821
Europe	159,686	108,929
North and South America	157,898	93,196
Australia	1,678	1,801
Middle East and Africa	52,111	21,496
<b>Total sales</b>	<b>681,168</b>	<b>454,578</b>

The Group has no customer who accounts for more than 10% of the Group's total sales during the reporting periods.

### 5.2.2. Non-current assets

Non-current assets information presented below consists of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

	As of	
	June 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Korea	401,967	389,764
Rest of Asia	27,354	27,268
Europe	7,868	8,164
North and South America	11,183	10,851
Middle East and Africa	20,510	19,272
<b>Total</b>	<b>468,882</b>	<b>455,319</b>

## 6. Property, plant and equipment

Set out below are the carrying amounts of property, plant and equipment recognized and the movements during the period:

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>							
<b>As of January 1, 2021</b>	<b>149,550</b>	<b>91,280</b>	<b>65,989</b>	<b>489,289</b>	<b>46,278</b>	<b>10,640</b>	<b>853,026</b>
Additions	-	1	49	507	115	7,440	8,112
Disposals	-	-	-68	-5,132	-1,285	-	-6,485
Reclassifications	150	349	1,080	6,389	177	-8,145	-
Disposal of a subsidiary	-	-	-	-464	-75	-48	-587
Net exchange differences	-	730	-	1,040	148	29	1,947
<b>As of June 30, 2021</b>	<b>149,700</b>	<b>92,360</b>	<b>67,050</b>	<b>491,629</b>	<b>45,358</b>	<b>9,916</b>	<b>856,013</b>
<b>As of January 1, 2022</b>	<b>149,656</b>	<b>93,377</b>	<b>71,856</b>	<b>497,806</b>	<b>45,026</b>	<b>15,127</b>	<b>872,848</b>
Additions	-	86	101	1,168	94	23,618	25,067
Disposals	-	-	-59	-1,311	-174	-	-1,544
Reclassifications	-	4,238	204	6,586	9	-11,037	-
Net exchange differences	-	1,614	-	1,870	252	23	3,759
<b>As of June 30, 2022</b>	<b>149,656</b>	<b>99,315</b>	<b>72,102</b>	<b>506,119</b>	<b>45,207</b>	<b>27,731</b>	<b>900,130</b>
<b>Accumulated depreciation and impairment</b>							
<b>As of January 1, 2021</b>	<b>-</b>	<b>-27,904</b>	<b>-42,663</b>	<b>-318,670</b>	<b>-37,577</b>	<b>-</b>	<b>-426,814</b>
Depreciation charge	-	-1,266	-1,506	-11,293	-1,153	-	-15,218
Disposals	-	-	60	4,017	1,252	-	5,329
Impairment	-	-	-	-931	-62	-49	-1,042
Disposal of a subsidiary	-	-	-	395	74	48	517
Net exchange differences	-	-110	-	-318	-95	1	-522
<b>As of June 30, 2021</b>	<b>-</b>	<b>-29,280</b>	<b>-44,109</b>	<b>-326,800</b>	<b>-37,561</b>	<b>-</b>	<b>-437,750</b>
<b>As of January 1, 2022</b>	<b>-</b>	<b>-30,674</b>	<b>-44,676</b>	<b>-335,178</b>	<b>-38,019</b>	<b>-</b>	<b>-448,547</b>
Depreciation charge	-	-1,327	-1,613	-10,779	-916	-	-14,635
Disposals	-	-	43	1,075	170	-	1,288
Impairment	-	-	-	-11	-	-	-11
Net exchange differences	-	-323	-	-723	-182	-	-1,228
<b>As of June 30, 2022</b>	<b>-</b>	<b>-32,324</b>	<b>-46,246</b>	<b>-345,616</b>	<b>-38,947</b>	<b>-</b>	<b>-463,133</b>
<b>Net book value</b>							
<b>As of June 30, 2022</b>	<b>149,656</b>	<b>66,991</b>	<b>25,856</b>	<b>160,503</b>	<b>6,260</b>	<b>27,731</b>	<b>436,997</b>
<b>As of January 1, 2022</b>	<b>149,656</b>	<b>62,703</b>	<b>27,180</b>	<b>162,628</b>	<b>7,007</b>	<b>15,127</b>	<b>424,301</b>
<b>As of June 30, 2021</b>	<b>149,700</b>	<b>63,080</b>	<b>22,941</b>	<b>164,829</b>	<b>7,797</b>	<b>9,916</b>	<b>418,263</b>

Non-cash transactions during the six months ended June 30, 2022 increased by 4,114 Million KRW (for the six months ended June 30, 2021: decreased by 1,315 Million KRW) and accounts payables relating to non-cash transactions amounted to 13,217 Million KRW as of June 30, 2022 (June 30, 2021: 3,763 Million KRW).

---

During the six months ended June 30, 2022, the Group invested in additional property, plant and equipment with a significant portion being construction in progress in Songwon Industrial Co., Ltd., amounting to 23,275 Million KRW, related to investments in new equipment and expansion of existing ones.

For the six months ended June 30, 2022, there were impairment losses of property, plant and equipment of 11 Million KRW within Songwon Specialty Chemicals-India Pvt. Ltd. that occurred during the ordinary course of business.

During the six months ended June 30, 2021, there was an impairment of property, plant and equipment of 1,003 Million KRW within Qingdao Long Fortune Songwon Chemical Co., Ltd., that occurred during the ordinary course of business (not related to the COVID-19 pandemic) and an impairment related to the anticipated loss from the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. with the effective date as of April 30, 2021. Additional impairment losses of 39 Million KRW have been recognized within Songwon International-Americas Inc., during the six months ended June 30, 2021, that occurred during the ordinary course of business and not related to the COVID-19 pandemic.

