



FINANCIAL RESULTS  
Q3 & 9 MONTHS  
ENDED SEPTEMBER 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 September 30, 2023, and the related interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the nine-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*

November 10, 2023

This review report is effective as of November 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.

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## 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 nine months ended September 30, 2023 as well as the three and nine months ended September 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 nine months ended September 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](http://www.songwon.com).

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

## Forward-looking statements & information

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

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

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## **SECTION 1:**

# **Business Development**

## Key financial data

	Q3 2023			Q3 2022			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	2023 Million KRW	2022 Million KRW	Δ%	2023 Million KRW	2022 Million KRW	Δ%
Sales	247,867	350,731	-29.3%	784,266	1,031,899	-24.0%	784,266	1,031,899	-24.0%
Gross profit	36,351	76,802	-52.7%	121,477	250,733	-51.6%	121,477	250,733	-51.6%
<i>Gross profit margin</i>	14.7%	21.9%		15.5%	24.3%		15.5%	24.3%	
Operating profit	14,443	49,314	-70.7%	54,922	160,767	-65.8%	54,922	160,767	-65.8%
EBITDA	25,005	58,306	-57.1%	83,582	186,988	-55.3%	83,582	186,988	-55.3%
<i>EBITDA margin</i>	10.1%	16.6%		10.7%	18.1%		10.7%	18.1%	
EBIT	15,076	49,426	-69.5%	53,431	161,599	-66.9%	53,431	161,599	-66.9%
<i>EBIT margin</i>	6.1%	14.1%		6.8%	15.7%		6.8%	15.7%	
Profit for the period	9,372	41,376	-77.3%	31,954	123,473	-74.1%	31,954	123,473	-74.1%
Total assets				1,147,419	1,311,279	-12.5%	1,147,419	1,311,279	-12.5%
Total equity				713,835	681,222	4.8%	713,835	681,222	4.8%
<i>Equity ratio</i>				62.2%	52.0%		62.2%	52.0%	
Headcounts				985	997	-1.2%	985	997	-1.2%

## Sales development

### Divisions

	2023			2022			For the three months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2023 Million KRW	2022 Million KRW	Δ%
	<b>Industrial Chemicals</b>			<b>Performance Chemicals</b>					
Sales	187,386	256,289	-26.9%	60,481	94,442	-36.0%	247,867	350,731	-29.3%

	2023			2022			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2023 Million KRW	2022 Million KRW	Δ%
	<b>Industrial Chemicals</b>			<b>Performance Chemicals</b>					
Sales	582,107	765,560	-24.0%	202,159	266,339	-24.1%	784,266	1,031,899	-24.0%

### Regions

	Q3 2023			Q3 2022			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2023 Million KRW	2022 Million KRW	Δ%
Korea	47,642	56,504	-15.7%	150,162	187,317	-19.8%	150,162	187,317	-19.8%
Rest of Asia	67,501	91,469	-26.2%	211,370	270,451	-21.8%	211,370	270,451	-21.8%
Europe	58,903	79,237	-25.7%	188,488	238,923	-21.1%	188,488	238,923	-21.1%
North and South America	55,184	100,185	-44.9%	183,118	258,083	-29.0%	183,118	258,083	-29.0%
Australia	707	2,146	-67.1%	1,910	3,824	-50.1%	1,910	3,824	-50.1%
Middle East and Africa	17,930	21,190	-15.4%	49,218	73,301	-32.9%	49,218	73,301	-32.9%
<b>Total sales</b>	<b>247,867</b>	<b>350,731</b>	<b>-29.3%</b>	<b>784,266</b>	<b>1,031,899</b>	<b>-24.0%</b>	<b>784,266</b>	<b>1,031,899</b>	<b>-24.0%</b>

## Business development

For the 3rd quarter of 2023, SONGWON Industrial Group recorded consolidated sales of 247,867 Million KRW. Compared to sales in the same quarter of the previous year (Q3/2022: 350,731 Million KRW), this represents a drop in revenue of 29.3%. In Q3/2023, the Group's net profit amounted to 9,372 Million KRW, marking a decrease when compared to the net profit reported in the 3rd quarter of 2022 (41,376 Million KRW). In comparison with Q3/2022, the gross profit margin decreased by 7.2% to 14.7% in Q3/2023. For the nine months ended September 30th, 2023, the Group recorded sales of 784,266 Million KRW (YTD September 2022: 1,031,899 Million KRW) and reported a net profit of 31,954 Million KRW (YTD September 2022: 123,473 Million KRW).

The global environment continued to remain highly volatile throughout the 3rd quarter of 2023 and the adverse macro and microeconomic conditions impacted the performance of both of SONGWON's Divisions. When compared to the same quarter in the previous year, SONGWON's Division Industrial Chemicals recorded a drop in revenues (-26.9%) in Q3/2023. Division Performance Chemicals also saw a decline (-36.0%) in revenues and volumes in Q3/2023 compared to the 3rd quarter in 2022. In Q3/2023, Division Industrial Chemicals generated sales of 187,386 Million KRW (Q3/2022: 256,289 Million KRW) and YTD September 2023, 582,107 Million KRW (YTD September 2022: 765,560 Million KRW). Division Performance Chemicals recognized sales of 60,481 Million KRW (Q3/2022: 94,442 Million KRW) and YTD September 2023, 202,159 Million KRW (YTD September 2022: 266,339 Million KRW).

For Division Industrial Chemicals, the 3rd quarter of 2023 was marked by higher supply availability and lower demand overall which was further compounded by negative currency effects and falling sales prices. Polymer Stabilizers saw a significant drop in revenues in Q3/2023 over Q3/2022 but acquired new customers and noted signs of improved demand in some regions towards the end of the 3rd quarter. Overall, the business performed as expected and delivered a positive result on the back of the price adjustments made at the end of 2022 and due to the decreased shipping costs. Negatively affected by low customer demand as well as slow recovery in China, SONGWON's Fuel and Lubricant Additives registered a decline in volumes in Q3/2023. Despite the drop in raw material costs between Q2/2023 and Q3/2023 negatively impacting the previously implemented formula-driven pricing mechanism, the business achieved equivalent volumes in Q3/2023 over Q3/2022 and slightly higher revenues. Throughout Q3/2023, Coatings' performance continued to be adversely affected by excess supply in the market and weak demand which was further compounded by aggressive price competition and order pattern volatility.

As anticipated, the unpredictable demand and further economic slowing down in key markets already seen in previous quarters continued to affect the performance of SONGWON's Division Performance Chemicals throughout Q3/2023. Tin Intermediates recorded a decline in revenue and volumes on the back of weak market demand, especially in the automotive industry, but saw margins improving due to the increased price of tin. Despite facing aggressive competition across the market for volumes, PVC secured new business and increased sales in Korea which contributed to margin improvement. Q3/2023 was a weak quarter for SONGWON's Solution Polyurethanes and Thermoplastic Polyurethanes due to the low demand across all its industries and the general economic situation in South Korea in particular. However, the business was able to benefit from the stable raw material prices in Q3/2023.

## Outlook

Entering the 4th quarter of the year, SONGWON expects the macro-environmental global issues and micro-economic industry dynamics to be ongoing. This as well as the prevailing uncertainty and particularly the unpredictability in demand, makes it difficult to accurately forecast what the remainder of 2023 will bring and therefore, the Group remains reserved with its predictions. Although SONGWON does not see any improvement in the underlying macroeconomic conditions in the short term, it is confident that with its industry experience, the company's global reach and the diversity of its product portfolio, it can effectively navigate both current and emerging challenges. Going forward, SONGWON intends to focus on executing its strategic priorities and ensuring that the company remains well-positioned to maximize emerging opportunities and maintain its financial resilience.



