



FINANCIAL RESULTS
FIRST QUARTER
ENDED MARCH 31, **2023**

It's all about **the chemistry™**

About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 7 to 45) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the first quarter ended March 31, 2023 as well as the first quarter ended March 31, 2022.

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

The interim condensed consolidated financial statements for the first quarter ended March 31, 2023 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2022 can be found on our website www.songwon.com.

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

Forward-looking statements & information

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

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

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SECTION 1:

Business Development

Key financial data

	For the three months ended		
	March 31,		
	2023	2022	
	Million KRW	(restated*) Million KRW	Δ%
Sales	267,167	338,433	-21.1%
Gross profit	41,076	89,236	-54.0%
<i>Gross profit margin</i>	15.4%	26.4%	
Operating profit	18,489	57,195	-67.7%
EBITDA	27,124	65,780	-58.8%
<i>EBITDA margin</i>	10.2%	19.4%	
EBIT	18,742	57,530	-67.4%
<i>EBIT margin</i>	7.0%	17.0%	
Profit for the period	10,626	43,427	-75.5%
Total assets	1,198,398	1,188,017	0.9%
Total equity	689,177	581,965	18.4%
<i>Equity ratio</i>	57.5%	49.0%	
Headcounts	996	1,010	-1.4%

*Refer to note 2.2 for further details

Sales development

Divisions

	For the three months ended								
	2023			2022			March 31,		
	2023	2022	Δ%	2023	2022	Δ%	2023	2022	Δ%
	Industrial Chemicals			Performance Chemicals					
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	195,947	248,865	-21.3%	71,220	89,568	-20.5%	267,167	338,433	-21.1%

Regions

	For the three months ended		
	March 31,		
	2023	2022	
	Million KRW	Million KRW	Δ%
Korea	52,807	65,216	-19.0%
Rest of Asia	67,663	91,558	-26.1%
Europe	66,002	80,655	-18.2%
North and South America	64,037	75,562	-15.3%
Australia	607	754	-19.5%
Middle East and Africa	16,051	24,688	-35.0%
Total sales	267,167	338,433	-21.1%

Business development

During the 1st quarter of 2023, SONGWON Industrial Group achieved consolidated sales of 267,167 Million KRW. Compared to sales for Q1/2022 (338,433 Million KRW), this marked a revenue decline of 21.1%. In Q1/2023, the Group's gross profit margin stood at 15.4% (Q1/2022: 26.4%). Net profit for the quarter amounted to 10,626 Million KRW (Q1/2022: 43,427 Million KRW).

In line with expectations and against the backdrop of the highly volatile global environment, the year started slowly for SONGWON due to decreased demand leading to lower earnings. Going into Q1/2023, the deteriorated economic conditions and inflationary pressures noted in the latter part of 2022 as well as the ongoing geopolitical tensions continued to affect the performance of both Division Industrial Chemicals and Division Performance Chemicals. During the 1st quarter of the year, Division Industrial Chemicals recorded sales of 195,947 Million KRW, a decline of 21.3% over the previous year comparable period (Q1/2022: 248,865 Million KRW). Division Performance Chemicals also recorded a similar drop in revenues of 20.5% when compared to the same quarter of 2022 and reported consolidated sales of 71,220 Million KRW in Q1/2023.

For Division Industrial Chemicals, the 1st quarter was defined by higher supply availability and a weakening in demand overall which was driven by customers' safety stock level reduction activities. As anticipated at the end of 2022, when compared to Q1/2022, Polymer Stabilizers saw a significant decrease in revenues in Q1/2023. Demand continued to drop due to the Russia-Ukraine conflict and fierce price competition, particularly in Asia, impacted business. However, Polymer Stabilizers did benefit from decreasing raw material and shipping costs. Despite a general slowdown in demand and volume movement from Q4/2022, SONGWON's Fuel and Lubricant Additives business started the year well with increased revenues on the back of its effective pricing formula mechanism and the lower raw material and freight costs during the quarter. Throughout Q1/2023, Coatings performance was also negatively impacted by low demand with excess supply leading to rapid price erosion across all sub-industries and product lines. This was further compounded by customers' very erratic and difficult-to-predict order patterns which prevented accurate forecasting.

In Q1/2023, SONGWON's Division Performance Chemicals was able to take advantage of the declining raw material costs but also faced pricing volatility, as well as weak and more unpredictable demand caused by economic recession. In the 1st quarter of 2023, Tin Intermediates' profitability continued to fluctuate greatly in relation to the price volatility of tin. Due to the uncertain economic environment, volumes were down in Q1/2023 compared to the volumes in 2022 but the improvement of the Chinese market is expected to positively boost revenues in the coming months. Throughout Q1/2023, PVC's performance was affected by Korea's sluggish construction industry which has led to decreased demand, in addition to the lower number of working days due to the Lunar New Year period in the Asian region. By maintaining steady pricing and positively benefiting from lower raw material costs, Solution Polyurethanes and Thermoplastic Polyurethanes recorded volumes slightly above Q4/2022 and reported improved profitability in the 1st quarter of the year compared to Q4/2022.