## 6.1. Right-of-use assets and leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>					
<b>As of January 1, 2021</b>	<b>21,174</b>	<b>1,525</b>	<b>1,103</b>	<b>1,014</b>	<b>24,816</b>
Additions	44	-	-	86	130
Disposals	-	-	-	-27	-27
Modification of contract	-279	71	-	67	-141
Disposal of a subsidiary	-2,293	-	-	-	-2,293
Net exchange differences	537	1	31	10	579
<b>As of June 30, 2021</b>	<b>19,183</b>	<b>1,597</b>	<b>1,134</b>	<b>1,150</b>	<b>23,064</b>
<b>As of January 1, 2022</b>	<b>20,704</b>	<b>2,178</b>	<b>1,235</b>	<b>1,077</b>	<b>25,194</b>
Additions	-	-	-	110	110
Modification of contract	30	-	-	25	55
Net exchange differences	1,287	2	52	41	1,382
<b>As of June 30, 2022</b>	<b>22,021</b>	<b>2,180</b>	<b>1,287</b>	<b>1,253</b>	<b>26,741</b>
<b>Accumulated depreciation and impairment</b>					
<b>As of January 1, 2021</b>	<b>-3,216</b>	<b>-1,152</b>	<b>-195</b>	<b>-496</b>	<b>-5,059</b>
Depreciation charge	-829	-289	-73	-170	-1,361
Disposals	-	-	-	27	27
Impairment	-1,454	-	-	-	-1,454
Disposal of a subsidiary	1,705	-	-	-	1,705
Net exchange differences	-47	-	-7	-5	-59
<b>As of June 30, 2021</b>	<b>-3,841</b>	<b>-1,441</b>	<b>-275</b>	<b>-644</b>	<b>-6,201</b>
<b>As of January 1, 2022</b>	<b>-4,530</b>	<b>-1,731</b>	<b>-364</b>	<b>-668</b>	<b>-7,293</b>
Depreciation charge	-797	-292	-76	-159	-1,324
Modification of contract	-	-	-	20	20
Net exchange differences	-285	-2	-24	-33	-344
<b>As of June 30, 2022</b>	<b>-5,612</b>	<b>-2,025</b>	<b>-464</b>	<b>-840</b>	<b>-8,941</b>
<b>Net book value</b>					
<b>As of June 30, 2022</b>	<b>16,409</b>	<b>155</b>	<b>823</b>	<b>413</b>	<b>17,800</b>
<b>As of January 1, 2022</b>	<b>16,174</b>	<b>447</b>	<b>871</b>	<b>409</b>	<b>17,901</b>
<b>As of June 30, 2021</b>	<b>15,342</b>	<b>156</b>	<b>859</b>	<b>506</b>	<b>16,863</b>

The Group recognized rent expenses from short-term leases of 87 Million KRW (June 30, 2021: 36 Million KRW), leases of low-value assets of 39 Million KRW (June 30, 2021: 41 Million KRW) and variable lease payments of 241 Million KRW (June 30, 2021: 216 Million KRW) in the interim condensed consolidated statements of comprehensive

income for the six months ended June 30, 2022.

For the six months ended June 30, 2021, an impairment of 1,454 Million KRW has been recognized within right-of-use assets related to the anticipated loss from the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. with the effective date as of April 30, 2021.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022	2021
Description	Million KRW	Million KRW
As of January 1	17,934	18,572
Additions	110	130
Modifications	55	-141
Net exchange differences	1,054	-167
Accretion of interest	298	343
Payments	-1,670	-1,808
As of June 30	17,781	16,929

The maturity analysis of lease liabilities is disclosed in note 26.3.

## 7. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>						
<b>As of January 1, 2021</b>	<b>6,032</b>	<b>2,771</b>	<b>831</b>	<b>41,116</b>	<b>670</b>	<b>51,420</b>
Additions	-	-	-	-	699	699
Reclassifications	14	-	-	-	-14	-
Net exchange differences	-	25	-	1,266	-	1,291
<b>As of June 30, 2021</b>	<b>6,046</b>	<b>2,796</b>	<b>831</b>	<b>42,382</b>	<b>1,355</b>	<b>53,410</b>
<b>As of January 1, 2022</b>	<b>6,643</b>	<b>3,058</b>	<b>831</b>	<b>44,038</b>	<b>2,114</b>	<b>56,684</b>
Additions	300	-	-	-	1,140	1,440
Disposals	-207	-	-	-	-29	-236
Reclassifications	740	-	-	-	-740	-
Net exchange differences	-	82	-	3,022	-	3,104
<b>As of June 30, 2022</b>	<b>7,476</b>	<b>3,140</b>	<b>831</b>	<b>47,060</b>	<b>2,485</b>	<b>60,992</b>
<b>Accumulated amortization and impairment</b>						
<b>As of January 1, 2021</b>	<b>-3,103</b>	<b>-2,494</b>	<b>-</b>	<b>-38,066</b>	<b>-</b>	<b>-43,663</b>
Amortization charge	-244	-52	-	-	-	-296
Net exchange differences	-	-24	-	-1,186	-	-1,210
<b>As of June 30, 2021</b>	<b>-3,347</b>	<b>-2,570</b>	<b>-</b>	<b>-39,252</b>	<b>-</b>	<b>-45,169</b>
<b>As of January 1, 2022</b>	<b>-3,602</b>	<b>-2,673</b>	<b>-</b>	<b>-40,759</b>	<b>-</b>	<b>-47,034</b>
Amortization charge	-313	-80	-	-	-	-393
Disposals	236	-	-	-	-	236
Impairment	-179	-	-	-	-	-179
Net exchange differences	-	-75	-	-2,920	-	-2,995
<b>As of June 30, 2022</b>	<b>-3,858</b>	<b>-2,828</b>	<b>-</b>	<b>-43,679</b>	<b>-</b>	<b>-50,365</b>
<b>Net book value</b>						
<b>As of June 30, 2022</b>	<b>3,618</b>	<b>312</b>	<b>831</b>	<b>3,381</b>	<b>2,485</b>	<b>10,627</b>
<b>As of January 1, 2022</b>	<b>3,041</b>	<b>385</b>	<b>831</b>	<b>3,279</b>	<b>2,114</b>	<b>9,650</b>
<b>As of June 30, 2021</b>	<b>2,699</b>	<b>226</b>	<b>831</b>	<b>3,130</b>	<b>1,355</b>	<b>8,241</b>

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. During the six months ended June 30, 2022, the Group recognized an impairment loss on industrial rights of 179 Million KRW (for the six months ended June 30, 2021: no impairment). Intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred during the six months ended June 30, 2022 and 2021.

