



FINANCIAL RESULTS
Q3 & 9 MONTHS
ENDED SEPTEMBER 30, **2022**

It's all about **the chemistry™**

About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 8 to 54) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the three and nine months ended September 30, 2022 as well as the three and nine months ended September 30, 2021.

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

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

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 2022			Q3 2021			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	2022	2021	Δ%	2022	2021	Δ%
Sales	350,731	260,137	34.8%	1,031,899	714,715	44.4%	1,031,899	714,715	44.4%
Gross profit*	76,802	61,630	24.6%	250,733	154,075	62.7%	250,733	154,075	62.7%
<i>Gross profit margin*</i>	21.9%	23.7%		24.3%	21.6%		24.3%	21.6%	
Operating profit	49,314	30,050	64.1%	160,767	69,130	132.6%	160,767	69,130	132.6%
EBITDA	58,306	38,964	49.6%	186,988	95,305	96.2%	186,988	95,305	96.2%
<i>EBITDA margin</i>	16.6%	15.0%		18.1%	13.3%		18.1%	13.3%	
EBIT	49,426	30,468	62.2%	161,599	65,790	145.6%	161,599	65,790	145.6%
<i>EBIT margin</i>	14.1%	11.7%		15.7%	9.2%		15.7%	9.2%	
Profit for the period	41,376	20,972	97.3%	123,473	45,109	173.7%	123,473	45,109	173.7%
Total assets				1,311,279	1,040,302	26.0%	1,311,279	1,040,302	26.0%
Total equity				681,222	508,577	33.9%	681,222	508,577	33.9%
<i>Equity ratio</i>				52.0%	48.9%		52.0%	48.9%	
Headcounts				997	1,013	-1.6%	997	1,013	-1.6%

*refer to note 2.2 for further details

Sales development

Divisions

	2022			2021			For the three months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2022	2021	Δ%
	Industrial Chemicals			Performance Chemicals					
Sales	256,289	193,345	32.6%	94,442	66,792	41.4%	350,731	260,137	34.8%

	2022			2021			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2022	2021	Δ%
	Industrial Chemicals			Performance Chemicals					
Sales	765,560	533,043	43.6%	266,339	181,672	46.6%	1,031,899	714,715	44.4%

Regions

	Q3 2022			Q3 2021			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2022	2021	Δ%
Korea	56,504	53,323	6.0%	187,317	153,658	21.9%	187,317	153,658	21.9%
Rest of Asia	91,469	72,058	26.9%	270,451	200,879	34.6%	270,451	200,879	34.6%
Europe	79,237	60,316	31.4%	238,923	169,245	41.2%	238,923	169,245	41.2%
North and South America	100,185	57,367	74.6%	258,083	150,563	71.4%	258,083	150,563	71.4%
Australia	2,146	1,236	73.6%	3,824	3,037	25.9%	3,824	3,037	25.9%
Middle East and Africa	21,190	15,837	33.8%	73,301	37,333	96.3%	73,301	37,333	96.3%
Total sales	350,731	260,137	34.8%	1,031,899	714,715	44.4%	1,031,899	714,715	44.4%

Business development

SONGWON Industrial Group achieved consolidated sales of 350,731 Million KRW during the 3rd quarter of 2022, marking a 34.8% increase, compared to sales for Q3/2021 (260,137 Million KRW). Net profit in Q3/2022 amounted to 41,376 Million KRW, corresponding to a 97.3% increase over Q3/2021 (20,972 Million KRW). When compared to Q3/2021, the gross profit margin in Q3/2022 decreased by 1.8% to 21.9%. Year-to-date, the Group realized consolidated sales of 1,031,899 Million KRW, reflecting a 44.4% increase over YTD September 2021 (714,715 Million KRW) and a net profit of 123,473 Million KRW marking a 173.7% increase over the previous year comparable period (YTD September 2021: 45,109 Million KRW).

In the 3rd quarter of 2022, SONGWON recorded an increase in revenue over Q2/2022 but observed a slowdown in demand across certain markets due to improved product availability. Despite the drop in demand and challenging global uncertainty with high raw material and energy prices as well as continuing logistics bottlenecks, SONGWON's divisions performed well. Compared to consolidated sales in Q3/2021 (193,345 Million KRW), Division Industrial Chemicals reported a rise in revenue of 32.6% in the 3rd quarter of 2022 amounting to 256,289 Million KRW and a 43.6% increase in YTD September 2022 sales (765,560 Million KRW) over the previous year (YTD September 2021: 533,043 Million KRW). Division Performance Chemicals, also recorded growth in revenue (41.4%) during the 3rd quarter recording consolidated sales of 94,442 Million KRW over the prior year comparable quarter (Q3/2021: 66,792 Million KRW). YTD September 2022, Division Performance Chemicals achieved consolidated sales of 266,339 Million KRW, marking a 46.6% increase in revenue over YTD September 2021 (181,672 Million KRW).

Although facing continuing market challenges and declining demand, Division Industrial Chemicals recorded increased revenues in Q3/2022 on the back of successfully implemented price increases. For Polymer Stabilizers, revenues remained up, despite the drop in demand (mostly in the EU and Korea/China) driven by customers reducing safety stocks as a result of the improved availability of polymer stabilizers worldwide. Price increases were also implemented during the 3rd quarter which effectively counterbalanced the rising raw material, freight and energy costs. Positively impacted by customer forecast volume increases globally to offset potential vessel delays and competitor supply issues, SONGWON's Fuel and Lubricant Additives reported sales in line with expectations and increased volumes compared to Q3/2021. In addition, the high oil-associated raw material costs led to price rises per kg for fuel and lubricant additives which together, with increased volumes led to higher revenues in the 3rd quarter of 2022. SONGWON's Coatings business reported good sales development throughout Q3/2022 but lower volumes compared to Q2/2022. This was partially due to market seasonality and increasing raw materials prices as well as coatings product availability becoming more stable on a global level leading to a change in customers' demand behavior.

