



FINANCIAL RESULTS
Q3 & 9 MONTHS
ENDED SEPTEMBER 30, **2024**

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Report on review of interim condensed consolidated financial statements

(English translation of a report originally issued in Korean)

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

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of September 30, 2024, and the related interim condensed consolidated statements of comprehensive income for each of the three-month and nine-month periods ended September 30, 2024 and 2023, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for each of the nine-month periods ended September 30, 2024 and 2023, and a summary of material accounting policy information and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

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



Other matter

We have audited the consolidated statement of financial position of the Group as of December 31, 2023, 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 23, 2024 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2023, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

November 11, 2024

This review report is effective as of November 11, 2024, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 9 to 54) according to International Financial Reporting Standards as adopted by the Republic of Korea (KIFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the beginning of this report. The review is applicable to the three and nine months ended September 30, 2024 as well as the three and nine months ended September 30, 2023.

A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing (KSA). 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, 2024 included in this report have been prepared in accordance with KIFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2023, which have also been prepared in accordance with KIFRS. The annual financial statements for the year 2023 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 statements 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 2024			Q3 2023			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	2024	2023	Δ%	2024	2023	Δ%
Sales	285,779	247,867	15.3%	815,052	784,266	3.9%	815,052	784,266	3.9%
Gross profit	50,203	36,351	38.1%	134,505	121,477	10.7%	134,505	121,477	10.7%
<i>Gross profit margin</i>	17.6%	14.7%		16.5%	15.5%		16.5%	15.5%	
Operating profit	22,163	14,443	53.5%	50,710	54,922	-7.7%	50,710	54,922	-7.7%
EBITDA	31,608	25,005	26.4%	79,617	83,582	-4.7%	79,617	83,582	-4.7%
<i>EBITDA margin</i>	11.1%	10.1%		9.8%	10.7%		9.8%	10.7%	
EBIT	21,599	15,076	43.3%	49,132	53,431	-8.0%	49,132	53,431	-8.0%
<i>EBIT margin</i>	7.6%	6.1%		6.0%	6.8%		6.0%	6.8%	
Profit for the period	11,492	9,372	22.6%	28,729	31,954	-10.1%	28,729	31,954	-10.1%
Total assets				1,183,436	1,147,419	3.1%	1,183,436	1,147,419	3.1%
Total equity				732,738	713,835	2.6%	732,738	713,835	2.6%
<i>Equity ratio</i>				61.9%	62.2%		61.9%	62.2%	
Headcounts				971	985	-1.4%	971	985	-1.4%

Sales development

Divisions

	2024			2023			For the three months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2024	2023	Δ%
	Industrial Chemicals			Performance Chemicals					
Sales	216,115	187,386	15.3%	69,664	60,481	15.2%	285,779	247,867	15.3%

	2024			2023			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	Industrial Chemicals			Performance Chemicals					
Sales	615,716	582,107	5.8%	199,336	202,159	-1.4%	815,052	784,266	3.9%

Regions

	Q3 2024			Q3 2023			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2024	2023	Δ%
Korea	45,023	47,642	-5.5%	140,120	150,162	-6.7%	140,120	150,162	-6.7%
Rest of Asia	83,155	67,501	23.2%	229,084	211,370	8.4%	229,084	211,370	8.4%
Europe	67,352	58,903	14.3%	192,882	188,488	2.3%	192,882	188,488	2.3%
North and South America	69,231	55,184	25.5%	197,507	183,118	7.9%	197,507	183,118	7.9%
Australia	231	707	-67.4%	1,994	1,910	4.4%	1,994	1,910	4.4%
Middle East and Africa	20,787	17,930	15.9%	53,465	49,218	8.6%	53,465	49,218	8.6%
Total sales	285,779	247,867	15.3%	815,052	784,266	3.9%	815,052	784,266	3.9%

Business development

SONGWON Industrial Group achieved consolidated sales of 285,779 Million KRW during the 3rd quarter of 2024, marking a 15.3% increase, compared to sales for Q3/2023 (247,867 Million KRW). Net profit in Q3/2024 amounted to 11,492 Million KRW, corresponding to a 22.6% increase over Q3/2023 (9,372 Million KRW). When compared to Q3/2023, the gross profit margin in Q3/2024 increased by 2.9%-points to 17.6%. The Group realized consolidated sales of 815,052 Million KRW during the nine months ended September 30th, 2024, reflecting a 3.9% increase over YTD September 2023 (784,266 Million KRW) and reported a net profit of 28,729 Million KRW representing a 10.1% decrease over the previous year comparable period (YTD September 2023: 31,954 Million KRW).

Although the overall geopolitical and macroeconomic environment remained challenging, SONGWON's Divisions achieved revenue growth in the 3rd quarter of 2024 from the 2nd quarter, reflecting the rise in demand across certain markets. Compared to consolidated sales in Q3/2023 (187,386 Million KRW), Division Industrial Chemicals reported a rise in revenue of 15.3% in the 3rd quarter of 2024 amounting to 216,115 Million KRW and a 5.8% increase in YTD September 2024 sales (615,716 Million KRW) compared to the previous year (YTD September 2023: 582,107 Million KRW). Division Performance Chemicals also recorded a 15.2% growth in revenue during Q3/2024 reporting consolidated sales of 69,664 Million KRW over the prior year comparable quarter (Q3/2023: 60,481 Million KRW). YTD September 2024, Division Performance Chemicals achieved consolidated sales of 199,336 Million KRW, reflecting a 1.4% decline in revenue when compared to the previous year (YTD September 2023: 202,159 Million KRW).

Q3/2024 was a strong quarter for Industrial Chemicals Division driven by robust market demand and improved macro and microeconomic conditions. Despite intensified market pressure due to higher supply availability and lower raw material costs, Polymer Stabilizers performed well in the 3rd quarter of 2024 with strong demand positively impacting both revenues and volumes. Amid the highly competitive environment, Polymer Stabilizers also increased SONGWON's market share in Q3/2024 with new business, mainly due to SONGWON's reliability of supply. SONGWON's Fuel and Lubricant Additives achieved higher revenues in Q3/2024 on the back of increased demand and sales were facilitated by the improved logistics situation. Coatings reported strong sales across the portfolio in Q3/2024 and improved profitability despite the current excess supply in the market.

For Division Performance Chemicals, the 3rd quarter of 2024 was also strong overall despite headwinds such as higher logistics and manufacturing costs as well as price competition negatively impacting export sales. Tin Intermediates recorded a rise in sales although volumes remained low on the back of weak market demand. It also saw margins improve due to the increased sales prices and enhanced operational efficiency. PVC's performance improved from Q2/2024, but high freight and manufacturing costs as well as intense pricing competition in SEA/SA and MEA impacted revenue and volume. For Solution Polyurethanes and Thermoplastic Polyurethanes (TPU/SPU), the 3rd quarter of 2024 proved to be challenging. Despite stable raw material prices enhancing profitability, the business recorded a volume decline compared to the previous quarter primarily resulting from sluggish TPU export sales linked to the economic recession and the seasonal drop in demand in Korea.