Outlook

SONGWON anticipates that 2023 will be a challenging year with the adverse geopolitical environment as well as the inflationary pressure on the world's economy continuing. In the face of such uncertainty, it is difficult to make any accurate predictions on how the global market will develop in the coming months. In order to successfully navigate all the external challenges such as cost increases due to inflation, logistics bottlenecks as well as the price of energy and raw materials, SONGWON has an established and ongoing improvement strategy. In line with this, SONGWON will continue to manage operations and adapt its businesses to the evolving market realities. Going forward, SONGWON intends to remain focused on continuing to position the company for long-term value creation and executing its strategic priorities to ensure long-term sustainable and profitable growth.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim consolidated statements of financial position (unaudited)

		March 31, 2023	As of December 31, 2022
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		544,723	536,604
Property, plant and equipment	5.2.2, 6, 24	446,321	441,541
Right-of-use assets	5.2.2, 6.1	17,182	16,969
Investment properties	5.2.2, 24	3,454	3,456
Intangible assets	5.2.2, 7	11,886	11,427
Investments accounted for using the equity method	4	7,954	7,818
Other non-current assets		32,010	30,778
Other non-current financial assets	11, 19, 21, 22	17,450	16,030
Deferred tax assets		8,466	8,585
Current assets		653,675	680,707
Inventories	8	358,093	377,129
Trade and other receivables	9, 21, 22	170,819	177,174
Income tax receivables		2,119	2,047
Other current assets		15,995	12,920
Other current financial assets	11, 19, 21	6,262	6,677
Cash and cash equivalents	10, 21	100,387	104,760
Total assets		1,198,398	1,217,311
EQUITY AND LIABILITIES			
Equity		689,177	682,622
<i>Non-controlling interests</i>		-	-
<i>Equity attributable to owners of the parent</i>		<i>689,177</i>	<i>682,622</i>
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	12.1	30,303	29,103
Retained earnings	12.1	621,468	622,951
Other components of equity	12.2	4,924	-1,914
Non-current liabilities		133,562	130,667
Bonds, interest-bearing loans and borrowings	13, 21, 24, 25.3	65,611	65,745
Pension liability		2,853	2,682
Other long-term employee-related liabilities		9,748	9,061
Non-current lease liabilities	6.1, 21, 25.3	14,850	14,564
Other non-current financial liabilities	18, 21, 25.3	1	1
Other non-current liabilities		449	453
Deferred tax liabilities		40,050	38,161
Current liabilities		375,659	404,022
Bonds, interest-bearing loans and borrowings	13, 21, 23, 24, 25.3	175,402	208,070
Trade and other payables	14, 21, 22, 25.3	137,820	139,275
Current lease liabilities	6.1, 21, 25.3	2,226	2,334
Other current financial liabilities	18, 19, 21, 25.3	14,278	554
Other current liabilities	20	5,890	5,440
Income tax payable		40,043	48,349
Total liabilities		509,221	534,689
Total equity and liabilities		1,198,398	1,217,311

Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	March 31, 2023	December 31, 2022
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	419,151	412,905
Property, plant and equipment	343,434	339,756
Right-of-use assets	13,221	13,057
Investment properties	2,658	2,659
Intangible assets	9,146	8,793
Investments accounted for using the equity method	6,120	6,016
Other non-current assets	24,631	23,683
Other non-current financial assets	13,427	12,335
Deferred tax assets	6,514	6,606
Current assets	502,989	523,790
Inventories	275,545	290,193
Trade and other receivables	131,441	136,331
Income tax receivables	1,631	1,575
Other current assets	12,308	9,942
Other current financial assets	4,818	5,138
Cash and cash equivalents	77,246	80,611
Total assets	922,140	936,695
EQUITY AND LIABILITIES		
Equity	530,307	525,264
Issued capital	9,234	9,234
Capital surplus	15,761	15,761
Reserves	23,317	22,394
Retained earnings	478,206	479,347
Other components of equity	3,789	-1,472
Non-current liabilities	102,773	100,546
Bonds, interest-bearing loans and borrowings	50,486	50,589
Pension liability	2,195	2,064
Other long-term employee-related liabilities	7,501	6,972
Non-current lease liabilities	11,427	11,207
Other non-current financial liabilities	1	1
Other non-current liabilities	345	349
Deferred tax liabilities	30,818	29,364
Current liabilities	289,060	310,885
Bonds, interest-bearing loans and borrowings	134,968	160,105
Trade and other payables	106,049	107,169
Current lease liabilities	1,713	1,796
Other current financial liabilities	10,987	426
Other current liabilities	4,531	4,185
Income tax payable	30,812	37,204
Total liabilities	391,833	411,431
Total equity and liabilities	922,140	936,695

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended March 31,	
		2023 Million KRW	2022 (restated)* Million KRW
Sales	5	267,167	338,433
Cost of sales	8, 22	-226,091	-249,197
Gross profit		41,076	89,236
Selling and administration costs	15.1, 22	-22,587	-32,041
Operating profit		18,489	57,195
Other income		573	619
Other expenses		-320	-284
Share of result from investments accounted for using the equity method	4	7	528
Finance income	15.2	19,115	9,712
Finance expenses	15.3	-18,936	-10,422
Profit before tax		18,928	57,348
Income tax expenses	16	-8,302	-13,921
Profit for the period		10,626	43,427
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		6,836	315
Gains on valuation of interest rate swaps		-	22
Exchange differences on translation of foreign operations		6,836	293
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		1,093	-231
Gains on valuation of financial assets at FVOCI		2	1
Re-measurement losses on defined benefit plans		1,091	-232
Total other comprehensive income, net of taxes		7,929	84
Total comprehensive income		18,555	43,511
Profit for the period attributable to:			
Owners of the parent	17	10,626	43,427
Non-controlling interests		-	-
Profit for the period		10,626	43,427
Total comprehensive income attributable to:			
Owners of the parent		18,555	43,511
Non-controlling interests		-	-
Total comprehensive income		18,555	43,511
Earnings per share			
		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	17	443	1,809