In Q3/2022, Division Performance Chemicals delivered a sound performance. Tin Intermediates performance in Q3/2022 was positively impacted by the capacity increase of DOTO (di-n-Octyltin oxide) production which led to higher sales despite the fall of tin prices during the quarter. During Q3/2022, PVC sales were affected by the lockdown in China and the building industry facing the challenging economic situation with high energy costs, low government spending and customers destocking due to lower raw material costs. However, declining logistical costs in Q3/2022 have made SONGWON more competitive outside Asia and supported new business opportunities. Solution Polyurethanes and Thermoplastic Polyurethanes, reported a slight decrease in revenues in Q3/2022 compared to Q2/2022 due to the slow demand in the thermoplastic polyurethane overseas market but profitability improved driven by decreasing raw material prices.

Outlook

Looking towards the 4th quarter of the year, SONGWON anticipates seeing a slowing down in demand continuing against the backdrop of uncertainty exacerbated by geopolitics, soaring material and energy costs and increasing supply disruptions. Going forward, the Group will continue to exercise cost discipline and implement price increases where necessary to offset both material and logistics, but particularly high energy cost levels. In addition, SONGWON will be taking measurable steps to ensure the organization is well-prepared to face upcoming challenges, materialize growth opportunities and able to continue offering customers supply reliability. In the coming months, as global uncertainty remains unprecedentedly high, the Group will remain cautious but is confident that it can continue to expand its competitive advantages and deliver on its financial priorities to ensure SONGWON is positioned for long-term success.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim consolidated statements of financial position (unaudited)

		September 30, 2022	As of December 31, 2021
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		513,771	487,268
Property, plant and equipment	5.2.2, 6, 25	440,004	424,301
Right-of-use assets	5.2.2, 6.1	18,895	17,901
Investment properties	5.2.2, 25	3,459	3,467
Intangible assets	5.2.2, 7	11,141	9,650
Investments accounted for using the equity method	4	7,897	6,466
Other non-current assets		221	6,028
Other non-current financial assets	12, 22, 23	22,189	12,068
Deferred tax assets		9,965	7,387
Current assets		797,508	628,381
Inventories	8	429,372	335,880
Trade and other receivables	9, 22, 23	217,329	179,720
Income tax receivables		1,033	308
Other current assets	11	24,322	13,584
Other current financial assets	12, 20, 22	3,346	1,145
Cash and cash equivalents	10, 22	122,106	97,744
Total assets		1,311,279	1,115,649
EQUITY AND LIABILITIES			
Equity		681,222	543,254
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	13.1	29,103	28,623
Retained earnings	13.1	602,107	483,732
Other components of equity	13.2	17,530	-1,583
Non-current liabilities		137,669	128,396
Bonds, interest-bearing loans and borrowings	14, 22, 25, 26.3	70,850	60,502
Pension liability		4,501	5,945
Other long-term employee-related liabilities		7,252	8,544
Non-current lease liabilities	6.1, 22, 26.3	16,437	15,454
Other non-current financial liabilities	19, 22, 26.3	1	1
Other non-current liabilities		461	428
Deferred tax liabilities		38,167	37,522
Current liabilities		492,388	443,999
Bonds, interest-bearing loans and borrowings	14, 22, 24, 25, 26.3	253,448	235,311
Trade and other payables	15, 22, 23, 26.3	176,286	173,266
Current lease liabilities	6.1, 22, 26.3	2,387	2,480
Other current financial liabilities	19, 20, 22, 26.3	1,542	689
Other current liabilities	21	13,327	4,043
Income tax payable		45,398	28,210
Total liabilities		630,057	572,395
Total equity and liabilities		1,311,279	1,115,649

Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	September 30, 2022	December 31, 2021
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	358,678	340,174
Property, plant and equipment	307,179	296,216
Right-of-use assets	13,191	12,497
Investment properties	2,415	2,420
Intangible assets	7,778	6,737
Investments accounted for using the equity method	5,513	4,514
Other non-current assets	154	4,208
Other non-current financial assets	15,491	8,425
Deferred tax assets	6,957	5,157
Current assets	556,761	438,689
Inventories	299,756	234,487
Trade and other receivables	151,723	125,467
Income tax receivables	721	215
Other current assets	16,980	9,483
Other current financial assets	2,336	799
Cash and cash equivalents	85,245	68,238
Total assets	915,439	778,863
EQUITY AND LIABILITIES		
Equity	475,579	379,260
Issued capital	8,378	8,378
Capital surplus	14,298	14,298
Reserves	20,317	19,982
Retained earnings	420,348	337,707
Other components of equity	12,238	-1,105
Non-current liabilities	96,110	89,637
Bonds, interest-bearing loans and borrowings	49,462	42,238
Pension liability	3,142	4,150
Other long-term employee-related liabilities	5,063	5,965
Non-current lease liabilities	11,475	10,789
Other non-current financial liabilities	1	1
Other non-current liabilities	322	299
Deferred tax liabilities	26,645	26,195
Current liabilities	343,750	309,966
Bonds, interest-bearing loans and borrowings	176,939	164,277
Trade and other payables	123,070	120,962
Current lease liabilities	1,666	1,731
Other current financial liabilities	1,077	480
Other current liabilities	9,304	2,822
Income tax payable	31,694	19,694
Total liabilities	439,860	399,603
Total equity and liabilities	915,439	778,863

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended September 30,	
		2022 Million KRW	2021 (restated)* Million KRW
Sales	5	350,731	260,137
Cost of sales	23	-273,929	-198,507
Gross profit		76,802	61,630
Selling and administration costs	16.1, 23	-27,488	-31,580
Operating profit		49,314	30,050
Other income		1,092	1,128
Other expenses	6, 6.1, 8	-980	-710
Share of result from investments accounted for using the equity method	4	613	375
Finance income	16.2	33,262	9,615
Finance expenses	16.3	-25,514	-11,590
Profit before tax		57,787	28,868
Income tax expenses	17	-16,411	-7,896
Profit for the period		41,376	20,972
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		11,005	6,886
Gains on valuation of interest rate swaps		1	535
Exchange differences on translation of foreign operations		11,004	6,351
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-637	-242
Re-measurement losses on defined benefit plans		-637	-242
Total other comprehensive income, net of taxes		10,368	6,644
Total comprehensive income		51,744	27,616
Profit for the period attributable to:			
Owners of the parent	18	41,376	20,972
Profit for the period		41,376	20,972
Total comprehensive income attributable to:			
Owners of the parent		51,744	27,616
Total comprehensive income		51,744	27,616
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	1,724	874

