



FINANCIAL RESULTS
Q2 & 6 MONTHS
ENDED JUNE 30, **2023**

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Report on review of interim condensed consolidated financial statements

(English Translation of a Report Originally Issued in Korean)

The Shareholders and Board of Directors Songwon Industrial Co., Ltd.

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of June 30, 2023, and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six-month periods then ended, and a summary of material accounting policy information and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing ("KSA") 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 matter

We have audited the consolidated statement of financial position of the Group as of December 31, 2022, 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 KSA, and our report dated February 24, 2023 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2022, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

August 10, 2023

This review report is effective as of August 10, 2023, 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.

About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 9 to 53) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the beginning of this report. The review is applicable to the three and six months ended June 30, 2023 as well as the three and six months ended June 30, 2022.

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

The interim condensed consolidated financial statements for the three and six months ended June 30, 2023 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, 2022, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2022 can be found on our website 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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SECTION 1:

Business Development

Key financial data

	Q2 2023			Q2 2022 (restated*)			For the six months ended June 30,		
	Million KRW	Million KRW	Δ%	2023	2022	Δ%	2023	2022	Δ%
Sales	269,232	342,735	-21.4%	536,399	681,168	-21.3%	536,399	681,168	-21.3%
Gross profit*	44,050	84,695	-48.0%	85,126	173,931	-51.1%	85,126	173,931	-51.1%
<i>Gross profit margin*</i>	16.4%	24.7%		15.9%	25.5%		15.9%	25.5%	
Operating profit	21,990	54,258	-59.5%	40,479	111,453	-63.7%	40,479	111,453	-63.7%
EBITDA	31,453	62,902	-50.0%	58,577	128,682	-54.5%	58,577	128,682	-54.5%
<i>EBITDA margin</i>	11.7%	18.4%		10.9%	18.9%		10.9%	18.9%	
EBIT	19,613	54,643	-64.1%	38,355	112,173	-65.8%	38,355	112,173	-65.8%
<i>EBIT margin</i>	7.3%	15.9%		7.2%	16.5%		7.2%	16.5%	
Profit for the period	11,956	38,670	-69.1%	22,582	82,097	-72.5%	22,582	82,097	-72.5%
Total assets				1,160,645	1,257,119	-7.7%	1,160,645	1,257,119	-7.7%
Total equity				703,640	629,478	11.8%	703,640	629,478	11.8%
<i>Equity ratio</i>				60.6%	50.1%		60.6%	50.1%	
Headcounts				994	1,004	-1.0%	994	1,004	-1.0%

*refer to note 2.2 for further details

Sales development

Divisions

	2023			2022			For the three months ended June 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2023	2022	Δ%
	Industrial Chemicals			Performance Chemicals					
Sales	198,774	260,406	-23.7%	70,458	82,329	14.4%	269,232	342,735	-21.4%

	2023			2022			For the six months ended June 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2023	2022	Δ%
	Industrial Chemicals			Performance Chemicals					
Sales	394,721	509,271	-22.5%	141,678	171,897	17.6%	536,399	681,168	-21.3%

Regions

	Q2 2023			Q2 2022			For the six months ended June 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2023	2022	Δ%
Korea	49,713	65,597	-24.2%	65,597	130,813	-21.6%	102,520	130,813	-21.6%
Rest of Asia	76,206	87,424	-12.8%	87,424	178,982	-19.6%	143,869	178,982	-19.6%
Europe	63,583	79,031	-19.5%	79,031	159,686	-18.9%	129,585	159,686	-18.9%
North and South America	63,897	82,336	-22.4%	82,336	157,898	-19.0%	127,934	157,898	-19.0%
Australia	596	924	-35.5%	924	1,678	-28.3%	1,203	1,678	-28.3%
Middle East and Africa	15,237	27,423	-44.4%	27,423	52,111	-40.0%	31,288	52,111	-40.0%
Total sales	269,232	342,735	-21.4%	342,735	681,168	-21.3%	536,399	681,168	-21.3%

Business development

In the 2nd quarter of 2023, Songwon Industrial Group generated consolidated sales of 269,232 Million KRW. Compared to sales achieved in Q2/2022 (342,735 Million KRW), this amounted to a decline of 21.4%. Net profit in Q2/2023 was 11,956 Million KRW, marking a 69.1% decrease when compared to the same quarter of the previous year (Q2/2022: 38,670 Million KRW). Year-to-date (YTD), the Group recorded consolidated sales of 536,399 Million KRW, reflecting a 21.3% decrease over YTD June 2022 (681,168 Million KRW). Net profit YTD June 2023 amounted to 22,582 Million KRW (YTD June 2022: 82,097 Million KRW).

Throughout Q2/2023, the ongoing geopolitical tensions and deteriorating economic conditions compounded by the downturn in demand across the regions continued to have a negative impact on the performance of SONGWON's divisions. Overall, Q2/2023 was a sluggish quarter for Division Industrial Chemicals. The Division reported a 23.7% drop in sales in Q2/2023 (198,774 Million KRW) compared to Q2/2022 (260,406 Million KRW) and a fall in revenues of 22.5% in the first six months of 2023 (394,721 Million KRW) over the previous year (YTD June 2022: 509,271 Million KRW). Division Performance Chemicals also recorded a 14.4% drop in revenues (Q2/2023: 70,458 Million KRW) over the prior year comparable quarter (Q2/2022: 82,329 Million KRW). In the first six months of 2023, Division Performance Chemicals achieved sales of 141,678 Million KRW, marking a revenue decline of 17.6% compared with the same reporting period in 2022 (YTD June 2022: 171,897 Million KRW).

Division Industrial Chemicals performed in line with expectations recording a decrease in revenues and volumes driven by the overall weak global demand and challenging environment in relation to aggressive pricing and strong competition. In addition, customers are still facing difficulties to provide reliable forecasts with much shorter visibility for the year and even for the quarter. During Q2/2023, Polymer Stabilizers' performance was negatively impacted by increased product availability and price drops, particularly from Asia and is still affected by the Russia/Ukraine conflict. However, Polymer Stabilizers' overall performance remained within the same range as Q1/2023. For Fuel and Lubricant Additives, demand was stable at a comparable level to Q1/2023 with a slower-than-expected recovery in China and volumes in the 2nd quarter of 2023 were also similar to Q1/2023. During the quarter, revenues were impacted by the declining raw material and freight costs applied to the previously implemented raw material pricing formula mechanisms. Q2/2023 was a slow quarter for Coatings mainly due to the supply in the market being higher than the current demand which drove prices down further than the previous quarter. Additional price erosion was caused by the declining raw material prices.

As expected, Division Performance Chemicals' performance in the 2nd quarter of 2023 was similar to the previous quarter with no significant changes. In Q2/2023, Tin Intermediates showed slight improvements in turnover, volumes and margins on the back of the highly-priced tin metal prices and end products as well as the automotive markets displaying some sign of recovery in China and Europe. Due to the absence of market recovery in Asia, Q2/2023 remained weak for PVC but sales particularly outside of Asia positively impacted profitability. Stable raw material prices supported profitability for Solution Polyurethanes and Thermoplastic Polyurethanes during Q2/2023 but economic recession continues to negatively affect customers' operations and competition remained fierce in Korea due to the ongoing stagnant demand.