## 8. Inventories

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Raw materials and supplies	94,364	83,529
Work in progress	1,203	2,374
Finished and semi-finished goods	212,619	177,085
Goods in transit	95,329	70,978
Consignment stocks	3,224	1,914
<b>Total inventories at the lower of cost and net realizable value</b>	<b>406,739</b>	<b>335,880</b>

For the six months ended June 30, 2022, no impairment was recognized within inventories (for the six months ended June 30, 2021: impairment of 749 Million KRW). As of June 30, 2022, inventory allowance amounted to 4,462 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2021: 5,129 Million KRW). The Group recognized inventory allowance reversal (income) of 200 Million KRW during the six months ended June 30, 2022 (for the six months ended June 30, 2021: expense 1,051 Million KRW).

## 9. Trade and other receivables

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Trade and notes receivables	209,993	179,814
Allowances for trade and notes receivables	-1,308	-1,269
Other accounts receivables	2,620	1,164
Allowances for other accounts receivables	-22	-26
Accrued income	39	37
<b>Total</b>	<b>211,322</b>	<b>179,720</b>

Other accounts receivables include customs duty refunds, rental income receivables and others.

The ageing analysis of trade and other receivables is as follows:

	Total	Current	Days past due			
			≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>June 30, 2022</b>	<b>212,652</b>	200,526	11,485	100	-	541
<b>December 31, 2021</b>	<b>181,015</b>	169,676	10,773	-	-	566

Refer to note 26.2 on credit risk of trade receivables, which describes how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

## 10. Cash and cash equivalents

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Cash on hand	50	52
Bank accounts	97,138	89,727
Time deposits (< 3 months)	9,501	7,965
<b>Total</b>	<b>106,689</b>	<b>97,744</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for various periods from one day to three months, depending on the Group's immediate cash requirements, and earn interest at the respective short-term deposit rates.

## 11. Other current assets

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Prepayments	1,294	1,273
Prepaid expenses	6,168	5,322
VAT receivable	15,550	6,989
<b>Total</b>	<b>23,012</b>	<b>13,584</b>

## 12. Other financial assets

Description	June 30, 2022		December 31, 2021	
	Non-current	Current	Non-current	Current
	Million KRW	Million KRW	Million KRW	Million KRW
Financial instruments at amortized cost (bank deposit)	829	1,037	349	408
Financial instruments at FVtPL	12,080	-	9,530	-
Derivative assets at FVOCI (note 20)	-	21	-	-
Derivative assets at FVtPL (note 20)	3,296	963	505	25
Equity instruments at FVOCI	103	-	102	-
Guarantee and other deposits at amortized cost	1,625	575	1,549	712
Guarantee and other deposits at amortized cost (related parties)	33	-	33	-
<b>Total</b>	<b>17,966</b>	<b>2,596</b>	<b>12,068</b>	<b>1,145</b>

As of June 30, 2022 and December 31, 2021, financial instruments at amortized cost (bank deposit) include restricted cash of 7 Million KRW.



## 13. Equity

### 13.1. Reserves and dividends paid

At the regular general meeting of shareholders held on March 18, 2022, dividends with the total amount of 4,800 Million KRW were approved by the shareholders. Legal reserves increased by 480 Million KRW due to the appropriation to the reserve approved by the shareholders on March 18, 2022.

### 13.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of June 30, 2022 and December 31, 2021, is composed of the following:

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-16,116	-16,935
<b>OCI recognized within retained earnings</b>	<b>-16,116</b>	<b>-16,935</b>
Cash flow hedge reserve	16	-25
Fair value reserve of financial assets at FVOCI	-613	-614
Foreign currency translation reserve	7,122	-944
<b>OCI recognized within other components of equity</b>	<b>6,525</b>	<b>-1,583</b>

## 14. Bonds, interest-bearing loans and borrowings

Bonds, interest-bearing loans and borrowings as of June 30, 2022 and December 31, 2021, are as follows:

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Corporate bonds	57,486	54,832
Long-term borrowings	4,780	5,670
<b>Non-current bonds, interest-bearing loans and borrowings</b>	<b>62,266</b>	<b>60,502</b>
Current portion of long-term borrowings	1,780	1,780
Short-term borrowings	251,290	233,531
<b>Current interest-bearing loans and borrowings</b>	<b>253,070</b>	<b>235,311</b>
<b>Total</b>	<b>315,336</b>	<b>295,813</b>

## 15. Trade and other payables

Trade and other payables as of June 30, 2022 and December 31, 2021, are as follows:

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
Trade payables	136,968	116,139
Trade payables (related parties)	2,940	1,145
Other accounts payables	32,164	30,636
Other accounts payables (related parties)	7	7
Withholdings	575	1,501
Accrued expenses	22,116	23,826
Guarantee deposits	16	12
<b>Total</b>	<b>194,786</b>	<b>173,266</b>

Trade and other payables do not bear interest and usually become due within 30-60 days.

