

HYOSUNG CHEMICAL

2022 Financial Statements



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Independent Auditor's Report

To the Board of Directors of and Shareholders of Hyosung Chemical Corporation

Opinion

We have audited the accompanying separate financial statements of Hyosung Chemical Corporation (the Company) which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of Hyosung Chemical Corporation as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2022, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting, and our report dated March 8, 2023 expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the separate financial statements of the Company. Note 3 to the separate financial statements describes uncertainty relating to the

impact of Coronavirus disease 2019 (COVID-19) on the Company's productivity and ability to satisfy customer's orders, and to solve these events or circumstances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment assessment on cash-generating units

Why we determined this matter as Key Audit Matter

A cash generating unit (CGU) is tested for impairment if there is an indication of impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Company determined that there is an indication of asset impairment in POK(POLYKETONE) segment's CGU. We focused on this area due to the significant size of this CGU and because the assessment of the 'value in use' of the Company's CGU involves management's judgements about the expectations for the future business and on the discount rates. The Company engaged an independent external expert to assist the Company in valuation of the fair value of the POK(POLYKETONE) segment's CGU.

How our audit addressed the Key Audit Matter

We have performed audit procedures in relation to the impairment assessment on the CGU are as follows:

- We evaluated the appropriateness of determination of the CGU of the Company and the book amount of the CGU.
- We evaluated the independence and eligibility of the external expert hired by the Company to assess the value in use.
- We evaluated the adequacy of the valuation model used in estimating value in use.
- We confirmed the consistency of the cash flow forecasts and the approved forecasts by management.
- We compared current year actual results with the prior year forecast.
- We evaluated the reasonableness of key assumptions used in

Independent Auditor's Report

- estimating value in use.
- We examined the accuracy of value in use calculations.

(2) Impairment assessment of investments in subsidiaries

Why we determined this matter as Key Audit Matter

Investments in subsidiaries amount to ₩ 444,004 million as at December 31, 2022. Investments in subsidiaries are tested for impairment if there is an indication of impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Company determined that there is an indication of asset impairment in investments in subsidiaries of Hyosung Vina Chemicals Co., Ltd. We focused on this area due to the significant size of this investment in Hyosung Vina Chemicals Co., Ltd. (December 31, 2022: ₩ 394,608 million) and because the future cash flow forecast included in the assessment of the 'value in use' of the Company's investments in subsidiaries involves management's judgements about the expectations for future results of the business and on the discount rates. The Company engaged an independent external expert to assist the Company in valuation of the fair value of the investment in Hyosung Vina Chemicals Co., Ltd.

How our audit addressed the Key Audit Matter

We have performed the audit procedures in relation to impairment assessment on investment in Hyosung Vina Chemicals Co., Ltd. are as follows:

- We obtained an understanding of and evaluated the controls related to impairment assessment on investments in subsidiaries of the Company.
- We evaluated the appropriateness of identification of investments in subsidiaries with any indication of impairment in accordance with accounting policy of the Company.
- We evaluated the independence and eligibility of the external expert hired by the Company to assess the value in use.
- We evaluated the adequacy of the valuation model used in estimating value in use.
- We confirmed the consistency of the cash flow forecasts and the approved forecasts by management.
- We compared current year actual results with the prior year forecast.

- We evaluated the reasonableness of key assumptions used in estimating value in use.
- We examined the accuracy of value in use calculations.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Seoul, Korea
March 8, 2023

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Youngseok Bae, Certified Public Accountant.

This report is effective as of March 8, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

※ You can find the notes from Audit Report on HYOSUNG CHEMICAL website (www.hyosungchemical.com).