*Refer to note 2.2 for further details

Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended March 31, (refer to note 2.1)	
	2023 Thousand USD	2022 (restated)* Thousand USD
Sales	205,579	260,417
Cost of sales	-173,972	-191,752
Gross profit	31,607	68,665
Selling and administration costs	-17,380	-24,655
Operating profit	14,227	44,010
Other income	441	476
Other expenses	-246	-219
Share of result from investments accounted for using the equity method	5	406
Finance income	14,708	7,474
Finance expenses	-14,571	-8,020
Profit before tax	14,564	44,127
Income tax expenses	-6,388	-10,711
Profit for the period	8,176	33,416
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	5,259	243
Gains on valuation of interest rate swaps	-	17
Exchange differences on translation of foreign operations	5,259	226
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	841	-178
Gains on valuation of financial assets at FVOCI	2	1
Re-measurement losses on defined benefit plans	839	-179
Total other comprehensive income, net of taxes	6,100	65
Total comprehensive income	14,276	33,481
Profit for the period attributable to:		
Owners of the parent	8,176	33,416
Non-controlling interests	-	-
Profit for the period	8,176	33,416
Total comprehensive income attributable to:		
Owners of the parent	14,276	33,481
Non-controlling interests	-	-
Total comprehensive income	14,276	33,481
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.34	1.39

*Refer to note 2.2 for further details

Interim consolidated statements of changes in equity (unaudited)

For the three months ended March 31, 2022 and 2023

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	
As of January 1, 2022	12,000	20,482	28,623	483,732	-25	-614	-944	543,254	-	543,254
Profit for the period	-	-	-	43,427	-	-	-	43,427	-	43,427
Other comprehensive income	-	-	-	-232	22	1	293	84	-	84
Total comprehensive income	-	-	-	43,195	22	1	293	43,511	-	43,511
Dividends	-	-	-	-4,800	-	-	-	-4,800	-	-4,800
Appropriation to reserves	-	-	480	-480	-	-	-	-	-	-
As of March 31, 2022	12,000	20,482	29,103	521,647	-3	-613	-651	581,965	-	581,965
As of January 1, 2023	12,000	20,482	29,103	622,951	-	-703	-1,211	682,622	-	682,622
Profit for the period	-	-	-	10,626	-	-	-	10,626	-	10,626
Other comprehensive income	-	-	-	1,091	-	2	6,836	7,929	-	7,929
Total comprehensive income	-	-	-	11,717	-	2	6,836	18,555	-	18,555
Dividends	-	-	-	-12,000	-	-	-	-12,000	-	-12,000
Appropriation to reserves	-	-	1,200	-1,200	-	-	-	-	-	-
As of March 31, 2023	12,000	20,482	30,303	621,468	-	-701	5,625	689,177	-	689,177

Interim consolidated statements of changes in equity (unaudited)

For the three months ended March 31, 2022 and 2023 (refer to note 2.1)

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	
As of January 1, 2022	9,234	15,761	22,024	372,221	-19	-472	-726	418,023	-	418,023
Profit for the period	-	-	-	33,416	-	-	-	33,416	-	33,416
Other comprehensive income	-	-	-	-179	17	1	226	65	-	65
Total comprehensive income	-	-	-	33,237	17	1	226	33,481	-	33,481
Dividends	-	-	-	-3,693	-	-	-	-3,693	-	-3,693
Appropriation to reserves	-	-	370	-370	-	-	-	-	-	-
As of March 31, 2022	9,234	15,761	22,394	401,395	-2	-471	-500	447,811	-	447,811
As of January 1, 2023	9,234	15,761	22,394	479,347	-	-541	-931	525,264	-	525,264
Profit for the period	-	-	-	8,176	-	-	-	8,176	-	8,176
Other comprehensive income	-	-	-	839	-	2	5,259	6,100	-	6,100
Total comprehensive income	-	-	-	9,015	-	2	5,259	14,276	-	14,276
Dividends	-	-	-	-9,233	-	-	-	-9,233	-	-9,233
Appropriation to reserves	-	-	923	-923	-	-	-	-	-	-
As of March 31, 2023	9,234	15,761	23,317	478,206	-	-539	4,328	530,307	-	530,307

Interim consolidated statements of cash flows (unaudited)

	Notes	For the three months ended March 31,	
		2023 Million KRW	2022 Million KRW
Profit for the period		10,626	43,427
Total adjustments	26	26,652	23,684
Changes in operating assets and liabilities	26	35,413	-80,031
Interest received		319	82
Payments of income tax		-15,674	-10,044
Net cash flows provided by (used in) operating activities		57,336	-22,882
Proceeds from sale of property, plant and equipment	6	62	-
Purchases of property, plant and equipment	6	-14,890	-12,958
Purchases of intangible assets	7	-558	-766
Increase in other financial assets, net		-762	-1,022
Net cash flows used in investing activities		-16,148	-14,746
Proceeds from borrowings		112,767	272,807
Repayments of borrowings		-149,142	-241,472
Payment of lease liabilities		-869	-830
(Decrease) / increase in other financial liabilities, net		-56	62
Interest paid		-2,489	-1,642
Net cash flows provided by (used in) financing activities		-39,789	28,925
Increase / (decrease) in cash and cash equivalents		1,399	-8,703
Net foreign exchange differences		-5,772	-486
Cash and cash equivalents as of January 1	10	104,760	97,744
Cash and cash equivalents as of March 31	10	100,387	88,555

Interim consolidated statements of cash flows (unaudited)

	For the three months ended March 31, (refer to note 2.1)	
	2023	2022
	Thousand USD	Thousand USD
Profit for the period	8,176	33,416
Total adjustments	20,508	18,224
Changes in operating assets and liabilities	27,250	-61,582
Interest received	245	63
Payments of income tax	-12,061	-7,729
Net cash flows provided by (used in) operating activities	44,118	-17,608
Proceeds from sale of property, plant and equipment	48	-
Purchases of property, plant and equipment	-11,458	-9,971
Purchases of intangible assets	-429	-589
Increase in other financial assets, net	-586	-786
Net cash flows used in investing activities	-12,425	-11,346
Proceeds from borrowings	86,772	209,919
Repayments of borrowings	-114,762	-185,807
Payment of lease liabilities	-669	-639
(Decrease) / increase in other financial liabilities, net	-43	48
Interest paid	-1,915	-1,263
Net cash flows provided by (used in) financing activities	-30,617	22,258
Increase / (decrease) in cash and cash equivalents	1,076	-6,696
Net foreign exchange differences	-4,441	-375
Cash and cash equivalents as of January 1	80,611	75,212
Cash and cash equivalents as of March 31	77,246	68,141

Notes to the interim condensed consolidated financial statements

1. Corporate information

1.1. The Group

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

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

Scope of consolidation

As of March 31, 2023, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2022: 14 entities). Additionally, one entity is classified as a joint venture (2022: one entity) and accounted for using the equity method.