## 16. Operating profit and finance income / expenses

### 16.1. Selling and administration expenses

Details of selling and administration expenses for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

Description	For the three months ended June 30,	
	2022	2021 (restated)*
	Million KRW	Million KRW
Sales-related costs	-3,620	-9,731
Personnel expenses	-11,725	-12,301
Travelling and entertainment	-1,109	-594
Depreciation and amortization	-599	-591
Administration expenses	-2,243	-2,034
IT expenses	-785	-959
Others	-228	-192
<b>Total</b>	<b>-20,309</b>	<b>-26,402</b>

\*refer to note 2.2 for further details

Description	For the six months ended June 30,	
	2022	2021 (restated)*
	Million KRW	Million KRW
Sales-related costs	-28,606	-17,826
Personnel expenses	-23,684	-26,064
Travelling and entertainment	-1,735	-1,205
Depreciation and amortization	-1,200	-1,199
Administration expenses	-4,624	-4,359
IT expenses	-1,770	-1,526
Others	-859	-1,186
<b>Total</b>	<b>-62,478</b>	<b>-53,365</b>

\*refer to note 2.2 for further details

## 16.2. Finance income

Details of finance income for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

Description	For the three months ended June 30,	
	2022	2021
	Million KRW	Million KRW
Interest on loans and receivables	95	75
Gains on foreign exchange transactions	8,007	1,832
Gains on foreign exchange translations	8,307	1,830
Gains on derivative transactions	460	354
Gains on valuation of derivatives	2,435	23
<b>Total finance income</b>	<b>19,304</b>	<b>4,114</b>

Description	For the six months ended June 30,	
	2022	2021
	Million KRW	Million KRW
Interest on loans and receivables	177	132
Gains on foreign exchange transactions	11,876	7,412
Gains on foreign exchange translations	12,115	4,082
Gains on derivative transactions	916	673
Gains on valuation of derivatives	3,932	36
<b>Total finance income</b>	<b>29,016</b>	<b>12,335</b>

### 16.3. Finance expenses

Details of finance expense for the three-month and the six-month periods ended June 30, 2022 and 2021 are as follows:

Description	For the three months ended June 30,	
	2022	2021
	Million KRW	Million KRW
Interest on borrowings	-2,209	-1,503
Losses on foreign exchange transactions	-8,987	-2,362
Losses on foreign exchange translations	-6,118	-1,323
Losses on derivative transactions	-70	-5
Losses on valuation of derivatives	63	2
Losses on disposal of financial assets at FVtPL	-22	-
Bank charges	-84	-54
<b>Total finance expenses</b>	<b>-17,427</b>	<b>-5,245</b>

Description	For the six months ended June 30,	
	2022	2021
	Million KRW	Million KRW
Interest on borrowings	-4,019	-2,943
Losses on foreign exchange transactions	-12,632	-5,980
Losses on foreign exchange translations	-10,864	-4,564
Losses on derivative transactions	-141	-70
Losses on valuation of derivatives	-	-32
Losses on disposal of financial assets at FVtPL	-22	-
Bank charges	-171	-87
<b>Total finance expenses</b>	<b>-27,849</b>	<b>-13,676</b>

### 17. Income tax expenses

The major components of income tax expense in the interim condensed consolidated income statement are as follows:

Income taxes	For the three months ended June 30,	
	2022	2021
	Million KRW	Million KRW
Current income tax charges	-19,888	-6,335
Deferred taxes related to origination and reversal of deferred taxes	1,208	213
Income tax recognized in other comprehensive income	61	-24
<b>Income tax expenses</b>	<b>-18,619</b>	<b>-6,146</b>

	For the six months ended	
	June 30,	
Income taxes	2022	2021
	Million KRW	Million KRW
Current income tax charges	-35,094	-12,339
Deferred taxes related to origination and reversal of deferred taxes	2,433	2,167
Income tax recognized in other comprehensive income	121	-101
<b>Income tax expenses</b>	<b>-32,540</b>	<b>-10,273</b>

## 18. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of June 30, 2022 and 2021, as no securities with dilutive features have been issued as of the end of the reporting periods.

The following shows the income and share data used in the basic per share computations:

Description	For the three months ended	
	June 30,	
	2022	2021
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	38,670,258,400	15,199,766,712
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>1,611</b>	<b>633</b>

Description	For the six months ended	
	June 30,	
	2022	2021
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	82,097,360,397	25,200,601,898
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>3,421</b>	<b>1,050</b>

## 19. Other financial liabilities

Other financial liabilities as of June 30, 2022 and December 31, 2021, are as follows:

Description	June 30, 2022		December 31, 2021	
	Non-current	Current	Non-current	Current
	Million KRW	Million KRW	Million KRW	Million KRW
Derivative liabilities (note 20)	-	-	-	249
Deposits	1	-	1	-
Accrued interest expenses	-	481	-	440
<b>Total</b>	<b>1</b>	<b>481</b>	<b>1</b>	<b>689</b>

## 20. Derivative financial instruments

Derivative financial liabilities as of June 30, 2022 and December 31, 2021, are as follows:

Description	June 30, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
	Million KRW	Million KRW	Million KRW	Million KRW
Forward exchange contracts (current portion)	263	-	25	38
Interest rate swaps (current portion)	21	-	-	33
Currency and interest rate swaps (current portion)	700	-	-	178
Currency and interest rate swaps (non-current portion)	3,296	-	505	-
<b>Total</b>	<b>4,280</b>	<b>-</b>	<b>530</b>	<b>249</b>

### 20.1. Forward exchange contracts

Details of forward exchange contracts which the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of June 30, 2022 and December 31, 2021 are as follows:

#### As of June 30, 2022

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	Sell	JPY 1,066,080,000	29.07.2022 – 28.04.2023	10.5940 ~ 10.8400
	Sell	EUR 25,470,000	29.07.2022 – 12.05.2023	1,408.00 ~ 1,419.30
Woori Bank	Sell	JPY 1,066,080,000	29.07.2022 – 30.06.2023	10.5610 ~ 10.9050
	Sell	EUR 10,440,000	29.07.2022 – 30.06.2023	1,414.00

#### As of December 31, 2021

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	Sell	JPY 264,000,000	28.01.2022~30.06.2022	10.8210
	Sell	EUR 7,200,000	28.01.2022~30.06.2022	1,371.00~1,383.50
Woori Bank	Sell	JPY 264,000,000	28.01.2022~30.06.2022	10.6210
	Sell	EUR 10,800,000	28.01.2022~30.06.2022	1,365.00~1,378.00

### 20.2. Currency and interest rate swaps

The Group is exposed to exchange rate and interest rate risks due to the corporate bond issuance in the form of a floating rate note (refer to note 14). To hedge these risks, the Group has entered into the following currency and interest rate swaps (CRS) as of June 30, 2022 and December 31, 2021:

#### As of June 30, 2022

Contractual party	Target	Contract amount	Interest exchange condition	Contract date	Maturity date
Hongkong Woori Investment	Corporate bond (foreign currency FRN)	Receipt: 24,500 TUSD	3M Libor + 0.8%	17.09.2021	13.09.2024
		Payment: 28,643 MKRW	Fixed 1.96%		

#### As of December 31, 2021

Contractual party	Target	Contract amount	Interest exchange condition	Contract date	Maturity date
Hongkong Woori Investment	Corporate bond (foreign currency FRN)	Receipt: 24,500 TUSD	3M Libor +0.8%	17.09.2021	13.09.2024
		Payment: 28,643 MKRW	Fixed 1.96%		

### 20.3. Interest rate swaps

As of June 30, 2022 and December 31, 2021, the Group has entered into the following interest rate swap contracts to hedge the risk in floating interest rate:

#### As of June 30, 2022

Description	Interest rate swap contract
Contract date	17.12.2021
Maturity date	19.12.2022
Contract amount	10,000 Million KRW
Fixed interest rate	3.62%
Floating interest rate	3MCD+1.72%

#### As of December 31, 2021

Description	Interest rate swap contract
Contract date	17.12.2021
Maturity date	19.12.2022
Contract amount	10,000 Million KRW
Fixed interest rate	3.62%
Floating interest rate	3MCD+1.72%

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2021. The balances included in accumulated other comprehensive income are 16 Million KRW (income) as of June 30, 2022 and -25 Million KRW (expenses) as of December 31, 2021, respectively (refer to note 13.2), net of income tax.

## 21. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of June 30, 2022, are as follows (Unit: Korean Allowance Unit - KAU):

	2021	2022	2023	2024	2025	Total
Allocated emission allowance	138,875	138,875	138,875	137,574	137,574	691,773

Changes in emission allowances during each planned period are as follows (Units: KAU and Million KRW):

	2021		2022		2023	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
<b>Beginning</b>	<b>23,735</b>	<b>375</b>	<b>3,171</b>	<b>348</b>	-	-
Allocation	138,875	-	138,875	-	138,875	-
Disposal	-1,600	-27	-	-	-	-
Delivery to government	-157,839	-	-	-	-	-
Carry forward	-3,171	-348	-	-	-	-
<b>Ending</b>	<b>-</b>	<b>-</b>	<b>142,046</b>	<b>348</b>	<b>138,875</b>	<b>-</b>

	2024		2025	
	Quantity	Book value	Quantity	Book value
<b>Beginning</b>	-	-	-	-
Allocation	137,574	-	137,574	-
Disposal	-	-	-	-
Delivery to government	-	-	-	-
Carry forward	-	-	-	-
<b>Ending</b>	<b>137,574</b>	<b>-</b>	<b>137,574</b>	<b>-</b>

There are no emission rights provided as collateral as of June 30, 2022.

Changes in emission liabilities during the current and prior reporting period are as follows (in Million KRW):

	2022	2021
As of January 1	14	725
Increase	182	92
Decrease	-	-725
As of June 30	196	92

Estimated greenhouse gas emissions in 2022 were 161,112 KAU.

Allocated greenhouse gas emissions free of charge in 2022 are 138,875 KAU.



## 22. Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

As of June 30, 2022

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Financial assets at amortized cost</b>				
	Other financial assets	2,487	1,612	2,487	1,612
	Trade and other receivables	-	211,322	-	211,322
	Cash and cash equivalents	-	106,689	-	106,689
	<i>Total financial assets at amortized cost</i>	<i>2,487</i>	<i>319,623</i>	<i>2,487</i>	<i>319,623</i>
	<b>Financial assets at FVOCI</b>				
	Interest rate swaps	-	21	-	21
	Other financial assets	103	-	103	-
	<i>Total financial assets at FVOCI</i>	<i>103</i>	<i>21</i>	<i>103</i>	<i>21</i>
	<b>Financial assets at FVtPL</b>				
	Forward exchange contracts	-	263	-	263
	Currency and interest rate swaps	3,296	700	3,296	700
	Other financial assets	12,080	-	12,080	-
	<i>Total financial assets at FVtPL</i>	<i>15,376</i>	<i>963</i>	<i>15,376</i>	<i>963</i>
<b>Total financial assets</b>		<b>17,966</b>	<b>320,607</b>	<b>17,966</b>	<b>320,607</b>
Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	1	481	1	481
	Lease liabilities	15,540	2,241	15,540	2,241
	Trade and other payables	-	194,786	-	194,786
	Bonds, interest-bearing loans and borrowings	62,266	253,070	62,266	253,070
	<i>Total financial liabilities at amortized cost</i>	<i>77,807</i>	<i>450,578</i>	<i>77,807</i>	<i>450,578</i>
<b>Total financial liabilities</b>		<b>77,807</b>	<b>450,578</b>	<b>77,807</b>	<b>450,578</b>