Separate Statements of Financial Position

December 31, 2022 and 2021 (in Korean won)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	25,765,384,899	1,045,954,389
Trade and other receivables	220,067,936,333	210,222,393,062
Other financial assets	751,009,948	45,120,271
Other current assets	31,256,923,272	40,212,636,219
Other intangible assets	-	7,343,879
Inventories	202,453,027,338	171,939,817,246
Current tax assets	226,994,870	-
	480,521,276,660	423,473,265,066
Non-current assets		
Long-term trade and other receivables	148,635,036,409	24,906,396,032
Property, plant and equipment	774,545,204,648	757,157,518,697
Intangible assets	11,079,782,179	11,647,015,049
Investments in subsidiaries and associates	458,283,024,961	408,887,024,961
Other non-current financial assets	1,534,162,400	60,812,000
Other non-current assets	11,342,215,500	5,212,879,120
Deferred tax assets	36,659,551,361	10,631,926,966
	1,442,078,977,458	1,218,503,572,825
Total assets	1,922,600,254,118	1,641,976,837,891
Liabilities		
Current liabilities		
Trade and other payables	358,185,663,563	330,142,543,931
Borrowings	395,253,769,610	326,477,147,688
Other financial liabilities	12,936,807,875	4,250,708,286
Current tax liabilities	-	39,421,732,107
Other current liabilities	10,482,081,128	12,711,347,029
	776,858,322,176	713,003,479,041
Non-current liabilities		
Long-term trade and other payables	13,594,408,420	13,269,714,535
Long-term borrowings	600,817,592,980	299,436,019,023
Other non-current financial liabilities	5,153,542,554	2,713,434,439
Other non-current liabilities	11,259,590,694	13,295,302,650
	630,825,134,648	328,714,470,647
Total liabilities	1,407,683,456,824	1,041,717,949,688
Equity		
Share capital	15,950,630,000	15,950,630,000
Share premium	327,697,938,702	327,697,938,702
Retained earnings	173,120,340,210	258,442,117,826
Other components of equity	(1,852,111,618)	(1,831,798,325)
Total equity	514,916,797,294	600,258,888,203
Total liabilities and equity	1,922,600,254,118	1,641,976,837,891

Separate Statements of Profit or Loss

Years Ended December 31, 2022 and 2021 (in Korean won)

	2022	2021
Revenue	2,287,412,310,278	2,108,872,039,217
Cost of sales	2,295,599,783,948	1,826,175,938,291
Gross profit (loss)	(8,187,473,670)	282,696,100,926
Selling general and administrative expenses	75,221,524,305	70,018,727,366
Research and development expenses	20,882,685,874	21,782,796,209
Operating profit (loss)	(104,291,683,849)	190,894,577,351
Other income	10,454,931,069	7,592,904,587
Other expenses	4,789,546,726	2,217,918,391
Finance income	121,276,503,056	29,245,305,932
Finance expenses	153,182,854,032	51,538,393,585
Profit (loss) before income tax	(130,532,650,482)	173,976,475,894
Income tax expense (benefit)	(35,379,131,528)	43,956,293,060
Profit (loss) for the year	(95,153,518,954)	130,020,182,834
Earnings (loss) per share		
Basic earnings (loss) per share	(29,943)	40,915

Separate Statements of Comprehensive Income

Years Ended December 31, 2022 and 2021 (in Korean won)

	2022	2021
Profit (loss) for the year	(95,153,518,954)	130,020,182,834
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liabilities	9,831,741,338	113,111,724
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(20,313,293)	11,642,880
Items that may be subsequently reclassified to profit or loss	-	-
Other comprehensive income (loss) for the year, net of tax	9,811,428,045	124,754,604
Total comprehensive income (loss) for the year	(85,342,090,909)	130,144,937,438

Separate Statements of Changes in Equity

Years Ended December 31, 2022 and 2021 (in Korean won)