Outlook

Looking towards the final quarter of the year, SONGWON expects the supply and logistics situation to be ongoing and both market prices and margins to remain under pressure. As uncertainty driven by global macroeconomic conditions and industry dynamics continues to affect the market, there are signs of a potential slowdown in Q4/2024, with customers' outlook remaining unclear as they struggle to get accurate forecasts from their customers. Although this makes predicting future market developments challenging, SONGWON believes that it is well-positioned to successfully navigate the current headwinds it faces. By focusing on clear priorities, the company will ensure effective cost management, enhance operational efficiency and take the necessary steps to enable its businesses to adapt to the evolving market realities. Going forward, SONGWON is confident it can attain sustainable and profitable growth by driving long-term value creation and executing its strategic objectives.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim consolidated statements of financial position (unaudited)

		September 30, 2024	As of December 31, 2023
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		534,882	520,514
Property, plant and equipment	4.2.2, 5, 20	427,180	435,321
Right-of-use assets	4.2.2, 5.1	36,287	18,379
Investment properties	4.2.2, 20	3,444	3,448
Intangible assets	4.2.2, 6	15,513	14,789
Investments accounted for using the equity method	7, 26	8,529	8,131
Other non-current assets		22,905	23,046
Other non-current financial assets	11, 18, 26, 28	13,871	11,345
Deferred tax assets		7,153	6,055
Current assets		648,554	569,230
Inventories	8	332,989	291,466
Trade and other receivables	9, 26, 28	168,036	150,975
Income tax receivables	31	953	2,189
Other current assets	10	14,481	13,606
Other current financial assets	11, 18, 28	6,336	12,410
Cash and cash equivalents	12, 28	125,759	98,584
Total assets		1,183,436	1,089,744
EQUITY AND LIABILITIES			
Equity		732,738	705,592
Issued capital		12,000	12,000
Capital surplus		20,482	20,482
Reserves	13.1	30,903	30,303
Retained earnings	13.1	660,478	638,217
Other components of equity	13.2	8,875	4,590
Non-current liabilities		90,506	76,459
Bonds, interest-bearing loans and borrowings	14, 20, 27.3, 28	3,000	5,250
Pension liability		4,681	4,269
Other long-term employee-related liabilities		11,013	10,780
Non-current lease liabilities	5.1, 27.3, 28	32,759	16,087
Other non-current financial liabilities	17, 27.3, 28	2,640	2,579
Other non-current liabilities		422	434
Deferred tax liabilities		35,991	37,060
Current liabilities		360,192	307,693
Bonds, interest-bearing loans and borrowings	14, 19, 20, 27.3, 28	170,293	164,696
Trade and other payables	15, 26, 27.3, 28	149,168	119,245
Current lease liabilities	5.1, 27.3, 28	3,884	2,357
Other current financial liabilities	17, 18, 27.3, 28	1,266	1,640
Other current liabilities	16	8,038	5,149
Income tax payable	31	27,543	14,606
Total liabilities		450,698	384,152
Total equity and liabilities		1,183,436	1,089,744

Interim consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	September 30, 2024	December 31, 2023
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	405,337	394,449
Property, plant and equipment	323,719	329,889
Right-of-use assets	27,498	13,928
Investment properties	2,610	2,613
Intangible assets	11,756	11,207
Investments accounted for using the equity method	6,463	6,162
Other non-current assets	17,358	17,464
Other non-current financial assets	10,512	8,597
Deferred tax assets	5,421	4,589
Current assets	491,476	431,365
Inventories	252,341	220,875
Trade and other receivables	127,338	114,410
Income tax receivables	722	1,659
Other current assets	10,973	10,310
Other current financial assets	4,801	9,404
Cash and cash equivalents	95,301	74,707
Total assets	896,813	825,814
EQUITY AND LIABILITIES		
Equity	555,274	534,701
Issued capital	9,094	9,094
Capital surplus	15,521	15,521
Reserves	23,419	22,964
Retained earnings	500,514	483,644
Other components of equity	6,726	3,478
Non-current liabilities	68,585	57,940
Bonds, interest-bearing loans and borrowings	2,273	3,978
Pension liability	3,547	3,235
Other long-term employee-related liabilities	8,346	8,169
Non-current lease liabilities	24,825	12,191
Other non-current financial liabilities	2,001	1,954
Other non-current liabilities	319	329
Deferred tax liabilities	27,274	28,084
Current liabilities	272,954	233,173
Bonds, interest-bearing loans and borrowings	129,049	124,808
Trade and other payables	113,040	90,365
Current lease liabilities	2,943	1,786
Other current financial liabilities	959	1,243
Other current liabilities	6,091	3,902
Income tax payable	20,872	11,069
Total liabilities	341,539	291,113
Total equity and liabilities	896,813	825,814

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended September 30,	
		2024	2023
		Million KRW	Million KRW
Sales	4, 26	285,779	247,867
Cost of sales	5, 5.1, 6, 26	-235,576	-211,516
Gross profit		50,203	36,351
Selling and administration costs	5, 5.1, 6, 21, 26	-28,040	-21,908
Operating profit		22,163	14,443
Other income		783	1,400
Other expenses	5, 5.1, 8	-1,347	-767
Share of result from investments accounted for using the equity method	7	248	278
Finance income	22.1	7,002	11,379
Finance expenses	22.2	-11,279	-11,320
Profit before tax		17,570	15,413
Income tax expenses	23	-6,078	-6,041
Profit for the period		11,492	9,372
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-5,767	1,421
Exchange differences on translation of foreign operations		-5,767	1,421
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-631	-598
Re-measurement losses on defined benefit plans		-631	-598
Total other comprehensive income, net of taxes		-6,398	823
Total comprehensive income		5,094	10,195
Profit for the period attributable to:			
Owners of the parent	24	11,492	9,372
Non-controlling interests		-	-
Profit for the period		11,492	9,372
Total comprehensive income attributable to:			
Owners of the parent		5,094	10,195
Non-controlling interests		-	-
Total comprehensive income		5,094	10,195
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	24	479	390

Interim consolidated statements of comprehensive income (unaudited)

	For the three months ended September 30, (refer to note 2.1)	
	2024	2023
	Thousand USD	Thousand USD
Sales	216,565	187,835
Cost of sales	-178,521	-160,288
Gross profit	38,044	27,547
Selling and administration costs	-21,249	-16,602
Operating profit	16,795	10,945
Other income	593	1,061
Other expenses	-1,021	-581
Share of result from investments accounted for using the equity method	188	211
Finance income	5,306	8,623
Finance expenses	-8,546	-8,579
Profit before tax	13,315	11,680
Income tax expenses	-4,606	-4,578
Profit for the period	8,709	7,102
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-4,370	1,077
Exchange differences on translation of foreign operations	-4,370	1,077
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-478	-453
Re-measurement losses on defined benefit plans	-478	-453
Total other comprehensive income, net of taxes	-4,848	624
Total comprehensive income	3,861	7,726
Profit for the period attributable to:		
Owners of the parent	8,709	7,102
Non-controlling interests	-	-
Profit for the period	8,709	7,102
Total comprehensive income attributable to:		
Owners of the parent	3,861	7,726
Non-controlling interests	-	-
Total comprehensive income	3,861	7,726
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.36	0.30

Interim consolidated statements of comprehensive income (unaudited)

