



FINANCIAL RESULTS  
FIRST QUARTER  
ENDED MARCH 31, **2022**

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## About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 7 to 47) 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 first quarter ended March 31, 2022 as well as the first quarter ended March 31, 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 first quarter ended March 31, 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.

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## 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 .....	12
Interim consolidated statements of cash flows .....	14
Notes to the interim condensed consolidated financial statements .....	16

## **SECTION 1:**

# **Business Development**

## Key financial data

	For the three months ended		
	March 31,		
	2022	2021	
	Million KRW	Million KRW	Δ%
Sales	338,433	222,487	52.1%
Gross profit	99,364	48,117	106.5%
<i>Gross profit margin</i>	29.4%	21.6%	
Operating profit	57,195	17,343	229.8%
EBITDA	65,780	26,131	151.7%
<i>EBITDA margin</i>	19.4%	11.7%	
EBIT	57,530	13,274	333.4%
<i>EBIT margin</i>	17.0%	6.0%	
Profit for the period	43,427	9,164	373.9%
Total assets	1,188,017	934,426	27.1%
Total equity	581,965	470,489	23.7%
<i>Equity ratio</i>	49.0%	50.4%	
Headcounts	1,010	1,070	-5.6%

## Sales development

### Divisions

	For the three months ended									
	March 31,									
	2022	2021		2022	2021		2022	2021		
	Industrial Chemicals			Performance Chemicals						
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	
Sales	248,865	163,987	51.8%	89,568	58,500	53.1%	338,433	222,487	52.1%	

### Regions

	For the three months ended		
	March 31,		
	2022	2021	
	Million KRW	Million KRW	Δ%
Korea	65,216	50,223	29.9%
Rest of Asia	91,558	64,137	42.8%
Europe	80,655	53,027	52.1%
North and South America	75,562	44,971	68.0%
Australia	754	796	-5.3%
Middle East and Africa	24,688	9,333	164.5%
<b>Total sales</b>	<b>338,433</b>	<b>222,487</b>	<b>52.1%</b>

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## Business development

In the 1st quarter of 2022, Songwon Industrial Group generated consolidated sales of 338,433 Million KRW marking a 52.1% rise in revenue, compared to the sales recorded in Q1/2021 (222,487 Million KRW). Gross profit increased in Q1/2022 to 99,364 Million KRW, an increase of 106.5%, compared to Q1/2021 (48,117 Million KRW), resulting in a gross profit margin of 29.4% in Q1/2022 (Q1/2021 21.6%). The Group also recorded an increase in net profit over the previous reporting period amounting to 43,427 Million KRW at the end of Q1/2022 (Q1/2021: 9,164 Million KRW).

Against the backdrop of a volatile global environment and the ongoing influence of the COVID-19 pandemic, SONGWON continued building on the positive momentum recording another strong quarter of higher profitability and increased revenues. In Q1/2022, both Division Industrial Chemicals and Division Performance Chemicals benefitted from the overall high demand with sound growth and delivered solid 1st quarter results. During Q1/2022, Division Industrial Chemicals recorded sales of 248,865 Million KRW marking a 51.8% increase over the previous year comparable period. Division Performance Chemicals also delivered a strong performance during Q1/2022, achieving a 53.1% increase in sales (89,568 Million KRW) compared to the same quarter in 2021 (58,500 Million KRW).

For Division Industrial Chemicals, stronger demand together with the previously implemented price increases in 2021 to counterbalance the rising cost of raw materials positively impacted revenues in Q1/2022. Throughout the quarter, Polymer Stabilizers profitability remained high and saw both revenues and volumes increase. Despite the ongoing supply chain challenges e.g. shipping constraints, SONGWON continued supplying customers. On the back of strong demand in the markets and short supply from some competitors, SONGWON's Fuel and Lubricant Additives performance was solid. Coatings sales were also strong across the portfolio in the 1st quarter of 2022, due to the robust demand in Europe and US markets with orders above expectations. Although SONGWON noted that the Coatings market in Asia remained stagnant, SONGWON saw an increase in orders from Korea during the quarter.

In spite of higher material and logistics costs as well as price competition, Division Performance Chemicals, performed strongly in the 1st quarter of 2022. Both Tin Intermediates and PVC recorded higher turnovers positively due to the positive impact of the previously implemented price increases which successfully offset the escalation in the price of raw materials. Tin Intermediates continued to benefit from the recovery in the automotive industry, whilst PVC is still impacted by COVID-19, limiting customer visits and consequently new sales. For Solution Polyurethanes and Thermoplastic Polyurethanes, the 1st quarter of the year proved to be challenging. Intense price competition combined with the continuing rise in raw material prices and weaker demand in Korea negatively impacted the businesses. However, for TPU used in wire & cable applications, the Q1/2022 result was good based on an effectively competitive pricing formula.

## Outlook

Amid the ongoing, global volatility and the highly complex macroeconomic environment which continues to be impacted by COVID-19, it is difficult to accurately predict how the market will develop in the next months. However, SONGWON anticipates seeing demand levels as well as raw material and logistics prices to remain high. Going into the next quarter, the Group is confident that it will continue to see the sales price increases it has implemented in response to the rising overall costs having a positive effect on revenues and profitability. In the coming months, SONGWON will closely monitor the impacts of global COVID-19 developments as well as the Russian-Ukrainian conflict, particularly on the price and availability of raw materials. Where necessary, SONGWON will respond by implementing actions to mitigate any impact and will continue to do all that it can to ensure customers' needs can be met and any disruption to its supply reliability is minimized. Going forward, the Group will focus on following its strategy and seeking to capitalize on business expansion opportunities.