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

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

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

2. Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2023 have been prepared in accordance with K-IFRS 1034 – *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2022.

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

The Group maintains its official accounting records in Korean won. The accompanying interim consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

2.1. 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 1,299.58 to USD 1, the exchange rate in effect on March 31, 2023. Such presentation is not in accordance with generally accepted accounting principles and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2. Restatement of prior year figures in consolidated statements of comprehensive income

During 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 months ended March 31, 2022 (comparable period), have been restated. As of March 31, 2022, COS increased by 10,128 Million KRW, SG&A decreased by -10,128 Million KRW.

This caused a decrease in gross profit margin of -3.0%-points when compared to the previously reported amounts for the three months ended March 31, 2022. 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, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2023, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

New and amended standards adopted by the Group

KIFRS 1117: Insurance Contracts

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

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

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

Amendments to KIFRS 1008: Definition of Accounting Estimates

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

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

Amendments to KIFRS 1001: Disclosure of Accounting Policies

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

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

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

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

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

4. Investment accounted for using the equity method

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

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,981	15,765	13,722	2,363	3,366	28	62	26,059	7,818
December 31, 2022	5,981	15,765	13,722	2,363	3,366	28	62	26,059	7,818
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,927	14,649	14,169	1,798	2,240	30	66	26,512	7,954
March 31, 2023	5,927	14,649	14,169	1,798	2,240	30	66	26,512	7,954

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.	9,129	-43	1	-1	2,347	-586	1,761	53	1,814
For the three months ended March 31, 2022	9,129	-43	1	-1	2,347	-586	1,761	53	1,814
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,178	-43	9	-1	30	-7	23	430	453
For the three months ended March 31, 2023	7,178	-43	9	-1	30	-7	23	430	453

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

	As of January 1, 2022	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of March 31, 2022
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,466	-	528	16	7,010
Total	6,466	-	528	16	7,010
	As of January 1, 2023	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of March 31, 2023
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,818	-	7	129	7,954
Total	7,818	-	7	129	7,954

5. Segment information

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

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

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

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

5.1. Reported key figures

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

Description	For the three months ended					
	2023		2022		March 31,	
	2023	2022	2023	2022	2023	2022
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	195,947	248,865	71,220	89,568	267,167	338,433
Operating profit	17,252	50,826	1,237	6,369	18,489	57,195

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	
	March 31,	
	2023	2022
	Million KRW	Million KRW
Korea	52,807	65,216
Rest of Asia	67,663	91,558
Europe	66,002	80,655
North and South America	64,037	75,562
Australia	607	754
Middle East and Africa	16,051	24,688
Total sales	267,167	338,433

As of March 31, 2023, one customer referring to the reporting segment “Industrial Chemicals” accounted for more than 10% of the Group’s total sales with the total amount of revenues of 31,505 Million KRW during the reporting period. (As of March 31, 2022: no customer accounted for more than 10% of the Group’s total sales.)

5.2.2. Non-current assets

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

	As of	
	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Korea	416,185	411,991
Rest of Asia	24,644	24,036
Europe	7,680	7,619
North and South America	10,352	10,388
Middle East and Africa	19,982	19,359
Total	478,843	473,393

6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2022	149,656	93,377	71,856	497,806	45,026	15,127	872,848
Additions	-	-	11	550	50	9,034	9,645
Disposals	-	-	-	-325	-29	-	-354
Reclassifications	-	-	-	3,047	5	-3,052	-
Net exchange differences	-	296	-	292	38	2	628
As of March 31, 2022	149,656	93,673	71,867	501,370	45,090	21,111	882,767
As of January 1, 2023	149,656	103,338	72,918	532,467	22,053	35,498	915,930
Additions	-	38	112	460	96	10,322	11,028
Disposals	-	-	-485	-1,237	-67	-	-1,789
Reclassifications	-	405	485	124	4	-1,018	-
Net exchange differences	-	789	-	1,579	179	25	2,572
As of March 31, 2023	149,656	104,570	73,030	533,393	22,265	44,827	927,741
Accumulated depreciation and impairment							
As of January 1, 2022	-	-30,674	-44,676	-335,178	-38,019	-	-448,547
Depreciation charge	-	-643	-805	-5,532	-493	-	-7,473
Disposals	-	-	-	262	28	-	290
Net exchange differences	-	-58	-	-113	-30	-	-201
As of March 31, 2022	-	-31,375	-45,481	-340,561	-38,514	-	-455,931
As of January 1, 2023	-	-35,096	-47,647	-374,184	-17,462	-	-474,389
Depreciation charge	-	-893	-946	-5,321	-356	-	-7,516
Disposals	-	-	336	1,130	67	-	1,533
Net exchange differences	-	-170	-	-785	-93	-	-1,048
As of March 31, 2023	-	-36,159	-48,257	-379,160	-17,844	-	-481,420
Net book value							
As of March 31, 2023	149,656	68,411	24,773	154,233	4,421	44,827	446,321
As of January 1, 2023	149,656	68,242	25,271	158,283	4,591	35,498	441,541
As of March 31, 2022	149,656	62,298	26,386	160,809	6,576	21,111	426,836

During the three months ended March 31, 2023, non-cash transactions decreased by 3,862 Million KRW (for the three months ended March 31, 2022: decreased by 3,313 Million KRW). Accounts payables relating to non-cash transactions amounted to 8,728 Million KRW as of March 31, 2023 (March 31, 2022: 5,791 Million KRW).