	Notes	For the nine months ended September 30,	
		2024	2023
		Million KRW	Million KRW
Sales	4, 26	815,052	784,266
Cost of sales	5, 5.1, 6, 26	-680,547	-662,789
Gross profit		134,505	121,477
Selling and administration costs	5, 5.1, 6, 21, 26	-83,795	-66,555
Operating profit		50,710	54,922
Other income		1,998	2,854
Other expenses	5, 5.1, 8	-3,576	-4,345
Share of result from investments accounted for using the equity method	7	837	458
Finance income	22.1	29,409	38,350
Finance expenses	22.2	-34,382	-42,306
Profit before tax		44,996	49,933
Income tax expenses	23	-16,267	-17,979
Profit for the period		28,729	31,954
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		4,285	11,437
Exchange differences on translation of foreign operations		4,285	11,437
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		132	-178
Gains on valuation of financial assets at FVOCI		-	2
Re-measurement gains / (losses) on defined benefit plans		132	-180
Total other comprehensive income, net of taxes		4,417	11,259
Total comprehensive income		33,146	43,213
Profit for the period attributable to:			
Owners of the parent	24	28,729	31,954
Non-controlling interests		-	-
Profit for the period		28,729	31,954
Total comprehensive income attributable to:			
Owners of the parent		33,146	43,213
Non-controlling interests		-	-
Total comprehensive income		33,146	43,213
Earnings per share			
		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	24	1,197	1,331

Interim consolidated statements of comprehensive income (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2024	2023
	Thousand USD	Thousand USD
Sales	617,651	594,321
Cost of sales	-515,723	-502,266
Gross profit	101,928	92,055
Selling and administration costs	-63,500	-50,436
Operating profit	38,428	41,619
Other income	1,514	2,163
Other expenses	-2,710	-3,293
Share of result from investments accounted for using the equity method	634	347
Finance income	22,286	29,062
Finance expenses	-26,054	-32,059
Profit before tax	34,098	37,839
Income tax expenses	-12,327	-13,624
Profit for the period	21,771	24,215
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	3,248	8,667
Exchange differences on translation of foreign operations	3,248	8,667
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	100	-134
Gains on valuation of financial assets at FVOCI	-	2
Re-measurement gains / (losses) on defined benefit plans	100	-136
Total other comprehensive income, net of taxes	3,348	8,533
Total comprehensive income	25,119	32,748
Profit for the period attributable to:		
Owners of the parent	21,771	24,215
Non-controlling interests	-	-
Profit for the period	21,771	24,215
Total comprehensive income attributable to:		
Owners of the parent	25,119	32,748
Non-controlling interests	-	-
Total comprehensive income	25,119	32,748
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.91	1.01

Interim consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2023 and 2024

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity		Total		
					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	
As of January 1, 2023	12,000	20,482	29,103	622,951	-703	-1,211	682,622	-	682,622
Profit for the period	-	-	-	31,954	-	-	31,954	-	31,954
Other comprehensive income	-	-	-	-180	2	11,437	11,259	-	11,259
Total comprehensive income	-	-	-	31,774	2	11,437	43,213	-	43,213
Dividends	-	-	-	-12,000	-	-	-12,000	-	-12,000
Appropriation to reserves	-	-	1,200	-1,200	-	-	-	-	-
As of September 30, 2023	12,000	20,482	30,303	641,525	-701	10,226	713,835	-	713,835
As of January 1, 2024	12,000	20,482	30,303	638,217	-701	5,291	705,592	-	705,592
Profit for the period	-	-	-	28,729	-	-	28,729	-	28,729
Other comprehensive income	-	-	-	132	-	4,285	4,417	-	4,417
Total comprehensive income	-	-	-	28,861	-	4,285	33,146	-	33,146
Dividends	-	-	-	-6,000	-	-	-6,000	-	-6,000
Appropriation to reserves	-	-	600	-600	-	-	-	-	-
As of September 30, 2024	12,000	20,482	30,903	660,478	-701	9,576	732,738	-	732,738

Interim consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2023 and 2024 (refer to note 2.1)

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity					
	TUSD	TUSD	TUSD	TUSD	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	TUSD	TUSD	TUSD	
As of January 1, 2023	9,094	15,521	22,053	472,076	-533	-918	517,293	-	517,293	
Profit for the period	-	-	-	24,215	-	-	24,215	-	24,215	
Other comprehensive income	-	-	-	-136	2	8,667	8,533	-	8,533	
Total comprehensive income	-	-	-	24,079	2	8,667	32,748	-	32,748	
Dividends	-	-	-	-9,094	-	-	-9,094	-	-9,094	
Appropriation to reserves	-	-	909	-909	-	-	-	-	-	
As of September 30, 2023	9,094	15,521	22,962	486,152	-531	7,749	540,947	-	540,947	
As of January 1, 2024	9,094	15,521	22,964	483,644	-532	4,010	534,701	-	534,701	
Profit for the period	-	-	-	21,771	-	-	21,771	-	21,771	
Other comprehensive income	-	-	-	100	-	3,248	3,348	-	3,348	
Total comprehensive income	-	-	-	21,871	-	3,248	25,119	-	25,119	
Dividends	-	-	-	-4,546	-	-	-4,546	-	-4,546	
Appropriation to reserves	-	-	455	-455	-	-	-	-	-	
As of September 30, 2024	9,094	15,521	23,419	500,514	-532	7,258	555,274	-	555,274	

Interim consolidated statements of cash flows (unaudited)

	Notes	For the nine months ended September 30,	
		2024	2023
		Million KRW	Million KRW
Profit for the period		28,729	31,954
Total adjustments	25	51,031	64,840
Changes in operating assets and liabilities	25	-18,563	82,478
Interest received		1,758	1,065
Payments of income tax		-4,633	-43,813
Net cash flows provided by operating activities		58,322	136,524
Proceeds from sale of property, plant and equipment	5	5	76
Purchases of property, plant and equipment	5	-20,283	-32,419
Purchases of intangible assets	6	-1,896	-2,322
Dividends received from investments using equity method	7	549	578
(Increase) / Decrease in other financial assets, net		773	-4,224
Net cash flows used in investing activities		-20,852	-38,311
Proceeds from borrowings		239,962	267,259
Repayments of borrowings		-232,850	-338,230
Payment of lease liabilities		-2,611	-2,511
Increase / (Decrease) in other financial liabilities, net		-1,196	2,561
Interest paid		-4,808	-7,280
Dividends paid		-6,000	-12,000
Net cash flows used in financing activities		-7,503	-90,201
Increase in cash and cash equivalents		29,967	8,012
Net foreign exchange differences		-2,792	-6,647
Cash and cash equivalents as of January 1	12	98,584	104,760
Cash and cash equivalents as of September 30	12	125,759	106,125

Interim consolidated statements of cash flows (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2024	2023
	Thousand USD	Thousand USD
Profit for the period	21,771	24,215
Total adjustments	38,672	49,136
Changes in operating assets and liabilities	-14,066	62,502
Interest received	1,332	807
Payments of income tax	-3,511	-33,202
Net cash flows provided by operating activities	44,198	103,458
Proceeds from sale of property, plant and equipment	4	58
Purchases of property, plant and equipment	-15,371	-24,567
Purchases of intangible assets	-1,437	-1,760
Dividends received from investments using equity method	416	438
Increase in other financial assets, net	586	-3,201
Net cash flows used in investing activities	-15,802	-29,032
Proceeds from borrowings	181,844	202,530
Repayments of borrowings	-176,454	-256,313
Payment of lease liabilities	-1,979	-1,903
Increase in other financial liabilities, net	-906	1,941
Interest paid	-3,644	-5,517
Dividends paid	-4,547	-9,094
Net cash flows used in financing activities	-5,686	-68,356
Increase in cash and cash equivalents	22,710	6,070
Net foreign exchange differences	-2,116	-5,037
Cash and cash equivalents as of January 1	74,707	79,388
Cash and cash equivalents as of September 30	95,301	80,421

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, 2024, the scope of consolidation for the interim consolidated financial statements encompasses 14 entities (2023: 14 entities). Additionally, one entity is classified as a joint venture (2023: one entity) and accounted for using the equity method.