As of December 31, 2021

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,931	1,120	1,931	1,120
	Trade and other receivables	-	179,720	-	179,720
	Cash and cash equivalents	-	97,744	-	97,744
	<i>Total financial assets at amortized cost</i>	<i>1,931</i>	<i>278,584</i>	<i>1,931</i>	<i>278,584</i>
	<b>Financial assets at FVOCI</b>				
	Other financial assets	102	-	102	-
	<i>Total financial assets at FVOCI</i>	<i>102</i>	<i>-</i>	<i>102</i>	<i>-</i>
	<b>Financial assets at FVtPL</b>				
	Forward exchange contracts	-	25	-	25
	Currency and interest rate swaps	505	-	505	-
	Other financial assets	9,530	-	9,530	-
	<i>Total financial assets at FVtPL</i>	<i>10,035</i>	<i>25</i>	<i>10,035</i>	<i>25</i>
<b>Total financial assets</b>		<b>12,068</b>	<b>278,609</b>	<b>12,068</b>	<b>278,609</b>
Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	1	440	1	440
	Lease liabilities	15,454	2,480	15,454	2,480
	Trade and other payables	-	173,266	-	173,266
	Bonds, interest-bearing loans and borrowings	60,502	235,311	60,502	235,311
	<i>Total financial liabilities at amortized cost</i>	<i>75,957</i>	<i>411,497</i>	<i>75,957</i>	<i>411,497</i>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	-	33	-	33
	<i>Total financial liabilities at FVOCI</i>	<i>-</i>	<i>33</i>	<i>-</i>	<i>33</i>
	<b>Financial liabilities at FVtPL</b>				
	Forward exchange contracts	-	38	-	38
	Currency and interest rate swaps	-	178	-	178
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>216</i>	<i>-</i>	<i>216</i>
<b>Total financial liabilities</b>		<b>75,957</b>	<b>411,746</b>	<b>75,957</b>	<b>411,746</b>

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of equity instruments at FVOCI is derived from quoted market prices in active markets, if available.
- Fair value of unquoted equity instruments at FVOCI is estimated using appropriate valuation techniques.

## 22.1. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Description	Valuation technique
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly
Level 3	Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2022 and December 31, 2021, the Group held the following financial instruments carried at fair value on the statement of financial position:

	June 30, 2022	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>			
	Forward exchange contracts	263	-	263
	Interest rate swaps	21	-	21
	Currency and interest rate swaps	3,996	-	3,996
	<i>Total</i>	<i>4,280</i>	<i>-</i>	<i>4,280</i>
	<b>Debt instruments</b>			
	Exchange traded fund at FVtPL	12,080	-	12,080
	<i>Total</i>	<i>12,080</i>	<i>-</i>	<i>12,080</i>
	<b>Equity instruments</b>			
	Equity instruments at FVOCI	103	-	-
	<i>Total</i>	<i>103</i>	<i>-</i>	<i>103</i>
<b>Total</b>	<b>16,463</b>	<b>-</b>	<b>16,360</b>	<b>103</b>

		December 31, 2021	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Forward exchange contracts	25	-	25	-
	Currency and interest rate swaps	505	-	505	-
	<i>Total</i>	<i>530</i>	<i>-</i>	<i>530</i>	<i>-</i>
	<b>Debt instruments</b>				
	Exchange traded fund at FVtPL	9,530	-	9,530	-
	<i>Total</i>	<i>9,530</i>	<i>-</i>	<i>9,530</i>	<i>-</i>
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	102	-	-	102
	<i>Total</i>	<i>102</i>	<i>-</i>	<i>-</i>	<i>102</i>
<b>Total</b>		<b>10,162</b>	<b>-</b>	<b>10,060</b>	<b>102</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	38	-	38	-
	Interest rate swaps	33	-	33	-
	Currency and interest rate swaps	178	-	178	-
	<i>Total</i>	<i>249</i>	<i>-</i>	<i>249</i>	<i>-</i>
<b>Total</b>		<b>249</b>	<b>-</b>	<b>249</b>	<b>-</b>

During the six months ended June 30, 2022 and year ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

## 23. Related party disclosures

The companies listed below have been identified as related parties:

Company name	Location	Relation with the Group	Remarks
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	Jointly controlled by Songwon Group Holding AG
Songwon Moolsan Co., Ltd.	Korea	Other (refer to note 23.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 23.5)	A subsidiary of Songwon Moolsan Co., Ltd.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period and balances as per period-ends.

		For the six months ended June 30,	
		2022	2021
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-40	-40
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Cost of sales	-14,957	-8,100
<b>Total</b>	<b>Cost of sales</b>	<b>-14,957</b>	<b>-8,100</b>
	<b>Selling and administration costs</b>	<b>-40</b>	<b>-40</b>

		As of	
		June 30, 2022	December 31, 2021
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	33
	Trade and other payables	7	7
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other payables	2,940	1,145
<b>Total</b>	<b>Other non-current financial assets</b>	<b>33</b>	<b>33</b>
	<b>Trade and other payables</b>	<b>2,947</b>	<b>1,152</b>

### 23.1. The ultimate parent

Songwon Industrial Co., Ltd. is the ultimate parent based and listed in Korea.

### 23.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of June 30, 2022 are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six months ended June 30, 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2021: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

### 23.3. Transactions with key management personnel

During the six months ended June 30, 2022 and the year ended December 31, 2021, no other transactions with key management personnel other than those disclosed in note 23.4 took place.