# **SECTION 2:**

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

## Interim consolidated statements of financial position (unaudited)

		September 30, 2023	As of December 31, 2022
	Notes	Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>531,259</b>	<b>536,604</b>
Property, plant and equipment	4.2.2, 5, 20	438,949	441,541
Right-of-use assets	4.2.2, 5.1	16,116	16,969
Investment properties	4.2.2, 20	3,449	3,456
Intangible assets	4.2.2, 6	13,262	11,427
Investments accounted for using the equity method	7	7,777	7,818
Other non-current assets		30,033	30,778
Other non-current financial assets	11, 18, 26, 28	14,050	16,030
Deferred tax assets		7,623	8,585
<b>Current assets</b>		<b>616,160</b>	<b>680,707</b>
Inventories	8	323,537	377,129
Trade and other receivables	9, 26, 28	157,807	177,174
Income tax receivables		1,951	2,047
Other current assets	10	12,334	12,920
Other current financial assets	11, 18, 28	14,406	6,677
Cash and cash equivalents	12, 28	106,125	104,760
<b>Total assets</b>		<b>1,147,419</b>	<b>1,217,311</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>713,835</b>	<b>682,622</b>
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	13.1	30,303	29,103
Retained earnings	13.1	641,525	622,951
Other components of equity	13.2	9,525	-1,914
<b>Non-current liabilities</b>		<b>73,664</b>	<b>130,667</b>
Bonds, interest-bearing loans and borrowings	14, 20, 27.3, 28	6,000	65,745
Pension liability		2,956	2,682
Other long-term employee-related liabilities		10,054	9,061
Non-current lease liabilities	5.1, 27.3, 28	14,051	14,564
Other non-current financial liabilities	17, 27.3, 28	1,346	1
Other non-current liabilities		438	453
Deferred tax liabilities		38,819	38,161
<b>Current liabilities</b>		<b>359,920</b>	<b>404,022</b>
Bonds, interest-bearing loans and borrowings	14, 19, 20, 27.3, 28	199,104	208,070
Trade and other payables	15, 26, 27.3, 28	128,738	139,275
Current lease liabilities	5.1, 27.3, 28	2,074	2,334
Other current financial liabilities	17, 18, 27.3, 28	2,415	554
Other current liabilities	16	6,284	5,440
Income tax payable		21,305	48,349
<b>Total liabilities</b>		<b>433,584</b>	<b>534,689</b>
<b>Total equity and liabilities</b>		<b>1,147,419</b>	<b>1,217,311</b>

## Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	September 30, 2023	December 31, 2022
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>393,984</b>	<b>397,947</b>
Property, plant and equipment	325,526	327,448
Right-of-use assets	11,952	12,584
Investment properties	2,558	2,563
Intangible assets	9,835	8,474
Investments accounted for using the equity method	5,767	5,798
Other non-current assets	22,273	22,825
Other non-current financial assets	10,420	11,888
Deferred tax assets	5,653	6,367
<b>Current assets</b>	<b>456,947</b>	<b>504,815</b>
Inventories	239,936	279,680
Trade and other receivables	117,030	131,393
Income tax receivables	1,447	1,518
Other current assets	9,147	9,582
Other current financial assets	10,684	4,952
Cash and cash equivalents	78,703	77,690
<b>Total assets</b>	<b>850,931</b>	<b>902,762</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>529,384</b>	<b>506,235</b>
Issued capital	8,899	8,899
Capital surplus	15,190	15,190
Reserves	22,473	21,583
Retained earnings	475,757	461,982
Other components of equity	7,065	-1,419
<b>Non-current liabilities</b>	<b>54,629</b>	<b>96,904</b>
Bonds, interest-bearing loans and borrowings	4,450	48,757
Pension liability	2,192	1,989
Other long-term employee-related liabilities	7,456	6,720
Non-current lease liabilities	10,420	10,801
Other non-current financial liabilities	998	1
Other non-current liabilities	325	336
Deferred tax liabilities	28,788	28,300
<b>Current liabilities</b>	<b>266,918</b>	<b>299,623</b>
Bonds, interest-bearing loans and borrowings	147,656	154,305
Trade and other payables	95,473	103,287
Current lease liabilities	1,538	1,731
Other current financial liabilities	1,791	411
Other current liabilities	4,660	4,033
Income tax payable	15,800	35,856
<b>Total liabilities</b>	<b>321,547</b>	<b>396,527</b>
<b>Total equity and liabilities</b>	<b>850,931</b>	<b>902,762</b>

## Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended September 30,	
		2023	2022
		Million KRW	Million KRW
Sales	4, 26	247,867	350,731
Cost of sales	26	-211,516	-273,929
<b>Gross profit</b>		<b>36,351</b>	<b>76,802</b>
Selling and administration costs	21, 26	-21,908	-27,488
<b>Operating profit</b>		<b>14,443</b>	<b>49,314</b>
Other income		1,400	1,092
Other expenses	5, 5.1, 8	-767	-980
Share of result from investments accounted for using the equity method	7	278	613
Finance income	22.1	11,379	33,262
Finance expenses	22.2	-11,320	-25,514
<b>Profit before tax</b>		<b>15,413</b>	<b>57,787</b>
Income tax expenses	23	-6,041	-16,411
<b>Profit for the period</b>		<b>9,372</b>	<b>41,376</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		1,421	11,005
Gains on valuation of interest rate swaps		-	1
Exchange differences on translation of foreign operations		1,421	11,004
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-598	-637
Re-measurement losses on defined benefit plans		-598	-637
<b>Total other comprehensive income, net of taxes</b>		<b>823</b>	<b>10,368</b>
<b>Total comprehensive income</b>		<b>10,195</b>	<b>51,744</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	24	9,372	41,376
Non-controlling interests		-	-
<b>Profit for the period</b>		<b>9,372</b>	<b>41,376</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		10,195	51,744
Non-controlling interests		-	-
<b>Total comprehensive income</b>		<b>10,195</b>	<b>51,744</b>
<b>Earnings per share</b>			
		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	24	390	1,724

## Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended September 30, (refer to note 2.1)	
	2023	2022
	Thousand USD	Thousand USD
Sales	183,819	260,103
Cost of sales	-156,861	-203,146
<b>Gross profit</b>	<b>26,958</b>	<b>56,957</b>
Selling and administration costs	-16,247	-20,385
<b>Operating profit</b>	<b>10,711</b>	<b>36,572</b>
Other income	1,038	810
Other expenses	-569	-727
Share of result from investments accounted for using the equity method	206	455
Finance income	8,439	24,667
Finance expenses	-8,395	-18,922
<b>Profit before tax</b>	<b>11,430</b>	<b>42,855</b>
Income tax expenses	-4,480	-12,170
<b>Profit for the period</b>	<b>6,950</b>	<b>30,685</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	1,054	8,162
Gains on valuation of interest rate swaps	-	1
Exchange differences on translation of foreign operations	1,054	8,161
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-443	-472
Re-measurement losses on defined benefit plans	-443	-472
<b>Total other comprehensive income, net of taxes</b>	<b>611</b>	<b>7,690</b>
<b>Total comprehensive income</b>	<b>7,561</b>	<b>38,375</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	6,950	30,685
Non-controlling interests	-	-
<b>Profit for the period</b>	<b>6,950</b>	<b>30,685</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	7,561	38,375
Non-controlling interests	-	-
<b>Total comprehensive income</b>	<b>7,561</b>	<b>38,375</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.29	1.28

## Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the nine months ended September 30,	
		2023	2022
		Million KRW	Million KRW
Sales	4, 26	784,266	1,031,899
Cost of sales	26	-662,789	-781,166
<b>Gross profit</b>		<b>121,477</b>	<b>250,733</b>
Selling and administration costs	21, 26	-66,555	-89,966
<b>Operating profit</b>		<b>54,922</b>	<b>160,767</b>
Other income		2,854	2,782
Other expenses	5, 5.1, 8	-4,345	-1,950
Share of result from investments accounted for using the equity method	7	458	1,910
Finance income	22.1	38,350	62,278
Finance expenses	22.2	-42,306	-53,363
<b>Profit before tax</b>		<b>49,933</b>	<b>172,424</b>
Income tax expenses	23	-17,979	-48,951
<b>Profit for the period</b>		<b>31,954</b>	<b>123,473</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		11,437	19,112
Gains on valuation of interest rate swaps		-	42
Exchange differences on translation of foreign operations		11,437	19,070
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-178	183
Gains on valuation of financial assets at FVOCI		2	1
Re-measurement (losses) / gains on defined benefit plans		-180	182
<b>Total other comprehensive income, net of taxes</b>		<b>11,259</b>	<b>19,295</b>
<b>Total comprehensive income</b>		<b>43,213</b>	<b>142,768</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	24	31,954	123,473
Non-controlling interests		-	-
<b>Profit for the period</b>		<b>31,954</b>	<b>123,473</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		43,213	142,768
Non-controlling interests		-	-
<b>Total comprehensive income</b>		<b>43,213</b>	<b>142,768</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	24	1,331	5,145

## Interim consolidated statements of comprehensive income (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2023	2022
	Thousand USD	Thousand USD
Sales	581,615	765,260
Cost of sales	-491,527	-579,315
<b>Gross profit</b>	<b>90,088</b>	<b>185,945</b>
Selling and administration costs	-49,357	-66,719
<b>Operating profit</b>	<b>40,731</b>	<b>119,226</b>
Other income	2,117	2,063
Other expenses	-3,222	-1,446
Share of result from investments accounted for using the equity method	340	1,416
Finance income	28,439	46,186
Finance expenses	-31,375	-39,575
<b>Profit before tax</b>	<b>37,030</b>	<b>127,870</b>
Income tax expenses	-13,333	-36,302
<b>Profit for the period</b>	<b>23,697</b>	<b>91,568</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	8,483	14,173
Gains on valuation of interest rate swaps	-	31
Exchange differences on translation of foreign operations	8,483	14,142
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-132	136
Gains on valuation of financial assets at FVOCI	1	1
Re-measurement (losses) / gains on defined benefit plans	-133	135
<b>Total other comprehensive income, net of taxes</b>	<b>8,351</b>	<b>14,309</b>
<b>Total comprehensive income</b>	<b>32,048</b>	<b>105,877</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	23,697	91,568
Non-controlling interests	-	-
<b>Profit for the period</b>	<b>23,697</b>	<b>91,568</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	32,048	105,877
Non-controlling interests	-	-
<b>Total comprehensive income</b>	<b>32,048</b>	<b>105,877</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.99	3.82

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

For the nine months ended September 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	Foreign currency translation			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	
<b>As of January 1, 2022</b>	<b>12,000</b>	<b>20,482</b>	<b>28,623</b>	<b>483,732</b>	<b>-25</b>	<b>-614</b>	<b>-944</b>	<b>543,254</b>	-	<b>543,254</b>
Profit for the period	-	-	-	123,473	-	-	-	123,473	-	123,473
Other comprehensive income	-	-	-	182	42	1	19,070	19,295	-	19,295
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123,655</b>	<b>42</b>	<b>1</b>	<b>19,070</b>	<b>142,768</b>	<b>-</b>	<b>142,768</b>
Dividends	-	-	-	-4,800	-	-	-	-4,800	-	-4,800
Appropriation to reserves	-	-	480	-480	-	-	-	-	-	-
<b>As of September 30, 2022</b>	<b>12,000</b>	<b>20,482</b>	<b>29,103</b>	<b>602,107</b>	<b>17</b>	<b>-613</b>	<b>18,126</b>	<b>681,222</b>	<b>-</b>	<b>681,222</b>
<b>As of January 1, 2023</b>	<b>12,000</b>	<b>20,482</b>	<b>29,103</b>	<b>622,951</b>	<b>-</b>	<b>-703</b>	<b>-1,211</b>	<b>682,622</b>	<b>-</b>	<b>682,622</b>
Profit for the period	-	-	-	31,954	-	-	-	31,954	-	31,954
Other comprehensive income	-	-	-	-180	-	2	11,437	11,259	-	11,259
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,774</b>	<b>-</b>	<b>2</b>	<b>11,437</b>	<b>43,213</b>	<b>-</b>	<b>43,213</b>
Dividends	-	-	-	-12,000	-	-	-	-12,000	-	-12,000
Appropriation to reserves	-	-	1,200	-1,200	-	-	-	-	-	-
<b>As of September 30, 2023</b>	<b>12,000</b>	<b>20,482</b>	<b>30,303</b>	<b>641,525</b>	<b>-</b>	<b>-701</b>	<b>10,226</b>	<b>713,835</b>	<b>-</b>	<b>713,835</b>



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

For the nine months ended September 30, 2022 and 2023 (refer to note 2.1)

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total			
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve				
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	
<b>As of January 1, 2022</b>	<b>8,899</b>	<b>15,190</b>	<b>21,226</b>	<b>358,737</b>	<b>-19</b>	<b>-455</b>	<b>-700</b>	<b>402,878</b>	-	<b>402,878</b>	
Profit for the period	-	-	-	91,568	-	-	-	91,568	-	91,568	
Other comprehensive income	-	-	-	135	31	1	14,142	14,309	-	14,309	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,703</b>	<b>31</b>	<b>1</b>	<b>14,142</b>	<b>105,877</b>	<b>-</b>	<b>105,877</b>	
Dividends	-	-	-	-3,560	-	-	-	-3,560	-	-3,560	
Appropriation to reserves	-	-	357	-357	-	-	-	-	-	-	
<b>As of September 30, 2022</b>	<b>8,899</b>	<b>15,190</b>	<b>21,583</b>	<b>446,523</b>	<b>12</b>	<b>-454</b>	<b>13,442</b>	<b>505,195</b>	<b>-</b>	<b>505,195</b>	
<b>As of January 1, 2023</b>	<b>8,899</b>	<b>15,190</b>	<b>21,583</b>	<b>461,982</b>	<b>-</b>	<b>-521</b>	<b>-898</b>	<b>506,235</b>	<b>-</b>	<b>506,235</b>	
Profit for the period	-	-	-	23,697	-	-	-	23,697	-	23,697	
Other comprehensive income	-	-	-	-133	-	1	8,483	8,351	-	8,351	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,564</b>	<b>-</b>	<b>1</b>	<b>8,483</b>	<b>32,048</b>	<b>-</b>	<b>32,048</b>	
Dividends	-	-	-	-8,899	-	-	-	-8,899	-	-8,899	
Appropriation to reserves	-	-	890	-890	-	-	-	-	-	-	
<b>As of September 30, 2023</b>	<b>8,899</b>	<b>15,190</b>	<b>22,473</b>	<b>475,757</b>	<b>-</b>	<b>-520</b>	<b>7,585</b>	<b>529,384</b>	<b>-</b>	<b>529,384</b>	