During the nine months ended September 30, 2024 and the year ended December 31, 2023, no changes in the legal structure of the Group and scope of consolidation took place.

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

Name	Location	September 30, 2024		December 31, 2023	
		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, 2024 have been prepared in accordance with KIFRS 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, 2023.

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

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

2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,319.60 to USD 1, the exchange rate in effect on September 30, 2024. Such presentation is not in accordance with generally accepted accounting principles and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

3. Material accounting policies

The material accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2023, except for the adoption of new standards effective as of January 1, 2024. 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 2024, 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

Amendments to KIFRS 1116 *Lease Liability in a Sale and Leaseback*

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's interim condensed consolidated financial statements as there are no sale and leaseback transactions within the Group.

Amendments to KIFRS 1001 *Classification of Liabilities as Current or Non-current*

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The Group assessed the impact the amendments have on current practice and existing loan agreements and did not identify transactions impacted by the amendments in the Group's interim condensed consolidated financial statements.

Amendments to KIFRS 1007 and KIFRS 1107 *Supplier Finance Arrangements*

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

4. Segment information

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

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

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

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

4.1. Reported key figures

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

Description	For the three months ended					
	September 30,					
	2024	2023	2024	2023	2024	2023
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	216,115	187,386	69,664	60,481	285,779	247,867
Operating profit	17,845	12,180	4,318	2,263	22,163	14,443

Description	For the nine months ended					
	September 30,					
	2024	2023	2024	2023	2024	2023
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	615,716	582,107	199,336	202,159	815,052	784,266
Operating profit	43,526	49,175	7,184	5,747	50,710	54,922

As of September 30, 2024, the balance of contract liabilities not recognized as sales at the end of the reporting period amounted to 5,872 Million KRW (operating advances: 3,484 Million KRW, deferred sales: 2,388 Million KRW). As of December 31, 2023, the balance of contract liabilities not recognized as sales was 4,458 Million KRW (operating advances: 3,630 Million KRW, deferred sales: 828 Million KRW).

4.2. Geographic information

4.2.1. Sales

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

	For the three months ended	
	September 30,	
	2024	2023
	Million KRW	Million KRW
Korea	45,023	47,642
Rest of Asia	83,155	67,501
Europe	67,352	58,903
North and South America	69,231	55,184
Australia	231	707
Middle East and Africa	20,787	17,930
Total sales	285,779	247,867

	For the nine months ended	
	September 30,	
	2024	2023
	Million KRW	Million KRW
Korea	140,120	150,162
Rest of Asia	229,084	211,370
Europe	192,882	188,488
North and South America	197,507	183,118
Australia	1,994	1,910
Middle East and Africa	53,465	49,218
Total sales	815,052	784,266

As of September 30, 2024, 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 38,908 Million KRW during three months as of September 30, 2024 (during three months as of September 30, 2023: 25,203 Million KRW) and with the total amount of revenues of 98,102 Million KRW during nine months as of September 30, 2024 (during nine months as of September 30, 2023: 84,812 Million KRW).

4.2.2. Non-current assets

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

	September 30, 2024	As of December 31, 2023
	Million KRW	Million KRW
Korea	403,808	410,232
Rest of Asia	22,696	23,582
Europe	6,957	7,444
North and South America	30,780	12,409
Middle East and Africa	18,183	18,270
Total	482,424	471,937

5. Property, plant and equipment

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

	Land	Buildings	Structures	Machinery	Other	Construc- tion in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2023	149,656	103,338	72,918	532,467	22,053	35,498	915,930
Additions	-	216	163	1,326	350	20,343	22,398
Disposals	-	-3,612	-1,333	-52,766	-2,281	-	-59,992
Reclassifications	-	2,417	7,265	33,889	-343	-43,228	-
Net exchange differences	-	1,599	-	2,705	321	57	4,682
As of September 30, 2023	149,656	103,958	79,013	517,621	20,100	12,670	883,018
As of January 1, 2024	149,656	102,965	79,202	523,539	19,691	7,615	882,668
Additions	-	185	385	1,192	515	15,732	18,009
Disposals	-	-136	-409	-5,153	-544	-	-6,242
Reclassifications	-	452	147	10,626	964	-12,238	-49
Net exchange differences	-	476	-	809	124	5	1,414
As of September 30, 2024	149,656	103,942	79,325	531,013	20,750	11,114	895,800
Accumulated depreciation and impairment							
As of January 1, 2023	-	-35,096	-47,647	-374,184	-17,462	-	-474,389
Depreciation charge	-	-2,722	-2,998	-17,153	-1,055	-	-23,928
Disposals	-	1,862	1,177	50,814	2,255	-	56,108
Reclassifications	-	-	-	-536	536	-	-
Net exchange differences	-	-361	-	-1,309	-190	-	-1,860
As of September 30, 2023	-	-36,317	-49,468	-342,368	-15,916	-	-444,069
As of January 1, 2024	-	-36,956	-50,437	-344,529	-15,425	-	-447,347
Depreciation charge	-	-2,693	-3,148	-18,716	-1,078	-	-25,635
Disposals	-	50	315	4,051	534	-	4,950
Net exchange differences	-	-106	-	-400	-82	-	-588
As of September 30, 2024	-	-39,705	-53,270	-359,594	-16,051	-	-468,620
Net book value							
As of September 30, 2024	149,656	64,237	26,055	171,419	4,699	11,114	427,180
As of January 1, 2024	149,656	66,009	28,765	179,010	4,266	7,615	435,321
As of September 30, 2023	149,656	67,641	29,545	175,253	4,184	12,670	438,949

During the nine months ended September 30, 2024, non-cash transactions decreased by 2,274 Million KRW (for the nine months ended September 30, 2023: decreased by 10,021 Million KRW). Accounts payable relating to non-cash transactions amounted to 1,237 Million KRW as of September 30, 2024 (September 30, 2023: 2,569 Million KRW). No impairment was recognized on property, plant and equipment for the nine months ended September 30, 2024 as well as for the nine months ended September 30, 2023.

During the nine months ended September 30, 2024, no borrowing cost was capitalized in the property, plant and equipment. For the nine months ended September 30, 2023, the Group capitalized borrowing cost of 731 Million KRW.