Outlook

In line with expectations, 2023 is proving to be a challenging year for the industry. The prevailing inflationary pressures as well as the challenging macroeconomic environment with low visibility and geopolitical uncertainty make it difficult to accurately predict the market's future developments going forward. Nevertheless, looking to Q3/2023, SONGWON foresees the demand slowdown in the markets to remain on a similar scale with both raw material and logistics prices expected to fall further.

As the Group enters the next quarter, it is optimistic that the effective actions it has taken to address the unbalanced market situation and the introduction of new products will positively impact revenues and profitability moving forward. To navigate the uncertain landscape in the coming months, SONGWON will continue to pursue its strategy and closely monitor industry developments on a global scale while prioritizing meeting its customers' needs. Although SONGWON will approach the final six months of the year cautiously, the company is confident in its ability to tackle emerging challenges and maintain a reliable supply for its customers.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim consolidated statements of financial position (unaudited)

		June 30, 2023	As of December 31, 2022
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		537,439	536,604
Property, plant and equipment	5.2.2, 6, 25	440,131	441,541
Right-of-use assets	5.2.2, 6.1	16,293	16,969
Investment properties	5.2.2, 25	3,451	3,456
Intangible assets	5.2.2, 7	12,391	11,427
Investments accounted for using the equity method	4	7,447	7,818
Other non-current assets		31,111	30,778
Other non-current financial assets	12, 20, 22, 23	18,159	16,030
Deferred tax assets		8,456	8,585
Current assets		623,206	680,707
Inventories	8	341,159	377,129
Trade and other receivables	9, 22, 23	164,830	177,174
Income tax receivables		1,928	2,047
Other current assets	11	13,618	12,920
Other current financial assets	12, 20, 22	7,262	6,677
Cash and cash equivalents	10, 22	94,409	104,760
Total assets		1,160,645	1,217,311
EQUITY AND LIABILITIES			
Equity		703,640	682,622
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	13.1	30,303	29,103
Retained earnings	13.1	632,751	622,951
Other components of equity	13.2	8,104	-1,914
Non-current liabilities		131,909	130,667
Bonds, interest-bearing loans and borrowings	14, 22, 25, 26.3	64,807	65,745
Pension liability		2,907	2,682
Other long-term employee-related liabilities		10,389	9,061
Non-current lease liabilities	6.1, 22, 26.3	14,188	14,564
Other non-current financial liabilities	19, 22, 26.3	1	1
Other non-current liabilities		442	453
Deferred tax liabilities		39,175	38,161
Current liabilities		325,096	404,022
Bonds, interest-bearing loans and borrowings	14, 22, 24, 25, 26.3	158,442	208,070
Trade and other payables	15, 22, 23, 26.3	132,005	139,275
Current lease liabilities	6.1, 22, 26.3	2,033	2,334
Other current financial liabilities	19, 20, 22, 26.3	2,977	554
Other current liabilities	21	4,881	5,440
Income tax payable		24,758	48,349
Total liabilities		457,005	534,689
Total equity and liabilities		1,160,645	1,217,311

Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	June 30, 2023	December 31, 2022
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	407,882	407,247
Property, plant and equipment	334,031	335,101
Right-of-use assets	12,365	12,878
Investment properties	2,619	2,623
Intangible assets	9,404	8,672
Investments accounted for using the equity method	5,652	5,933
Other non-current assets	23,611	23,359
Other non-current financial assets	13,782	12,166
Deferred tax assets	6,418	6,515
Current assets	472,972	516,613
Inventories	258,918	286,217
Trade and other receivables	125,095	134,464
Income tax receivables	1,463	1,554
Other current assets	10,335	9,805
Other current financial assets	5,511	5,067
Cash and cash equivalents	71,650	79,506
Total assets	880,854	923,860
EQUITY AND LIABILITIES		
Equity	534,018	518,066
Issued capital	9,107	9,107
Capital surplus	15,545	15,545
Reserves	22,998	22,087
Retained earnings	480,217	472,780
Other components of equity	6,151	-1,453
Non-current liabilities	100,110	99,168
Bonds, interest-bearing loans and borrowings	49,184	49,896
Pension liability	2,206	2,035
Other long-term employee-related liabilities	7,885	6,877
Non-current lease liabilities	10,768	11,053
Other non-current financial liabilities	1	1
Other non-current liabilities	335	344
Deferred tax liabilities	29,731	28,962
Current liabilities	246,726	306,626
Bonds, interest-bearing loans and borrowings	120,247	157,912
Trade and other payables	100,183	105,701
Current lease liabilities	1,543	1,771
Other current financial liabilities	2,259	420
Other current liabilities	3,704	4,128
Income tax payable	18,790	36,694
Total liabilities	346,836	405,794
Total equity and liabilities	880,854	923,860

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended June 30,	
		2023 Million KRW	2022 (restated)* Million KRW
Sales	5	269,232	342,735
Cost of sales	23	-225,182	-258,040
Gross profit		44,050	84,695
Selling and administration costs	16.1, 23	-22,060	-30,437
Operating profit		21,990	54,258
Other income		881	1,071
Other expenses	6, 6.1, 8	-3,258	-686
Share of result from investments accounted for using the equity method	4	173	769
Finance income	16.2	7,856	19,304
Finance expenses	16.3	-12,050	-17,427
Profit before tax		15,592	57,289
Income tax expenses	17	-3,636	-18,619
Profit for the period		11,956	38,670
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		3,180	7,792
Gains on valuation of interest rate swaps		-	19
Exchange differences on translation of foreign operations		3,180	7,773
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-673	1,051
Re-measurement (losses) / gains on defined benefit plans		-673	1,051
Total other comprehensive income, net of taxes		2,507	8,843
Total comprehensive income		14,463	47,513
Profit for the period attributable to:			
Owners of the parent	18	11,956	38,670
Non-controlling interests		-	-
Profit for the period		11,956	38,670
Total comprehensive income attributable to:			
Owners of the parent		14,463	47,513
Non-controlling interests		-	-
Total comprehensive income		14,463	47,513
Earnings per share			
		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	498	1,611

*refer to note 2.2 for further details

Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended June 30, (refer to note 2.1)	
	2023 Thousand USD	2022 (restated)* Thousand USD
Sales	204,329	260,113
Cost of sales	-170,899	-195,836
Gross profit	33,430	64,277
Selling and administration costs	-16,742	-23,100
Operating profit	16,688	41,177
Other income	669	813
Other expenses	-2,473	-521
Share of result from investments accounted for using the equity method	131	584
Finance income	5,962	14,651
Finance expenses	-9,144	-13,225
Profit before tax	11,833	43,479
Income tax expenses	-2,759	-14,131
Profit for the period	9,074	29,348
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	2,413	5,913
Gains on valuation of interest rate swaps	-	14
Exchange differences on translation of foreign operations	2,413	5,899
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-511	798
Re-measurement (losses) / gains on defined benefit plans	-511	798
Total other comprehensive income, net of taxes	1,902	6,711
Total comprehensive income	10,976	36,059
Profit for the period attributable to:		
Owners of the parent	9,074	29,348
Non-controlling interests	-	-
Profit for the period	9,074	29,348
Total comprehensive income attributable to:		
Owners of the parent	10,976	36,059
Non-controlling interests	-	-
Total comprehensive income	10,976	36,059
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.38	1.22