## Interim consolidated statements of cash flows (unaudited)

	Notes	For the nine months ended September 30,	
		2023	2022
		Million KRW	Million KRW
<b>Profit for the period</b>		<b>31,954</b>	<b>123,473</b>
<b>Total adjustments</b>	<b>25</b>	<b>64,840</b>	<b>70,774</b>
<b>Changes in operating assets and liabilities</b>	<b>25</b>	<b>82,478</b>	<b>-81,712</b>
Interest received		1,065	300
Payments of income tax		-43,813	-34,743
<b>Net cash flows provided by (used in) operating activities</b>		<b>136,524</b>	<b>78,092</b>
Proceeds from sale of property, plant and equipment	5	76	1
Purchases of property, plant and equipment	5	-32,419	-36,407
Purchases of intangible assets	6	-2,322	-1,919
Dividends received from investments using equity method	7	578	581
Increase in other financial assets, net		-4,224	-4,969
<b>Net cash flows used in investing activities</b>		<b>-38,311</b>	<b>-42,713</b>
Proceeds from borrowings		267,259	586,680
Repayments of borrowings		-338,230	-568,720
Payment of lease liabilities		-2,511	-2,548
Increase in other financial liabilities, net		2,561	105
Interest paid		-7,280	-5,839
Dividends paid		-12,000	-4,800
<b>Net cash flows provided by (used in) financing activities</b>		<b>-90,201</b>	<b>4,878</b>
Increase in cash and cash equivalents		8,012	40,257
Net foreign exchange differences		-6,647	-15,895
Cash and cash equivalents as of January 1	12	104,760	97,744
<b>Cash and cash equivalents as of September 30</b>	<b>12</b>	<b>106,125</b>	<b>122,106</b>

## Interim consolidated statements of cash flows (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2023	2022
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>23,697</b>	<b>91,568</b>
<b>Total adjustments</b>	<b>48,086</b>	<b>52,486</b>
<b>Changes in operating assets and liabilities</b>	<b>61,166</b>	<b>-60,598</b>
Interest received	790	222
Payments of income tax	-32,492	-25,766
<b>Net cash flows provided by (used in) operating activities</b>	<b>101,247</b>	<b>57,912</b>
Proceeds from sale of property, plant and equipment	56	1
Purchases of property, plant and equipment	-24,042	-27,000
Purchases of intangible assets	-1,722	-1,423
Dividends received from investments using equity method	429	431
Increase in other financial assets, net	-3,133	-3,685
<b>Net cash flows used in investing activities</b>	<b>-28,412</b>	<b>-31,676</b>
Proceeds from borrowings	198,200	435,084
Repayments of borrowings	-250,833	-421,765
Payment of lease liabilities	-1,862	-1,890
Increase in other financial liabilities, net	1,899	78
Interest paid	-5,399	-4,330
Dividends paid	-8,899	-3,560
<b>Net cash flows provided by (used in) financing activities</b>	<b>-66,894</b>	<b>3,617</b>
Increase in cash and cash equivalents	5,941	29,853
Net foreign exchange differences	-4,928	-11,788
Cash and cash equivalents as of January 1	77,690	72,487
<b>Cash and cash equivalents as of September 30</b>	<b>78,703</b>	<b>90,552</b>

## Notes to the interim condensed consolidated financial statements

### 1. Corporate information

#### 1.1. The Group

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

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

#### Scope of consolidation

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

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## 2. Basis of preparation

The interim condensed consolidated financial statements for the three and nine months ended September 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 condensed consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in the interpretation of the financial statements or the independent auditor's review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

### 2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,348.43 to USD 1, the exchange rate in effect on September 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.

### 3. Material accounting policies

The material 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. 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.

### 4.1. 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					
	September 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	187,386	256,289	60,481	94,442	247,867	350,731
Operating profit	12,180	47,652	2,263	1,662	14,443	49,314

Description	For the nine months ended					
	September 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	582,107	765,560	202,159	266,339	784,266	1,031,899
Operating profit	49,175	148,070	5,747	12,697	54,922	160,767

## 4.2. Geographic information

### 4.2.1. 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	
	September 30,	
	2023	2022
	Million KRW	Million KRW
Korea	47,642	56,504
Rest of Asia	67,501	91,469
Europe	58,903	79,237
North and South America	55,184	100,185
Australia	707	2,146
Middle East and Africa	17,930	21,190
<b>Total sales</b>	<b>247,867</b>	<b>350,731</b>

	For the nine months ended	
	September 30,	
	2023	2022
	Million KRW	Million KRW
Korea	150,162	187,317
Rest of Asia	211,370	270,451
Europe	188,488	238,923
North and South America	183,118	258,083
Australia	1,910	3,824
Middle East and Africa	49,218	73,301
<b>Total sales</b>	<b>784,266</b>	<b>1,031,899</b>

As of September 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 25,203 Million KRW during three months as of September 30, 2023 and with the total amount of revenues of 84,812 Million KRW during nine months as of September 30, 2023. (As of September 30, 2022: no customer accounted for more than 10% of the Group's total sales.)



#### 4.2.2. Non-current assets

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

	<b>September 30, 2023</b>	<b>As of December 31, 2022</b>
	Million KRW	Million KRW
Korea	409,294	411,991
Rest of Asia	24,625	24,036
Europe	7,488	7,619
North and South America	11,004	10,388
Middle East and Africa	19,365	19,359
<b>Total</b>	<b>471,776</b>	<b>473,393</b>

## 5. 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	Construc- tion in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>							
<b>As of January 1, 2022</b>	<b>149,656</b>	<b>93,377</b>	<b>71,856</b>	<b>497,806</b>	<b>45,026</b>	<b>15,127</b>	<b>872,848</b>
Additions	-	92	158	1,399	210	30,630	32,489
Disposals	-	-	-106	-1,373	-341	-	-1,820
Reclassifications	-	4,338	1,016	9,965	141	-15,460	-
Net exchange differences	-	3,816	-	4,870	656	74	9,416
<b>As of September 30, 2022</b>	<b>149,656</b>	<b>101,623</b>	<b>72,924</b>	<b>512,667</b>	<b>45,692</b>	<b>30,371</b>	<b>912,933</b>
<b>As of January 1, 2023</b>	<b>149,656</b>	<b>103,338</b>	<b>72,918</b>	<b>532,467</b>	<b>22,053</b>	<b>35,498</b>	<b>915,930</b>
Additions	-	216	163	1,326	350	20,343	22,398
Disposals	-	-3,612	-1,333	-52,766	-2,281	-	-59,992
Reclassifications	-	2,417	7,265	33,889	-343	-43,228	-
Net exchange differences	-	1,599	-	2,705	321	57	4,682
<b>As of September 30, 2023</b>	<b>149,656</b>	<b>103,958</b>	<b>79,013</b>	<b>517,621</b>	<b>20,100</b>	<b>12,670</b>	<b>883,018</b>
<b>Accumulated depreciation and impairment</b>							
<b>As of January 1, 2022</b>	-	<b>-30,674</b>	<b>-44,676</b>	<b>-335,178</b>	<b>-38,019</b>	-	<b>-448,547</b>
Depreciation charge	-	-2,014	-2,428	-16,046	-1,317	-	-21,805
Disposals	-	-	90	1,112	337	-	1,539
Impairment	-	-	-	-963	-	-	-963
Net exchange differences	-	-776	-	-1,922	-455	-	-3,153
<b>As of September 30, 2022</b>	-	<b>-33,464</b>	<b>-47,014</b>	<b>-352,997</b>	<b>-39,454</b>	-	<b>-472,929</b>
<b>As of January 1, 2023</b>	-	<b>-35,096</b>	<b>-47,647</b>	<b>-374,184</b>	<b>-17,462</b>	-	<b>-474,389</b>
Depreciation charge	-	-2,722	-2,998	-17,153	-1,055	-	-23,928
Disposals	-	1,862	1,177	50,814	2,255	-	56,108
Reclassifications	-	-	-	-536	536	-	-
Net exchange differences	-	-361	-	-1,309	-190	-	-1,860
<b>As of September 30, 2023</b>	-	<b>-36,317</b>	<b>-49,468</b>	<b>-342,368</b>	<b>-15,916</b>	-	<b>-444,069</b>
<b>Net book value</b>							
<b>As of September 30, 2023</b>	<b>149,656</b>	<b>67,641</b>	<b>29,545</b>	<b>175,253</b>	<b>4,184</b>	<b>12,670</b>	<b>438,949</b>
<b>As of January 1, 2023</b>	<b>149,656</b>	<b>68,242</b>	<b>25,271</b>	<b>158,283</b>	<b>4,591</b>	<b>35,498</b>	<b>441,541</b>
<b>As of September 30, 2022</b>	<b>149,656</b>	<b>68,159</b>	<b>25,910</b>	<b>159,670</b>	<b>6,238</b>	<b>30,371</b>	<b>440,004</b>