# **SECTION 2:**

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

## Interim consolidated statements of financial position (unaudited)

		<b>March 31, 2022</b>	<b>As of December 31, 2021</b>
	Notes	Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>492,440</b>	<b>487,268</b>
Property, plant and equipment	5.3.2, 6, 24	426,836	424,301
Right-of-use assets	5.3.2, 6.1	17,577	17,901
Investment properties	5.3.2, 24	3,463	3,467
Intangible assets	5.3.2, 7	10,227	9,650
Investments accounted for using the equity method	4	7,010	6,466
Other non-current assets		4,587	6,028
Other non-current financial assets	11, 21, 22	14,311	12,068
Deferred tax assets		8,429	7,387
<b>Current assets</b>		<b>695,577</b>	<b>628,381</b>
Inventories	8	360,613	335,880
Trade and other receivables	9, 21, 22	223,321	179,720
Income tax receivables		70	308
Other current assets		21,834	13,584
Other current financial assets	11, 19, 21	1,184	1,145
Cash and cash equivalents	10, 21	88,555	97,744
<b>Total assets</b>		<b>1,188,017</b>	<b>1,115,649</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>581,965</b>	<b>543,254</b>
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	12.1	29,091	28,623
Retained earnings	12.1	521,659	483,732
Other components of equity	12.1	-1,267	-1,583
<b>Non-current liabilities</b>		<b>128,966</b>	<b>128,396</b>
Bonds, interest-bearing loans and borrowings	13, 21, 24, 25.3	60,692	60,502
Pension liability		6,111	5,945
Other long-term employee-related liabilities		8,955	8,544
Non-current lease liabilities	6.1, 21, 25.3	15,228	15,454
Other non-current financial liabilities	18, 21, 25.3	1	1
Other non-current liabilities		470	428
Deferred tax liabilities		37,509	37,522
<b>Current liabilities</b>		<b>477,086</b>	<b>443,999</b>
Bonds, interest-bearing loans and borrowings	13, 21, 23, 24, 25.3	267,275	235,311
Trade and other payables	14, 21, 22, 25.3	160,728	173,266
Current lease liabilities	6.1, 21, 25.3	2,359	2,480
Other current financial liabilities	18, 19, 21, 25.3	5,349	689
Other current liabilities	20	8,263	4,043
Income tax payable		33,112	28,210
<b>Total liabilities</b>		<b>606,052</b>	<b>572,395</b>
<b>Total equity and liabilities</b>		<b>1,188,017</b>	<b>1,115,649</b>



## Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	March 31, 2022	December 31, 2021
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>406,905</b>	<b>402,633</b>
Property, plant and equipment	352,697	350,602
Right-of-use assets	14,524	14,792
Investment properties	2,861	2,865
Intangible assets	8,451	7,974
Investments accounted for using the equity method	5,792	5,343
Other non-current assets	3,790	4,981
Other non-current financial assets	11,825	9,972
Deferred tax assets	6,965	6,104
<b>Current assets</b>	<b>574,758</b>	<b>519,235</b>
Inventories	297,976	277,539
Trade and other receivables	184,531	148,504
Income tax receivables	58	255
Other current assets	18,042	11,225
Other current financial assets	978	946
Cash and cash equivalents	73,173	80,766
<b>Total assets</b>	<b>981,663</b>	<b>921,868</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>480,881</b>	<b>448,894</b>
Issued capital	9,916	9,916
Capital surplus	16,925	16,925
Reserves	24,038	23,651
Retained earnings	431,049	399,710
Other components of equity	-1,047	-1,308
<b>Non-current liabilities</b>	<b>106,566</b>	<b>106,095</b>
Bonds, interest-bearing loans and borrowings	50,150	49,993
Pension liability	5,050	4,912
Other long-term employee-related liabilities	7,400	7,060
Non-current lease liabilities	12,583	12,770
Other non-current financial liabilities	1	1
Other non-current liabilities	388	354
Deferred tax liabilities	30,994	31,005
<b>Current liabilities</b>	<b>394,216</b>	<b>366,879</b>
Bonds, interest-bearing loans and borrowings	220,851	194,439
Trade and other payables	132,810	143,171
Current lease liabilities	1,948	2,049
Other current financial liabilities	4,419	569
Other current liabilities	6,827	3,341
Income tax payable	27,361	23,310
<b>Total liabilities</b>	<b>500,782</b>	<b>472,974</b>
<b>Total equity and liabilities</b>	<b>981,663</b>	<b>921,868</b>

## Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended March 31,	
		2022	2021
		Million KRW	Million KRW
Sales	5	338,433	222,487
Cost of sales	22	-239,069	-174,370
<b>Gross profit</b>		<b>99,364</b>	<b>48,117</b>
Selling and administration costs	15.1, 22	-42,169	-30,774
<b>Operating profit</b>		<b>57,195</b>	<b>17,343</b>
Other income		619	741
Other expenses	6, 6.1, 8	-284	-4,810
Share of result from investments accounted for using the equity method	4	528	227
Finance income	15.2	9,712	8,221
Finance expenses	15.3	-10,422	-8,431
<b>Profit before tax</b>		<b>57,348</b>	<b>13,291</b>
Income tax expenses	16	-13,921	-4,127
<b>Profit for the period</b>		<b>43,427</b>	<b>9,164</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>		315	3,965
Gains on valuation of interest rate swaps		22	407
Exchange differences on translation of foreign operations		293	3,558
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-231	-150
Gains on valuation of financial assets at FVOCI		1	-
Re-measurement losses on defined benefit plans		-232	-150
<b>Total other comprehensive income, net of taxes</b>		<b>84</b>	<b>3,815</b>
<b>Total comprehensive income</b>		<b>43,511</b>	<b>12,979</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	17	43,427	10,001
Non-controlling interests		-	-837
<b>Profit for the period</b>		<b>43,427</b>	<b>9,164</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		43,511	13,611
Non-controlling interests		-	-632
<b>Total comprehensive income</b>		<b>43,511</b>	<b>12,979</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	17	1,809	417

## Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended March 31, (refer to note 2.1)	
	2022	2021
	Thousand USD	Thousand USD
Sales	279,649	183,842
Cost of sales	-197,544	-144,083
<b>Gross profit</b>	<b>82,105</b>	<b>39,759</b>
Selling and administration costs	-34,844	-25,429
<b>Operating profit</b>	<b>47,261</b>	<b>14,330</b>
Other income	511	612
Other expenses	-234	-3,975
Share of result from investments accounted for using the equity method	436	188
Finance income	8,025	6,793
Finance expenses	-8,612	-6,967
<b>Profit before tax</b>	<b>47,387</b>	<b>10,981</b>
Income tax expenses	-11,503	-3,409
<b>Profit for the period</b>	<b>35,884</b>	<b>7,572</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>	260	3,277
Gains on valuation of interest rate swaps	18	336
Exchange differences on translation of foreign operations	242	2,941
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-191	-124
Gains on valuation of financial assets at FVOCI	1	-
Re-measurement losses on defined benefit plans	-192	-124
<b>Total other comprehensive income, net of taxes</b>	<b>69</b>	<b>3,153</b>
<b>Total comprehensive income</b>	<b>35,953</b>	<b>10,725</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	35,884	8,264
Non-controlling interests	-	-692
<b>Profit for the period</b>	<b>35,884</b>	<b>7,572</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	35,953	11,247
Non-controlling interests	-	-522
<b>Total comprehensive income</b>	<b>35,953</b>	<b>10,725</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	1.50	0.34

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

For the three months ended March 31, 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		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	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	-	-	-	10,001	-	-	-	10,001	-837	9,164
Other comprehensive income	-	-	-	-150	407	-	3,353	3,610	205	3,815
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,851</b>	<b>407</b>	<b>-</b>	<b>3,353</b>	<b>13,611</b>	<b>-632</b>	<b>12,979</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
<b>As of March 31, 2021</b>	<b>12,000</b>	<b>20,482</b>	<b>28,623</b>	<b>411,788</b>	<b>-800</b>	<b>-362</b>	<b>-4,168</b>	<b>467,563</b>	<b>2,926</b>	<b>470,489</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	-	-	-	43,427	-	-	-	43,427	-	43,427
Other comprehensive income	-	-	-	-232	22	1	293	84	-	84
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,195</b>	<b>22</b>	<b>1</b>	<b>293</b>	<b>43,511</b>	<b>-</b>	<b>43,511</b>
Dividends	-	-	-	-4,800	-	-	-	-4,800	-	-4,800
Appropriation to reserves	-	-	468	-468	-	-	-	-	-	-
<b>As of March 31, 2022</b>	<b>12,000</b>	<b>20,482</b>	<b>29,091</b>	<b>521,659</b>	<b>-3</b>	<b>-613</b>	<b>-651</b>	<b>581,965</b>	<b>-</b>	<b>581,965</b>

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

For the three months ended March 31, 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	
<b>As of January 1, 2021</b>	<b>9,916</b>	<b>18,475</b>	<b>23,412</b>	<b>334,740</b>	<b>-997</b>	<b>-299</b>	<b>-6,215</b>	<b>379,032</b>	<b>3,957</b>	<b>382,989</b>
Profit for the period	-	-	-	8,264	-	-	-	8,264	-692	7,572
Other comprehensive income	-	-	-	-124	336	-	2,772	2,984	169	3,153
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,140</b>	<b>336</b>	<b>-</b>	<b>2,772</b>	<b>11,248</b>	<b>-523</b>	<b>10,725</b>
Dividends	-	-	-	-2,380	-	-	-	-2,380	-	-2,380
Appropriation to reserves	-	-	238	-238	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,551	-	-	-	-	-	-1,551	-1,016	-2,567
<b>As of March 31, 2021</b>	<b>9,916</b>	<b>16,924</b>	<b>23,650</b>	<b>340,262</b>	<b>-661</b>	<b>-299</b>	<b>-3,443</b>	<b>386,349</b>	<b>2,418</b>	<b>388,767</b>
<b>As of January 1, 2022</b>	<b>9,916</b>	<b>16,925</b>	<b>23,651</b>	<b>399,710</b>	<b>-22</b>	<b>-507</b>	<b>-779</b>	<b>448,894</b>	<b>-</b>	<b>448,894</b>
Profit for the period	-	-	-	35,884	-	-	-	35,884	-	35,884
Other comprehensive income	-	-	-	-192	18	1	242	69	-	69
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,692</b>	<b>18</b>	<b>1</b>	<b>242</b>	<b>35,953</b>	<b>-</b>	<b>35,953</b>
Dividends	-	-	-	-3,966	-	-	-	-3,966	-	-3,966
Appropriation to reserves	-	-	387	-387	-	-	-	-	-	-
<b>As of March 31, 2022</b>	<b>9,916</b>	<b>16,925</b>	<b>24,038</b>	<b>431,049</b>	<b>-4</b>	<b>-506</b>	<b>-537</b>	<b>480,881</b>	<b>-</b>	<b>480,881</b>

## Interim consolidated statements of cash flows (unaudited)

	Notes	For the three months ended March 31,	
		2022	2021
		Million KRW	Million KRW
<b>Profit for the period</b>		<b>43,427</b>	<b>9,164</b>
<b>Total adjustments</b>	<b>26</b>	<b>23,684</b>	<b>20,242</b>
<b>Changes in operating assets and liabilities</b>	<b>26</b>	<b>-80,031</b>	<b>-36,804</b>
Interest received		82	54
Payments of income tax		-10,044	-3,759
<b>Net cash flow from operating activities</b>		<b>-22,882</b>	<b>-11,103</b>
Purchases of property, plant and equipment	6	-12,958	-5,565
Purchases of intangible assets	7	-766	-362
Increase in other financial assets, net		-1,022	-2,317
<b>Net cash flow from investing activities</b>		<b>-14,746</b>	<b>-8,244</b>
Proceeds from borrowings		272,807	145,085
Repayments of borrowings		-241,472	-132,078
Payment of lease liabilities		-830	-975
Increase / (decrease) in other financial liabilities, net		62	-1,273
Interest paid		-1,642	-1,365
Acquisition of additional interest in a subsidiary		-	-3,107
<b>Net cash flow from financing activities</b>		<b>28,925</b>	<b>6,287</b>
Decrease in cash and cash equivalents		-8,703	-13,060
Net foreign exchange differences		-486	-9
Cash and cash equivalents as of January 1	10	97,744	72,784
<b>Cash and cash equivalents as of March 31</b>	<b>10</b>	<b>88,555</b>	<b>59,715</b>