*refer to note 2.2 for further details

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the six months ended June 30,	
		2023	2022
		Million KRW	Million KRW
Sales	5	536,399	681,168
Cost of sales	23	-451,273	-507,237
Gross profit		85,126	173,931
Selling and administration costs	16.1, 23	-44,647	-62,478
Operating profit		40,479	111,453
Other income		1,454	1,690
Other expenses	6, 6.1, 8	-3,578	-970
Share of result from investments accounted for using the equity method	4	180	1,297
Finance income	16.2	26,971	29,016
Finance expenses	16.3	-30,986	-27,849
Profit before tax		34,520	114,637
Income tax expenses	17	-11,938	-32,540
Profit for the period		22,582	82,097
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		10,016	8,107
Gains on valuation of interest rate swaps		-	41
Exchange differences on translation of foreign operations		10,016	8,066
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		420	820
Gains on valuation of financial assets at FVOCI		2	1
Re-measurement gains on defined benefit plans		418	819
Total other comprehensive income, net of taxes		10,436	8,927
Total comprehensive income		33,018	91,024
Profit for the period attributable to:			
Owners of the parent	18	22,582	82,097
Non-controlling interests		-	-
Profit for the period		22,582	82,097
Total comprehensive income attributable to:			
Owners of the parent		33,018	91,024
Non-controlling interests		-	-
Total comprehensive income		33,018	91,024
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	941	3,421

Interim consolidated statements of comprehensive income (unaudited)

	For the six months ended June 30, (refer to note 2.1)	
	2023	2022
	Thousand USD	Thousand USD
Sales	407,092	516,963
Cost of sales	-342,487	-384,961
Gross profit	64,605	132,002
Selling and administration costs	-33,884	-47,417
Operating profit	30,721	84,585
Other income	1,103	1,283
Other expenses	-2,715	-736
Share of result from investments accounted for using the equity method	137	984
Finance income	20,469	22,021
Finance expenses	-23,517	-21,135
Profit before tax	26,198	87,002
Income tax expenses	-9,060	-24,696
Profit for the period	17,138	62,306
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	<i>7,602</i>	<i>6,153</i>
Gains on valuation of interest rate swaps	-	31
Exchange differences on translation of foreign operations	7,602	6,122
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	<i>319</i>	<i>623</i>
Gains on valuation of financial assets at FVOCI	2	1
Re-measurement gains on defined benefit plans	317	622
Total other comprehensive income, net of taxes	7,921	6,776
Total comprehensive income	25,059	69,082
Profit for the period attributable to:		
Owners of the parent	17,138	62,306
Non-controlling interests	-	-
Profit for the period	17,138	62,306
Total comprehensive income attributable to:		
Owners of the parent	25,059	69,082
Non-controlling interests	-	-
Total comprehensive income	25,059	69,082
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.71	2.60

Interim consolidated statements of changes in equity (unaudited)

For the six months ended June 30, 2022 and 2023

	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	
As of January 1, 2022	12,000	20,482	28,623	483,732	-25	-614	-944	543,254	-	543,254
Profit for the period	-	-	-	82,097	-	-	-	82,097	-	82,097
Other comprehensive income	-	-	-	819	41	1	8,066	8,927	-	8,927
Total comprehensive income	-	-	-	82,916	41	1	8,066	91,024	-	91,024
Dividends	-	-	-	-4,800	-	-	-	-4,800	-	-4,800
Appropriation to reserves	-	-	480	-480	-	-	-	-	-	-
As of June 30, 2022	12,000	20,482	29,103	561,368	16	-613	7,122	629,478	-	629,478
As of January 1, 2023	12,000	20,482	29,103	622,951	-	-703	-1,211	682,622	-	682,622
Profit for the period	-	-	-	22,582	-	-	-	22,582	-	22,582
Other comprehensive income	-	-	-	418	-	2	10,016	10,436	-	10,436
Total comprehensive income	-	-	-	23,000	-	2	10,016	33,018	-	33,018
Dividends	-	-	-	-12,000	-	-	-	-12,000	-	-12,000
Appropriation to reserves	-	-	1,200	-1,200	-	-	-	-	-	-
As of June 30, 2023	12,000	20,482	30,303	632,751	-	-701	8,805	703,640	-	703,640

Interim consolidated statements of changes in equity (unaudited)

For the six months ended June 30, 2022 and 2023 (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	
As of January 1, 2022	9,107	15,545	21,722	367,121	-19	-466	-716	412,294	-	412,294
Profit for the period	-	-	-	62,306	-	-	-	62,306	-	62,306
Other comprehensive income	-	-	-	622	31	1	6,122	6,776	-	6,776
Total comprehensive income	-	-	-	62,928	31	1	6,122	69,082	-	69,082
Dividends	-	-	-	-3,643	-	-	-	-3,643	-	-3,643
Appropriation to reserves	-	-	365	365	-	-	-	-	-	-
As of June 30, 2022	9,107	15,545	22,087	426,041	12	-465	5,406	477,733	-	477,733
As of January 1, 2023	9,107	15,545	22,087	472,780	-	-534	-919	518,066	-	518,066
Profit for the period	-	-	-	17,138	-	-	-	17,138	-	17,138
Other comprehensive income	-	-	-	317	-	2	7,602	7,921	-	7,921
Total comprehensive income	-	-	-	17,455	-	2	7,602	25,059	-	25,059
Dividends	-	-	-	-9,107	-	-	-	-9,107	-	-9,107
Appropriation to reserves	-	-	911	-911	-	-	-	-	-	-
As of June 30, 2023	9,107	15,545	22,998	480,217	-	-532	6,683	534,018	-	534,018

Interim consolidated statements of cash flows (unaudited)

	Notes	For the six months ended June 30,	
		2023	2022
		Million KRW	Million KRW
Profit for the period		22,582	82,097
Total adjustments	27	43,116	51,769
Changes in operating assets and liabilities	27	61,779	-76,526
Interest received		711	190
Payments of income tax		-35,135	-23,988
Net cash flows provided by (used in) operating activities		93,053	33,542
Proceeds from sale of property, plant and equipment	6	65	1
Purchases of property, plant and equipment	6	-25,624	-20,953
Purchases of intangible assets	7	-1,231	-1,440
Dividends received from investments using equity method		578	581
(Increase) in other financial assets, net		-1,895	-3,572
Net cash flows used in investing activities		-28,107	-25,383
Proceeds from borrowings		205,879	452,614
Repayments of borrowings		-257,722	-436,365
Payment of lease liabilities		-1,683	-1,670
Increase in other financial liabilities, net		1,096	89
Interest paid		-5,097	-3,697
Dividends paid		-12,000	-4,800
Net cash flows provided by (used in) financing activities		-69,527	6,171
(Decrease) / increase in cash and cash equivalents		-4,581	14,330
Net foreign exchange differences		-5,770	-5,385
Cash and cash equivalents as of January 1	10	104,760	97,744
Cash and cash equivalents as of June 30	10	94,409	106,689

Interim consolidated statements of cash flows (unaudited)