During the nine months ended September 30, 2023, non-cash transactions decreased by 10,021 Million KRW (for the nine months ended September 30, 2022: decreased by 3,918 Million KRW). Accounts payable relating to non-cash transactions amounted to 2,569 Million KRW as of September 30, 2023 (September 30, 2022: 5,186 Million KRW). No impairment was recognized on property, plant and equipment for the nine months ended September 30, 2023 (for the nine months ended September 30, 2022: 963 Million KRW).

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

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

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>					
<b>As of January 1, 2022</b>	<b>20,704</b>	<b>2,178</b>	<b>1,235</b>	<b>1,077</b>	<b>25,194</b>
Additions	2	80	-	110	192
Disposals	-	-	-	-125	-125
Modification of contract	35	166	-	168	369
Net exchange differences	3,076	4	145	121	3,346
<b>As of September 30, 2022</b>	<b>23,817</b>	<b>2,428</b>	<b>1,380</b>	<b>1,351</b>	<b>28,976</b>
<b>As of January 1, 2023</b>	<b>21,652</b>	<b>2,837</b>	<b>1,200</b>	<b>1,297</b>	<b>26,986</b>
Additions	142	-	264	339	745
Disposals	-	-	-	-8	-8
Modification of contract	-816	244	-	-68	-640
Net exchange differences	1,378	2	103	70	1,553
<b>As of September 30, 2023</b>	<b>22,356</b>	<b>3,083</b>	<b>1,567</b>	<b>1,630</b>	<b>28,636</b>
<b>Accumulated depreciation and impairment</b>					
<b>As of January 1, 2022</b>	<b>-4,530</b>	<b>-1,731</b>	<b>-364</b>	<b>-668</b>	<b>-7,293</b>
Depreciation charge	-1,219	-445	-117	-229	-2,010
Disposals	-	-	-	125	125
Modification of contract	-	-	-	20	20
Net exchange differences	-766	-2	-64	-91	-923
<b>As of September 30, 2022</b>	<b>-6,515</b>	<b>-2,178</b>	<b>-545</b>	<b>-843</b>	<b>-10,081</b>
<b>As of January 1, 2023</b>	<b>-6,315</b>	<b>-2,342</b>	<b>-510</b>	<b>-850</b>	<b>-10,017</b>
Depreciation charge	-1,282	-495	-117	-201	-2,095
Disposals	-	-	-	8	8
Modification of contract	-	-	-	76	76
Net exchange differences	-400	-2	-39	-51	-492
<b>As of September 30, 2023</b>	<b>-7,997</b>	<b>-2,839</b>	<b>-666</b>	<b>-1,018</b>	<b>-12,520</b>
<b>Net book value</b>					
<b>As of September 30, 2023</b>	<b>14,359</b>	<b>244</b>	<b>901</b>	<b>612</b>	<b>16,116</b>
<b>As of January 1, 2023</b>	<b>15,337</b>	<b>495</b>	<b>690</b>	<b>447</b>	<b>16,969</b>
<b>As of September 30, 2022</b>	<b>17,302</b>	<b>250</b>	<b>835</b>	<b>508</b>	<b>18,895</b>

The Group recognized rent expenses from short-term leases of 130 Million KRW (September 30, 2022: 172 Million KRW), leases of low-value assets of 58 Million KRW (September 30, 2022: 61 Million KRW) and variable lease payments of 35 Million KRW (September 30, 2022: 34 Million KRW) in the interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2022.

No impairment was recognized on right-of-use assets for the nine months ended September 30, 2023 (for the nine months ended September 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
<b>As of January 1</b>	<b>16,898</b>	<b>17,934</b>
Additions	745	192
Modifications	-564	369
Net exchange differences	1,083	2,426
Accretion of interest	474	451
Payments	-2,511	-2,548
<b>As of September 30</b>	<b>16,125</b>	<b>18,824</b>

The maturity analysis of lease liabilities is disclosed in note 27.3.

## 6. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>						
<b>As of January 1, 2022</b>	<b>6,643</b>	<b>3,058</b>	<b>831</b>	<b>44,038</b>	<b>2,114</b>	<b>56,684</b>
Additions	316	-	-	-	1,603	1,919
Disposals	-207	-3	-	-	-29	-239
Reclassifications	742	-	-	-	-742	-
Net exchange differences	-	196	-	6,910	-	7,106
<b>As of September 30, 2022</b>	<b>7,494</b>	<b>3,251</b>	<b>831</b>	<b>50,948</b>	<b>2,946</b>	<b>65,470</b>
<b>As of January 1, 2023</b>	<b>7,688</b>	<b>3,558</b>	<b>831</b>	<b>40,734</b>	<b>3,186</b>	<b>55,997</b>
Additions	27	93	-	-	2,202	2,322
Disposals	-	-32	-	-	-	-32
Reclassifications	193	188	-	-	-381	-
Net exchange differences	-	50	-	7,858	-	7,908
<b>As of September 30, 2023</b>	<b>7,908</b>	<b>3,857</b>	<b>831</b>	<b>48,592</b>	<b>5,007</b>	<b>66,195</b>
<b>Accumulated amortization and impairment</b>						
<b>As of January 1, 2022</b>	<b>-3,602</b>	<b>-2,673</b>	<b>-</b>	<b>-40,759</b>	<b>-</b>	<b>-47,034</b>
Amortization charge	-472	-119	-	-	-	-591
Disposals	236	3	-	-	-	239
Impairment	-179	-	-	-	-	-179
Net exchange differences	-	-177	-	-6,587	-	-6,764
<b>As of September 30, 2022</b>	<b>-4,017</b>	<b>-2,966</b>	<b>-</b>	<b>-47,346</b>	<b>-</b>	<b>-54,329</b>
<b>As of January 1, 2023</b>	<b>-4,039</b>	<b>-2,922</b>	<b>-</b>	<b>-37,609</b>	<b>-</b>	<b>-44,570</b>
Amortization charge	-499	-203	-	-	-	-702
Disposals	-	32	-	-	-	32
Net exchange differences	-	-42	-	-7,651	-	-7,693
<b>As of September 30, 2023</b>	<b>-4,538</b>	<b>-3,135</b>	<b>-</b>	<b>-45,260</b>	<b>-</b>	<b>-52,933</b>
<b>Net book value</b>						
<b>As of September 30, 2023</b>	<b>3,370</b>	<b>722</b>	<b>831</b>	<b>3,332</b>	<b>5,007</b>	<b>13,262</b>
<b>As of January 1, 2023</b>	<b>3,649</b>	<b>636</b>	<b>831</b>	<b>3,125</b>	<b>3,186</b>	<b>11,427</b>
<b>As of September 30, 2022</b>	<b>3,477</b>	<b>285</b>	<b>831</b>	<b>3,602</b>	<b>2,946</b>	<b>11,141</b>

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. No impairment was recognized on intangible assets for the nine months ended September 30, 2023 (for the nine months ended September 30, 2022: 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 nine months ended September 30, 2023 and 2022.