## 23.4. Compensation of key management personnel of the Group

Description	For the six months ended	
	June 30,	
	2022	2021
	Million KRW	Million KRW
Short-term employee benefits	-6,870	-4,422
Post-employment benefits	-265	-310
Other long-term benefits	-590	-227
Share based payments	63	-169
Termination benefits	-	-528
<b>Total compensation paid to key management personnel</b>	<b>-7,662</b>	<b>-5,656</b>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

## 23.5. Other related parties

Other related parties are Songwon Moolsan Co., Ltd. (Korea) which has significant influence on the Group due to the interest held in the share capital of the parent company of 23.88%. Further, the subsidiary of Songwon Moolsan Co., Ltd., Kyungshin Industrial Co., Ltd., which holds interest in the share capital of the parent company of 9.15%, is identified as a related party of the Group.

## 24. Contingencies and commitments

### 24.1. Contingent liability

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to the product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on the business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 243 Million KRW (2021: 235 Million KRW) and a customer complaint concerning the quality of a SONGWON product. The customer complaint assessed damage, was valued at 600,000 EUR (817 Million KRW). Further investigations are being carried. However, it was considered improbable in the fiscal year under review that there would be an outflow of economic resources relating to the contingent liability.

## 24.2. Other lease commitments

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixture. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of June 30, 2022 and December 31, 2021 are as follows:

Description	June 30, 2022	December 31, 2021
	Million KRW	Million KRW
<b>Short-term lease commitments</b>		
Within one year	-3	-6
<i>Total short-term lease commitments</i>	-3	-6
<b>Low-value lease commitments</b>		
Within one year	-64	-70
After one year but not more than five years	-77	-121
<i>Total low-value lease commitments</i>	-141	-191
<b>Total</b>	<b>-144</b>	<b>-197</b>

## 24.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of June 30, 2022, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 26,626 Million KRW.

There are no blank promissory notes or checks issued or received by the Group as of June 30, 2022.

Details of the Group's available short-term credit line facilities (excluding general loans) as of June 30, 2022 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	24,500	11,137	13,363
D/A and D/P	Thousand USD	95,800	56,872	38,928
	Million KRW	12,000	3,760	8,240
Secured loan of credit sales	Million KRW	9,000	8,509	491
Other foreign currency guarantees	Thousand USD	9,410	2,550	6,860
Bond issuance payment guarantee	Thousand USD	24,990	24,990	-
	Million KRW	26,000	26,000	-
	<b>Total Million KRW</b>	<b>47,000</b>	<b>38,269</b>	<b>8,731</b>
	<b>Total Thousand USD</b>	<b>154,700</b>	<b>95,549</b>	<b>59,151</b>

## 25. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of June 30, 2022 and December 31, 2021, presented in the maximum pledge amount, are as follows:

			June 30, 2022	December 31, 2021
Pledged to	Pledged assets			
<i>Property, plant and equipment</i>				
<i>(Joint collateral in connection with long-term loan)</i>				
Busan Bank	Land, buildings and machinery	Million KRW	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000
<i>Property, plant and equipment and investment property</i>				
<i>(Collateral for other than long-term loan)</i>				
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	80,400	60,000
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	57,000	57,000
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
		Million KRW	305,400	285,000
<b>Total</b>		Thousand USD	24,000	24,000

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of June 30, 2022 and December 31, 2021.

## 26. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade accounts and other accounts receivables, cash and cash equivalents and other financial assets that arrive directly from its operations. The Group also holds financial instruments at FVOCI and financial instruments at FVTPL and enters into derivative transactions and applies hedge accounting for cash flow hedges if applicable.

The Group is exposed to market, credit and liquidity risks. The Group's management oversees the management of these risks through appropriate risk assessment and monitoring activities to minimize their effects.

### 26.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk:

- Interest rate risk; and,
- Foreign currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVTPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of June 30, 2022 and 2021 as well as December 31, 2021.



### 26.1.1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings and bank deposits with floating interest rates.

The Group's exposure to the risk of changes in market interest rates relates substantially to the Group's interest-bearing loans and borrowings with floating interest rates, which makes the Group expose to cash flows risk. Responsively, the Group is minimizing the risk partially through interest rate swap contract or choosing the best favorable financing instruments by switching to the loans with more favorable conditions or improving the Group's credit rating.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings as well as bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
<b>June 30, 2022</b>	1.00	-621
	-1.00	621
<b>June 30, 2021</b>	1.00	-526
	-1.00	526

### 26.1.2. Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The risk of foreign exchange primarily relates to US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR).

Foreign exchange risks arise when commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The objective of the management of foreign currency risk is to maximize the value of the firm through minimizing the fluctuation of net profit and uncertainty arising from the fluctuation in foreign currency. To accomplish this, the Group uses a strategy to accord the collection terms of receivables and payment terms of payables denominated in USD considering the similar volume of exports and imports. In regard to EUR and JPY, the Group manages the risk through currency forward contracts.

### Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant and the foreign exchange rate only changes by 10%, the impacts on net profit for the six months ended June 30, 2022 and year ended December 31, 2021 are as follows:

Currency	June 30, 2022		December 31, 2021	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	5,281	-5,281	2,380	-2,380
EUR	2,668	-2,668	1,418	-1,418
JPY	2,946	-2,946	2,783	-2,783
CHF	199	-199	272	-272
AED	-199	199	-225	225
INR	187	-187	209	-209
<b>Total</b>	<b>11,082</b>	<b>-11,082</b>	<b>6,837</b>	<b>-6,837</b>

The Group's exposure to foreign currency changes for all other currencies is not material.

## 26.2. Credit risk

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

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at an insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 22.

The Group is also exposed to the credit risk with regard to bank deposits, as well as cash and cash equivalents in which the maximum exposure to credit risk at the reporting date is the carrying value. The exposure to the related credit risk, however, is relatively restricted because the Group maintains relationships with the financial institutions with high credit ratings.