	Share capital	Share premium	Retained Earnings	Other Components of Equity	Total Equity
Balance at January 1, 2021	15,950,630,000	327,697,938,702	128,308,823,268	(1,843,441,205)	470,113,950,765
Total comprehensive income					
Profit for the year	-	-	130,020,182,834	-	130,020,182,834
Remeasurements of net defined benefit liabilities	-	-	113,111,724	-	113,111,724
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	11,642,880	11,642,880
Balance at December 31, 2021	15,950,630,000	327,697,938,702	258,442,117,826	(1,831,798,325)	600,258,888,203
Balance at January 1, 2022	15,950,630,000	327,697,938,702	258,442,117,826	(1,831,798,325)	600,258,888,203
Total comprehensive income					
Loss for the year	-	-	(95,153,518,954)	-	(95,153,518,954)
Remeasurements of net defined benefit liabilities	-	-	9,831,741,338	-	9,831,741,338
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(20,313,293)	(20,313,293)
Balance at December 31, 2022	15,950,630,000	327,697,938,702	173,120,340,210	(1,852,111,618)	514,916,797,294

Hyosung Chemical Corporation
Separate Statements of Cash Flows

Years Ended December 31, 2022 and 2021 (in Korean won)

	2022	2021
Cash flows from operating activities		
Cash generated from operations	44,671,266,626	330,642,302,871
Income taxes paid	(33,429,777,210)	(21,544,778,118)
Interest paid	(21,827,490,175)	(18,863,506,284)
Interest received	1,159,036,417	64,477,800
Dividends received	-	291,355,000
Net cash inflow (outflow) from operating activities	(9,426,964,342)	290,589,851,269
Cash flows from investing activities		
Collection of long-term loans	337,710,000	243,642,518
Proceeds from disposal of property plant and equipment	2,630,949,674	295,745,770
Proceeds from disposal of intangible assets	-	1,200,000,000
Payments for financial assets at fair value through other comprehensive income	-	(29,952,000)
Increase in long-term loans	(134,162,950,000)	(340,000,000)
Decrease in long-term guarantees	6,742,830	253,704,104
Increase in long-term guarantees	(40,028,350)	(67,901,844)
Payments for property, plant and equipment	(173,611,338,904)	(55,759,928,915)
Payments for intangible assets	(277,628,471)	(299,956,553)
Payments for investments in subsidiaries and associates	(49,396,000,000)	-
Increase (decrease) in derivatives	20,735,843,390	(701,107,006)
Increase in prepaid expenses	(11,330,118,243)	(9,940,458,329)
Payments for leased assets	-	(43,000,000)
Increase in short-term guarantees	(105,000,000)	(18,000,000)
Decrease in short-term guarantees	236,888,200	1,000,000,000
Receipt of government grants	3,467,034,851	346,468,089
Increase in advance payments	-	(12,557,079,800)
Decrease in advance payments	12,557,079,800	-
Payments for financial assets at fair value through profit or loss	(1,610,985,920)	(73,206,000)
Proceeds from disposal of financial assets at fair value through profit or loss	136,950,000	74,823,000
Net cash outflow from investing activities	(330,424,851,143)	(76,416,206,966)
Cash flows from financing activities		
Proceeds from issuance of bonds	169,673,740,000	20,867,968
Repayments of bonds	(195,000,000,000)	(98,000,000,000)
Proceeds from short-term borrowings	1,488,042,560,008	996,967,474,379
Repayments of short-term borrowings	(1,306,597,450,326)	(1,053,327,805,635)
Repayments of current portion of borrowings	(27,999,970,000)	(43,614,540,000)
Proceeds from long-term borrowings	240,235,400,000	-
Repayments of long-term borrowings	-	(12,500,000,000)
Repayments of lease liabilities	(3,783,033,687)	(3,595,435,638)
Net cash inflow (outflow) from financing activities	364,571,245,995	(214,049,438,926)
Net increase in cash and cash equivalents	24,719,430,510	124,205,377
Cash and cash equivalents at the beginning of the year	1,045,954,389	921,749,012
Cash and cash equivalents at the end of the year	25,765,384,899	1,045,954,389