	For the six months ended June 30, (refer to note 2.1)	
	2023	2022
	Thousand USD	Thousand USD
Profit for the period	17,138	62,306
Total adjustments	32,722	39,289
Changes in operating assets and liabilities	46,886	-58,078
Interest received	540	144
Payments of income tax	-26,665	-18,205
Net cash flows provided by (used in) operating activities	70,621	25,456
Proceeds from sale of property, plant and equipment	49	1
Purchases of property, plant and equipment	-19,447	-15,902
Purchases of intangible assets	-934	-1,093
Dividends received from investments using equity method	439	441
(Increase) in other financial assets, net	-1,438	-2,711
Net cash flows used in investing activities	-21,331	-19,264
Proceeds from borrowings	156,249	343,505
Repayments of borrowings	-195,594	-331,173
Payment of lease liabilities	-1,277	-1,267
Increase in other financial liabilities, net	832	68
Interest paid	-3,868	-2,806
Dividends paid	-9,107	-3,643
Net cash flows provided by (used in) financing activities	-52,765	4,684
(Decrease) / increase in cash and cash equivalents	-3,475	10,876
Net foreign exchange differences	-4,381	-4,087
Cash and cash equivalents as of January 1	79,506	74,181
Cash and cash equivalents as of June 30	71,650	80,970

Notes to the interim condensed consolidated financial statements

1. Corporate information

1.1. The Group

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

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

Scope of consolidation

As of June 30, 2023, the scope of consolidation for the interim consolidated financial statements encompasses 14 entities (2022: 14 entities). Additionally, one entity is classified as a joint venture (2022: one entity) and accounted for using the equity method.

During the six months ended June 30, 2023 and the year ended December 31, 2022, no changes in the legal structure of the Group and scope of consolidation took place.

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	June 30, 2023		December 31, 2022	
		Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Trading GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon International-Qingdao Co., Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives-Sole Proprietorship LLC	UAE	Subsidiary	100%	Subsidiary	100%
Entity accounted for using the equity method (joint venture)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

2. Basis of preparation

The interim condensed consolidated financial statements for the three and six months ended June 30, 2023 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, 2022.

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. The accompanying interim consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's 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 1,317.64 to USD 1, the exchange rate in effect on June 30, 2023. 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. Restatement of prior year figures in consolidated statements of comprehensive income

In June 2022, SONGWON performed a reclassification of 3rd party freight costs related to direct shipments for IC sales in Songwon Industrial Co., Ltd., from selling and administration costs (SG&A) to cost of sales (COS) for 6 months of the financial year 2022. As a result of this reclassification, the results for the three months ended June 30, 2022 (comparable period), were restated in the Financial Statements as of June 30, 2023, to allocate the reclassification to the respective periods of Q1/2022 and Q2/2022. Consequently, for the three months ended June 30, 2022, COS decreased by -10,128 Million KRW (SG&A increased by 10,128 Million KRW). This caused an increase in gross profit of 2.9%-points when compared to the previously reported results for the three months ended June 30, 2022. The changes in disclosure have no impact on the operating profit and net profit for the period. The results for the six months ended June 30, 2022 remain unchanged.

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, 2022, except for the adoption of new standards effective as of January 1, 2023. 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 2023, 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

KIFRS 1117: Insurance Contracts

In May 2017, the IASB issued KIFRS 1117 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 Insurance Contracts that was issued in 2005. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to KIFRS 1008: Definition of Accounting Estimates

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to KIFRS 1001: Disclosure of Accounting Policies

The amendments to KIFRS 1001 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Amendments to KIFRS 1012: Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

The amendments to KIFRS 1012 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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.	5,981	15,765	13,722	2,363	3,366	28	62	26,059	7,818
December 31, 2022	5,981	15,765	13,722	2,363	3,366	28	62	26,059	7,818
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,991	13,096	13,426	1,413	1,634	30	65	24,823	7,447
June 30, 2023	4,991	13,096	13,426	1,413	1,634	30	65	24,823	7,447

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,364	-43	1	-1	3,418	-855	2,563	87	2,650
For the three months ended June 30, 2022	13,364	-43	1	-1	3,418	-855	2,563	87	2,650
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,934	-46	29	-1	771	-193	578	-340	238
For the three months ended June 30, 2023	7,934	-46	29	-1	771	-193	578	-340	238

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.	22,493	-86	2	-2	5,765	-1,441	4,324	140	4,464
For the six months ended June 30, 2022	22,493	-86	2	-2	5,765	-1,441	4,324	140	4,464
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	15,112	-89	38	-2	801	-200	601	90	691
For the six months ended June 30, 2023	15,112	-89	38	-2	801	-200	601	90	691

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

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

	As of January 1, 2023	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of June 30, 2023
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,818	-578	180	27	7,447
Total	7,818	-578	180	27	7,447

5. Segment information

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

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

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

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

5.1. Reported key figures

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

Description	For the three months ended					
	2023		2022		June 30,	
	2023	2022	2023	2022	2023	2022
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	198,774	260,406	70,458	82,329	269,232	342,735
Operating profit	19,743	49,593	2,247	4,665	21,990	54,258

Description	For the six months ended					
	2023		2022		June 30,	
	2023	2022	2023	2022	2023	2022
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	394,721	509,271	141,678	171,897	536,399	681,168
Operating profit	36,995	100,419	3,484	11,034	40,479	111,453

5.2. Geographic information

5.2.1. Sales

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

	For the three months ended	
	June 30,	
	2023	2022
	Million KRW	Million KRW
Korea	49,713	65,597
Rest of Asia	76,206	87,424
Europe	63,583	79,031
North and South America	63,897	82,336
Australia	596	924
Middle East and Africa	15,237	27,423
Total sales	269,232	342,735

	For the six months ended	
	June 30,	
	2022	2023
	Million KRW	Million KRW
Korea	102,520	130,813
Rest of Asia	143,869	178,982
Europe	129,585	159,686
North and South America	127,934	157,898
Australia	1,203	1,678
Middle East and Africa	31,288	52,111
Total sales	536,399	681,168

As of June 30, 2023, one customer referring to the reporting segment "Industrial Chemicals" accounted for more than 10% of the Group's total sales with the total amount of revenues of 28,104 Million KRW during three months as of June 30, 2023 and with the total amount of revenues of 59,609 Million KRW during six months as of June 30, 2023. (As of June 30, 2022: no customer accounted for more than 10% of the Group's total sales.)

5.2.2. Non-current assets

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

	As of	
	June 30, 2023	December 31, 2022
	Million KRW	Million KRW
Korea	410,014	411,991
Rest of Asia	24,770	24,036
Europe	7,787	7,619
North and South America	10,454	10,388
Middle East and Africa	19,241	19,359
Total	472,266	473,393

6. Property, plant and equipment

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

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2022	149,656	93,377	71,856	497,806	45,026	15,127	872,848
Additions	-	86	101	1,168	94	23,618	25,067
Disposals	-	-	-59	-1,311	-174	-	-1,544
Reclassifications	-	4,238	204	6,586	9	-11,037	-
Net exchange differences	-	1,614	-	1,870	252	23	3,759
As of June 30, 2022	149,656	99,315	72,102	506,119	45,207	27,731	900,130
As of January 1, 2023	149,656	103,338	72,918	532,467	22,053	35,498	915,930
Additions	-	169	112	953	241	13,828	15,303
Disposals	-	-3,161	-1,333	-35,709	-503	-	-40,706
Reclassifications	-	2,417	7,125	31,342	88	-40,972	-
Net exchange differences	-	1,130	-	2,207	259	43	3,639
As of June 30, 2023	149,656	103,893	78,822	531,260	22,138	8,397	894,166
Accumulated depreciation and impairment							
As of January 1, 2022	-	-30,674	-44,676	-335,178	-38,019	-	-448,547
Depreciation charge	-	-1,327	-1,613	-10,779	-916	-	-14,635
Disposals	-	-	43	1,075	170	-	1,288
Impairment	-	-	-	-11	-	-	-11
Net exchange differences	-	-323	-	-723	-182	-	-1,228
As of June 30, 2022	-	-32,324	-46,246	-345,616	-38,947	-	-463,133
As of January 1, 2023	-	-35,096	-47,647	-374,184	-17,462	-	-474,389
Depreciation charge	-	-1,827	-1,944	-11,165	-710	-	-15,646
Disposals	-	1,616	1,177	34,204	491	-	37,488
Net exchange differences	-	-247	-	-1,103	-138	-	-1,488
As of June 30, 2023	-	-35,554	-48,414	-352,248	-17,819	-	-454,035
Net book value							
As of June 30, 2023	149,656	68,339	30,408	179,012	4,319	8,397	440,131
As of January 1, 2023	149,656	68,242	25,271	158,283	4,591	35,498	441,541
As of June 30, 2022	149,656	66,991	25,856	160,503	6,260	27,731	436,997