## Interim consolidated statements of cash flows (unaudited)

	For the three months ended March 31, (refer to note 2.1)	
	2022	2021
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>35,884</b>	<b>7,572</b>
<b>Total adjustments</b>	<b>19,570</b>	<b>17,049</b>
<b>Changes in operating assets and liabilities</b>	<b>-66,130</b>	<b>-30,734</b>
Interest received	68	45
Payments of income tax	-8,299	-3,106
<b>Net cash flow from operating activities</b>	<b>-18,906</b>	<b>-9,174</b>
Purchases of property, plant and equipment	-10,707	-4,598
Purchases of intangible assets	-633	-299
Increase in other financial assets, net	-844	-1,915
<b>Net cash flow from investing activities</b>	<b>-12,184</b>	<b>-6,812</b>
Proceeds from borrowings	225,422	119,885
Repayments of borrowings	-199,530	-109,137
Payment of lease liabilities	-686	-806
Increase / (decrease) in other financial liabilities, net	51	-1,052
Interest paid	-1,357	-1,128
Acquisition of additional interest in a subsidiary	-	-2,567
<b>Net cash flow from financing activities</b>	<b>23,900</b>	<b>5,195</b>
Decrease in cash and cash equivalents	-7,190	-10,791
Net foreign exchange differences	-402	-8
Cash and cash equivalents as of January 1	80,766	60,142
<b>Cash and cash equivalents as of March 31</b>	<b>73,173</b>	<b>49,342</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 March 31, 2022, the scope of consolidation for the 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 3, 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.

Name	Location	March 31, 2022		December 31, 2021	
		Status	Interest	Status	Interest
<b>Consolidated entities</b>					
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%
<b>Entity accounted for using the equity method (joint venture)</b>					
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 months ended March 31, 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 1,210.21 to USD 1, the exchange rate in effect on March 31, 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 2021, a decision was made to change the structure of SONGWON's internal organization in a manner which has caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals. As a result of this reclassification, the segment information for the three months ended March 31, 2021 (comparable period), have been restated. For the three months ended March 31, 2021, the sales for Division Industrial Chemicals increased by 10,556 Million KRW (respectively, Division Performance Chemicals sales decreased by 10,556 Million KRW). The operating profit of Division Industrial Chemicals for the three months ended March 31, 2021, decreased by 716 Million KRW, (respectively, Division Performance Chemicals operating profit increased by 716 Million KRW). The changes in disclosure have had no impact on the consolidated statements of financial position and the consolidated statements of comprehensive income.

### 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.	3,319	12,599	13,709	2,024	2,851	60	92	23,365	7,010
<b>March 31, 2022</b>	<b>3,319</b>	<b>12,599</b>	<b>13,709</b>	<b>2,024</b>	<b>2,851</b>	<b>60</b>	<b>92</b>	<b>23,365</b>	<b>7,010</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.	7,303	-42	1	-1	1,011	-253	758	703	1,461
<b>For the three months ended March 31, 2021</b>	<b>7,303</b>	<b>-42</b>	<b>1</b>	<b>-1</b>	<b>1,011</b>	<b>-253</b>	<b>758</b>	<b>703</b>	<b>1,461</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	9,129	-43	1	-1	2,347	-586	1,761	53	1,814
<b>For the three months ended March 31, 2022</b>	<b>9,129</b>	<b>-43</b>	<b>1</b>	<b>-1</b>	<b>2,347</b>	<b>-586</b>	<b>1,761</b>	<b>53</b>	<b>1,814</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 March 31, 2021
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-	227	211	6,350
<b>Total</b>	<b>5,912</b>	<b>-</b>	<b>227</b>	<b>211</b>	<b>6,350</b>
	As of January 1, 2022	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of March 31, 2022
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,466	-	528	16	7,010
<b>Total</b>	<b>6,466</b>	<b>-</b>	<b>528</b>	<b>16</b>	<b>7,010</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. In the second quarter of 2021, a decision was made to change the structure of SONGWON’s internal organization in a manner that caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals (refer to note 2.2 for further details):

- 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.

Description	For the three months ended					
	2022		2021		March 31,	
	2022	2021	2022	2021	2022	2021
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	248,865	163,987	89,568	58,500	338,433	222,487
Operating profit	50,826	17,011	6,369	332	57,195	17,343

### 5.2. Revenue from contracts with customers

Description	For the three months ended					
	2022		2021		March 31,	
	2022	2021	2022	2021	2022	2021
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	248,191	163,426	89,331	58,300	337,522	221,726
Sales of services	674	561	237	200	911	761
<b>Total sales</b>	<b>248,865</b>	<b>163,987</b>	<b>89,568</b>	<b>58,500</b>	<b>338,433</b>	<b>222,487</b>

### 5.3. Geographic information

#### 5.3.1. 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	
	2022	March 31, 2021
	Million KRW	Million KRW
Korea	65,216	50,223
Rest of Asia	91,558	64,137
Europe	80,655	53,027
North and South America	75,562	44,971
Australia	754	796
Middle East and Africa	24,688	9,333
<b>Total sales</b>	<b>338,433</b>	<b>222,487</b>

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

#### 5.3.2. 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	
	March 31, 2022	December 31, 2021
	Million KRW	Million KRW
Korea	393,104	389,764
Rest of Asia	26,943	27,268
Europe	7,948	8,164
North and South America	10,747	10,851
Middle East and Africa	19,361	19,272
<b>Total</b>	<b>458,103</b>	<b>455,319</b>