Independent Auditor's Report

To the Board of Directors of and Shareholders of Hyosung Chemical Corporation

Opinion

We have audited the accompanying consolidated financial statements of Hyosung Chemical Corporation and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hyosung Chemical Corporation and its subsidiaries as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes

uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's productivity and ability to satisfy customer's orders, and to solve these events or circumstances.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment assessment on cash-generating units

Why we determined this matter as Key Audit Matter

A cash generating unit (CGU) is tested for impairment if there is an indication of impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Group determined that there is an indication of asset impairment in CGU of POK(POLYKETONE) segment and Hyosung Vina Chemicals. We focused on this area due to the significant size of this CGU and because the assessment of the 'value in use' of the Group's CGU involves management's judgements about the expectations for future business and on the discount rates. The Group engaged an independent external expert to assist the Group in valuation of the fair value of the POK(POLYKETONE) segment and Hyosung Vina Chemicals' CGU.

How our audit addressed the Key Audit Matter

We have performed audit procedures in relation to the impairment assessment on the CGU are as follows:

- We evaluated the appropriateness of determination of the CGU of the Group and the book amount of the CGU.
- We evaluated the independence and eligibility of the external expert hired by the Group to assess the value in

Independent Auditor's Report

use.

- We evaluated the adequacy of the valuation model used in estimating value in use.
- We confirmed the consistency of the cash flow forecasts and the approved forecasts by management.
- We compared current year actual results with the prior year forecast.
- We evaluated the reasonableness of key assumptions used in estimating value in use.
- We examined the accuracy of value in use calculations.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole

are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Seoul, Korea
March 8, 2023**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Youngseok Bae, Certified Public Accountant.

This report is effective as of March 8, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

* You can find the notes from Audit Report on HYOSUNG CHEMICAL website (www.hyosungchemical.com).

Consolidated Statements of Financial Position

December 31, 2022 and 2021 (in Korean won)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	106,319,341,602	34,797,251,561
Trade and other receivables	333,403,154,418	327,974,480,633
Other financial assets	1,511,389,948	756,420,271
Other current assets	25,380,564,254	33,081,937,710
Other intangible assets	-	7,343,879
Inventories	353,082,999,512	392,367,988,119
Current tax assets	226,994,870	-
	819,924,444,604	788,985,422,173
Non-current assets		
Long-term trade and other receivables	3,716,400,215	3,408,717,260
Property, plant and equipment	2,187,082,744,532	2,184,604,308,717
Intangible assets	32,207,264,388	33,970,502,392
Investments in associates	14,570,030,485	16,188,675,846
Other non-current financial assets	2,583,926,693	1,042,817,499
Other non-current assets	30,587,043,520	5,217,087,277
Deferred tax assets	40,447,044,606	10,631,926,966
	2,311,194,454,439	2,255,064,035,957
Total assets	3,131,118,899,043	3,044,049,458,130
Liabilities		
Current liabilities		
Trade and other payables	406,595,298,791	438,810,249,618
Borrowings	1,281,879,272,380	582,591,694,757
Other financial liabilities	12,936,807,875	4,250,708,286
Current tax liabilities	-	39,421,732,107
Other current liabilities	14,337,304,106	18,089,532,599
	1,715,748,683,152	1,083,163,917,367
Non-current liabilities		
Long-term trade and other payables	13,594,408,420	13,269,714,535
Long-term borrowings	1,254,294,560,587	1,437,382,100,580
Deferred tax liabilities	53,508,622	-
Other non-current financial liabilities	21,551,062,947	7,637,639,449
Other non-current liabilities	11,259,590,694	13,295,302,650
	1,300,753,131,270	1,471,584,757,214
Total liabilities	3,016,501,814,422	2,554,748,674,581
Equity		
Share capital	15,950,630,000	15,950,630,000
Share premium	327,697,938,702	327,697,938,702
Retained earnings (Accumulated deficit)	(271,423,670,251)	126,224,730,124
Other components of equity	42,392,186,170	19,427,484,723
Equity attributable to owners of the Parent Company	114,617,084,621	489,300,783,549
Non-controlling interest	-	-
Total equity	114,617,084,621	489,300,783,549
Total liabilities and equity	3,131,118,899,043	3,044,049,458,130