5.1. Right-of-use assets and leases

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost					
As of January 1, 2023	21,652	2,837	1,200	1,297	26,986
Additions	142	-	264	339	745
Disposals	-	-	-	-8	-8
Modification of contract	-816	244	-	-68	-640
Net exchange differences	1,378	2	103	70	1,553
As of September 30, 2023	22,356	3,083	1,567	1,630	28,636
As of January 1, 2024	24,634	673	1,501	1,688	28,496
Additions	19,191	80	-	276	19,547
Disposals	-260	-136	-	-	-396
Modification of contract	323	165	-	-17	471
Net exchange differences	373	-	25	36	434
As of September 30, 2024	44,261	782	1,526	1,983	48,552
Accumulated depreciation and impairment					
As of January 1, 2023	-6,315	-2,342	-510	-850	-10,017
Depreciation charge	-1,282	-495	-117	-201	-2,095
Disposals	-	-	-	8	8
Modification of contract	-	-	-	76	76
Net exchange differences	-400	-2	-39	-51	-492
As of September 30, 2023	-7,997	-2,839	-666	-1,018	-12,520
As of January 1, 2024	-8,178	-183	-676	-1,080	-10,117
Depreciation charge	-1,483	-493	-121	-242	-2,339
Disposals	260	136	-	-	396
Modification of contract	-	-	-	12	12
Net exchange differences	-179	-	-9	-29	-217
As of September 30, 2024	-9,580	-540	-806	-1,339	-12,265
Net book value					
As of September 30, 2024	34,681	242	720	644	36,287
As of January 1, 2024	16,456	490	825	608	18,379
As of September 30, 2023	14,359	244	901	612	16,116

The Group recognized rent expenses from short-term leases of 141 Million KRW (September 30, 2023: 130 Million KRW), leases of low-value assets of 60 Million KRW (September 30, 2023: 58 Million KRW) and variable lease payments of 28 Million KRW (September 30, 2023: 35 Million KRW) in the interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2024.

No impairment was recognized on right-of-use assets for the nine months ended September 30, 2024 (for the nine months ended September 30, 2023: none).

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

Description	2024	2023
	Million KRW	Million KRW
As of January 1	18,444	16,898
Additions	19,547	745
Modifications	483	-564
Net exchange differences	224	1,083
Accretion of interest	556	474
Payments	-2,611	-2,511
As of September 30	36,643	16,125

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

6. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2023	7,688	3,558	831	40,734	3,186	55,997
Additions	27	93	-	-	2,202	2,322
Disposals	-	-32	-	-	-	-32
Reclassifications	193	188	-	-	-381	-
Net exchange differences	-	50	-	7,858	-	7,908
As of September 30, 2023	7,908	3,857	831	48,592	5,007	66,195
As of January 1, 2024	8,050	3,861	831	46,902	6,722	66,366
Additions	-	1,599	-	-	297	1,896
Disposals	-	-17	-	-	-	-17
Reclassifications	148	6,387	-	-	-6,535	-
Net exchange differences	-	31	-	1,011	-	1,042
As of September 30, 2024	8,198	11,861	831	47,913	484	69,287
Accumulated amortization						
As of January 1, 2023	-4,039	-2,922	-	-37,609	-	-44,570
Amortization charge	-499	-203	-	-	-	-702
Disposals	-	32	-	-	-	32
Net exchange differences	-	-42	-	-7,651	-	-7,693
As of September 30, 2023	-4,538	-3,135	-	-45,260	-	-52,933
As of January 1, 2024	-4,692	-3,179	-	-43,706	-	-51,577
Amortization charge	-476	-737	-	-	-	-1,213
Disposals	-	17	-	-	-	17
Net exchange differences	-	-31	-	-970	-	-1,001
As of September 30, 2024	-5,168	-3,930	-	-44,676	-	-53,774
Net book value						
As of September 30, 2024	3,030	7,931	831	3,237	484	15,513
As of January 1, 2024	3,358	682	831	3,196	6,722	14,789
As of September 30, 2023	3,370	722	831	3,332	5,007	13,262

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. No impairment was recognized on intangible assets for the nine months ended September 30, 2024 (for the nine months ended September 30, 2023: none). 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, 2024 and 2023.

7. Investment accounted for using the equity method

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

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,986	16,093	13,464	2,374	2,418	-	37	27,102	8,131
December 31, 2023	6,986	16,093	13,464	2,374	2,418	-	37	27,102	8,131
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,133	13,046	18,255	2,520	2,830	-	41	28,430	8,529
September 30, 2024	4,133	13,046	18,255	2,520	2,830	-	41	28,430	8,529

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.	8,660	-45	15	-1	1,235	-308	927	173	1,100
For the three months ended September 30, 2023	8,660	-45	15	-1	1,235	-308	927	173	1,100
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	9,670	-54	20	-1	1,106	-277	829	-113	716
For the three months ended September 30, 2024	9,670	-54	20	-1	1,106	-277	829	-113	716

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.	23,772	-134	53	-3	2,036	-508	1,528	263	1,791
For the nine months ended September 30, 2023	23,772	-134	53	-3	2,036	-508	1,528	263	1,791
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	28,738	-152	110	-2	3,722	-931	2,791	367	3,158
For the nine months ended September 30, 2024	28,738	-152	110	-2	3,722	-931	2,791	367	3,158

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

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

	As of January 1, 2024	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2024
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	8,131	-549	837	110	8,529
Total	8,131	-549	837	110	8,529

8. Inventories

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Raw materials and supplies	59,850	57,850
Work in progress	1,073	1,132
Finished and semi-finished goods	179,554	175,478
Goods in transit	89,179	54,594
Consignment stocks	3,333	2,412
Total inventories at the lower of cost and net realizable value	332,989	291,466

As of September 30, 2024, inventory allowance amounted to 6,229 Million KRW for raw materials, finished and semi-finished goods (December 31, 2023: 6,178 Million KRW). During the nine months ended September 30, 2024, the Group recognized inventory allowance expenses of 4,047 Million KRW (for the nine months ended September 30, 2023: 2,015 Million KRW) and reversed inventory allowances recognized in prior periods of 3,996 Million KRW (for the nine months ended September 30, 2023: 933 Million KRW).

For the nine months ended September 30, 2024, the Group recognized impairment losses of 913 Million KRW within inventories (for the nine months ended September 30, 2023: 1,299 Million KRW).

9. Trade and other receivables

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Trade and notes receivables	165,001	148,170
Allowances for trade and notes receivables	-1,219	-1,375
Trade and notes receivables (related parties) (note 26)	66	65
Other accounts receivables	4,095	3,948
Allowances for other accounts receivables	-17	-13
Accrued income	110	180
Total	168,036	150,975

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, 2024	169,272	161,483	7,029	165	14	581
December 31, 2023	152,363	139,998	11,759	-	-	606

Refer to note 27.2 on credit risk of trade receivables, which describes how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

10. Other current assets

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Advance payments	734	701
Prepaid expenses	4,247	4,961
VAT receivable	9,500	7,944
Total	14,481	13,606

11. Other financial assets

Description	September 30, 2024		December 31, 2023	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	638	1,828	539	2,400
Financial instruments at FVtPL	11,840	3,773	9,450	5,823
Derivative assets at FVtPL (note 18)	-	-	-	3,556
Guarantee and other deposits at amortized cost	1,360	735	1,323	631
Guarantee and other deposits at amortized cost (related parties) (note 26)	33	-	33	-
Total	13,871	6,336	11,345	12,410

As of September 30, 2024, financial instruments at amortized cost included restricted cash of 5 Million KRW (December 31, 2023: 5 Million KRW) as well as pledged bank deposits of 983 Million KRW (December 31, 2023: 804 Million KRW).