## 7. 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
<b>December 31, 2022</b>	<b>5,981</b>	<b>15,765</b>	<b>13,722</b>	<b>2,363</b>	<b>3,366</b>	<b>28</b>	<b>62</b>	<b>26,059</b>	<b>7,818</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,464	14,832	13,598	1,822	2,439	31	67	25,924	7,777
<b>September 30, 2023</b>	<b>6,464</b>	<b>14,832</b>	<b>13,598</b>	<b>1,822</b>	<b>2,439</b>	<b>31</b>	<b>67</b>	<b>25,924</b>	<b>7,777</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	12,127	-46	1	-2	2,725	-682	2,043	200	2,243
<b>For the three months ended September 30, 2022</b>	<b>12,127</b>	<b>-46</b>	<b>1</b>	<b>-2</b>	<b>2,725</b>	<b>-682</b>	<b>2,043</b>	<b>200</b>	<b>2,243</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	8,660	-45	15	-1	1,235	-308	927	173	1,100
<b>For the three months ended September 30, 2023</b>	<b>8,660</b>	<b>-45</b>	<b>15</b>	<b>-1</b>	<b>1,235</b>	<b>-308</b>	<b>927</b>	<b>173</b>	<b>1,100</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	34,620	-132	3	-4	8,490	-2,123	6,367	340	6,707
<b>For the nine months ended September 30, 2022</b>	<b>34,620</b>	<b>-132</b>	<b>3</b>	<b>-4</b>	<b>8,490</b>	<b>-2,123</b>	<b>6,367</b>	<b>340</b>	<b>6,707</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	23,772	-134	53	-3	2,036	-508	1,528	263	1,791
<b>For the nine months ended September 30, 2023</b>	<b>23,772</b>	<b>-134</b>	<b>53</b>	<b>-3</b>	<b>2,036</b>	<b>-508</b>	<b>1,528</b>	<b>263</b>	<b>1,791</b>

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 September 30, 2022
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,466	-581	1,910	102	7,897
<b>Total</b>	<b>6,466</b>	<b>-581</b>	<b>1,910</b>	<b>102</b>	<b>7,897</b>

	As of January 1, 2023	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2023
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,818	-578	458	79	7,777
<b>Total</b>	<b>7,818</b>	<b>-578</b>	<b>458</b>	<b>79</b>	<b>7,777</b>

## 8. Inventories

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Raw materials and supplies	69,000	85,687
Work in progress	1,100	1,250
Finished and semi-finished goods	191,743	232,946
Goods in transit	59,558	54,131
Consignment stocks	2,136	3,115
<b>Total inventories at the lower of cost and net realizable value</b>	<b>323,537</b>	<b>377,129</b>

As of September 30, 2023, inventory allowance amounted to 5,935 Million KRW for raw materials, finished and semi-finished goods (December 31, 2022: 4,853 Million KRW). During the nine months ended September 30, 2023, the Group recognized inventory allowance expenses of 2,015 Million KRW (for the nine months ended September 30, 2022: 299 Million KRW) and reversed inventory allowances recognized in prior periods of 933 Million KRW (for the nine months ended September 30, 2022: none).

For the nine months ended September 30, 2023, the Group recognized impairment losses of 1,299 Million KRW within inventories (for the nine months ended September 30, 2022: no impairment).

## 9. Trade and other receivables

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Trade and notes receivables	155,366	176,734
Allowances for trade and notes receivables	-1,395	-1,371
Trade and notes receivables (related parties) (note 26)	-	63
Other accounts receivables	3,697	1,670
Allowances for other accounts receivables	-15	-18
Accrued income	154	96
<b>Total</b>	<b>157,807</b>	<b>177,174</b>

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

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

	Total	Current	Days past due			
			≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>September 30, 2023</b>	<b>159,217</b>	149,786	8,584	121	180	546
<b>December 31, 2022</b>	<b>178,563</b>	166,012	11,689	51	261	550

Refer to note 27.2 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. Other current assets

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Advance payments	692	1,030
Prepaid expenses	3,653	4,623
VAT receivable	7,989	7,267
<b>Total</b>	<b>12,334</b>	<b>12,920</b>

## 11. Other financial assets

Description	September 30, 2023		December 31, 2022	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	359	4,216	529	1,826
Financial instruments at FVtPL	12,314	4,530	11,847	2,591
Derivative assets at FVtPL (note 18)	-	5,013	2,293	1,849
Guarantee and other deposits at amortized cost	1,344	647	1,328	411
Guarantee and other deposits at amortized cost (related parties) (note 26)	33	-	33	-
<b>Total</b>	<b>14,050</b>	<b>14,406</b>	<b>16,030</b>	<b>6,677</b>

As of September 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 613 Million KRW (December 31, 2022: 481 Million KRW).

## 12. Cash and cash equivalents

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Cash on hand	71	59
Bank accounts	75,846	76,069
Time deposits (< 3 months)	30,208	28,632
<b>Total</b>	<b>106,125</b>	<b>104,760</b>

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

As of September 30, 2023, time deposits included restricted cash of 139 Million KRW (December 31, 2022: none).

## 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 September 30, 2023 and December 31, 2022, is composed of the following:

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-4,548	-4,368
<b>OCI recognized within retained earnings</b>	<b>-4,548</b>	<b>-4,368</b>
Fair value reserve of financial assets at FVOCI	-701	-703
Foreign currency translation reserve	10,226	-1,211
<b>OCI recognized within other components of equity</b>	<b>9,525</b>	<b>-1,914</b>

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

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

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Corporate bonds	-	56,905
Long-term borrowings	6,000	8,840
<b>Non-current bonds, interest-bearing loans and borrowings</b>	<b>6,000</b>	<b>65,745</b>
Current portion of corporate bonds	58,861	-
Current portion of long-term borrowings	3,885	1,930
Short-term borrowings	136,358	206,140
<b>Current interest-bearing loans and borrowings</b>	<b>199,104</b>	<b>208,070</b>
<b>Total</b>	<b>205,104</b>	<b>273,815</b>

## 15. Trade and other payables

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

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
Trade payables	85,822	78,386
Trade payables (related parties) (note 26)	1,417	1,361
Other accounts payables	18,460	28,744
Other accounts payables (related parties) (note 26)	7	7
Withholdings	1,061	1,835
Accrued expenses	21,952	28,904
Guarantee deposits	19	38
<b>Total</b>	<b>128,738</b>	<b>139,275</b>

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

## 16. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of September 30, 2023, 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
<b>Beginning</b>	<b>3,171</b>	<b>348</b>	<b>3,063</b>	<b>27</b>
Allocation	138,875	-	138,875	-
Disposal	-1,531	-26	-	-
Delivery to government	-137,452	-295	-	-
Carry forward	-3,063	-27	-	-
<b>Ending</b>	<b>-</b>	<b>-</b>	<b>141,938</b>	<b>27</b>

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

(\* ) In the current period 2023, the details of emission rights approved by government in 2022 are stated.

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

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

	2023	2022
<b>As of January 1</b>	<b>-</b>	<b>14</b>
Increase	-	216
Decrease	-	-
<b>As of September 30</b>	<b>-</b>	<b>230</b>

Estimated greenhouse gas emissions in 2023 were 132,611 KAU.