## 6. Property, plant and equipment

	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	42	391	45	4,072	4,551
Disposals	-	-	-64	-3,517	-868	-	-4,449
Reclassifications	150	349	876	4,742	50	-6,167	-
Net exchange differences	-	863	-	1,247	166	31	2,307
<b>As of March 31, 2021</b>	<b>149,700</b>	<b>92,493</b>	<b>66,843</b>	<b>492,152</b>	<b>45,671</b>	<b>8,576</b>	<b>855,435</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	-	-	11	550	50	9,034	9,645
Disposals	-	-	-	-325	-29	-	-354
Reclassifications	-	-	-	3,047	5	-3,052	-
Net exchange differences	-	296	-	292	38	2	628
<b>As of March 31, 2022</b>	<b>149,656</b>	<b>93,673</b>	<b>71,867</b>	<b>501,370</b>	<b>45,090</b>	<b>21,111</b>	<b>882,767</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	-	-632	-760	-5,963	-600	-	-7,955
Disposals	-	-	64	3,517	868	-	4,449
Impairment	-	-	-	-961	-63	-49	-1,073
Net exchange differences	-	-124	-	-319	-96	-	-539
<b>As of March 31, 2021</b>	<b>-</b>	<b>-28,660</b>	<b>-43,359</b>	<b>-322,396</b>	<b>-37,468</b>	<b>-49</b>	<b>-431,932</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	-	-643	-805	-5,532	-493	-	-7,473
Disposals	-	-	-	262	28	-	290
Net exchange differences	-	-58	-	-113	-30	-	-201
<b>As of March 31, 2022</b>	<b>-</b>	<b>-31,375</b>	<b>-45,481</b>	<b>-340,561</b>	<b>-38,514</b>	<b>-</b>	<b>-455,931</b>
<b>Net book value</b>							
<b>As of March 31, 2022</b>	<b>149,656</b>	<b>62,298</b>	<b>26,386</b>	<b>160,809</b>	<b>6,576</b>	<b>21,111</b>	<b>426,836</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 March 31, 2021</b>	<b>149,700</b>	<b>63,833</b>	<b>23,484</b>	<b>169,756</b>	<b>8,203</b>	<b>8,527</b>	<b>423,503</b>

Non-cash transactions during the three months ended March 31, 2022 decreased by 3,313 Million KRW (for the three months ended March 31, 2021: decreased by 1,014 Million KRW) and accounts payables relating to non-cash transactions amounted to 5,791 Million KRW as of March 31, 2022 (March 31, 2021: 4,064 Million KRW).

There was an impairment of property, plant and equipment of 1,073 Million KRW within Qingdao Long Fortune Songwon Chemical Co., Ltd. during the three months ended March 31, 2021, 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.

## 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>
Disposals	-	-	-	-27	-27
Modification of contract	-530	71	-	1	-458
Net exchange differences	498	1	46	2	547
<b>As of March 31, 2021</b>	<b>21,142</b>	<b>1,597</b>	<b>1,149</b>	<b>990</b>	<b>24,878</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	-	-	-	95	95
Modification of contract	-	-	-	46	46
Net exchange differences	228	-	7	3	238
<b>As of March 31, 2022</b>	<b>20,932</b>	<b>2,178</b>	<b>1,242</b>	<b>1,221</b>	<b>25,573</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	-425	-144	-37	-81	-687
Disposals	-	-	-	27	27
Impairment	-2,042	-	-	-	-2,042
Net exchange differences	-58	-	-8	-1	-67
<b>As of March 31, 2021</b>	<b>-5,741</b>	<b>-1,296</b>	<b>-240</b>	<b>-551</b>	<b>-7,828</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	-394	-146	-37	-78	-655
Net exchange differences	-40	-	-4	-4	-48
<b>As of March 31, 2022</b>	<b>-4,964</b>	<b>-1,877</b>	<b>-405</b>	<b>-750</b>	<b>-7,996</b>
<b>Net book value</b>					
<b>As of March 31, 2022</b>	<b>15,968</b>	<b>301</b>	<b>837</b>	<b>471</b>	<b>17,577</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 March 31, 2021</b>	<b>15,401</b>	<b>301</b>	<b>909</b>	<b>439</b>	<b>17,050</b>

The Group recognized rent expenses from short-term leases of 59 Million KRW (March 31, 2021: 35 Million KRW), leases of low-value assets of 20 Million KRW (March 31, 2021: 19 Million KRW) and variable lease payments of 101 Million KRW (March 31, 2021: 97 Million KRW) in the interim condensed consolidated statements of comprehensive income for the three months ended March 31, 2022.

For the three months ended March 31, 2021, an impairment of 2,042 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:

Description	2022	2021
	Million KRW	Million KRW
<b>As of January 1</b>	<b>17,934</b>	<b>18,572</b>
Additions	95	-
Modifications	46	-458
Net exchange differences	193	560
Accretion of interest	149	196
Payments	-830	-975
<b>As of March 31</b>	<b>17,587</b>	<b>17,895</b>

## 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	-	-	-	-	362	362
Reclassifications	14	-	-	-	-14	-
Net exchange differences	-	21	-	1,331	-	1,352
<b>As of March 31, 2021</b>	<b>6,046</b>	<b>2,792</b>	<b>831</b>	<b>42,447</b>	<b>1,018</b>	<b>53,134</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	20	-	-	-	746	766
Disposals	-11	-	-	-	-	-11
Reclassifications	652	-	-	-	-652	-
Net exchange differences	-	14	-	582	-	596
<b>As of March 31, 2022</b>	<b>7,304</b>	<b>3,072</b>	<b>831</b>	<b>44,620</b>	<b>2,208</b>	<b>58,035</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	-122	-26	-	-	-	-148
Net exchange differences	-	-23	-	-1,205	-	-1,228
<b>As of March 31, 2021</b>	<b>-3,225</b>	<b>-2,543</b>	<b>-</b>	<b>-39,271</b>	<b>-</b>	<b>-45,039</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	-152	-38	-	-	-	-190
Disposals	11	-	-	-	-	11
Impairment	-8	-	-	-	-	-8
Net exchange differences	-	-14	-	-573	-	-587
<b>As of March 31, 2022</b>	<b>-3,751</b>	<b>-2,725</b>	<b>-</b>	<b>-41,332</b>	<b>-</b>	<b>-47,808</b>
<b>Net book value</b>						
<b>As of March 31, 2022</b>	<b>3,553</b>	<b>347</b>	<b>831</b>	<b>3,288</b>	<b>2,208</b>	<b>10,227</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 March 31, 2021</b>	<b>2,821</b>	<b>249</b>	<b>831</b>	<b>3,176</b>	<b>1,018</b>	<b>8,095</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 three months ended March 31, 2022, the Group recognized an impairment loss on industrial rights of 8 Million KRW (for the three months ended March 31, 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 three months ended March 31, 2022 and 2021.