*refer to note 2.2 for further details

Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended September 30, (refer to note 2.1)	
	2022	2021 (restated)*
	Thousand USD	Thousand USD
Sales	244,855	181,609
Cost of sales	-191,238	-138,583
Gross profit	53,617	43,026
Selling and administration costs	-19,190	-22,047
Operating profit	34,427	20,979
Other income	762	787
Other expenses	-684	-496
Share of result from investments accounted for using the equity method	428	262
Finance income	23,221	6,712
Finance expenses	-17,812	-8,091
Profit before tax	40,342	20,153
Income tax expenses	-11,456	-5,512
Profit for the period	28,886	14,641
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	7,683	4,807
Gains on valuation of interest rate swaps	1	373
Exchange differences on translation of foreign operations	7,682	4,434
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-445	-169
Re-measurement losses on defined benefit plans	-445	-169
Total other comprehensive income, net of taxes	7,238	4,638
Total comprehensive income	36,124	19,279
Profit for the period attributable to:		
Owners of the parent	28,886	14,641
Profit for the period	28,886	14,641
Total comprehensive income attributable to:		
Owners of the parent	36,124	19,279
Total comprehensive income	36,124	19,279
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1.20	0.61

*refer to note 2.2 for further details

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the nine months ended September 30,	
		2022	2021 (restated)*
		Million KRW	Million KRW
Sales	5	1,031,899	714,715
Cost of sales	23	-781,166	-560,640
Gross profit		250,733	154,075
Selling and administration costs	16.1, 23	-89,966	-84,945
Operating profit		160,767	69,130
Other income		2,782	2,838
Other expenses	6, 6.1, 8	-1,950	-6,178
Share of result from investments accounted for using the equity method	4	1,910	804
Finance income	16.2	62,278	21,950
Finance expenses	16.3	-53,363	-25,266
Profit before tax		172,424	63,278
Income tax expenses	17	-48,951	-18,169
Profit for the period		123,473	45,109
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		19,112	9,131
Gains on valuation of interest rate swaps		42	1,207
Exchange differences on translation of foreign operations		19,070	7,924
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		183	-575
Gains on valuation of financial assets at FVOCI		1	-
Re-measurement gains / (losses) on defined benefit plans		182	-575
Total other comprehensive income, net of taxes		19,295	8,556
Total comprehensive income		142,768	53,665
Profit for the period attributable to:			
Owners of the parent	18	123,473	46,173
Non-controlling interests		-	-1,064
Profit for the period		123,473	45,109
Total comprehensive income attributable to:			
Owners of the parent		142,768	54,625
Non-controlling interests		-	-960
Total comprehensive income		142,768	53,665
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	5,145	1,924

*refer to note 2.2 for further details

Interim consolidated statements of comprehensive income (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2022	2021 (restated)*
	Thousand USD	Thousand USD
Sales	720,397	498,963
Cost of sales	-545,354	-391,399
Gross profit	175,043	107,564
Selling and administration costs	-62,808	-59,302
Operating profit	112,235	48,262
Other income	1,942	1,981
Other expenses	-1,360	-4,313
Share of result from investments accounted for using the equity method	1,333	561
Finance income	43,478	15,324
Finance expenses	-37,254	-17,639
Profit before tax	120,374	44,176
Income tax expenses	-34,174	-12,684
Profit for the period	86,200	31,492
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	13,342	6,376
Gains on valuation of interest rate swaps	29	843
Exchange differences on translation of foreign operations	13,313	5,533
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	128	-401
Gains on valuation of financial assets at FVOCI	1	-
Re-measurement gains / (losses) on defined benefit plans	127	-401
Total other comprehensive income, net of taxes	13,470	5,975
Total comprehensive income	99,670	37,467
Profit for the period attributable to:		
Owners of the parent	86,200	32,235
Non-controlling interests	-	-743
Profit for the period	86,200	31,492
Total comprehensive income attributable to:		
Owners of the parent	99,670	38,136
Non-controlling interests	-	-669
Total comprehensive income	99,670	37,467
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	3.59	1.34

*refer to note 2.2 for further details

Interim consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2021 and 2022

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	
As of January 1, 2021	12,000	22,359	28,335	405,105	-1,207	-362	-7,521	458,709	4,788	463,497
Profit for the period	-	-	-	46,173	-	-	-	46,173	-1,064	45,109
Other comprehensive income	-	-	-	-575	1,207	-	7,820	8,452	104	8,556
Total comprehensive income	-	-	-	45,598	1,207	-	7,820	54,625	-960	53,665
Dividends	-	-	-	-2,880	-	-	-	-2,880	-	-2,880
Appropriation to reserves	-	-	288	-288	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,877	-	-	-	-	-	-1,877	-1,230	-3,107
Change in non-controlling interest due to disposal of subsidiary	-	-	-	-	-	-	-	-	-2,598	-2,598
As of September 30, 2021	12,000	20,482	28,623	447,535	-	-362	299	508,577	-	508,577
As of January 1, 2022	12,000	20,482	28,623	483,732	-25	-614	-944	543,254	-	543,254
Profit for the period	-	-	-	123,473	-	-	-	123,473	-	123,473
Other comprehensive income	-	-	-	182	42	1	19,070	19,295	-	19,295
Total comprehensive income	-	-	-	123,655	42	1	19,070	142,768	-	142,768
Dividends	-	-	-	-4,800	-	-	-	-4,800	-	-4,800
Appropriation to reserves	-	-	480	-480	-	-	-	-	-	-
As of September 30, 2022	12,000	20,482	29,103	602,107	17	-613	18,126	681,222	-	681,222