During the six months ended June 30, 2023, non-cash transactions decreased by 10,321 Million KRW (for the six months ended June 30, 2022: increased by 4,114 Million KRW). Accounts payable relating to non-cash transactions amounted to 2,269 Million KRW as of June 30, 2023 (June 30, 2022: 13,217 Million KRW). No impairment was recognized on property, plant and equipment for the six months ended June 30, 2023 (for the six months ended June 30, 2022: 11 Million KRW).

During the six months ended June 30, 2023, the Group capitalized in the property, plant and equipment borrowing cost of 731 Million KRW (for the six months ended June 30, 2022: none).

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
Acquisition cost					
As of January 1, 2022	20,704	2,178	1,235	1,077	25,194
Additions	-	-	-	110	110
Modification of contract	30	-	-	25	55
Net exchange differences	1,287	2	52	41	1,382
As of June 30, 2022	22,021	2,180	1,287	1,253	26,741
As of January 1, 2023	21,652	2,837	1,200	1,297	26,986
Additions	142	-	264	205	611
Disposals	-	-	-	-8	-8
Modification of contract	-778	-	-	18	-760
Net exchange differences	1,070	1	81	60	1,212
As of June 30, 2023	22,086	2,838	1,545	1,572	28,041
Accumulated depreciation and impairment					
As of January 1, 2022	-4,530	-1,731	-364	-668	-7,293
Depreciation charge	-797	-292	-76	-159	-1,324
Modification of contract	-	-	-	20	20
Net exchange differences	-285	-2	-24	-33	-344
As of June 30, 2022	-5,612	-2,025	-464	-840	-8,941
As of January 1, 2023	-6,315	-2,342	-510	-850	-10,017
Depreciation charge	-836	-331	-78	-135	-1,380
Disposals	-	-	-	8	8
Net exchange differences	-289	-	-28	-42	-359
As of June 30, 2023	-7,440	-2,673	-616	-1,019	-11,748
Net book value					
As of June 30, 2023	14,646	165	929	553	16,293
As of January 1, 2023	15,337	495	690	447	16,969
As of June 30, 2022	16,409	155	823	413	17,800

The Group recognized rent expenses from short-term leases of 81 Million KRW (June 30, 2022: 87 Million KRW), leases of low-value assets of 39 Million KRW (June 30, 2022: 39 Million KRW) and variable lease payments of 20 Million KRW (June 30, 2022: 241 Million KRW) in the interim condensed consolidated statements of comprehensive income for the six months ended June 30, 2023.

No impairment was recognized on right-of-use assets for the six months ended June 30, 2023 (for the six months ended June 30, 2022: none).

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

Description	2023	2022
	Million KRW	Million KRW
As of January 1	16,898	17,934
Additions	611	110
Modifications	-760	55
Net exchange differences	860	1,054
Accretion of interest	295	298
Payments	-1,683	-1,670
As of June 30	16,221	17,781

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

7. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2022	6,643	3,058	831	44,038	2,114	56,684
Additions	300	-	-	-	1,140	1,440
Disposals	-207	-	-	-	-29	-236
Reclassifications	740	-	-	-	-740	-
Net exchange differences	-	82	-	3,022	-	3,104
As of June 30, 2022	7,476	3,140	831	47,060	2,485	60,992
As of January 1, 2023	7,688	3,558	831	40,734	3,186	55,997
Additions	14	5	-	-	1,212	1,231
Disposals	-	-32	-	-	-	-32
Reclassifications	146	188	-	-	-334	-
Net exchange differences	-	30	-	7,044	-	7,074
As of June 30, 2023	7,848	3,749	831	47,778	4,064	64,270
Accumulated amortization and impairment						
As of January 1, 2022	-3,602	-2,673	-	-40,759	-	-47,034
Amortization charge	-313	-80	-	-	-	-393
Disposals	236	-	-	-	-	236
Impairment	-179	-	-	-	-	-179
Net exchange differences	-	-75	-	-2,920	-	-2,995
As of June 30, 2022	-3,858	-2,828	-	-43,679	-	-50,365
As of January 1, 2023	-4,039	-2,922	-	-37,609	-	-44,570
Amortization charge	-322	-125	-	-	-	-447
Disposals	-	32	-	-	-	32
Net exchange differences	-	-23	-	-6,871	-	-6,894
As of June 30, 2023	-4,361	-3,038	-	-44,480	-	-51,879
Net book value						
As of June 30, 2023	3,487	711	831	3,298	4,064	12,391
As of January 1, 2023	3,649	636	831	3,125	3,186	11,427
As of June 30, 2022	3,618	312	831	3,381	2,485	10,627

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. No impairment was recognized on intangible assets for the six months ended June 30, 2023 (for the six months ended June 30, 2022: an impairment loss on industrial rights of 179 Million KRW). Intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred during the six months ended June 30, 2023 and 2022.

8. Inventories

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Raw materials and supplies	72,458	85,687
Work in progress	738	1,250
Finished and semi-finished goods	194,645	232,946
Goods in transit	69,480	54,131
Consignment stocks	3,838	3,115
Total inventories at the lower of cost and net realizable value	341,159	377,129

As of June 30, 2023, inventory allowance amounted to 6,424 Million KRW for raw materials, finished and semi-finished goods (December 31, 2022: 4,853 Million KRW). During the six months ended June 30, 2023, the Group recognized inventory allowance expenses of 2,527 Million KRW (for the six months ended June 30, 2022: none) and reversed inventory allowances recognized in prior periods of 956 Million KRW (for the three months ended June 30, 2022: 200 Million KRW).

For the six months ended June 30, 2023, the Group recognized impairment losses of 852 Million KRW within inventories (for the six months ended June 30, 2022: no impairment).

9. Trade and other receivables

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Trade and notes receivables	162,221	176,734
Allowances for trade and notes receivables	-1,362	-1,371
Trade and notes receivables (related parties)	66	63
Other accounts receivables	3,820	1,670
Allowances for other accounts receivables	-15	-18
Accrued income	100	96
Total	164,830	177,174

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
June 30, 2023	166,207	155,944	9,712	3	-	548
December 31, 2022	178,563	166,012	11,689	51	261	550

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

10. Cash and cash equivalents

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Cash on hand	72	59
Bank accounts	62,779	76,069
Time deposits (< 3 months)	31,558	28,632
Total	94,409	104,760

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.