Consolidated Statements of Profit or Loss

Years Ended December 31, 2022 and 2021 (in Korean won)

	2022	2021
Revenue	2,878,558,180,595	2,519,965,285,042
Cost of sales	3,108,714,473,886	2,282,689,201,203
Gross profit (loss)	(230,156,293,291)	237,276,083,839
Selling, general and administrative expenses	85,688,260,701	78,919,257,707
Research and development expenses	20,882,685,874	21,782,796,209
Operating profit (loss)	(336,727,239,866)	136,574,029,923
Other income	6,420,710,991	7,430,881,227
Other expenses	5,519,680,504	3,066,998,233
Finance income	129,527,941,136	31,025,551,826
Finance expenses	240,262,496,940	69,917,154,387
Share of net profit (loss) of associates accounted for using the equity method	(1,690,126,238)	325,813,059
Profit (loss) before income tax	(448,250,891,421)	102,372,123,415
Income tax expense(benefit)	(39,384,110,869)	43,956,293,060
Profit (loss) for the year	(408,866,780,552)	58,415,830,355
Profit (loss) is attributable to:		
Owners of the Parent Company	(408,866,780,552)	58,415,830,355
Non-controlling interests	-	-
	(408,866,780,552)	58,415,830,355
Earnings (loss) per share attributable to the equity holders of the Parent Company		
Basic earnings (loss) per share	(128,664)	18,383

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2022 and 2021 (in Korean won)

	2022	2021
Profit (loss) for the year	(408,866,780,552)	58,415,830,355
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liabilities	9,831,741,338	113,111,724
Share of remeasurements of net defined benefit liabilities of associates	104,576,738	143,655,690
Gain on valuation of financial assets at fair value through other comprehensive income	(20,313,293)	11,642,880
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income (loss) of associates	(33,095,861)	294,895,697
Overseas operations translation gain	24,300,172,702	27,968,517,753
Other comprehensive income for the year, net of tax	34,183,081,624	28,531,823,744
Total comprehensive income (loss) for the year	(374,683,698,928)	86,947,654,099
Total comprehensive income (loss) for the year is attributable to:		
Owners of the Parent Company	(374,683,698,928)	86,947,654,099
Non-controlling interest	-	-
	(374,683,698,928)	86,947,654,099

Consolidated Statements of Changes in Equity

Years Ended December 31, 2022 and 2021 (in Korean won)

	Attributable to owners of the Parent Company					Non-controlling Interest	Total Equity
	Share capital	Share premium	Retained earnings (Accumulated deficit)	Other Components of Equity	Total		
Balance at January 1, 2021	15,950,630,000	327,697,938,702	67,606,964,768	(8,902,404,020)	402,353,129,450	-	402,353,129,450
Total comprehensive income							
Profit for the year	-	-	58,415,830,355	-	58,415,830,355	-	58,415,830,355
Remeasurements of net defined benefit liabilities	-	-	113,111,724	-	113,111,724	-	113,111,724
Share of remeasurements of net defined benefit liabilities of associates	-	-	143,655,690	-	143,655,690	-	143,655,690
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	11,642,880	11,642,880	-	11,642,880
Share of other comprehensive income (loss) of associates	-	-	(54,832,413)	349,728,110	294,895,697	-	294,895,697
Overseas operations translation gain	-	-	-	27,968,517,753	27,968,517,753	-	27,968,517,753
Balance at December 31, 2021	15,950,630,000	327,697,938,702	126,224,730,124	19,427,484,723	489,300,783,549	-	489,300,783,549
Balance at January 1, 2022	15,950,630,000	327,697,938,702	126,224,730,124	19,427,484,723	489,300,783,549	-	489,300,783,549
Total comprehensive income							
Loss for the year	-	-	(408,866,780,552)	-	(408,866,780,552)	-	(408,866,780,552)
Remeasurements of net defined benefit liabilities	-	-	9,831,741,338	-	9,831,741,338	-	9,831,741,338
Share of remeasurements of net defined benefit liabilities of associates	-	-	104,576,738	-	104,576,738	-	104,576,738
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(20,313,293)	(20,313,293)	-	(20,313,293)
Share of other comprehensive income (loss) of associates	-	-	1,282,062,101	(1,315,157,962)	(33,095,861)	-	(33,095,861)
Overseas operations translation gain	-	-	-	24,300,172,702	24,300,172,702	-	24,300,172,702
Balance at December 31, 2022	15,950,630,000	327,697,938,702	(271,423,670,251)	42,392,186,170	114,617,084,621	-	114,617,084,621