No impairment was recognized on property, plant and equipment for the three months ended March 31, 2023 (for the three months ended March 31, 2022: none).

During the three months ended March 31, 2023, the Group capitalized in the property, plant and equipment borrowing cost of 254 Million KRW (for the three months ended March 31, 2022: none).

6.1. Right-of-use assets and leases

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost					
As of January 1, 2022	20,704	2,178	1,235	1,077	25,194
Additions	-	-	-	95	95
Modification of contract	-	-	-	46	46
Net exchange differences	228	-	7	3	238
As of March 31, 2022	20,932	2,178	1,242	1,221	25,573
As of January 1, 2023	21,652	2,837	1,200	1,297	26,986
Additions	-	-	264	36	300
Modification of contract	19	-	-	1	20
Net exchange differences	745	1	58	46	850
As of March 31, 2023	22,416	2,838	1,522	1,380	28,156
Accumulated depreciation and impairment					
As of January 1, 2022	-4,530	-1,731	-364	-668	-7,293
Depreciation charge	-394	-146	-37	-78	-655
Net exchange differences	-40	-	-4	-4	-48
As of March 31, 2022	-4,964	-1,877	-405	-750	-7,996
As of January 1, 2023	-6,315	-2,342	-510	-850	-10,017
Depreciation charge	-408	-166	-38	-74	-686
Net exchange differences	-218	-	-20	-33	-271
As of March 31, 2023	-6,941	-2,508	-568	-957	-10,974
Net book value					
As of March 31, 2023	15,475	330	954	423	17,182
As of January 1, 2023	15,337	495	690	447	16,969
As of March 31, 2022	15,968	301	837	471	17,577

The Group recognized rent expenses from short-term leases of 41 Million KRW (March 31, 2022: 59 Million KRW), leases of low-value assets of 20 Million KRW (March 31, 2022: 20 Million KRW) and variable lease payments of 9 Million KRW (March 31, 2022: 101 Million KRW) in the interim condensed consolidated statements of comprehensive income for the three months ended March 31, 2023.

No impairment was recognized on right-of-use assets for the three months ended March 31, 2023 (for the three months ended March 31, 2022: none).

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

Description	2023	2022
	Million KRW	Million KRW
As of January 1	16,898	17,934
Additions	300	95
Modifications	20	46
Net exchange differences	583	193
Accretion of interest	144	149
Payments	-869	-830
As of March 31	17,076	17,587

7. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2022	6,643	3,058	831	44,038	2,114	56,684
Additions	20	-	-	-	746	766
Disposals	-11	-	-	-	-	-11
Reclassifications	652	-	-	-	-652	-
Net exchange differences	-	14	-	582	-	596
As of March 31, 2022	7,304	3,072	831	44,620	2,208	58,035
As of January 1, 2023	7,688	3,558	831	40,734	3,186	55,997
Additions	4	4	-	-	550	558
Disposals	-	-11	-	-	-	-11
Reclassifications	50	188	-	-	-238	-
Net exchange differences	-	5	-	6,440	-	6,445
As of March 31, 2023	7,742	3,744	831	47,174	3,498	62,989
Accumulated amortization and impairment						
As of January 1, 2022	-3,602	-2,673	-	-40,759	-	-47,034
Amortization charge	-152	-38	-	-	-	-190
Disposals	11	-	-	-	-	11
Impairment	-8	-	-	-	-	-8
Net exchange differences	-	-14	-	-573	-	-587
As of March 31, 2022	-3,751	-2,725	-	-41,332	-	-47,808
As of January 1, 2023	-4,039	-2,922	-	-37,609	-	-44,570
Amortization charge	-166	-61	-	-	-	-227
Disposals	-	11	-	-	-	11
Net exchange differences	-	-	-	-6,317	-	-6,317
As of March 31, 2023	-4,205	-2,972	-	-43,926	-	-51,103
Net book value						
As of March 31, 2023	3,537	772	831	3,248	3,498	11,886
As of January 1, 2023	3,649	636	831	3,125	3,186	11,427
As of March 31, 2022	3,553	347	831	3,288	2,208	10,227

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. No impairment was recognized on intangible assets for the three months ended March 31, 2023 (for the three months ended March 31, 2022: an impairment loss on industrial rights of 8 Million KRW). Intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred during the three months ended March 31, 2023 and 2022.

8. Inventories

Description	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Raw materials and supplies	81,726	85,687
Work in progress	921	1,250
Finished and semi-finished goods	200,670	232,946
Goods in transit	70,056	54,131
Consignment stocks	4,720	3,115
Total inventories at the lower of cost and net realizable value	358,093	377,129

As of March 31, 2023, inventory allowance amounted to 5,343 Million KRW for raw materials, finished and semi-finished goods (December 31, 2022: 4,853 Million KRW). During the three months ended March 31, 2023, the Group recognized inventory allowance expenses of 1,240 Million KRW (for the three months ended March 31, 2022: 239 Million KRW) and reversed inventory allowances recognized in prior periods of 750 Million KRW (for the three months ended March 31, 2022: none).

For the three months ended March 31, 2023, the Group recognized impairment losses of 459 Million KRW within inventories (for the three months ended March 31, 2022: no impairment).

9. Trade and other receivables

Description	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Trade and notes receivables	166,904	176,734
Allowances for trade and notes receivables	-1,377	-1,371
Trade and notes receivables (related parties)	-	63
Other accounts receivables	5,187	1,670
Allowances for other accounts receivables	-24	-18
Accrued income	129	96
Total	170,819	177,174

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

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

	Total	Current	Days past due			
			≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
March 31, 2023	172,220	166,130	5,458	82	-	550
December 31, 2022	178,563	166,012	11,689	51	261	550

Refer to note 25.2 on credit risk of trade receivables, which describes how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

10. Cash and cash equivalents

Description	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Cash on hand	87	59
Bank accounts	70,996	76,069
Time deposits (< 3 months)	29,304	28,632
Total	100,387	104,760

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

As of March 31, 2023, time deposits included restricted cash of 133 Million KRW (December 31, 2022: none).