Interim consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2021 and 2022 (refer to note 2.1)										
Attributable to owners of the parent										
	Other components of equity							Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
As of January 1, 2021	8,378	15,609	19,780	282,815	-843	-253	-5,251	320,235	3,344	323,579
Profit for the period	-	-	-	32,235	-	-	-	32,235	-743	31,492
Other comprehensive income	-	-	-	-401	843	-	5,460	5,902	73	5,975
Total comprehensive income	-	-	-	31,834	843	-	5,460	38,137	-670	37,467
Dividends	-	-	-	-2,011	-	-	-	-2,011	-	-2,011
Appropriation to reserves	-	-	201	-201	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,310	-	-	-	-	-	-1,310	-860	-2,170
Change in non-controlling interest due to disposal of subsidiary	-	-	-	-	-	-	-	-	-1,814	-1,814
As of September 30, 2021	8,378	14,299	19,981	312,437	-	-253	209	355,051	-	355,051
As of January 1, 2022	8,378	14,298	19,982	337,707	-18	-429	-658	379,260	-	379,260
Profit for the period	-	-	-	86,200	-	-	-	86,200	-	86,200
Other comprehensive income	-	-	-	127	29	1	13,313	13,470	-	13,470
Total comprehensive income	-	-	-	86,327	29	1	13,313	99,670	-	99,670
Dividends	-	-	-	-3,351	-	-	-	-3,351	-	-3,351
Appropriation to reserves	-	-	335	-335	-	-	-	-	-	-
As of September 30, 2022	8,378	14,298	20,317	420,348	11	-428	12,655	475,579	-	475,579

Interim consolidated statements of cash flows (unaudited)

	Notes	For the nine months ended September 30,	
		2022	2021
		Million KRW	Million KRW
Profit for the period		123,473	45,109
Total adjustments	27	70,774	58,977
Changes in operating assets and liabilities	27	-81,712	-109,098
Interest received		300	196
Payments of income tax		-34,743	-16,083
Net cash flow from operating activities		78,092	-20,899
Proceeds from sale of property, plant and equipment	6	1	424
Purchases of property, plant and equipment	6	-36,407	-14,993
Purchases of intangible assets	7	-1,919	-1,171
Dividends received from investments using equity method		581	519
Disposal of a subsidiary, net of cash disposed		-	5,584
Decrease / (increase) in other financial assets, net		-4,969	2,422
Net cash flow from investing activities		-42,713	-7,215
Proceeds from borrowings		586,680	462,706
Repayments of borrowings		-568,720	-417,149
Payment of lease liabilities		-2,548	-2,650
Increase / (decrease) in other financial liabilities, net		105	-1,123
Interest paid		-5,839	-4,065
Acquisition of additional interest in a subsidiary		-	-3,107
Dividends paid		-4,800	-2,880
Net cash flow from financing activities		4,878	31,732
Increase in cash and cash equivalents		40,257	3,618
Net foreign exchange differences		-15,895	-3,404
Cash and cash equivalents as of January 1	10	97,744	72,784
Cash and cash equivalents as of September 30	10	122,106	72,998

Interim consolidated statements of cash flows (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2022	2021
	Thousand USD	Thousand USD
Profit for the period	86,200	31,492
Total adjustments	49,409	41,173
Changes in operating assets and liabilities	-57,045	-76,164
Interest received	209	137
Payments of income tax	-24,255	-11,228
Net cash flow from operating activities	54,518	-14,590
Proceeds from sale of property, plant and equipment	1	296
Purchases of property, plant and equipment	-25,417	-10,467
Purchases of intangible assets	-1,340	-818
Dividends received from investments using equity method	406	362
Disposal of a subsidiary, net of cash disposed	-	3,898
Decrease / (increase) in other financial assets, net	-3,469	1,691
Net cash flow from investing activities	-29,819	-5,038
Proceeds from borrowings	409,577	323,028
Repayments of borrowings	-397,039	-291,223
Payment of lease liabilities	-1,779	-1,850
Increase / (decrease) in other financial liabilities, net	73	-784
Interest paid	-4,076	-2,838
Acquisition of additional interest in a subsidiary	-	-2,169
Dividends paid	-3,351	-2,011
Net cash flow from financing activities	3,405	22,153
Increase in cash and cash equivalents	28,104	2,525
Net foreign exchange differences	-11,097	-2,377
Cash and cash equivalents as of January 1	68,238	50,813
Cash and cash equivalents as of September 30	85,245	50,960

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

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

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

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

2. Basis of preparation

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

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

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

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

2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,432.40 to USD 1, the exchange rate in effect on September 30, 2022. Such presentation is not in accordance with generally accepted accounting principles and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2. Changes in disclosure

In the 2nd quarter of 2022, the Group performed a reclassification of 3rd party freight costs related to direct shipments for IC sales in Songwon Industrial Co., Ltd., from selling and administration costs (SG&A) to cost of sales (COS). As a result of this reclassification, the results for the three and nine months ended September 30, 2021 (comparable period), have been restated. For the three and nine months ended September 30, 2021, COS increased by 6,877 Million KRW and 14,657 Million KRW, respectively (SG&A decreased by -6,877 Million KRW and -14,657 Million KRW, respectively). This caused a decrease in gross profit of -10.0% and -8.7% and gross profit margins of -2.6%-points and -2.1%-points when compared to the previously reported results for the three and nine months ended September 30, 2021. The changes in disclosure have no impact on the operating profit and net profit for the period.

3. Accounting policies

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

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

New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(1) of K-IFRS 1101 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to K-IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of K-IFRS 1101.

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

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

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

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

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

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

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

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

4. Investment accounted for using the equity method

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

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,803	10,744	12,954	1,670	2,056	58	89	21,553	6,466
December 31, 2021	1,803	10,744	12,954	1,670	2,056	58	89	21,553	6,466
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,180	13,929	15,232	998	2,737	65	100	26,324	7,897
September 30, 2022	5,180	13,929	15,232	998	2,737	65	100	26,324	7,897

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.	8,771	-40	1	-1	1,668	-417	1,251	17	1,268
For the three months ended September 30, 2021	8,771	-40	1	-1	1,668	-417	1,251	17	1,268
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	12,127	-46	1	-2	2,725	-682	2,043	200	2,243
For the three months ended September 30, 2022	12,127	-46	1	-2	2,725	-682	2,043	200	2,243

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	22,500	-121	11	-4	3,574	-894	2,680	-123	2,557
For the nine months ended September 30, 2021	22,500	-121	11	-4	3,574	-894	2,680	-123	2,557
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	34,620	-132	3	-4	8,490	-2,123	6,367	340	6,707
For the nine months ended September 30, 2022	34,620	-132	3	-4	8,490	-2,123	6,367	340	6,707