12. Cash and cash equivalents

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Cash on hand	60	103
Bank accounts	83,923	66,566
Time deposits (< 3 months)	41,776	31,915
Total	125,759	98,584

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

As of September 30, 2024, time deposits included restricted cash of 128 Million KRW (December 31, 2023: 125 Million KRW).

13. Equity

13.1. Reserves and dividends paid

At the regular general meeting of shareholders held on March 15, 2024, dividends with the total amount of 6,000 Million KRW were approved by the shareholders. Legal reserves increased by 600 Million KRW due to the appropriation to the reserve approved by the shareholders on March 15, 2024.

13.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of September 30, 2024 and December 31, 2023, is composed of the following:

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-10,617	-10,749
OCI recognized within retained earnings	-10,617	-10,749
Fair value reserve of financial assets at FVOCI	-701	-701
Foreign currency translation reserve	9,576	5,291
OCI recognized within other components of equity	8,875	4,590

14. Bonds, interest-bearing loans and borrowings

Bonds, interest-bearing loans and borrowings as of September 30, 2024 and December 31, 2023, are as follows:

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Long-term borrowings	3,000	5,250
Non-current bonds, interest-bearing loans and borrowings	3,000	5,250
Current portion of corporate bonds	-	57,529
Current portion of long-term borrowings	3,000	3,590
Short-term borrowings	167,293	103,577
Current interest-bearing loans and borrowings	170,293	164,696
Total	173,293	169,946

15. Trade and other payables

Trade and other payables as of September 30, 2024 and December 31, 2023, are as follows:

Description	September 30,	December 31,
	2024	2023
	Million KRW	Million KRW
Trade payables	119,906	74,675
Trade payables (related parties) (note 26)	1,834	1,062
Other accounts payables	2,542	18,186
Other accounts payables (related parties) (note 26)	7	7
Withholdings	1,140	1,966
Accrued expenses	23,733	23,334
Guarantee deposits	6	15
Total	149,168	119,245

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

16. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of September 30, 2024 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):

	2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	3,063	27	141,938	27	-	-
Allocation	138,875	-	137,574	-	137,574	-
Disposal	-	-	-3,282	-27	-	-
Delivery to government	-	-	-128,812	-	-	-
Carryforward	-141,938	-27	-	-	-	-
Ending	-	-	147,418	-	137,574	-

There are no emission rights provided as collateral as of September 30, 2024.

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

	2024	2023
As of January 1	-	-
Increase	93	-
Decrease	-	-
As of September 30	93	-

Estimated greenhouse gas emissions in 2024 were 149,978 KAU.

Allocated greenhouse gas emissions free of charge in 2024 are 137,574 KAU.

17. Other financial liabilities

Other financial liabilities as of September 30, 2024 and December 31, 2023, are as follows:

Description	September 30, 2024		December 31, 2023	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 18)	-	977	-	89
Deposits	2,640	-	2,579	1,290
Accrued interest expenses	-	289	-	261
Total	2,640	1,266	2,579	1,640

18. Derivative financial instruments

Derivative financial liabilities as of September 30, 2024 and December 31, 2023, are as follows:

Description	September 30, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	977	96	89
Currency and interest rate swaps (current portion)	-	-	3,460	-
Total	-	977	3,556	89

18.1. Forward exchange contracts

Details of forward exchange contracts which the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of September 30, 2024 and December 31, 2023 are as follows:

As of September 30, 2024

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Busan Bank	Sell	EUR 10,840,000	31.10.2024 – 30.05.2025	1,459.80 ~ 1,499.00
Citibank Korea	Sell	EUR 22,520,000	31.10.2024 – 25.06.2025	1,459.30 ~ 1,514.00
Woori Bank	Sell	EUR 16,020,000	31.10.2024 – 30.06.2025	1,459.40 ~ 1,514.00

As of December 31, 2023

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	Sell	EUR 10,800,000	16.01.2024 – 28.06.2024	1,403.50 ~ 1,454.20
Woori Bank	Sell	EUR 15,000,000	31.01.2024 – 28.06.2024	1,456.10 ~ 1,457.10

18.2. Currency swaps

As of September 30, 2024, the Group has entered into the following currency swap contracts to hedge the FX risk of short-term borrowings denominated in foreign currencies:

As of September 30, 2024

Contractual party	Target	Contract amount	Interest condition	Contract date	Maturity date
Citibank Korea	Short-term borrowing	Receipt: 10,000 TUSD	KRW 3M CD +0.8%	24.09.2024	23.09.2025
		Payment: 13,360 MKRW			
Hana Bank	Short-term borrowing	Receipt: 10,000 TUSD	KRW 3M CD +0.8%	24.09.2024	23.09.2025
		Payment: 13,370 MKRW			

18.3. Currency and interest rate swaps

The Group was 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 entered into a currency and interest rate swap (CRS). As of September 30, 2024, the currency and interest rate swap contract matured and was terminated.

As of December 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	SOFR Compounding +0.8% Fixed 1.96%	17.09.2021	13.09.2024
		Payment: 28,643 MKRW			

19. Contingencies and commitments

19.1. Contingent liability

There are no current proceedings of lawsuits, claims, investigations and negotiations in relation to the product liability, mercantile law, environmental protection, health and safety etc., which could have a significant impact on the business operations and on the Group's consolidated financial position or income. Contingent liabilities in the Group are related to tax appeals of 585 Million KRW (December 31, 2023: 909 Million KRW). As of September 30, 2024, there were no contingent liabilities related to customer complaints concerning the quality of a SONGWON product. As of December 31, 2023, a customer complaint concerning product quality (related sales valued at 285 Million KRW) was disclosed as a contingent liability.

19.2. Other lease commitments

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixture. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of September 30, 2024 and December 31, 2023 are as follows:

Description	September 30, 2024	December 31, 2023
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-2	-2
<i>Total short-term lease commitments</i>	-2	-2
Low-value lease commitments		
Within one year	-61	-59
After one year but not more than five years	-19	-25
<i>Total low-value lease commitments</i>	-80	-84
Total	-82	-86

19.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of September 30, 2024, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 6,942 Million KRW (December 31, 2023: 6,344 Million KRW).

Details of the Group's available short-term credit line facilities (excluding general loans) as of September 30, 2024 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	15,700	10,299	5,401
D/A and D/P	Million KRW	12,000	11,272	728
	Thousand USD	99,500	34,805	64,695
Secured loan of credit sales	Million KRW	9,000	1,469	7,531
Other foreign currency guarantees	Thousand USD	8,750	2,619	6,131
	Total Million KRW	21,000	12,741	8,259
	Total Thousand USD	123,950	47,723	76,227

20. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of September 30, 2024 and December 31, 2023, presented in the maximum pledge amount, are as follows:

Pledged to	Pledged assets		September 30, 2024	December 31, 2023
<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
		Million KRW	345,000	345,000
		Thousand USD	24,000	24,000
Total				

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of September 30, 2024 and December 31, 2023.