11. Other financial assets

Description	March 31, 2023		December 31, 2022	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	459	1,756	529	1,826
Financial instruments at FVtPL	12,676	2,632	11,847	2,591
Derivative assets at FVtPL	2,902	1,256	2,293	1,849
Guarantee and other deposits at amortized cost	1,380	618	1,328	411
Guarantee and other deposits at amortized cost (related parties)	33	-	33	-
Total	17,450	6,262	16,030	6,677

As of March 31, 2023, financial instruments at amortized cost included restricted cash of 7 Million KRW (December 31, 2022: 7 Million KRW) as well as pledged bank deposits of 627 Million KRW (December 31, 2022: 481 Million KRW).

12. Equity

12.1. Reserves and dividends paid

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

12.2. Accumulated other comprehensive income

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

Description	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-3,277	-4,368
OCI recognized within retained earnings	-3,277	-4,368
Cash flow hedge reserve	-	-
Fair value reserve of financial assets at FVOCI	-701	-703
Foreign currency translation reserve	5,625	-1,211
OCI recognized within other components of equity	4,924	-1,914

13. Bonds, interest-bearing loans and borrowings

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

Description	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Corporate bonds	57,816	56,905
Long-term borrowings	7,795	8,840
Non-current bonds, interest-bearing loans and borrowings	65,611	65,745
Current portion of long-term borrowings	2,680	1,930
Short-term borrowings	172,722	206,140
Current interest-bearing loans and borrowings	175,402	208,070
Total	241,013	273,815

14. Trade and other payables

Description	March 31,	December 31,
	2023	2022
	Million KRW	Million KRW
Trade payables	91,087	78,386
Trade payables (related parties)	1,435	1,361
Other accounts payables	26,682	28,744
Other accounts payables (related parties)	7	7
Withholdings	1,082	1,835
Accrued expenses	17,524	28,904
Guarantee deposits	3	38
Total	137,820	139,275

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

15. Operating profit and finance income / expenses

15.1. Selling and administration expenses

Description	For the three months ended March 31,	
	2023	2022 (restated)*
	Million KRW	Million KRW
Sales-related costs	-4,276	-14,858
Personnel expenses	-12,228	-11,959
Travelling and entertainment	-1,474	-626
Depreciation and amortization	-590	-601
Administration expenses	-2,413	-2,381
IT expenses	-983	-985
Others	-623	-631
Total	-22,587	-32,041

*Refer to note 2.2 for further details

15.2. Finance income

Description	For the three months ended March 31,	
	2023	2022
	Million KRW	Million KRW
Interest on loans and receivables	465	82
Gains on foreign exchange transactions	7,728	3,869
Gains on foreign exchange translations	9,960	3,808
Gains on derivative transactions	256	456
Gains on valuation of derivatives	640	1,497
Gains on valuation of financial assets at FVtPL	66	-
Total finance income	19,115	9,712

15.3. Finance expenses

Description	For the three months ended March 31,	
	2023	2022
	Million KRW	Million KRW
Interest on borrowings	-2,428	-1,810
Losses on foreign exchange transactions	-6,491	-3,645
Losses on foreign exchange translations	-8,000	-4,746
Losses on derivative transactions	-142	-71
Losses on valuation of derivatives	-1,783	-63
Losses on valuation of financial assets at FVtPL	-20	-
Bank charges	-72	-87
Total finance expenses	-18,936	-10,422

16. Income tax expenses

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

Income taxes	For the three months ended March 31,	
	2023	2022
	Million KRW	Million KRW
Current income tax charges	-6,978	-15,206
Deferred taxes related to origination and reversal of deferred taxes	-1,007	1,225
Income tax recognized in other comprehensive income	-317	60
Income tax expenses	-8,302	-13,921

17. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of March 31, 2023 and 2022, as no securities with dilutive features have been issued as of the end of the reporting periods.

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

Description	For the three months ended March 31,	
	2023	2022
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	10,625,738,727	43,427,101,996
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	443	1,809

18. Other financial liabilities

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

Description	March 31, 2023		December 31, 2022	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 19)	-	1,783	-	-
Deposits	1	-	1	-
Accrued interest expenses	-	495	-	554
Unpaid dividends	-	12,000	-	-
Total	1	14,278	1	554

19. Derivative financial instruments

Description	March 31, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	1,783	624	-
Currency and interest rate swaps (current portion)	1,256	-	1,225	-
Currency and interest rate swaps (non-current portion)	2,902	-	2,293	-
Total	4,158	1,783	4,142	-

19.1. Forward exchange contracts

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

As of March 31, 2023

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	Sell	JPY 2,430,000,000	28.04.2023~07.02.2024	10.2700~10.4550
	Sell	EUR 48,180,000	28.04.2023~25.03.2024	1,395.00~1,436.30
Busan Bank	Sell	JPY 972,400,000	28.04.2023~29.02.2024	10.3410
	Sell	EUR 9,000,000	28.04.2023~29.03.2024	1,436.30

As of December 31, 2022

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

19.2. Currency and interest rate swaps

The Group is exposed to exchange rate and interest rate risks due to the corporate bond issuance in the form of a floating rate note (refer to note 13). To hedge these risks, the Group has entered into the following currency and interest rate swaps (CRS) as of March 31, 2023 and December 31, 2022:

As of March 31, 2023

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

As of December 31, 2022

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

20. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of March 31, 2023, are as follows (Unit: Korean Allowance Unit - KAU):

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

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

	2022		2023	
	Quantity	Book value	Quantity	Book value
Beginning	3,171	348	142,046	348
Allocation	138,875	-	138,875	-
Disposal	-	-	-	-
Carryforward	-142,046	-348		
Ending	-	-	280,921	348

	2024		2025	
	Quantity	Book value	Quantity	Book value
Beginning	-	-	-	-
Allocation	137,574	-	137,574	-
Ending	137,574	-	137,574	-

There are no emission rights provided as collateral as of March 31, 2023.