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

	As of January 1, 2021	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2021
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-519	804	-37	6,160
Total	5,912	-519	804	-37	6,160

	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
Total	6,466	-581	1,910	102	7,897

5. Segment information

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

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

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

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

5.1. Reported key figures

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

Description	For the three months ended September 30,					
	2022		2021		2022	
	2022	2021	2022	2021	2022	2021
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	256,289	193,345	94,442	66,792	350,731	260,137
Operating profit	47,652	27,623	1,663	2,427	49,314	30,050

Description	For the nine months ended September 30,					
	2022		2021		2022	
	2022	2021	2022	2021	2022	2021
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	765,560	533,043	266,339	181,672	1,031,899	714,715
Operating profit	148,070	65,755	12,697	3,375	160,767	69,130

5.2. Geographic information

5.2.1. Sales

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

	For the three months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Korea	56,504	53,323
Rest of Asia	91,469	72,058
Europe	79,237	60,316
North and South America	100,185	57,367
Australia	2,146	1,236
Middle East and Africa	21,190	15,837
Total sales	350,731	260,137

	For the nine months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Korea	187,317	153,658
Rest of Asia	270,451	200,879
Europe	238,923	169,245
North and South America	258,083	150,563
Australia	3,824	3,037
Middle East and Africa	73,301	37,333
Total sales	1,031,899	714,715

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

5.2.2. Non-current assets

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

	As of	
	September 30, 2022	December 31, 2021
	Million KRW	Million KRW
Korea	402,998	389,764
Rest of Asia	27,959	27,268
Europe	8,099	8,164
North and South America	12,105	10,851
Middle East and Africa	22,338	19,272
Total	473,499	455,319

6. Property, plant and equipment

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

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2021	149,550	91,280	65,989	489,289	46,278	10,640	853,026
Additions	-	1	49	982	182	14,034	15,248
Disposals	-43	-158	-143	-6,213	-1,556	-	-8,113
Reclassifications	150	349	1,080	10,066	215	-11,860	-
Disposal of a subsidiary	-	-	-	-464	-75	-48	-587
Net exchange differences	-	1,755	-	2,720	368	52	4,895
As of September 30, 2021	149,657	93,227	66,975	496,380	45,412	12,818	864,469
As of January 1, 2022	149,656	93,377	71,856	497,806	45,026	15,127	872,848
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
As of September 30, 2022	149,656	101,623	72,924	512,667	45,692	30,371	912,933
Accumulated depreciation and impairment							
As of January 1, 2021	-	-27,904	-42,663	-318,670	-37,577	-	-426,814
Depreciation charge	-	-1,903	-2,242	-16,892	-1,717	-	-22,754
Disposals	-	60	129	4,834	1,512	-	6,535
Impairment	-	-	-	-931	-62	-49	-1,042
Disposal of a subsidiary	-	-	-	395	74	48	517
Net exchange differences	-	-279	-	-905	-222	1	-1,405
As of September 30, 2021	-	-30,026	-44,776	-332,169	-37,992	-	-444,963
As of January 1, 2022	-	-30,674	-44,676	-335,178	-38,019	-	-448,547
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
As of September 30, 2022	-	-33,464	-47,014	-352,997	-39,454	-	-472,929
Net book value							
As of September 30, 2022	149,656	68,159	25,910	159,670	6,238	30,371	440,004
As of January 1, 2022	149,656	62,703	27,180	162,628	7,007	15,127	424,301
As of September 30, 2021	149,657	63,201	22,199	164,211	7,420	12,818	419,506

Non-cash transactions during the nine months ended September 30, 2022 decreased by 3,918 Million KRW (for the nine months ended September 30, 2021: increased by 255 Million KRW) and accounts payables relating to non-cash transactions amounted to 5,186 Million KRW as of September 30, 2022 (September 30, 2021: 5,333 Million KRW).

During the nine months ended September 30, 2022, the Group invested in additional property, plant and equipment with a significant portion being construction in progress in Songwon Industrial Co., Ltd., amounting to 29,840 Million KRW, related to investments in new equipment and expansion of existing ones.

For the nine months ended September 30, 2022, there were impairment losses of property, plant and equipment within Songwon Specialty Chemicals-India Pvt. Ltd. of 952 Million KRW related to stopped production line of pilot plant and 11 Million KRW that occurred during the ordinary course of business.

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

6.1. Right-of-use assets and leases

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost					
As of January 1, 2021	21,174	1,525	1,103	1,014	24,816
Additions	44	-	-	97	141
Disposals	-262	-	-	-157	-419
Modification of contract	-279	237	-	67	25
Disposal of a subsidiary	-2,293	-	-	-	-2,293
Net exchange differences	1,310	1	86	51	1,448
As of September 30, 2021	19,694	1,763	1,189	1,072	23,718
As of January 1, 2022	20,704	2,178	1,235	1,077	25,194
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
As of September 30, 2022	23,817	2,428	1,380	1,351	28,976
Accumulated depreciation and impairment					
As of January 1, 2021	-3,216	-1,152	-195	-496	-5,059
Depreciation charge	-1,229	-433	-109	-254	-2,025
Disposals	262	-	-	157	419
Impairment	-1,454	-	-	-	-1,454
Disposal of a subsidiary	1,705	-	-	-	1,705
Net exchange differences	-207	-1	-21	-28	-257
As of September 30, 2021	-4,139	-1,586	-325	-621	-6,671
As of January 1, 2022	-4,530	-1,731	-364	-668	-7,293
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
As of September 30, 2022	-6,515	-2,178	-545	-843	-10,081
Net book value					
As of September 30, 2022	17,302	250	835	508	18,895
As of January 1, 2022	16,174	447	871	409	17,901
As of September 30, 2021	15,555	177	864	451	17,047

The Group recognized rent expenses from short-term leases of 172 Million KRW (September 30, 2021: 73 Million KRW), leases of low-value assets of 61 Million KRW (September 30, 2021: 61 Million KRW) and variable lease payments of 34 Million KRW (September 30, 2021: 315 Million KRW) in the interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2022.