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021 (in Korean won)

	2022	2021
Cash flows from operating activities		
Cash generated from (used in) operations	(84,366,486)	124,163,508,044
Income taxes paid	(33,429,777,210)	(21,544,778,118)
Interest paid	(102,569,219,951)	(34,393,704,208)
Interest received	1,319,404,280	149,260,016
Dividends received	-	291,355,000
Net cash inflow (outflow) from operating activities	(134,763,959,367)	68,665,640,734
Cash flows from investing activities		
Decrease in short-term guarantees	236,888,200	1,000,000,000
Collection of long-term loans	337,710,000	243,642,518
Decrease in long-term guarantees	6,742,830	253,704,104
Proceeds from disposal of short-term financial instruments	-	54,917,189,313
Increase (decrease) in derivatives	20,735,843,390	(701,107,006)
Proceeds from disposal of property, plant and equipment	2,630,949,674	295,745,770
Proceeds from disposal of intangible assets	-	1,200,000,000
Receipt of government grants	3,467,034,851	346,468,089
Increase in short-term guarantees	(408,344,172)	(311,055,766)
Increase in long-term loans	(752,950,000)	(340,000,000)
Increase in long-term guarantees	(40,028,350)	(67,901,844)
Increase in prepaid expenses	(11,330,118,243)	(22,497,538,129)
Payments for property, plant and equipment	(243,841,511,739)	(328,270,453,977)
Payments for intangible assets	(277,628,471)	(13,405,907,799)
Payments for financial assets at fair value through profit or loss	(1,610,985,920)	-
Proceeds from disposal of financial assets at fair value through profit or loss	136,950,000	-
Payments for financial assets at fair value through other comprehensive income	-	(103,158,000)
Net cash outflow from investing activities	(230,709,447,950)	(307,440,372,727)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,278,301,793,482	1,411,384,020,028
Proceeds from long-term borrowings	250,533,136,353	282,864,728,900
Proceeds from issuance of bonds	169,673,740,000	20,867,968
Repayments of short-term borrowings	(1,991,186,845,796)	(1,274,041,282,004)
Repayments of long-term borrowings	(63,815,853,345)	(12,500,000,000)
Repayments of bonds	(195,000,000,000)	(98,000,000,000)
Repayments of current portion of borrowings	(27,999,970,000)	(43,614,540,000)
Repayments of lease liabilities	(3,783,033,687)	(3,428,140,924)
Net cash inflow from financing activities	416,722,967,007	262,685,653,968
Effects of exchange rate changes on cash and cash equivalents	20,272,530,351	704,952,095
Net increase in cash and cash equivalents	71,522,090,041	24,615,874,070
Cash and cash equivalents at the beginning of the year	34,797,251,561	10,181,377,491
Cash and cash equivalents at the end of the year	106,319,341,602	34,797,251,561

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