## 8. Inventories

Description	March 31,	December 31,
	2022	2021
	Million KRW	Million KRW
Raw materials and supplies	81,082	83,529
Work in progress	1,377	2,374
Finished and semi-finished goods	174,363	177,085
Goods in transit	100,874	70,978
Consignment stocks	2,917	1,914
<b>Total inventories at the lower of cost and net realizable value</b>	<b>360,613</b>	<b>335,880</b>

For the three months ended March 31, 2022, no impairment was recognized within inventories (for the three months ended March 31, 2021: impairment of 1,044 Million KRW). As of March 31, 2022, inventory allowance amounted to 4,632 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 expenses of 239 Million KRW during the three months ended March 31, 2022 (for the three months ended March 31, 2021: 280 Million KRW).

## 9. Trade and other receivables

Description	March 31,	December 31,
	2022	2021
	Million KRW	Million KRW
Trade and notes receivables	221,249	179,814
Allowances for trade and notes receivables	-1,357	-1,269
Other accounts receivables	3,407	1,164
Allowances for other accounts receivables	-24	-26
Accrued income	46	37
<b>Total</b>	<b>223,321</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>March 31, 2022</b>	<b>224,702</b>	212,741	11,426	-	-	535
<b>December 31, 2021</b>	<b>181,015</b>	169,676	10,773	-	-	566

Refer to note 25.2 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	March 31,	December 31,
	2022	2021
	Million KRW	Million KRW
Cash on hand	93	52
Bank accounts	76,909	89,727
Time deposits (< 3 months)	11,553	7,965
<b>Total</b>	<b>88,555</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 financial assets

Description	March 31, 2022		December 31, 2021	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	407	60	349	408
Financial instruments at FVtPL	10,805	-	9,530	-
Derivative assets at FVtPL	1,399	425	505	25
Equity instruments at FVOCI	103	-	102	-
Guarantee and other deposits at amortized cost	1,564	699	1,549	712
Guarantee and other deposits at amortized cost (related parties)	33	-	33	-
<b>Total</b>	<b>14,311</b>	<b>1,184</b>	<b>12,068</b>	<b>1,145</b>

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

## 12. Equity

### 12.1. 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 468 Million KRW due to the appropriation to the reserve approved by the shareholders on March 18, 2022.

## 12.2. Accumulated other comprehensive income

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

Description	March 31,	December 31,
	2022	2021
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-17,167	-16,935
<b>OCI recognized within retained earnings</b>	<b>-17,167</b>	<b>-16,935</b>
Cash flow hedge reserve	-3	-25
Fair value reserve of financial assets at FVOCI	-613	-614
Foreign currency translation reserve	-651	-944
<b>OCI recognized within other components of equity</b>	<b>-1,267</b>	<b>-1,583</b>

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

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

Description	March 31,	December 31,
	2022	2021
	Million KRW	Million KRW
Corporate bonds	55,467	54,832
Long-term borrowings	5,225	5,670
<b>Non-current bonds, interest-bearing loans and borrowings</b>	<b>60,692</b>	<b>60,502</b>
Current portion of long-term borrowings	1,780	1,780
Short-term borrowings	265,495	233,531
<b>Current interest-bearing loans and borrowings</b>	<b>267,275</b>	<b>235,311</b>
<b>Total</b>	<b>327,967</b>	<b>295,813</b>

## 14. Trade and other payables

Description	March 31,	December 31,
	2022	2021
	Million KRW	Million KRW
Trade payables	116,963	116,139
Trade payables (related parties)	1,373	1,145
Other accounts payables	27,591	30,636
Other accounts payables (related parties)	7	7
Withholdings	1,091	1,501
Accrued expenses	13,681	23,826
Guarantee deposits	22	12
<b>Total</b>	<b>160,728</b>	<b>173,266</b>

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

## 15. Operating profit and finance income / expenses

### 15.1. Selling and administration expenses

Description	For the three months ended March 31,	
	2022	2021
	Million KRW	Million KRW
Sales-related costs	-24,986	-11,906
Personnel expenses	-11,959	-13,763
Travelling and entertainment	-626	-611
Depreciation and amortization	-601	-608
Administration expenses	-2,381	-2,325
IT expenses	-985	-567
Others	-631	-994
<b>Total</b>	<b>-42,169</b>	<b>-30,774</b>

### 15.2. Finance income

Description	For the three months ended March 31,	
	2022	2021
	Million KRW	Million KRW
Interest on loans and receivables	82	57
Gains on foreign exchange transactions	3,869	5,580
Gains on foreign exchange translations	3,808	2,252
Gains on derivative transactions	456	319
Gains on valuation of derivatives	1,497	13
<b>Total finance income</b>	<b>9,712</b>	<b>8,221</b>

### 15.3. Finance expenses

Description	For the three months ended March 31,	
	2022	2021
	Million KRW	Million KRW
Interest on borrowings	-1,810	-1,440
Losses on foreign exchange transactions	-3,645	-3,618
Losses on foreign exchange translations	-4,746	-3,241
Losses on derivative transactions	-71	-65
Losses on valuation of derivatives	-63	-34
Bank charges	-87	-33
<b>Total finance expenses</b>	<b>-10,422</b>	<b>-8,431</b>

### 16. 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 March 31,	
	2022	2021
	Million KRW	Million KRW
Current income tax charges	-15,206	-6,004
Deferred taxes related to origination and reversal of deferred taxes	1,225	1,954
Income tax recognized in other comprehensive income	60	-77
<b>Income tax expenses</b>	<b>-13,921</b>	<b>-4,127</b>

### 17. 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 March 31, 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 March 31,	
	2022	2021
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	43,427,101,996	10,000,835,186
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>1,809</b>	<b>417</b>

## 18. Other financial liabilities

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

Description	March 31, 2022		December 31, 2021	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 19)	-	74	-	249
Deposits	1	-	1	-
Accrued interest expenses	-	475	-	440
Unpaid dividends	-	4,800	-	-
<b>Total</b>	<b>1</b>	<b>5,349</b>	<b>1</b>	<b>689</b>