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

## 17. Other financial liabilities

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

Description	September 30, 2023		December 31, 2022	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 18)	-	678	-	-
Deposits	1,346	1,345	1	-
Accrued interest expenses	-	392	-	554
<b>Total</b>	<b>1,346</b>	<b>2,415</b>	<b>1</b>	<b>554</b>

## 18. Derivative financial instruments

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

Description	September 30, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	678	624	-
Currency and interest rate swaps (current portion)	5,013	-	1,225	-
Currency and interest rate swaps (non-current portion)	-	-	2,293	-
<b>Total</b>	<b>5,013</b>	<b>678</b>	<b>4,142</b>	<b>-</b>

### 18.1. 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 September 30, 2023 and December 31, 2022 are as follows:

#### As of September 30, 2023

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Busan Bank	Sell	EUR 15,660,000	31.10.2023 – 28.06.2024	1,438.60 ~ 1,450.50
Citibank Korea	Sell	EUR 35,190,000	31.10.2023 – 28.06.2024	1,395.50 ~ 1,450.00

#### 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

## 18.2. 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 September 30, 2023 and December 31, 2022:

### As of September 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	SOFR Compounding +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%		

## 19. Contingencies and commitments

### 19.1. 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 948 Million KRW (December 31, 2022: 224 Million KRW). A new customer complaint concerning quality of SONGWON products occurred as of September 30, 2023, referring to a product delivery in the amount of 95 Million KRW taken place in August 2022. Currently it is not possible to assess probable economic resource outflow relating to this contingent liability. As of December 31, 2022, a customer complaint assessed damage was valued at 157 Million KRW. The latter case was closed as per June 30, 2023 with no financial impact on SONGWON.

### 19.2. 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 September 30, 2023 and December 31, 2022 are as follows:

Description	September 30,	December 31,
	2023	2022
	Million KRW	Million KRW
<b>Short-term lease commitments</b>		
Within one year	-4	-2
<i>Total short-term lease commitments</i>	-4	-2
<b>Low-value lease commitments</b>		
Within one year	-50	-66
After one year but not more than five years	-33	-61
<i>Total low-value lease commitments</i>	-83	-127
<b>Total</b>	<b>-87</b>	<b>-129</b>

### 19.3. 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 September 30, 2023, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 9,410 Million KRW (December 31, 2022: 11,444 Million KRW).

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

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,000	3,689	16,311
D/A and D/P	Thousand USD	103,000	42,834	60,166
	Million KRW	12,000	3,382	8,618
Secured loan of credit sales	Million KRW	9,000	1,544	7,456
Other foreign currency guarantees	Thousand USD	8,750	2,619	6,131
Bond issuance payment guarantee	Thousand USD	24,990	24,990	-
	Million KRW	26,000	26,000	-
	<b>Total Million KRW</b>	<b>47,000</b>	<b>30,926</b>	<b>16,074</b>
	<b>Total Thousand USD</b>	<b>156,740</b>	<b>74,132</b>	<b>82,608</b>

### 20. 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 September 30, 2023 and December 31, 2022, presented in the maximum pledge amount, are as follows:

Pledged to	Pledged assets		September 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
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000
<i>Property, plant and equipment and investment property</i>				
<i>(Collateral for other than long-term loan)</i>				
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	80,400	80,400
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	96,600	96,600
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
		<b>Million KRW</b>	<b>345,000</b>	<b>345,000</b>
<b>Total</b>		<b>Thousand USD</b>	<b>24,000</b>	<b>24,000</b>

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

#### Payment guarantee to Seoul insurance company

In the nine months ended as of September 30, 2023, the Group possessed a deposit guarantee of 1,100 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from July 2023 till February 2024 (December 31, 2022: none).

Moreover, in the nine months ended as of September 30, 2023, the Group held a 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.

## 21. Selling and administration expenses

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

Description	For the three months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Sales-related costs	-4,542	-10,553
Personnel expenses	-11,098	-11,485
Travelling and entertainment	-1,434	-1,122
Depreciation and amortization	-634	-583
Administration expenses	-2,788	-2,440
IT expenses	-1,070	-870
Others	-342	-435
<b>Total</b>	<b>-21,908</b>	<b>-27,488</b>

Description	For the nine months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Sales-related costs	-13,539	-39,159
Personnel expenses	-34,783	-35,169
Travelling and entertainment	-4,190	-2,857
Depreciation and amortization	-1,812	-1,783
Administration expenses	-7,983	-7,064
IT expenses	-3,042	-2,640
Others	-1,206	-1,294
<b>Total</b>	<b>-66,555</b>	<b>-89,966</b>



## 22. Finance income / expenses

### 22.1. Finance income

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

Description	For the three months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Interest on loans and receivables	501	128
Gains on foreign exchange transactions	4,029	11,168
Gains on foreign exchange translations	5,876	17,825
Gains on derivative transactions	451	626
Gains on valuation of derivatives	451	3,515
Gain on valuation of financial assets FVtPL	71	-
<b>Total finance income</b>	<b>11,379</b>	<b>33,262</b>

Description	For the nine months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Interest on loans and receivables	1,435	305
Gains on foreign exchange transactions	19,907	23,044
Gains on foreign exchange translations	13,976	29,940
Gains on derivative transactions	1,332	1,542
Gains on valuation of derivatives	1,494	7,447
Gain on valuation of financial assets FVtPL	206	-
<b>Total finance income</b>	<b>38,350</b>	<b>62,278</b>

## 22.2. Finance expenses

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

Description	For the three months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Interest on borrowings	-2,471	-2,180
Losses on foreign exchange transactions	-6,716	-9,800
Losses on foreign exchange translations	-2,371	-12,299
Losses on derivative transactions	-384	-68
Losses on valuation of derivatives	655	-1,050
Losses on disposal of financial assets at FVtPL	3	-45
Loss on valuation of financial assets FVtPL	10	-
Bank charges	-46	-72
<b>Total finance expenses</b>	<b>-11,320</b>	<b>-25,514</b>

Description	For the nine months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Interest on borrowings	-7,453	-6,199
Losses on foreign exchange transactions	-22,498	-22,432
Losses on foreign exchange translations	-10,688	-23,163
Losses on derivative transactions	-816	-209
Losses on valuation of derivatives	-678	-1,050
Losses on disposal of financial assets at FVtPL	-	-67
Loss on valuation of financial assets FVtPL	-5	-
Bank charges	-168	-243
<b>Total finance expenses</b>	<b>-42,306</b>	<b>-53,363</b>

## 23. 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 September 30,	
	2023	2022
	Million KRW	Million KRW
Current income tax charges	-5,380	-15,967
Deferred taxes related to origination and reversal of deferred taxes	-831	-602
Income tax recognized in other comprehensive income	170	158
<b>Income tax expenses</b>	<b>-6,041</b>	<b>-16,411</b>

Income taxes	For the nine months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Current income tax charges	-16,865	-51,061
Deferred taxes related to origination and reversal of deferred taxes	-1,061	1,831
Income tax recognized in other comprehensive income	-53	279
<b>Income tax expenses</b>	<b>-17,979</b>	<b>-48,951</b>

## 24. 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 September 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 September 30,	
	2023	2022
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	9,371,671,136	41,376,355,223
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>390</b>	<b>1,724</b>

Description	For the nine months ended September 30,	
	2023	2022
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	31,953,811,051	123,472,715,619
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>1,331</b>	<b>5,145</b>

## 25. 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 nine months ended September 30, 2023 and 2022 are as follows:

	Notes	For the nine months ended September 30,	
		2023 Million KRW	2022 Million KRW
<b>Adjustments</b>			
Depreciation of property, plant and equipment	5	23,928	21,805
Depreciation of right-of-use assets	5.1	2,095	2,010
Depreciation of investment properties		6	7
Amortization of intangible assets	6	702	591
Impairment of property, plant and equipment	5	-	963
Impairment of intangible assets	6	-	179
Impairment of inventories	8	1,299	-
Losses on disposals of property, plant and equipment, net	5	3,808	280
Share of result from investments accounted using the equity method	7	-458	-1,910
Share-based compensation expenses		147	681
Pension costs		1,736	4,733
Other long-term employee benefit expenses		915	470
Provisions		-	48
Finance income		-2,158	-18,068
Finance expenses		14,841	10,034
Income tax expenses	23	17,979	48,951
<b>Total</b>		<b>64,840</b>	<b>70,774</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		26,496	-4,695
Other receivables		-1,902	-1,627
Other current assets		817	-10,404
Other current financial assets		-3,164	-1,228
Inventories		62,566	-73,567
Trade payables		5,253	2,321
Other payables		-8,770	-5,651
Other current financial liabilities		1,494	7,197
Other current liabilities		747	9,095
Pension liabilities		-833	-467
Other long-term employment benefits		-226	-2,686
<b>Total</b>		<b>82,478</b>	<b>-81,712</b>

## 26. 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 26.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 26.5)	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 nine months ended September 30,	
		2023 Million KRW	2022 Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-60	-66
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	392	-
	Cost of sales	-14,479	-23,899
<b>Total</b>	<b>Sales</b>	<b>392</b>	<b>-</b>
	<b>Cost of sales</b>	<b>-14,479</b>	<b>-23,899</b>
	<b>Selling and administration costs</b>	<b>-60</b>	<b>-66</b>

Related party	Description	As of	
		September 30, 2023 Million KRW	December 31, 2022 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	-	63
	Trade and other payables	1,417	1,361
<b>Total</b>	<b>Other non-current financial assets</b>	<b>33</b>	<b>33</b>
	<b>Trade and other receivables</b>	<b>-</b>	<b>63</b>
	<b>Trade and other payables</b>	<b>1,424</b>	<b>1,368</b>

### 26.1. The ultimate parent

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

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

Outstanding balances of related parties as of September 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 nine months ended September 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.

### 26.3. Transactions with key management personnel

During the nine months ended September 30, 2023 and the year ended December 31, 2022, no other transactions with key management personnel other than those disclosed in note 26.4 took place.

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

Description	For the nine months ended September 30,	
	2023	2022
	Million KRW	Million KRW
Short-term employee benefits	-8,242	-9,316
Post-employment benefits	-50	-373
Other long-term benefits	-606	-902
Share based payments	-11	132
<b>Total compensation paid to key management personnel</b>	<b>-8,909</b>	<b>-10,459</b>

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

### 26.5. 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.

## 27. 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.

### 27.1. 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 September 30, 2023 and 2022 as well as December 31, 2022.

#### 27.1.1. Interest rate risk

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

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

#### Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
<b>September 30, 2023</b>	1.00	-388
	-1.00	388
<b>September 30, 2022</b>	1.00	-866
	-1.00	866

#### 27.1.2. 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 nine months ended September 30, 2023 and year ended December 31, 2022 are as follows:

Currency	September 30, 2023		December 31, 2022	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	7,175	-7,175	6,566	-6,566
EUR	1,119	-1,119	1,007	-1,007
JPY	2,978	-2,978	4,451	-4,451
CHF	209	-209	278	-278
AED	-114	114	-202	202
INR	91	-91	131	-131
<b>Total</b>	<b>11,458</b>	<b>-11,458</b>	<b>12,231</b>	<b>-12,231</b>

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

## 27.2. Credit risk

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

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at an insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 28.

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

## 27.3. 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 September 30, 2023 and December 31, 2022 are as follows:

As of September 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	79,420	60,193	59,491	6,000	-	205,104
Trade and other payables	109,908	10,192	8,638	-	-	128,738
Lease liabilities	302	575	1,902	8,366	9,222	20,367
Other financial liabilities	354	1,319	64	1,346	-	3,083
<b>Total</b>	<b>189,984</b>	<b>72,279</b>	<b>70,095</b>	<b>15,712</b>	<b>9,222</b>	<b>357,292</b>

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
<b>Total</b>	<b>129,959</b>	<b>146,886</b>	<b>73,917</b>	<b>73,401</b>	<b>9,311</b>	<b>433,474</b>

## 27.4. 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 September 30, 2023 and December 31, 2022 is 61% and 78%, respectively.

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

## 28. 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 September 30, 2023

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,736	4,863	1,736	4,863
	Trade and other receivables	-	157,807	-	157,807
	Cash and cash equivalents	-	106,125	-	106,125
	<i>Total financial assets at amortized cost</i>	<i>1,736</i>	<i>268,795</i>	<i>1,736</i>	<i>268,795</i>
	<b>Financial assets at FVtPL</b>				
	Currency and interest rate swaps	-	5,013	-	5,013
	Other financial assets	12,314	4,530	12,314	4,530
	<i>Total financial assets at FVtPL</i>	<i>12,314</i>	<i>9,543</i>	<i>12,314</i>	<i>9,543</i>
	<b>Total financial assets</b>	<b>14,050</b>	<b>278,338</b>	<b>14,050</b>	<b>278,338</b>
<b>Financial liabilities</b>	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	1,346	1,737	1,346	1,737
	Lease liabilities	14,051	2,074	14,051	2,074
	Trade and other payables	-	128,738	-	128,738
	Bonds, interest-bearing loans and borrowings	6,000	199,104	6,000	199,104
	<i>Total financial liabilities at amortized cost</i>	<i>21,397</i>	<i>331,653</i>	<i>21,397</i>	<i>331,653</i>
	<b>Financial liabilities at FVtPL</b>				
	Forward exchange contracts	-	678	-	678
<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>678</i>	<i>-</i>	<i>678</i>	
<b>Total financial liabilities</b>	<b>21,397</b>	<b>332,331</b>	<b>21,397</b>	<b>332,331</b>	

As of December 31, 2022

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Financial assets at amortized cost</b>				
	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>
	<b>Financial assets at FVtPL</b>				
	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>
<b>Total financial assets</b>	<b>16,030</b>	<b>288,611</b>	<b>16,030</b>	<b>288,611</b>	
<b>Financial liabilities</b>	<b>Financial liabilities at amortized cost</b>				
	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>
<b>Total financial liabilities</b>	<b>80,310</b>	<b>350,233</b>	<b>80,310</b>	<b>350,233</b>	

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

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

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

## 28.1. 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 September 30, 2023 and December 31, 2022, the Group held the following financial instruments carried at fair value on the statement of financial position:

		<b>September 30, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Currency and interest rate swaps	5,013	-	5,013	-
	<i>Total</i>	<i>5,013</i>	<i>-</i>	<i>5,013</i>	<i>-</i>
	<b>Debt instruments</b>				
	Exchange traded fund at FVtPL	16,844	-	16,844	-
	<i>Total</i>	<i>16,844</i>	<i>-</i>	<i>16,844</i>	<i>-</i>
<b>Total</b>		<b>21,857</b>	<b>-</b>	<b>21,857</b>	
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	678	-	678	-
	<i>Total</i>	<i>678</i>	<i>-</i>	<i>678</i>	<i>-</i>
	<b>Total</b>		<b>678</b>	<b>-</b>	<b>678</b>

		<b>December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	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>
	<b>Debt instruments</b>				
	Exchange traded fund at FVtPL	14,438	-	14,438	-
	<i>Total</i>	<i>14,438</i>	<i>-</i>	<i>14,438</i>	<i>-</i>
<b>Total</b>		<b>18,580</b>	<b>-</b>	<b>18,580</b>	<b>-</b>

During the nine months ended September 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.

## 29. 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 216 Million KRW in the interim condensed consolidated financial statements for the nine months ended September 30, 2023.

## 30. 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.

## 31. 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 September 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 September 30, 2023, and for the quarter then ended.

For more information, please contact:

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