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

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

Description	2022 Million KRW	2021 Million KRW
As of January 1	17,934	18,572
Additions	192	141
Modifications	369	25
Net exchange differences	2,426	513
Accretion of interest	451	490
Payments	-2,548	-2,650
As of September 30	18,824	17,091

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

7. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2021	6,032	2,771	831	41,116	670	51,420
Additions	-	18	-	-	1,153	1,171
Reclassifications	139	-	-	-	-139	-
Net exchange differences	-	70	-	2,986	-	3,056
As of September 30, 2021	6,171	2,859	831	44,102	1,684	55,647
As of January 1, 2022	6,643	3,058	831	44,038	2,114	56,684
Additions	316	-	-	-	1,603	1,919
Disposals	-207	-3	-	-	-29	-239
Reclassifications	742	-	-	-	-742	-
Net exchange differences	-	196	-	6,910	-	7,106
As of September 30, 2022	7,494	3,251	831	50,948	2,946	65,470
Accumulated amortization and impairment						
As of January 1, 2021	-3,103	-2,494	-	-38,066	-	-43,663
Amortization charge	-369	-78	-	-	-	-447
Net exchange differences	-	-65	-	-2,756	-	-2,821
As of September 30, 2021	-3,472	-2,637	-	-40,822	-	-46,931
As of January 1, 2022	-3,602	-2,673	-	-40,759	-	-47,034
Amortization charge	-472	-119	-	-	-	-591
Disposals	236	3	-	-	-	239
Impairment	-179	-	-	-	-	-179
Net exchange differences	-	-177	-	-6,587	-	-6,764
As of September 30, 2022	-4,017	-2,966	-	-47,346	-	-54,329
Net book value						
As of September 30, 2022	3,477	285	831	3,602	2,946	11,141
As of January 1, 2022	3,041	385	831	3,279	2,114	9,650
As of September 30, 2021	2,699	222	831	3,280	1,684	8,716

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

8. Inventories

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Raw materials and supplies	93,533	83,529
Work in progress	942	2,374
Finished and semi-finished goods	231,000	177,085
Goods in transit	101,240	70,978
Consignment stocks	2,657	1,914
Total inventories at the lower of cost and net realizable value	429,372	335,880

For the nine months ended September 30, 2022, no impairment was recognized within inventories (for the nine months ended September 30, 2021: impairment of 749 Million KRW). As of September 30, 2022, inventory allowance amounted to 4,724 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2021: 5,129 Million KRW). The Group recognized inventory allowance expenses of 299 Million KRW during the nine months ended September 30, 2022 (for the nine months ended September 30, 2021: 1,960 Million KRW).

9. Trade and other receivables

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Trade and notes receivables	215,693	179,814
Allowances for trade and notes receivables	-1,410	-1,269
Other accounts receivables	3,001	1,164
Allowances for other accounts receivables	-22	-26
Accrued income	67	37
Total	217,329	179,720

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
September 30, 2022	218,761	203,196	14,804	220	9	532
December 31, 2021	181,015	169,676	10,773	-	-	566

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

10. Cash and cash equivalents

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Cash on hand	67	52
Bank accounts	102,038	89,727
Time deposits (< 3 months)	20,001	7,965
Total	122,106	97,744

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

11. Other current assets

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Prepayments	992	1,273
Prepaid expenses	4,949	5,322
VAT receivable	18,381	6,989
Total	24,322	13,584

12. Other financial assets

Description	September 30, 2022		December 31, 2021	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	602	1,403	349	408
Financial instruments at FVtPL	13,205	150	9,530	-
Derivative assets at FVOCI (note 20)	-	23	-	-
Derivative assets at FVtPL (note 20)	6,535	1,239	505	25
Equity instruments at FVOCI	103	-	102	-
Guarantee and other deposits at amortized cost	1,711	531	1,549	712
Guarantee and other deposits at amortized cost (related parties)	33	-	33	-
Total	22,189	3,346	12,068	1,145

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

13. Equity

13.1. Reserves and dividends paid

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

13.2. Accumulated other comprehensive income

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

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-16,753	-16,935
OCI recognized within retained earnings	-16,753	-16,935
Cash flow hedge reserve	17	-25
Fair value reserve of financial assets at FVOCI	-613	-614
Foreign currency translation reserve	18,126	-944
OCI recognized within other components of equity	17,530	-1,583

14. Bonds, interest-bearing loans and borrowings

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

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Corporate bonds	60,965	54,832
Long-term borrowings	9,885	5,670
Non-current bonds, interest-bearing loans and borrowings	70,850	60,502
Current portion of long-term borrowings	1,180	1,780
Short-term borrowings	252,268	233,531
Current interest-bearing loans and borrowings	253,448	235,311
Total	324,298	295,813

15. Trade and other payables

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

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Trade payables	126,506	116,139
Trade payables (related parties)	2,036	1,145
Other accounts payables	20,461	30,636
Other accounts payables (related parties)	7	7
Withholdings	994	1,501
Accrued expenses	26,258	23,826
Guarantee deposits	24	12
Total	176,286	173,266

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

16. Operating profit and finance income / expenses

16.1. Selling and administration expenses

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

Description	For the three months ended September 30,	
	2022	2021 (restated)*
	Million KRW	Million KRW
Sales-related costs	-10,553	-14,035
Personnel expenses	-11,485	-12,995
Travelling and entertainment	-1,122	-581
Depreciation and amortization	-583	-591
Administration expenses	-2,440	-1,942
IT expenses	-870	-783
Others	-435	-653
Total	-27,488	-31,580

*refer to note 2.2 for further details

Description	For the nine months ended September 30,	
	2022	2021 (restated)*
	Million KRW	Million KRW
Sales-related costs	-39,159	-31,861
Personnel expenses	-35,169	-39,059
Travelling and entertainment	-2,857	-1,786
Depreciation and amortization	-1,783	-1,790
Administration expenses	-7,064	-6,301
IT expenses	-2,640	-2,309
Others	-1,294	-1,839
Total	-89,966	-84,945

*refer to note 2.2 for further details

16.2. Finance income

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

Description	For the three months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Interest on loans and receivables	128	54
Gains on foreign exchange transactions	11,168	3,565
Gains on foreign exchange translations	17,825	5,821
Gains on derivative transactions	626	208
Gains on valuation of derivatives	3,515	-33
Total finance income	33,262	9,615