As of June 30, 2023, time deposits included restricted cash of 135 Million KRW (December 31, 2022: none).

11. Other current assets

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Advance payments	1,098	1,030
Prepaid expenses	4,882	4,623
VAT receivable	7,638	7,267
Total	13,618	12,920

12. Other financial assets

Description	June 30, 2023		December 31, 2022	
	Non-current	Current	Non-current	Current
	Million KRW	Million KRW	Million KRW	Million KRW
Financial instruments at amortized cost (bank deposit)	355	2,264	529	1,826
Financial instruments at FVtPL	13,532	2,674	11,847	2,591
Derivative assets at FVtPL (note 20)	2,875	1,686	2,293	1,849
Guarantee and other deposits at amortized cost	1,364	638	1,328	411
Guarantee and other deposits at amortized cost (related parties) (note 23)	33	-	33	-
Total	18,159	7,262	16,030	6,677

As of June 30, 2023, financial instruments at amortized cost included restricted cash of 5 Million KRW (December 31, 2022: 7 Million KRW) as well as pledged bank deposits of 526 Million KRW (December 31, 2022: 481 Million KRW).

13. Equity

13.1. Reserves and dividends paid

At the regular general meeting of shareholders held on March 17, 2023, dividends with the total amount of 12,000 Million KRW were approved by the shareholders. Legal reserves increased by 1,200 Million KRW due to the appropriation to the reserve approved by the shareholders on March 17, 2023.

13.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of June 30, 2023 and December 31, 2022, is composed of the following:

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-3,950	-4,368
OCI recognized within retained earnings	-3,950	-4,368
Fair value reserve of financial assets at FVOCI	-701	-703
Foreign currency translation reserve	8,805	-1,211
OCI recognized within other components of equity	8,104	-1,914

14. Bonds, interest-bearing loans and borrowings

Bonds, interest-bearing loans and borrowings as of June 30, 2023 and December 31, 2022, are as follows:

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Corporate bonds	58,057	56,905
Long-term borrowings	6,750	8,840
Non-current bonds, interest-bearing loans and borrowings	64,807	65,745
Current portion of long-term borrowings	3,430	1,930
Short-term borrowings	155,012	206,140
Current interest-bearing loans and borrowings	158,442	208,070
Total	223,249	273,815

15. Trade and other payables

Trade and other payables as of June 30, 2023 and December 31, 2022, are as follows:

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Trade payables	92,170	78,386
Trade payables (related parties) (note 23)	1,873	1,361
Other accounts payables	16,856	28,744
Other accounts payables (related parties) (note 23)	7	7
Withholdings	662	1,835
Accrued expenses	20,427	28,904
Guarantee deposits	10	38
Total	132,005	139,275

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

16. Operating profit and finance income / expenses

16.1. Selling and administration expenses

Details of selling and administration expenses for the three-month and the six-month periods ended June 30, 2023 and 2022 are as follows:

Description	For the three months ended	
	June 30,	June 30,
	2023	2022
	Million KRW	(restated)*
	Million KRW	Million KRW
Sales-related costs	-4,721	-13,748
Personnel expenses	-11,457	-11,725
Travelling and entertainment	-1,282	-1,109
Depreciation and amortization	-588	-599
Administration expenses	-2,782	-2,243
IT expenses	-989	-785
Others	-241	-228
Total	-22,060	-30,437

*refer to note 2.2 for further details

Description	For the six months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Sales-related costs	-8,997	-28,606
Personnel expenses	-23,685	-23,684
Travelling and entertainment	-2,756	-1,735
Depreciation and amortization	-1,178	-1,200
Administration expenses	-5,195	-4,624
IT expenses	-1,972	-1,770
Others	-864	-859
Total	-44,647	-62,478

16.2. Finance income

Details of finance income for the three-month and the six-month periods ended June 30, 2023 and 2022 are as follows:

Description	For the three months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Interest on loans and receivables	469	95
Gains on foreign exchange transactions	8,150	8,007
Gains on foreign exchange translations	-1,860	8,307
Gains on derivative transactions	625	460
Gains on valuation of derivatives	403	2,435
Gain on valuation of financial assets FVtPL	69	-
Total finance income	7,856	19,304

Description	For the six months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Interest on loans and receivables	934	177
Gains on foreign exchange transactions	15,878	11,876
Gains on foreign exchange translations	8,100	12,115
Gains on derivative transactions	881	916
Gains on valuation of derivatives	1,043	3,932
Gain on valuation of financial assets FVtPL	135	-
Total finance income	26,971	29,016

16.3. Finance expenses

Details of finance expense for the three-month and the six-month periods ended June 30, 2023 and 2022 are as follows:

Description	For the three months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Interest on borrowings	-2,554	-2,209
Losses on foreign exchange transactions	-9,291	-8,987
Losses on foreign exchange translations	-317	-6,118
Losses on derivative transactions	-290	-70
Losses on valuation of derivatives	450	63
Losses on disposal of financial assets at FVtPL	-3	-22
Loss on valuation of financial assets FVtPL	5	-
Bank charges	-50	-84
Total finance expenses	-12,050	-17,427

Description	For the six months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Interest on borrowings	-4,982	-4,019
Losses on foreign exchange transactions	-15,782	-12,632
Losses on foreign exchange translations	-8,317	-10,864
Losses on derivative transactions	-432	-141
Losses on valuation of derivatives	-1,333	-
Losses on disposal of financial assets at FVtPL	-3	-22
Loss on valuation of financial assets FVtPL	-15	-
Bank charges	-122	-171
Total finance expenses	-30,986	-27,849

17. Income tax expenses

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

Income taxes	For the three months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Current income tax charges	-4,507	-19,888
Deferred taxes related to origination and reversal of deferred taxes	777	1,208
Income tax recognized in other comprehensive income	94	61
Income tax expenses	-3,636	-18,619

Income taxes	For the six months ended June 30,	
	2023	2022
	Million KRW	Million KRW
Current income tax charges	-11,485	-35,094
Deferred taxes related to origination and reversal of deferred taxes	-230	2,433
Income tax recognized in other comprehensive income	-223	121
Income tax expenses	-11,938	-32,540

18. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of June 30, 2023 and 2022, as no securities with dilutive features have been issued as of the end of the reporting periods.

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

Description	For the three months ended June 30,	
	2023	2022
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	11,956,401,188	38,670,258,400
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	498	1,611

Description	For the six months ended June 30,	
	2023	2022
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	22,582,139,915	82,097,360,397
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	941	3,421

19. Other financial liabilities

Other financial liabilities as of June 30, 2023 and December 31, 2022, are as follows:

Description	June 30, 2023		December 31, 2022	
	Non-current	Current	Non-current	Current
	Million KRW	Million KRW	Million KRW	Million KRW
Derivative liabilities (note 20)	-	1,333	-	-
Deposits	1	1,313	1	-
Accrued interest expenses	-	331	-	554
Total	1	2,977	1	554

20. Derivative financial instruments

Derivative financial liabilities as of June 30, 2023 and December 31, 2022, are as follows:

Description	June 30, 2022		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
	Million KRW	Million KRW	Million KRW	Million KRW
Forward exchange contracts (current portion)	232	1,333	624	-
Currency and interest rate swaps (current portion)	1,454	-	1,225	-
Currency and interest rate swaps (non-current portion)	2,875	-	2,293	-
Total	4,561	1,333	4,142	-