## 19. Derivative financial instruments

Description	March 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	209	71	25	38
Interest rate swaps (current portion)	-	3	-	33
Currency and interest rate swaps (current portion)	216	-	-	178
Currency and interest rate swaps (non-current portion)	1,399	-	505	-
<b>Total</b>	<b>1,824</b>	<b>74</b>	<b>530</b>	<b>249</b>

### 19.1. 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 March 31, 2022 and December 31, 2021 are as follows:

#### As of March 31, 2022

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	Sell	JPY 1,066,080,000	30.06.2022 – 02.03.2023	10.5650~10.8400
	Sell	EUR 32,430,000	29.04.2022 – 10.03.2023	1,408.00~1,419.00
Woori Bank	Sell	JPY 2,937,600,000	29.04.2022 – 31.05.2023	10.6250~10.9050
	Sell	EUR 9,630,000	29.04.2022 – 30.12.2022	1,365.00~1,402.00

#### 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



## 19.2. 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 13). To hedge these risks, the Group has entered into the following currency and interest rate swaps (CRS) as of March 31, 2022 and December 31, 2021:

### As of March 31, 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%		

## 19.3. Interest rate swaps

As of March 31, 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 March 31, 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 -3 Million KRW (expenses) as of March 31, 2022 and -25 Million KRW (expenses) as of December 31, 2021, respectively (refer to note 12.2), net of income tax.

## 20. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of March 31, 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>162,610</b>	<b>375</b>	-	-
Allocation	138,875	-	138,875	-	138,875	-
Disposal	-	-	-1,600	-27	-	-
<b>Ending</b>	<b>162,610</b>	<b>375</b>	<b>299,885</b>	<b>348</b>	<b>138,875</b>	-

	2024		2025	
	Quantity	Book value	Quantity	Book value
<b>Beginning</b>	-	-	-	-
Allocation	137,574	-	137,574	-
<b>Ending</b>	<b>137,574</b>	-	<b>137,574</b>	-

There are no emission rights provided as collateral as of March 31, 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	165	199
Decrease	-	-
As of March 31	179	924

Estimated greenhouse gas emissions in 2022 were 166,344 KAU.

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

## 21. 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 March 31, 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	2,004	759	2,004	759
	Trade and other receivables	-	223,321	-	223,321
	Cash and cash equivalents	-	88,555	-	88,555
	<i>Total financial assets at amortized cost</i>	<b>2,004</b>	<b>312,635</b>	<b>2,004</b>	<b>312,635</b>
	<b>Financial assets at FVOCI</b>				
	Other financial assets	103	-	103	-
	<i>Total financial assets at FVOCI</i>	<b>103</b>	<b>-</b>	<b>103</b>	<b>-</b>
	<b>Financial assets at FVtPL</b>				
	Forward exchange contracts	-	209	-	209
	Currency and interest rate swaps	1,399	216	1,399	216
	Other financial assets	10,805	-	10,805	-
	<i>Total financial assets at FVtPL</i>	<b>12,204</b>	<b>425</b>	<b>12,204</b>	<b>425</b>
<b>Total financial assets</b>	<b>14,311</b>	<b>313,060</b>	<b>14,311</b>	<b>313,060</b>	
Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	1	5,275	1	5,275
	Lease liabilities	15,228	2,359	15,228	2,359
	Trade and other payables	-	160,728	-	160,728
	Bonds, interest-bearing loans and borrowings	60,692	267,275	60,692	267,275
	<i>Total financial liabilities at amortized cost</i>	<b>75,921</b>	<b>435,637</b>	<b>75,921</b>	<b>435,637</b>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	-	3	-	3
	<i>Total financial liabilities at FVOCI</i>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>
	<b>Financial liabilities at FVtPL</b>				
Forward exchange contracts	-	71	-	71	
<i>Total financial liabilities at FVtPL</i>	<b>-</b>	<b>71</b>	<b>-</b>	<b>71</b>	
<b>Total financial liabilities</b>	<b>75,921</b>	<b>435,711</b>	<b>75,921</b>	<b>435,711</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.

## 21.1. 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 March 31, 2022 and December 31, 2021, the Group held the following financial instruments carried at fair value on the statement of financial position:

	March 31, 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	209	-	209	
	Currency and interest rate swaps	1,615	-	1,615	
	<i>Total</i>	<i>1,824</i>	<i>-</i>	<i>1,824</i>	
	<b>Debt instruments</b>				
	Exchange traded fund at FVtPL	10,805	-	10,805	
	<i>Total</i>	<i>10,805</i>	<i>-</i>	<i>10,805</i>	
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	103	-	-	103
	<i>Total</i>	<i>103</i>	<i>-</i>	<i>-</i>	<i>103</i>
<b>Total</b>	<b>12,732</b>	<b>-</b>	<b>12,629</b>	<b>103</b>	
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	71	-	71	
	Interest rate swaps	3	-	3	
	<i>Total</i>	<i>74</i>	<i>-</i>	<i>74</i>	
<b>Total</b>	<b>74</b>	<b>-</b>	<b>74</b>	<b>-</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>	530	-	530	-
	<b>Debt instruments</b>					
		Exchange traded fund at FVtPL	9,530	-	9,530	-
		<i>Total</i>	9,530	-	9,530	-
	<b>Equity instruments</b>					
		Equity instruments at FVOCI	102	-	-	102
		<i>Total</i>	102	-	-	102
<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>	249	-	249	-
	<b>Total</b>		<b>249</b>	<b>-</b>	<b>249</b>	<b>-</b>

During the three months ended March 31, 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.

## 22. 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 22.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 22.5)	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.

Related party	Description	For the three months ended	
		2022	March 31, 2021
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-20	-20
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Cost of sales	-5,328	-3,969
<b>Total</b>	<b>Cost of sales</b>	<b>-5,328</b>	<b>-3,969</b>
	<b>Selling and administration costs</b>	<b>-20</b>	<b>-20</b>

Related party	Description	As of	
		March 31, 2022	December 31, 2021
		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	1,373	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>1,380</b>	<b>1,152</b>

## 22.1. The ultimate parent

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

## 22.2. 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 March 31, 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 three months ended March 31, 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.