Description	For the nine months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Interest on loans and receivables	305	186
Gains on foreign exchange transactions	23,044	10,977
Gains on foreign exchange translations	29,940	9,903
Gains on derivative transactions	1,542	881
Gains on valuation of derivatives	7,447	3
Total finance income	62,278	21,950

16.3. Finance expenses

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

Description	For the three months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Interest on borrowings	-2,180	-1,439
Losses on foreign exchange transactions	-9,800	-4,107
Losses on foreign exchange translations	-12,299	-4,764
Losses on derivative transactions	-68	-547
Losses on valuation of derivatives	-1,050	-673
Losses on disposal of financial assets at FVtPL	-45	-
Bank charges	-72	-60
Total finance expenses	-25,514	-11,590

Description	For the nine months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Interest on borrowings	-6,199	-4,382
Losses on foreign exchange transactions	-22,432	-10,087
Losses on foreign exchange translations	-23,163	-9,328
Losses on derivative transactions	-209	-617
Losses on valuation of derivatives	-1,050	-705
Losses on disposal of financial assets at FVtPL	-67	-
Bank charges	-243	-147
Total finance expenses	-53,363	-25,266

17. Income tax expenses

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

Income taxes	For the three months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Current income tax charges	-15,967	-9,013
Deferred taxes related to origination and reversal of deferred taxes	-602	1,204
Income tax recognized in other comprehensive income	158	-87
Income tax expenses	-16,411	-7,896

Income taxes	For the nine months ended September 30,	
	2022	2021
	Million KRW	Million KRW
Current income tax charges	-51,061	-21,352
Deferred taxes related to origination and reversal of deferred taxes	1,831	3,371
Income tax recognized in other comprehensive income	279	-188
Income tax expenses	-48,951	-18,169

18. Earnings per share

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

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

Description	For the three months ended September 30,	
	2022	2021
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	41,376,355,223	20,971,945,126
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,724	874

Description	For the nine months ended September 30,	
	2022	2021
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	123,472,715,619	46,172,547,024
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	5,145	1,924

19. Other financial liabilities

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

Description	September 30, 2022		December 31, 2021	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 20)	-	1,050	-	249
Deposits	1	-	1	-
Accrued interest expenses	-	492	-	440
Total	1	1,542	1	689

20. Derivative financial instruments

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

Description	September 30, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	1,050	25	38
Interest rate swaps (current portion)	23	-	-	33
Currency and interest rate swaps (current portion)	1,239	-	-	178
Currency and interest rate swaps (non-current portion)	6,535	-	505	-
Total	7,797	1,050	530	249

20.1. Forward exchange contracts

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

As of September 30, 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 20,820,000	28.10.2022 – 30.06.2023	1,396.00 ~ 1,467.00
Woori Bank	Sell	JPY 401,040,000	31.10.2022 – 30.12.2022	9.9730 ~ 9.9960
	Sell	EUR 20,760,000	31.10.2022 – 30.06.2023	1,396.10 ~ 1,467.80

As of December 31, 2021

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

20.2. Currency and interest rate swaps

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

As of September 30, 2022

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

As of December 31, 2021

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

20.3. Interest rate swaps

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

As of September 30, 2022

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

As of December 31, 2021

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

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2021. The balances included in accumulated other comprehensive income are 17 Million KRW (income) as of September 30, 2022 and -25 Million KRW (expenses) as of December 31, 2021, respectively (refer to note 13.2), net of income tax.

21. Emission rights and emission liabilities

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

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

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

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

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

(* In the current period (2022), the details of 2021 emission rights approved by government are stated.

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

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

	2022	2021
As of January 1	14	725
Increase	216	224
Decrease	-	-725
As of September 30	230	224

Estimated greenhouse gas emissions in 2022 were 153,175 KAU.

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

22. Fair values

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

As of September 30, 2022

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Financial assets at amortized cost				
	Other financial assets	2,346	1,934	2,346	1,934
	Trade and other receivables	-	217,329	-	217,329
	Cash and cash equivalents	-	122,106	-	122,106
	<i>Total financial assets at amortized cost</i>	2,346	341,369	2,346	341,369
	Financial assets at FVOCI				
	Interest rate swaps	-	23	-	23
	Other financial assets	103	-	103	-
	<i>Total financial assets at FVOCI</i>	103	23	103	23
	Financial assets at FVtPL				
	Currency and interest rate swaps	6,535	1,239	6,535	1,239
	Other financial assets	13,205	150	13,205	150
	<i>Total financial assets at FVtPL</i>	19,740	1,389	19,740	1,389
Total financial assets		22,189	342,781	22,189	342,781
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1	492	1	492
	Lease liabilities	16,437	2,387	16,437	2,387
	Trade and other payables	-	176,286	-	176,286
	Bonds, interest-bearing loans and borrowings	70,850	253,448	70,850	253,448
	<i>Total financial liabilities at amortized cost</i>	87,288	432,613	87,288	432,613
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	1,050	-	1,050
<i>Total financial liabilities at FVtPL</i>	-	1,050	-	1,050	
Total financial liabilities		87,288	433,663	87,288	433,663

As of December 31, 2021

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

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

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

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

22.1. Fair value hierarchy

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

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

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

	September 30, 2022	Level 1	Level 2	Level 3	
	Million KRW	Million KRW	Million KRW	Million KRW	
Financial assets	Derivatives				
	Interest rate swaps	23	-	23	
	Currency and interest rate swaps	7,774	-	7,774	
	<i>Total</i>	<i>7,797</i>	<i>-</i>	<i>7,797</i>	
	Debt instruments				
	Exchange traded fund at FVtPL	13,355	-	13,355	
	<i>Total</i>	<i>13,355</i>	<i>-</i>	<i>13,355</i>	
	Equity instruments				
	Equity instruments at FVOCI	103	-	-	103
	<i>Total</i>	<i>103</i>	<i>-</i>	<i>-</i>	<i>103</i>
Total	21,255	-	21,152	103	
Financial	Derivatives				
	Forward exchange contracts	1,050	-	1,050	
	<i>Total</i>	<i>1,050</i>	<i>-</i>	<i>1,050</i>	
Total	1,050	-	1,050	-	