20.1. Forward exchange contracts

Details of forward exchange contracts which the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of June 30, 2023 and December 31, 2022 are as follows:

As of June 30, 2023

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Busan Bank	Sell	EUR 19,730,000	31.07.2023 – 28.06.2024	1,438.60 ~ 1,473.50
Citibank Korea	Sell	JPY 1,458,000,000	31.07.2023 – 29.12.2024	10.2700 ~ 10.4200
	Sell	EUR 54,660,000	31.07.2023 – 25.06.2024	1,395.50 ~ 1,473.20

As of December 31, 2022

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	Sell	JPY 1,608,000,000	31.01.2023~30.06.2023	10.7500
	Sell	EUR 15,660,000	31.01.2023~30.06.2023	1,425.00~1,467.00
Woori Bank	Sell	EUR 15,660,000	31.01.2023~30.06.2023	1,425.40~1,467.80

20.2. Currency and interest rate swaps

The Group is exposed to exchange rate and interest rate risks due to the corporate bond issuance in the form of a floating rate note (refer to note 14). To hedge these risks, the Group has entered into the following currency and interest rate swaps (CRS) as of June 30, 2023 and December 31, 2022:

As of June 30, 2023

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, 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%		

21. Emission rights and emission liabilities

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

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

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

	2022		2023	
	Quantity	Book value	Quantity	Book value
Beginning	3,171	348	4,594	348
Allocation	138,875	-	138,875	-
Disposal	-	-	-	-
Delivery to government	-137,452	-	-	-
Carry forward	-4,594	-348	-	-
Ending	-	-	143,469	348

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

There are no emission rights provided as collateral as of June 30, 2023.

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

	2023	2022
As of January 1	-	14
Increase	-	182
Decrease	-	-
As of June 30	-	196

Estimated greenhouse gas emissions in 2023 were 133,649 KAU.

Allocated greenhouse gas emissions free of charge in 2023 are 138,875 KAU.

22. Fair values

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

As of June 30, 2023

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,752	2,902	1,752	2,902
	Trade and other receivables	-	164,830	-	164,830
	Cash and cash equivalents	-	94,409	-	94,409
	<i>Total financial assets at amortized cost</i>	<i>1,752</i>	<i>262,141</i>	<i>1,752</i>	<i>262,141</i>
	Financial assets at FVtPL				
	Forward exchange contracts	-	232	-	232
	Currency and interest rate swaps	2,875	1,454	2,875	1,454
	Other financial assets	13,532	2,674	13,532	2,674
	<i>Total financial assets at FVtPL</i>	<i>16,407</i>	<i>4,360</i>	<i>16,407</i>	<i>4,360</i>
Total financial assets	18,159	266,501	18,159	266,501	
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1	1,644	1	1,644
	Lease liabilities	14,188	2,033	14,188	2,033
	Trade and other payables	-	132,005	-	132,005
	Bonds, interest-bearing loans and borrowings	64,807	158,442	64,807	158,442
	<i>Total financial liabilities at amortized cost</i>	<i>78,996</i>	<i>294,124</i>	<i>78,996</i>	<i>294,124</i>
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	1,333	-	1,333
<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>1,333</i>	<i>-</i>	<i>1,333</i>	
Total financial liabilities	78,996	295,457	78,996	295,457	

As of December 31, 2022

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,890	2,237	1,890	2,237
	Trade and other receivables	-	177,174	-	177,174
	Cash and cash equivalents	-	104,760	-	104,760
	<i>Total financial assets at amortized cost</i>	<i>1,890</i>	<i>284,171</i>	<i>1,890</i>	<i>284,171</i>
	Financial assets at FVtPL				
	Forward exchange contracts	-	624	-	624
	Currency and interest rate swaps	2,293	1,225	2,293	1,225
	Other financial assets	11,847	2,591	11,847	2,591
	<i>Total financial assets at FVtPL</i>	<i>14,140</i>	<i>4,440</i>	<i>14,140</i>	<i>4,440</i>
Total financial assets		16,030	288,611	16,030	288,611
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1	554	1	554
	Lease liabilities	14,564	2,334	14,564	2,334
	Trade and other payables	-	139,275	-	139,275
	Bonds, interest-bearing loans and borrowings	65,745	208,070	65,745	208,070
	<i>Total financial liabilities at amortized cost</i>	<i>80,310</i>	<i>350,233</i>	<i>80,310</i>	<i>350,233</i>
Total financial liabilities		80,310	350,233	80,310	350,233

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

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

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

22.1. Fair value hierarchy

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

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

As of June 30, 2023 and December 31, 2022, the Group held the following financial instruments carried at fair value on the statement of financial position:

		June 30, 2023	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	232	-	232	-
	Currency and interest rate swaps	4,329	-	4,329	-
	<i>Total</i>	<i>4,561</i>	<i>-</i>	<i>4,561</i>	<i>-</i>
	Debt instruments				
	Exchange traded fund at FVtPL	16,206	-	16,206	-
<i>Total</i>	<i>16,206</i>	<i>-</i>	<i>16,206</i>	<i>-</i>	
Total		20,767	-	20,767	-
Financial liabilities	Derivatives				
	Forward exchange contracts	1,333	-	1,333	-
	<i>Total</i>	<i>1,333</i>	<i>-</i>	<i>1,333</i>	<i>-</i>
	Total		1,333	-	1,333

		December 31, 2022	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	624	-	624	-
	Currency and interest rate swaps	3,518	-	3,518	-
	<i>Total</i>	<i>4,142</i>	<i>-</i>	<i>4,142</i>	<i>-</i>
	Debt instruments				
	Exchange traded fund at FVtPL	14,438	-	14,438	-
<i>Total</i>	<i>14,438</i>	<i>-</i>	<i>14,438</i>	<i>-</i>	
Total		18,580	-	18,580	-

During the six months ended June 30, 2023 and year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

23. Related party disclosures

The companies listed below have been identified as related parties:

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

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

Related party	Description	For the six months ended June 30,	
		2023	2022
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-40	-40
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	197	-
	Cost of sales	-9,977	-14,957
Total	Sales	197	-
	Cost of sales	-9,977	-14,957
	Selling and administration costs	-40	-40

Related party	Description	As of	
		June 30, 2023	December 31, 2022
		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 receivables	66	63
	Trade and other payables	1,873	1,361
Total	Other non-current financial assets	33	33
	Trade and other receivables	66	63
	Trade and other payables	1,880	1,368

23.1. The ultimate parent

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

23.2. Terms and conditions of transactions with related parties

Outstanding balances of related parties as of June 30, 2023 are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six months ended June 30, 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2022: none). This assessment is undertaken periodically by examining the financial position of the related party and the market in which the related party operates.

23.3. Transactions with key management personnel

During the six months ended June 30, 2023 and the year ended December 31, 2022, no other transactions with key management personnel other than those disclosed in note 23.4 took place.

23.4. Compensation of key management personnel of the Group

Description	For the six months ended	
	June 30,	
	2023	2022
	Million KRW	Million KRW
Short-term employee benefits	-5,514	-6,870
Post-employment benefits	20	-265
Other long-term benefits	-401	-590
Share based payments	-68	63
Total compensation paid to key management personnel	-5,963	-7,662

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. The compensation amount of key management personnel of the Group decreased for the six months ended June 30, 2023, compared to the prior year comparable period due to the resignation of three key management persons in the second quarter 2022 in course of the internal restructuring procedures.