Payment guarantee to Seoul insurance company

In the nine months ended as of September 30, 2024, as well as in the financial year ended December 31, 2023, the Group held a deposit guarantee of 500 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from November 2023 till March 2025.

Moreover, in the nine months ended as of September 30, 2024, the Group held a deposit guarantee of 62 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from May 2024 till March 2025.

In the financial year ended December 31, 2023, the Group held a deposit guarantee of 1,100 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from July 2023 till February 2024.

Additionally, in the financial year ended December 31, 2023, the Group held a deposit guarantee of 106.7 Million KRW for return payment of government subsidies concerning the greenhouse gas energy reduction project for companies participating in the emissions trading system from November 2023 till March 2025.

21. Selling and administration expenses

Details of selling and administration expenses for the three-month and the nine-month periods ended September 30, 2024 and 2023 are as follows:

Description	For the three months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Sales-related costs	-8,010	-4,542
Personnel expenses	-13,063	-11,098
Travelling and entertainment	-1,372	-1,434
Depreciation and amortization	-793	-634
Administration expenses	-3,222	-2,788
IT expenses	-1,286	-1,070
Others	-294	-342
Total	-28,040	-21,908

Description	For the nine months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Sales-related costs	-24,726	-13,539
Personnel expenses	-37,956	-34,783
Travelling and entertainment	-4,319	-4,190
Depreciation and amortization	-2,377	-1,812
Administration expenses	-9,453	-7,983
IT expenses	-3,778	-3,042
Others	-1,186	-1,206
Total	-83,795	-66,555

22. Finance income / expenses

22.1. Finance income

Details of finance income for the three-month and the nine-month periods ended September 30, 2024 and 2023 are as follows:

Description	For the three months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Interest on loans and receivables	591	501
Gains on foreign exchange transactions	5,828	4,029
Gains on foreign exchange translations	2,479	5,876
Gains on derivative transactions	145	451
Gains on valuation of derivatives	-2,151	451
Gain on valuation of financial assets FVtPL	110	71
Total finance income	7,002	11,379

Description	For the nine months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Interest on loans and receivables	1,571	1,435
Gains on foreign exchange transactions	17,153	19,907
Gains on foreign exchange translations	10,106	13,976
Gains on derivative transactions	294	1,332
Gains on valuation of derivatives	-	1,494
Gain on valuation of financial assets FVtPL	285	206
Total finance income	29,409	38,350

22.2. Finance expenses

Details of finance expense for the three-month and the nine-month periods ended September 30, 2024 and 2023 are as follows:

Description	For the three months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Interest on borrowings	-2,008	-2,471
Losses on foreign exchange transactions	-5,600	-6,716
Losses on foreign exchange translations	-3,040	-2,371
Losses on derivative transactions	-926	-384
Losses on valuation of derivatives	364	655
Losses on disposal of financial assets at FVtPL	-	3
Loss on valuation of financial assets FVtPL	-	10
Bank charges	-71	-46
Total finance expenses	-11,279	-11,320

Description	For the nine months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Interest on borrowings	-5,500	-7,453
Losses on foreign exchange transactions	-14,131	-22,498
Losses on foreign exchange translations	-11,816	-10,688
Losses on derivative transactions	-1,749	-816
Losses on valuation of derivatives	-977	-678
Loss on valuation of financial assets FVtPL	-	-5
Bank charges	-209	-168
Total finance expenses	-34,382	-42,306

23. Income tax expenses

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

Income taxes	For the three months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Current income tax charges	-6,617	-5,380
Deferred taxes related to origination and reversal of deferred taxes	719	-831
Income tax recognized in other comprehensive income	-180	170
Income tax expenses	-6,078	-6,041

Income taxes	For the nine months ended September 30,	
	2024	2023
	Million KRW	Million KRW
Current income tax charges	-18,882	-16,865
Deferred taxes related to origination and reversal of deferred taxes	2,573	-1,061
Income tax recognized in other comprehensive income	42	-53
Income tax expenses	-16,267	-17,979

24. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of September 30, 2024 and 2023, 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,	
	2024	2023
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	11,491,563,440	9,371,671,136
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	479	390

Description	For the nine months ended September 30,	
	2024	2023
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	28,728,641,534	31,953,811,051
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,197	1,331

25. Cash flow statement

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

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the nine months ended September 30, 2024 and 2023 are as follows:

	Notes	For the nine months ended September 30,	
		2024	2023
Adjustments		Million KRW	Million KRW
Depreciation of property, plant and equipment	5	25,635	23,928
Depreciation of right-of-use assets	5.1	2,339	2,095
Depreciation of investment properties		4	6
Amortization of intangible assets	6	1,213	702
Impairment of inventories	8	913	1,299
Losses on disposals of property, plant and equipment, net	5	1,287	3,808
Share of result from investments accounted using the equity method	7	-837	-458
Share-based compensation expenses		-731	147
Pension costs		3,871	1,736
Other long-term employee benefit expenses		975	915
Finance income		-2,054	-2,158
Finance expenses		2,149	14,841
Income tax expenses	23	16,267	17,979
Total		51,031	64,840
Changes in operating assets and liabilities			
Trade receivables		-15,117	26,496
Other receivables		9	-1,902
Other current assets		-878	817
Other current financial assets		3,556	-3,164
Inventories		-38,705	62,566
Trade payables		47,052	5,253
Other payables		-14,199	-8,770
Other current financial liabilities		-89	1,494
Other current liabilities		2,862	747
Pension liabilities		-3,019	-833
Other long-term employment benefits		-35	-226
Total		-18,563	82,478

26. Related party disclosures

The companies listed below have been identified as related parties:

Company name	Location	Relation with the Group	Remarks
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	Jointly controlled by Songwon Group Holding AG
Songwon Moolsan Co., Ltd.	Korea	Other (refer to note 26.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 26.5)	A subsidiary of Songwon Moolsan Co., Ltd.

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

Related party	Description	For the nine months ended September 30,	
		2024 Million KRW	2023 Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-60	-60
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	336	392
	Cost of sales	-18,342	-14,479
Total	Sales	336	392
	Cost of sales	-18,342	-14,479
	Selling and administration costs	-60	-60

Related party	Description	As of	
		September 30, 2024 Million KRW	December 31, 2023 Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	33
	Trade and other payables	7	7
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	66	65
	Trade and other payables	1,834	1,062
Total	Other non-current financial assets	33	33
	Trade and other receivables	66	65
	Trade and other payables	1,841	1,069

26.1. The ultimate parent

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

26.2. Terms and conditions of transactions with related parties

Outstanding balances of related parties as of September 30, 2024 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, 2024, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2023: none). This assessment is undertaken periodically by examining the financial position of the related party and the market in which the related party operates.

26.3. Transactions with key management personnel

During the nine months ended September 30, 2024 and the year ended December 31, 2023, no other transactions with key management personnel other than those disclosed in note 26.4 took place.

26.4. Compensation of key management personnel of the Group

Description	For the nine months ended	
	September 30,	
	2024	2023
	Million KRW	Million KRW
Short-term employee benefits	-8,607	-8,242
Post-employment benefits	-313	-50
Other long-term benefits	-553	-606
Share based payments	85	-11
Total compensation paid to key management personnel	-9,388	-8,909

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.