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

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

23. Related party disclosures

The companies listed below have been identified as related parties:

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

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

Related party	Description	For the nine months ended September 30,	
		2022	2021
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-66	-60
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Cost of sales	-23,899	-12,932
Total	Cost of sales	-23,899	-12,932
	Selling and administration costs	-66	-60

Related party	Description	As of	
		September 30, 2022	December 31, 2021
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	33
	Trade and other payables	7	7
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other payables	2,036	1,145
Total	Other non-current financial assets	33	33
	Trade and other payables	2,043	1,152

23.1. The ultimate parent

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

23.2. Terms and conditions of transactions with related parties

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

23.3. Transactions with key management personnel

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

23.4. Compensation of key management personnel of the Group

Description	For the nine months ended	
	September 30,	
	2022	2021
	Million KRW	Million KRW
Short-term employee benefits	-9,316	-7,490
Post-employment benefits	-373	-574
Other long-term benefits	-902	-398
Share based payments	132	-229
Termination benefits	-	-528
Total compensation paid to key management personnel	-10,459	-9,219

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

23.5. Other related parties

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

24. Contingencies and commitments

24.1. Contingent liability

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to the product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on the business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 258 Million KRW (2021: 235 Million KRW) and a customer claim concerning impairment of some SONGWON products during delivery. The customer claim assessed damage was valued at 600,000 USD (859 Million KRW, however, no reliable amount assessment is available for the provision recognition. Further investigations are being carried out.

24.2. Other lease commitments

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

Description	September 30,	December 31,
	2022	2021
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-2	-6
<i>Total short-term lease commitments</i>	-2	-6
Low-value lease commitments		
Within one year	-61	-70
After one year but not more than five years	-72	-121
<i>Total low-value lease commitments</i>	-133	-191
Total	-135	-197

24.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of September 30, 2022, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 38,110 Million KRW.

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

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

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	24,500	9,359	15,141
D/A and D/P	Thousand USD	103,000	51,936	51,064
	Million KRW	12,000	6,551	5,449
Secured loan of credit sales	Million KRW	9,000	2,237	6,763
Other foreign currency guarantees	Thousand USD	8,750	50	8,700
Bond issuance payment guarantee	Thousand USD	24,990	24,990	-
	Million KRW	26,000	26,000	-
	Total Million KRW	47,000	34,788	12,212
	Total Thousand USD	161,240	86,335	74,905

25. Assets pledged as collateral and guarantees

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

Pledged to	Pledged assets		September 30, 2022	December 31, 2021
<i>Property, plant and equipment</i>				
<i>(Joint collateral in connection with long-term loan)</i>				
Busan Bank	Land, buildings and machinery	Million KRW	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000
<i>Property, plant and equipment and investment property</i>				
<i>(Collateral for other than long-term loan)</i>				
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	80,400	60,000
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	96,600	57,000
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
Total		Million KRW	345,000	285,000
		Thousand USD	24,000	24,000

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

26. Financial risk management objectives and policies

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

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

26.1. Market risk

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

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

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

26.1.1. Interest rate risk

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

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

Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
September 30, 2022	1.00	-866
	-1.00	866
September 30, 2021	1.00	-743
	-1.00	743

26.1.2. Foreign currency risk

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

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

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

Foreign currency sensitivity

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

Currency	September 30, 2022		December 31, 2021	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	7,293	-7,293	2,380	-2,380
EUR	1,770	-1,770	1,418	-1,418
JPY	5,078	-5,078	2,783	-2,783
CHF	326	-326	272	-272
AED	-255	255	-225	225
INR	203	-203	209	-209
Total	14,415	-14,415	6,837	-6,837

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

26.2. Credit risk

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

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

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

26.3. Liquidity risk

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

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

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

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

As of September 30, 2022	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Bonds, interest-bearing loans and borrowings	46,173	32,755	174,520	70,850	-	324,298
Trade and other payables	152,221	11,889	12,176	-	-	176,286
Lease liabilities	306	549	2,117	8,614	10,610	22,196
Other financial liabilities	431	-	61	1	-	493
Total	199,131	45,193	188,874	79,465	10,610	523,273

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

26.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of September 30, 2022 and December 31, 2021 is 92% and 105%, respectively.

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

27. Cash flow statement

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

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

	Notes	For the nine months ended	
		September 30,	
		2022	2021
Adjustments		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	21,805	22,754
Depreciation of right-of-use assets	6.1	2,010	2,025
Depreciation of investment properties		7	11
Amortization of intangible assets	7	591	447
Impairment of property, plant and equipment	6	963	1,042
Impairment of right-of-use assets	6.1	-	1,454
Impairment of intangible assets	7	179	-
Impairment of non-current financial assets		-	7
Impairment of other non-current assets		-	49
Impairment of inventories	8	-	749
Losses on disposals of property, plant and equipment, net	6	280	1,154
Share of result from investments accounted using the equity method	4	-1,910	-804
Share-based compensation expenses		681	982
Pension costs		4,733	5,882
Other long-term employee benefit expenses		470	510
Provisions		48	-
Finance income		-18,068	-6,305
Finance expenses		10,034	10,851
Income tax expenses	17	48,951	18,169
Total		70,774	58,977
Changes in operating assets and liabilities			
Trade receivables		-4,695	-40,551
Other receivables		-1,627	-250
Other current assets		-10,404	-11,193
Other current financial assets		-1,228	33
Inventories		-73,567	-102,348
Trade payables		2,321	31,264
Other payables		-5,651	8,361
Other current financial liabilities		7,197	-463
Other current liabilities		9,095	7,278
Pension liabilities		-467	-596
Other long-term employment benefits		-2,686	-633
Total		-81,712	-109,098

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

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

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

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

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

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the nine months ended September 30, 2022, the Group identified the changes in risk indicators considering the nature of risk such as geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in a decrease in the allowance on ECL by 74 Million KRW in the interim condensed consolidated financial statements for the nine months ended September 30, 2022.

29. Events after the reporting period

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



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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. and its subsidiaries

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

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing ("KSAs") and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

**Other matters**

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

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



November 9, 2022

This review report is effective as of November 9, 2022, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

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