23.5. Other related parties

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

24. Contingencies and commitments

24.1. Contingent liability

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to the product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on the business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 938 Million KRW (December 31, 2022: 224 Million KRW). A customer complaint concerning quality of SONGWON products was closed as of June 30, 2023, without any outflow of economic resources relating to the contingent liability. The customer complaint assessed damage, was valued at 157 Million KRW as of December 31, 2022.

24.2. Other lease commitments

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixture. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of June 30, 2023 and December 31, 2022 are as follows:

Description	June 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-9	-2
After one year but not more than five years	-1	-
<i>Total short-term lease commitments</i>	-10	-2
Low-value lease commitments		
Within one year	-52	-66
After one year but not more than five years	-39	-61
<i>Total low-value lease commitments</i>	-91	-127
Total	-101	-129

24.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of June 30, 2023, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 6,062 Million KRW (December 31, 2022: 11,444 Million KRW).

There are no blank promissory notes or checks issued or received by the Group as of June 30, 2023.

Details of the Group's available short-term credit line facilities (excluding general loans) as of June 30, 2023 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,000	5,033	14,967
D/A and D/P	Thousand USD	103,000	47,934	55,066
	Million KRW	12,000	3,384	8,616
Secured loan of credit sales	Million KRW	9,000	1,303	7,697
Other foreign currency guarantees	Thousand USD	8,750	1,981	6,769
Bond issuance payment guarantee	Thousand USD	24,990	24,990	-
	Million KRW	26,000	26,000	-
	Total Million KRW	47,000	30,687	16,313
	Total Thousand USD	156,740	79,938	76,802

25. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of June 30, 2023 and December 31, 2022, presented in the maximum pledge amount, are as follows:

Pledged to		Pledged assets		June 30, 2023	December 31, 2022
<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	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	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	120,000
Hana Bank	Land, buildings and machinery	Million KRW	80,400	80,400	80,400
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	96,600	96,600	96,600
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000	24,000
Total		Million KRW	345,000	345,000	345,000
		Thousand USD	24,000	24,000	24,000

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of June 30, 2023 and December 31, 2022.

Payment guarantee to Seoul insurance company

In the six months ended as of June 30, 2023, the Group possessed deposit guarantee for approval of development activity and urban planning facility business of 49.6 Million KRW (December 31, 2022: 49.6 Million KRW). Additionally, as of December 31, 2022 the Group possessed payment guarantees to Seoul guarantee insurance company for government subsidy return guarantee of 71.5 Million KRW.

26. Financial risk management objectives and policies

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

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

26.1. Market risk

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

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

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVtPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of June 30, 2023 and 2022 as well as December 31, 2022.

26.1.1. Interest rate risk

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

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

Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
June 30, 2023	1.00	-276
	-1.00	276
June 30, 2022	1.00	-621
	-1.00	621

26.1.2. Foreign currency risk

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

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

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

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant and the foreign exchange rate only changes by 10%, the impacts on net profit for the six months ended June 30, 2023 and year ended December 31, 2022 are as follows:

Currency	June 30, 2023		December 31, 2022	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	3,728	-3,728	6,566	-6,566
EUR	1,374	-1,374	1,007	-1,007
JPY	3,364	-3,364	4,451	-4,451
CHF	109	-109	278	-278
AED	-164	164	-202	202
INR	109	-109	131	-131
Total	8,520	-8,520	12,231	-12,231

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

26.2. Credit risk

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

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

The Group is also exposed to 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 financial institutions with high credit ratings.

26.3. Liquidity risk

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

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

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

The details of maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of June 30, 2023 and December 31, 2022 are as follows:

As of June 30, 2023	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	13,070	48,781	96,591	64,807	-	223,249
Trade and other payables	115,169	10,308	6,528	-	-	132,005
Lease liabilities	282	565	1,850	8,652	9,642	20,991
Other financial liabilities	275	1,325	44	1	-	1,645
Total	128,796	60,979	105,013	73,460	9,642	377,890

As of December 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	19,327	124,209	64,534	65,745	-	273,815
Trade and other payables	109,868	22,072	7,335	-	-	139,275
Lease liabilities	278	563	2,022	7,655	9,311	19,829
Other financial liabilities	486	42	26	1	-	555
Total	129,959	146,886	73,917	73,401	9,311	433,474

26.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of June 30, 2023 and December 31, 2022 is 65% and 78%, respectively.

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

27. Cash flow statement

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

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the six months ended June 30, 2023 and 2022 are as follows:

	Notes	For the six months ended	
		June 30,	
		2023	2022
Adjustments		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	15,646	14,635
Depreciation of right-of-use assets	6.1	1,380	1,324
Depreciation of investment properties		4	7
Amortization of intangible assets	7	447	393
Impairment of property, plant and equipment	6	-	11
Impairment of intangible assets	7	-	179
Impairment of inventories	8	852	-
Losses on disposals of property, plant and equipment, net	6	3,153	255
Share of result from investments accounted using the equity method	4	-180	-1,297
Share-based compensation expenses		742	124
Pension costs		858	3,147
Other long-term employee benefit expenses		616	456
Provisions		-	48
Finance income		-1,219	-6,897
Finance expenses		8,879	6,845
Income tax expenses	17	11,938	32,540
Total		43,116	51,769
Changes in operating assets and liabilities			
Trade receivables		18,397	-22,295
Other receivables		-1,833	-1,381
Other current assets		-494	-9,561
Other current financial assets		163	-950
Inventories		44,000	-63,972
Trade payables		13,478	19,654
Other payables		-11,880	-5,689
Other current financial liabilities		1,043	3,682
Other current liabilities		-644	5,630
Pension liabilities		-284	-234
Other long-term employment benefits		-167	-1,410
Total		61,779	-76,526

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

The Group closely monitors the global situation and assesses the future impact of the Russian-Ukrainian conflict on the consolidated financial statements on a regular basis. For the six months ended June 30, 2023, the following assessments were performed, amongst others:

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

The Group assessed whether there were any internal and external indicators of impairment of property, plant and equipment and intangible assets. For the six months ended June 30, 2023, no indications of impairment have been identified and accordingly, no impairment has been recognized on property, plant and equipment and intangible assets related to the Russian-Ukrainian conflict.

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

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the six months ended June 30, 2023, 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 221 Million KRW in the interim condensed consolidated financial statements for the six months ended June 30, 2023.

29. Events after the reporting period

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

30. Global minimum tax

The Organization for Economic Cooperation and Development (OECD)/G20 inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalization of the global economy. Global Minimum Tax (Pillar Two) was released and is applicable to Multinational Enterprises (MNEs) with revenue in excess of 750 Million EUR per their consolidated financial statements.

National Assembly of South Korea passed into law new Global Minimum Tax rules to align with the OECD BEPS Pillar Two in December 2022. The regulation will be included in the Adjustment of International Taxes Act and will be effective for fiscal years beginning on or after 1 January 2024. However, the Enforcement Decrees that provide further details on the application of the legislation are only expected to be finalized later in 2023.

In South Korea, Pillar Two legislation is not yet considered substantively enacted as of June 30, 2023, for IAS 12 purposes. The Group therefore has not recognized any tax effect arising from the Global Minimum Tax in its interim condensed consolidated financial statements as of June 30, 2023, and for the quarter then ended.

For more information, please contact:

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