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

	2023	2022
As of January 1	-	14
Increase	-	165
Decrease	-	-
As of March 31	-	179

Estimated greenhouse gas emissions in 2023 were 131,760 KAU.

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

21. Fair values

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

As of March 31, 2023

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,872	2,374	1,872	2,374
	Trade and other receivables	-	170,819	-	170,819
	Cash and cash equivalents	-	100,387	-	100,387
	<i>Total financial assets at amortized cost</i>	<i>1,872</i>	<i>273,580</i>	<i>1,872</i>	<i>273,580</i>
	Financial assets at FVtPL				
	Currency and interest rate swaps	2,902	1,256	2,902	1,256
	Other financial assets	12,676	2,632	12,676	2,632
	<i>Total financial assets at FVtPL</i>	<i>15,578</i>	<i>3,888</i>	<i>15,578</i>	<i>3,888</i>
	Total financial assets	17,450	277,468	17,450	277,468
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1	12,495	1	12,495
	Lease liabilities	14,850	2,226	14,850	2,226
	Trade and other payables	-	137,820	-	137,820
	Bonds, interest-bearing loans and borrowings	65,611	175,402	65,611	175,402
	<i>Total financial liabilities at amortized cost</i>	<i>80,462</i>	<i>327,943</i>	<i>80,462</i>	<i>327,943</i>
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	1,783	-	1,783
<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>1,783</i>	<i>-</i>	<i>1,783</i>	
Total financial liabilities	80,462	329,726	80,462	329,726	

As of December 31, 2022

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

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

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

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

21.1. Fair value hierarchy

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

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

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

		March 31, 2023	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Currency and interest rate swaps	4,158	-	4,158	-
	<i>Total</i>	<i>4,158</i>	<i>-</i>	<i>4,158</i>	<i>-</i>
	Debt instruments				
	Exchange traded fund at FVtPL	15,308	-	15,308	-
	<i>Total</i>	<i>15,308</i>	<i>-</i>	<i>15,308</i>	<i>-</i>
Total		19,466	-	19,466	-
Financial liabilities	Derivatives				
	Forward exchange contracts	1,783	-	1,783	-
	<i>Total</i>	<i>1,783</i>	<i>-</i>	<i>1,783</i>	<i>-</i>
	Total		1,783	-	1,783

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

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

22. Related party disclosures

The companies listed below have been identified as related parties:

Company name	Location	Relation with the Group	Remarks
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	Jointly controlled by Songwon Group Holding AG
Songwon Moolsan Co., Ltd.	Korea	Other (refer to note 22.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 22.5)	A subsidiary of Songwon Moolsan Co., Ltd.

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

Related party	Description	For the three months ended March 31,	
		2023	2022
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-20	-20
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Cost of sales	-5,094	-5,328
Total	Cost of sales	-5,094	-5,328
	Selling and administration costs	-20	-20

Related party	Description	As of	
		March 31, 2023	December 31, 2022
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	33
	Trade and other payables	7	7
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	-	63
	Trade and other payables	1,435	1,361
Total	Other non-current financial assets	33	33
	Trade and other receivables	-	63
	Trade and other payables	1,442	1,368

22.1. The ultimate parent

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

22.2. Terms and conditions of transactions with related parties

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

22.3. Transactions with key management personnel

During the three months ended March 31, 2023 and the year ended December 31, 2022, no other transactions with key management personnel other than those disclosed in note 22.4 took place.

22.4. Compensation of key management personnel of the Group

Description	For the three months ended	
	March 31,	
	2023	2022
	Million KRW	Million KRW
Short-term employee benefits	-2,762	-4,359
Post-employment benefits	-68	-131
Other long-term benefits	-184	-296
Share based payments	-39	-3
Total compensation paid to key management personnel	-3,053	-4,789

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The compensation amount of key management personnel of the Group decreased for the three months ended March 31, 2023, compared to the prior year comparable quarter due to the resignation of three key management persons in the second quarter 2022 in course of the internal restructuring procedures.

22.5. Other related parties

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

23. Contingencies and commitments

23.1. Contingent liability

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to the product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on the business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 1,163 Million KRW (2022: 224 Million KRW) and a customer complaint concerning the quality of a SONGWON product. The assessed damage was valued at 162 Million KRW (2022: 157 Million KRW). Further investigations are being carried. However, it was considered improbable in the fiscal quarter under review that there would be an outflow of economic resources relating to the contingent liability.

23.2. Other lease commitments

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

Description	March 31, 2023	December 31, 2022
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-7	-2
<i>Total short-term lease commitments</i>	-7	-2
Low-value lease commitments		
Within one year	-59	-66
After one year but not more than five years	-50	-61
<i>Total low-value lease commitments</i>	-109	-127
Total	-116	-129

23.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of March 31, 2023, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 8,416 Million KRW (December 31, 2022: 11,444 Million KRW).

There are no blank promissory notes or checks issued or received by the Group as of March 31, 2023.