## 26.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to the unfavorable economy of the industry or financial markets.

The Group manages its liquidity risk through its own strategy and plans which consider the maturity of financial instruments and expected operating cash flows and include the policy to map out the maturity of financial assets and liabilities.

In addition, the Group maintains credit facilities with the banks including overdraft to respond to unexpected shortage in liquidity. In response to expansion of the business, the Group manages funding schedules and ongoing review procedures, considering the appropriate mix of long-term and short-term loans and borrowings, to maintain the consistency and flexibility in obtaining liquidity and stable financing.

The details of maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of June 30, 2022 and December 31, 2021 are as follows:

As of June 30, 2022	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Bonds, interest-bearing loans and borrowings	16,521	59,027	177,522	62,266	-	315,336
Trade and other payables	163,254	21,901	9,631	-	-	194,786
Lease liabilities	265	536	1,564	8,110	10,159	20,634
Other financial liabilities	404	-	77	1	-	482
<b>Total</b>	<b>180,444</b>	<b>81,464</b>	<b>188,794</b>	<b>70,377</b>	<b>10,159</b>	<b>531,238</b>

As of December 31, 2021	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Bonds, interest-bearing loans and borrowings	23,834	33,581	177,896	60,502	-	295,813
Trade and other payables	146,162	26,776	328	-	-	173,266
Lease liabilities	269	545	2,211	7,899	10,206	21,130
Other financial liabilities	320	96	24	1	-	441
<b>Total</b>	<b>170,585</b>	<b>60,998</b>	<b>180,459</b>	<b>68,402</b>	<b>10,206</b>	<b>490,650</b>

## 26.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of June 30, 2022 and December 31, 2021 is 99.7% and 105%, respectively.

On a monthly basis, all subsidiaries have to report key performance indicators, which also include capital management information.

## 27. Cash flow statement

Cash and cash equivalents in the interim condensed consolidated statements of cash flows are equal to those in the interim condensed consolidated statements of financial position.

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the six months ended June 30, 2022 and 2021 are as follows:

		For the six months ended June 30,	
		2022	2021
Adjustments	Notes	Million KRW	Million KRW
Depreciation of property, plant and equipment	6	14,635	15,218
Depreciation of right-of-use assets	6.1	1,324	1,361
Depreciation of investment properties		7	9
Amortization of intangible assets	7	393	296
Impairment of property, plant and equipment	6	11	1,042
Impairment of right-of-use assets	6.1	-	1,454
Impairment of intangible assets	7	179	-
Impairment of non-current financial assets		-	5
Impairment of other non-current assets		-	49
Impairment of inventories	8	-	749
Losses on disposals of property, plant and equipment, net	6	255	1,124
Share of result from investments accounted using the equity method	4	-1,297	-429
Share-based compensation expenses		124	747
Pension costs		3,147	3,913
Other long-term employee benefit expenses		456	309
Provisions		48	-
Finance income		-6,897	-6,074
Finance expenses		6,845	7,726
Income tax expenses	17	32,540	10,273
<b>Total</b>		<b>51,769</b>	<b>37,772</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-22,295	-30,112
Other receivables		-1,381	-997
Other current assets		-9,561	-8,276
Other current financial assets		-950	-3
Inventories		-63,972	-61,140
Trade payables		19,654	22,943
Other payables		-5,689	-644
Other current financial liabilities		3,682	-220
Other current liabilities		5,630	3,894
Pension liabilities		-234	-259
Other long-term employment benefits		-1,410	-456
<b>Total</b>		<b>-76,526</b>	<b>-75,270</b>

---

## 28. Impact of global economic situation on interim condensed consolidated financial statements

The Group closely monitors the global situation and assesses the future impact of the COVID-19 pandemic as well as the Russian-Ukrainian conflict on the consolidated financial statements on a regular basis. For the six months ended June 30, 2022, the following assessments were performed, amongst others:

### **Indication of impairment on property, plant and equipment and intangible assets**

The Group assessed whether there were any internal and external indicators of impairment of property, plant and equipment and intangible assets. For the six months ended June 30, 2022, no indications of impairment have been identified and accordingly, no impairment has been recognized on property, plant and equipment and intangible assets due to the COVID-19 outbreak or related to the Russian-Ukrainian conflict.

### **Expected credit loss (ECL) of trade receivables and financial assets**

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the six months ended June 30, 2022, the Group identified the changes in risk indicators considering the nature of risk such as geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in a decrease in the allowance on ECL by 80 Million KRW in the interim condensed consolidated financial statements for the six months ended June 30, 2022.

## 29. Events after the reporting period

No further significant events occurred during the period from the reporting period end to the date on which the interim condensed consolidated financial statements were issued.



Ernst & Young Han Young  
2-4F, 6-8F, Taeyoung Building, 111, Yeouigongwon-ro,  
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600  
Fax: +82 2 783 5890  
ey.com/kr

## **Report on review of interim condensed consolidated financial statements**

(English Translation of a Report Originally Issued in Korean)

### **The Shareholders and Board of Directors Songwon Industrial Co., Ltd. and its subsidiaries**

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of June 30, 2022, and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the interim condensed consolidated financial statements**

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements 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 ("KSAs") 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 that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.



**Other matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2021, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended (not presented herein) in accordance with KSAs, and our report dated February 25, 2022 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2021, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Moreover, as explained in Note 2.2 to the interim condensed consolidated financial statements, the comparative interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and the related notes have been restated to reflect adjustments of freight costs.



August 10, 2022

This review report is effective as of August 10, 2022, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

For more information, please contact:

**SONGWON Industrial Group**

E-mail: [ir@songwon.com](mailto:ir@songwon.com)  
[www.songwon.com](http://www.songwon.com)