## 22.3. Transactions with key management personnel

During the three months ended March 31, 2022 and the year ended December 31, 2021, no other transactions with key management personnel other than those disclosed in note 22.4 took place.

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

Description	For the three months ended	
	2022	March 31, 2021
	Million KRW	Million KRW
Short-term employee benefits	-4,359	-2,685
Post-employment benefits	-131	-174
Other long-term benefits	-296	-131
Share based payments	-3	-215
Termination benefits	-	-528
<b>Total compensation paid to key management personnel</b>	<b>-4,789</b>	<b>-3,733</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.

## 22.5. 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.



## 23. Contingencies and commitments

### 23.1. 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 235 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 (809 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.

### 23.2. 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 March 31, 2022 and December 31, 2021 are as follows:

Description	March 31, 2022	December 31, 2021
	Million KRW	Million KRW
<b>Short-term lease commitments</b>		
Within one year	-4	-6
<i>Total short-term lease commitments</i>	-4	-6
<b>Low-value lease commitments</b>		
Within one year	-73	-70
After one year but not more than five years	-115	-121
<i>Total low-value lease commitments</i>	-188	-191
<b>Total</b>	<b>-192</b>	<b>-197</b>

### 23.3. 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 March 31, 2022, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 3,677 Million KRW (December 31, 2021: 4,244 Million KRW).

There are no blank promissory notes or checks issued or received by the Group as of March 31, 2022.

Details of the Group's available short-term credit line facilities (excluding general loans) as of March 31, 2022 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	24,500	11,025	13,475
D/A and D/P	Thousand USD	95,800	56,634	39,166
	Million KRW	12,000	9,422	2,578
Secured loan of credit sales	Million KRW	9,000	4,888	4,112
Other foreign currency guarantees	Thousand USD	14,410	3,050	11,360
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>40,310</b>	<b>6,690</b>
	<b>Total Thousand USD</b>	<b>159,700</b>	<b>95,699</b>	<b>64,001</b>

## 24. 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 March 31, 2022 and December 31, 2021, presented in the maximum pledge amount, are as follows:

Pledged to	Pledged assets		March 31, 2022	December 31, 2021
<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	60,000	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
		<b>Million KRW</b>	<b>285,000</b>	<b>285,000</b>
<b>Total</b>		<b>Thousand USD</b>	<b>24,000</b>	<b>24,000</b>

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

## 25. 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.

### 25.1. 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 March 31, 2022 and 2021 as well as December 31, 2021.

#### 25.1.1. 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>March 31, 2022</b>	1.00	-287
	-1.00	287
<b>March 31, 2021</b>	1.00	-257
	-1.00	257

#### 25.1.2. 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 three months ended March 31, 2022 and year ended December 31, 2021 are as follows:

Currency	March 31, 2022		December 31, 2021	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	4,925	-4,925	2,380	-2,380
EUR	105	-105	1,418	-1,418
JPY	2,362	-2,362	2,783	-2,783
CHF	96	-96	272	-272
AED	-203	203	-225	225
INR	198	-198	209	-209
<b>Total</b>	<b>7,483</b>	<b>-7,483</b>	<b>6,837</b>	<b>-6,837</b>

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

## 25.2. 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 21.

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.

## 25.3. 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 March 31, 2022 and December 31, 2021 are as follows:

As of March 31, 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	8,182	35,002	224,091	60,692	-	327,967
Trade and other payables	145,068	11,505	4,155	-	-	160,728
Lease liabilities	272	547	2,082	7,901	10,039	20,841
Other financial liabilities	5,230	12	33	1	-	5,276
<b>Total</b>	<b>158,752</b>	<b>47,066</b>	<b>230,361</b>	<b>68,594</b>	<b>10,039</b>	<b>514,812</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>

## 25.4. 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 March 31, 2022 and December 31, 2021 is 104% and 105%, respectively.

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

## 26. 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 three months ended March 31, 2022 and 2021 are as follows:

	Notes	For the three months ended	
		March 31,	
		2022	2021
Adjustments		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	7,473	7,955
Depreciation of right-of-use assets	6.1	655	687
Depreciation of investment properties		4	3
Amortization of intangible assets	7	190	148
Impairment of property, plant and equipment	6	-	1,073
Impairment of right-of-use assets	6.1	-	2,042
Impairment of intangible assets	7	8	-
Impairment of non-current financial assets		-	2
Impairment of other non-current assets		-	47
Impairment of inventories	8	-	1,044
Losses on disposals of property, plant and equipment, net	6	64	-
Share of result from investments accounted using the equity method	4	-528	-227
Share-based compensation expenses		283	842
Pension costs		1,586	1,961
Other long-term employee benefit expenses		191	92
Provisions		48	-
Finance income		-2,411	-1,019
Finance expenses		2,200	1,465
Income tax expenses	16	13,921	4,127
<b>Total</b>		<b>23,684</b>	<b>20,242</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-41,287	-24,741
Other receivables		-2,252	-2,207
Other current assets		-8,354	-4,675
Other current financial assets		-370	21
Inventories		-23,856	-23,720
Trade payables		953	17,789
Other payables		-10,407	-186
Other current financial liabilities		1,259	-132
Other current liabilities		4,328	2,570
Pension liabilities		15	-1,310
Other long-term employment benefits		-60	-213
<b>Total</b>		<b>-80,031</b>	<b>-36,804</b>

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## 27. 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 three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 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 an increase in the allowance on ECL by 87 Million KRW in the interim condensed consolidated financial statements for the three months ended March 31, 2022.

## 28. 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.



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## Report on review of interim condensed consolidated financial statements

### 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 consolidated statement of financial position as of March 31, 2022, and the related interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the three-month periods ended March 31, 2022 and 2021, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim 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 interim financial statements in 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 Auditing Standards ("KGAAS") 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 KGAAS, 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.



May 11, 2022

This review report is effective as of May 11, 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.



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