Details of the Group's available short-term credit line facilities (excluding general loans) as of March 31, 2023 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	22,000	6,670	15,330
D/A and D/P	Thousand USD	103,000	44,224	58,776
	Million KRW	12,000	7,863	4,137
Secured loan of credit sales	Million KRW	9,000	5,773	3,227
Other foreign currency guarantees	Thousand USD	8,750	913	7,837
Bond issuance payment guarantee	Thousand USD	24,990	24,990	-
	Million KRW	26,000	26,000	-
	Total Million KRW	47,000	39,636	7,364
	Total Thousand USD	158,740	76,797	81,943

24. Assets pledged as collateral and guarantees

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

Pledged to	Pledged assets		March 31, 2023	December 31, 2022
<i>Property, plant and equipment</i>				
<i>(Joint collateral in connection with long-term loan)</i>				
Busan Bank	Land, buildings and machinery	Million KRW	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000
<i>Property, plant and equipment and investment property</i>				
<i>(Collateral for other than long-term loan)</i>				
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	80,400	80,400
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	96,600	96,600
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
Total		Million KRW	345,000	345,000
		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 March 31, 2023 and December 31, 2022.

Payment guarantee to Seoul insurance company

In the three months ended as of March 31, 2023 as well as financial year ended December 31, 2022 the Group possessed payment guarantees to Seoul guarantee insurance company for government subsidy return guarantee of 71.5 Million KRW as well as deposit guarantee for approval of development activity and urban planning facility business of 49.6 Million KRW.

25. Financial risk management objectives and policies

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

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

25.1. Market risk

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

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

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

25.1.1. Interest rate risk

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

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

Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
March 31, 2023	1.00	-155
	-1.00	155
March 31, 2022	1.00	-287
	-1.00	287

25.1.2. Foreign currency risk

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

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), Indian Rupee (INR) and to the Singapore Dollar (SGD). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant and the foreign exchange rate only changes by 10%, the impacts on net profit for the three months ended March 31, 2023 and year ended December 31, 2022 are as follows:

Currency	March 31, 2023		December 31, 2022	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	4,208	-4,208	6,566	-6,566
EUR	1,582	-1,582	1,007	-1,007
JPY	4,020	-4,020	4,451	-4,451
CHF	-3	3	278	-278
AED	-198	198	-202	202
INR	114	-114	131	-131
SGD	-62	62	-	-
Total	9,661	-9,661	12,231	-12,231

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

25.2. Credit risk

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

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at an insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 21.

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

25.3. Liquidity risk

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

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

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

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

As of March 31, 2023	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Bonds, interest-bearing loans and borrowings	33,454	33,687	108,261	65,611	-	241,013
Trade and other payables	119,332	13,200	5,288	-	-	137,820
Lease liabilities	287	571	1,959	7,997	9,326	20,140
Other financial liabilities	12,451	-	44	1	-	12,496
Total	165,524	47,458	115,552	73,609	9,326	411,469

As of December 31, 2022	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	19,327	124,209	64,534	65,745	-	273,815
Trade and other payables	109,868	22,072	7,335	-	-	139,275
Lease liabilities	278	563	2,022	7,655	9,311	19,829
Other financial liabilities	486	42	26	1	-	555
Total	129,959	146,886	73,917	73,401	9,311	433,474

25.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At the Group level the debt ratio is reviewed regularly. The debt-equity ratio as of March 31, 2023 and December 31, 2022 is 74% and 78%, respectively.

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

26. Cash flow statement

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

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the three months ended March 31, 2023 and 2022 are as follows:

	Notes	For the three months ended	
		2023	March 31, 2022
Adjustments		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	7,516	7,473
Depreciation of right-of-use assets	6.1	686	655
Depreciation of investment properties		2	4
Amortization of intangible assets	7	227	190
Impairment of intangible assets		-	8
Impairment of inventories	8	459	-
Losses on disposals of property, plant and equipment, net	6	194	64
Share of result from investments accounted using the equity method	4	-7	-528
Share-based compensation expenses		391	283
Pension costs		921	1,586
Other long-term employee benefit expenses		296	191
Provisions		-	48
Finance income		-1,010	-2,411
Finance expenses		8,675	2,200
Income tax expenses	16	8,302	13,921
Total		26,652	23,684
Changes in operating assets and liabilities			
Trade receivables		14,411	-41,287
Other receivables		-3,297	-2,252
Other current assets		-2,911	-8,354
Other current financial assets		592	-370
Inventories		25,808	-23,856
Trade payables		11,061	953
Other payables		-10,711	-10,407
Other current financial liabilities		640	1,259
Other current liabilities		343	4,328
Pension liabilities		-430	15
Other long-term employment benefits		-93	-60
Total		35,413	-80,031

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

The Group closely monitors the global situation and assesses the future impact of the Russian-Ukrainian conflict on the consolidated financial statements on a regular basis. For the three months ended March 31, 2023, the following assessments were performed, amongst others:

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

The Group assessed whether there were any internal and external indicators of impairment of property, plant and equipment and intangible assets. For the three months ended March 31, 2023, no indications of impairment have been identified and accordingly, no impairment has been recognized on property, plant and equipment and intangible assets related to the Russian-Ukrainian conflict.

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

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the three months ended March 31, 2023, the Group identified the changes in risk indicators considering the nature of risk such as geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in an increase in the allowance on ECL by 217 Million KRW in the interim condensed consolidated financial statements for the three months ended March 31, 2023.

28. Events after the reporting period

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

29. Global minimum tax

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

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

In South Korea, Pillar Two legislation is not yet considered substantively enacted as of March 31, 2023, for IAS 12 purposes. The Group therefore has not recognized any tax effect arising from the Global Minimum Tax in its interim condensed consolidated financial statements as of March 31, 2023, and for the quarter then ended.



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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 March 31, 2023, and the related interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2023 and 2022, and a summary of material accounting policy information and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

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



Other matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2022, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended (not presented herein) in accordance with KSA, and our report dated February 24, 2023 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2022, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Moreover, as explained in Note 2.2 to the interim condensed consolidated financial statements, the comparative interim condensed consolidated statement of comprehensive income for the three-month period ended March 31, 2022 and the related notes have been restated to reflect adjustments of freight costs.

Ernst & Young Han Young

May 10, 2023

This review report is effective as of May 10, 2023, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

For more information, please contact:

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