26.5. Other related parties

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

27. Financial risk management objectives and policies

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

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

27.1. Market risk

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

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

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVtPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of September 30, 2024 and 2023 as well as December 31, 2023.

27.1.1. Interest rate risk

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

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

Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
September 30, 2024	1.00	-335
	-1.00	335
September 30, 2023	1.00	-388
	-1.00	388

27.1.2. Foreign currency risk

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

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

The objective of the management of foreign currency risk is to maximize the value of the firm through minimizing the fluctuation of net profit and uncertainty arising from the fluctuation in foreign currency. To accomplish this, the Group uses a strategy to accord the collection terms of receivables and payment terms of payables denominated in USD considering the similar volume of exports and imports. In regard to EUR, 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, 2024 and year ended December 31, 2023 are as follows:

Currency	September 30, 2024		December 31, 2023	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	5,606	-5,606	6,981	-6,981
EUR	1,874	-1,874	1,015	-1,015
JPY	3,133	-3,133	2,248	-2,248
CHF	324	-324	224	-224
AED	-172	172	-153	153
INR	44	-44	24	-24
Total	10,809	-10,809	10,339	-10,339

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

27.2. Credit risk

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

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

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

27.3. Liquidity risk

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

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

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

The details of maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of September 30, 2024 and December 31, 2023 are as follows:

As of September 30, 2024	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	-	39,919	130,374	3,000	-	173,293
Trade and other payables	130,082	10,882	8,204	-	-	149,168
Lease liabilities	538	741	3,148	18,889	19,366	42,682
Other financial liabilities	220	-	69	2,640	-	2,929
Total	130,840	51,542	141,795	24,529	19,366	368,072

As of December 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	67,912	35,072	61,712	5,250	-	169,946
Trade and other payables	97,457	20,565	1,223	-	-	119,245
Lease liabilities	240	517	1,954	8,442	10,100	21,253
Other financial liabilities	184	1,339	28	2,579	-	4,130
Total	165,793	57,493	64,917	16,271	10,100	314,574

27.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of September 30, 2024 and December 31, 2023 is 62% and 54%, respectively.

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

28. Fair values

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

As of September 30, 2024

		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	2,031	2,563	2,031	2,563
	Trade and other receivables	-	168,036	-	168,036
	Cash and cash equivalents	-	125,759	-	125,759
	<i>Total financial assets at amortized cost</i>	2,031	296,358	2,031	296,358
	Financial assets at FVtPL				
	Other financial assets	11,840	3,773	11,840	3,773
	<i>Total financial assets at FVtPL</i>	11,840	3,773	11,840	3,773
Total financial assets	13,871	300,131	13,871	300,131	
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	2,640	289	2,640	289
	Lease liabilities	32,759	3,884	32,759	3,884
	Trade and other payables	-	149,168	-	149,168
	Bonds, interest-bearing loans and borrowings	3,000	170,293	3,000	170,293
	<i>Total financial liabilities at amortized cost</i>	38,399	323,634	38,399	323,634
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	977	-	977
<i>Total financial liabilities at FVtPL</i>	-	977	-	977	
Total financial liabilities	38,399	324,611	38,399	324,611	

As of December 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	1,895	3,031	1,895	3,031
	Trade and other receivables	-	150,975	-	150,975
	Cash and cash equivalents	-	98,584	-	98,584
	<i>Total financial assets at amortized cost</i>	<i>1,895</i>	<i>252,590</i>	<i>1,895</i>	<i>252,590</i>
	Financial assets at FVtPL				
	Forward exchange contracts	-	96	-	96
	Currency and interest rate swaps	-	3,460	-	3,460
	Other financial assets	9,450	5,823	9,450	5,823
	<i>Total financial assets at FVtPL</i>	<i>9,450</i>	<i>9,379</i>	<i>9,450</i>	<i>9,379</i>
Total financial assets	11,345	261,969	11,345	261,969	
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	2,579	1,551	2,579	1,551
	Lease liabilities	16,087	2,357	16,087	2,357
	Trade and other payables	-	119,245	-	119,245
	Bonds, interest-bearing loans and borrowings	5,250	164,696	5,250	164,696
	<i>Total financial liabilities at amortized cost</i>	<i>23,916</i>	<i>287,849</i>	<i>23,916</i>	<i>287,849</i>
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	89	-	89
<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>89</i>	<i>-</i>	<i>89</i>	
Total financial liabilities	23,916	287,938	23,916	287,938	

The fair values 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; and
- fair value of unquoted equity instruments at FVOCI is estimated using appropriate valuation techniques.

28.1. Fair value hierarchy

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

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

As of September 30, 2024 and December 31, 2023, the Group held the following financial instruments carried at fair value on the statement of financial position:

		September 30, 2024	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Debt instruments				
	Exchange traded fund at FVtPL	15,613	-	15,613	-
	<i>Total</i>	<i>15,613</i>	<i>-</i>	<i>15,613</i>	<i>-</i>
Total		15,613	-	15,613	-
Financial liabilities	Derivatives				
	Forward exchange contracts	977	-	977	-
	<i>Total</i>	<i>977</i>	<i>-</i>	<i>977</i>	<i>-</i>
Total		977	-	977	-

		December 31, 2023	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	96	-	96	-
	Currency and interest rate swaps	3,460	-	3,460	-
	<i>Total</i>	<i>3,556</i>	<i>-</i>	<i>3,556</i>	<i>-</i>
	Debt instruments				
	Exchange traded fund at FVtPL	15,273	-	15,273	-
	<i>Total</i>	<i>15,273</i>	<i>-</i>	<i>15,273</i>	<i>-</i>
Total		18,829	-	18,829	-
Financial liabilities	Derivatives				
	Forward exchange contracts	89	-	89	-
	<i>Total</i>	<i>89</i>	<i>-</i>	<i>89</i>	<i>-</i>
Total		89	-	89	-

During the nine months ended September 30, 2024 and year ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

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

The Group closely monitors the global situation and assesses the future impact of the Russian-Ukrainian war as well as other conflicts in various regions on the consolidated financial statements on a regular basis. For the nine months ended September 30, 2024, 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, 2024, 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 war and other conflicts (the same as for the nine months ended September 30, 2023).

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 KIFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the nine months ended September 30, 2024, 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 178 Million KRW in the interim condensed consolidated financial statements for the nine months ended September 30, 2024. For the nine months ended September 30, 2023, the parameter adjustment resulted in an increase in the allowance on ECL by 216 Million KRW.)

30. Events after the reporting period

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

31. Global minimum tax

From 2024, as Pillar Two legislation came into effect in some countries where the Group operates its business, the Company as parent must pay additional income tax on the profits of the subsidiaries taxed at less than the minimum tax rate of 15%.

Most of the subsidiaries have either passed the transition period exemption rules or their effective tax rate is 15% or more, resulting in no significant additional tax to be incurred. Therefore, no Pillar Two income tax expense was recognized for the period ended September 30, 2024.

In addition, the Group does neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the temporary exception to the requirement in KIFRS 1012.

For more information, please contact:

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