



Competitive Edge for a Century-Long Enterprise

2023 Volatus Business Report

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Background

With incorporation, we at Volatus Co., Ltd. have officially initiated the publication of annual business reports to improve external credibility and transparency in governance. In the process of preparing these reports, financial and non-financial risks are assessed on a regular basis to ensure corporate sustainability.

HIGHLIGHTS

Our sales, operating profit, and net profit have improved following the expansion of our portfolio into new business lines and the hiring of additional sales staff. We are now focusing on enhancing corporate governance and nurturing human resources to ensure sustainable growth in the future.

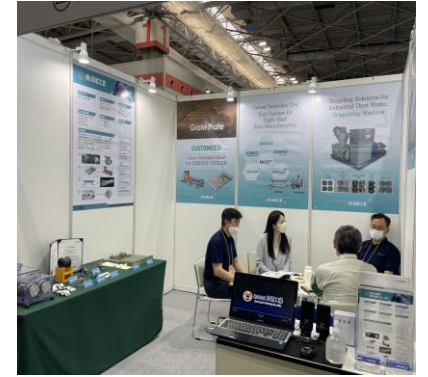
	Quantitative issues		Qualitative issues
Growth potential	Good profit metrics in general	Vision/ mid-to long-term goal	Focus on mid- to long-term capacity building to become a century-old enterprise
Profitability	Growth in SG&A expenses as a percentage of sales (primarily driven by the hiring of staff in charge of global solutions and development of relevant methodologies), improved net profit	Business portfolio	New solutions for ESG and seller-buyer matching (capacity building for sales staff)
Stability	Improved stability caused by reduced debt levels	Governance	Increased transparency through incorporation (disclosure of business performance and more)
Efficiency	Improved turnover metrics in general	Human resources development	Increase in new hires with stronger compensation plans and respect for employee rights



2023 Key Outcomes

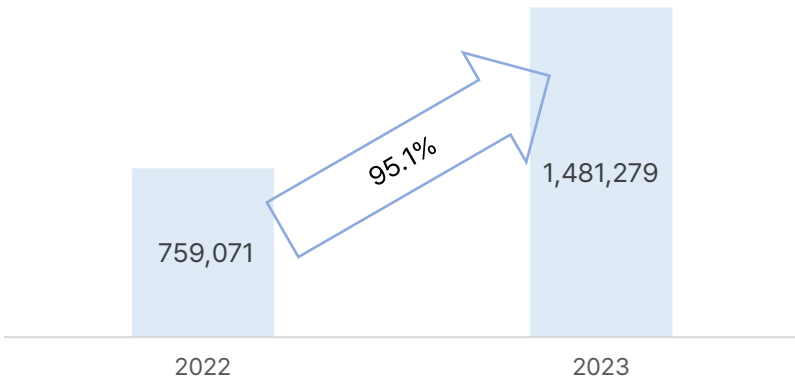
Based on our expertise and existing network in business matching, we organized technology exchange events for Thailand, India, China, Mexico, and Colombia. In particular, we focused on helping exporters respond to stronger ESG requirements.

- **Mar** Organized Thai and Indian business matching events as part of KOSME's Technology Exchange Projects
- **Apr** Named an implementation partner for the Carbon Neutrality Voucher
- **Jun** Organized an H1 workshop to brainstorm ideas
- **Aug** Secured supply chains for Thailand and India (logistics, legal advice and research)
- **Sep** Conducted the International Talent Hiring Project
- **Sep** Implemented KOSME's China Technology Exchange Project
- **Sep** Developed a technology catalog design solution for increased export performance
- **Oct** Developed ESG solutions for diagnosis and sustainability reporting
- **Oct** Launched the High-Value Solution 2024
- **Oct** Secured a Chinese supply chain for machinery and PR
- **Nov** Organized KOSME's business matching event with Mexican and Colombian buyers
- **Dec** Organized KOSME's capacity building training for technology exchange coordinators
- **Dec** Undertook the process of incorporation

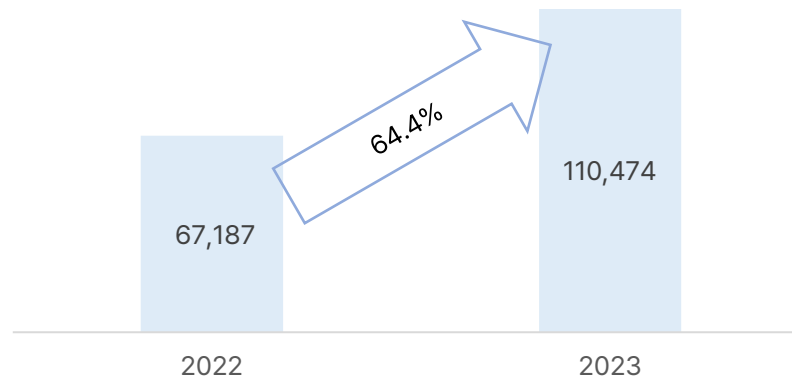


Profitability Analysis

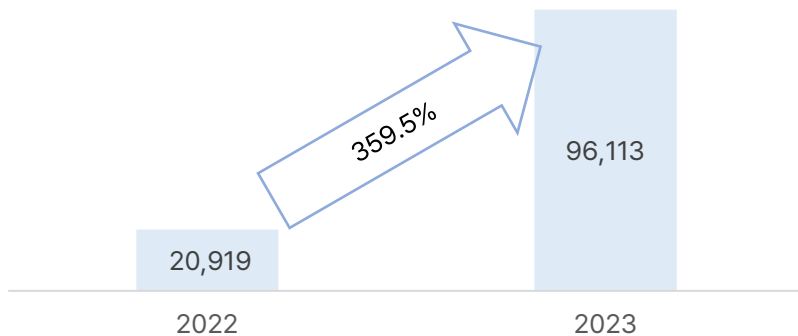
Sales (KRW thousand)



Operating profit (KRW thousand)



Net profit (KRW thousand)



Good profit metrics in general

Sales showed a 95.1% year-on-year increase due to the expanded target client base, driven by increased sales staffing and capacity building. Additionally, sales were generated from new business areas such as export projects, buyer matching, and ESG consulting.

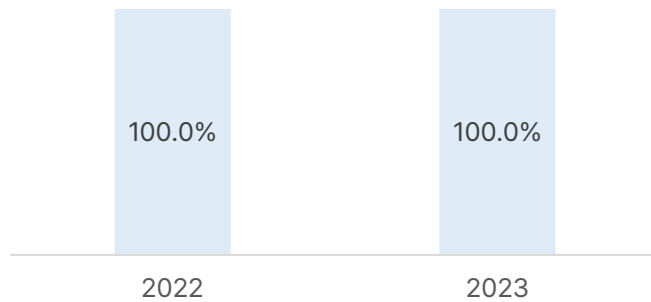
The growth in sales resulted in a 64.4% increase in operating profit, which is lower than the growth rate of sales, due to a rise in SG&A expenses.

The growth in net profit was lower than the growth in sales and operating profit due to the comprehensive income tax incurred, which was calculated on the basis of sole proprietorship.

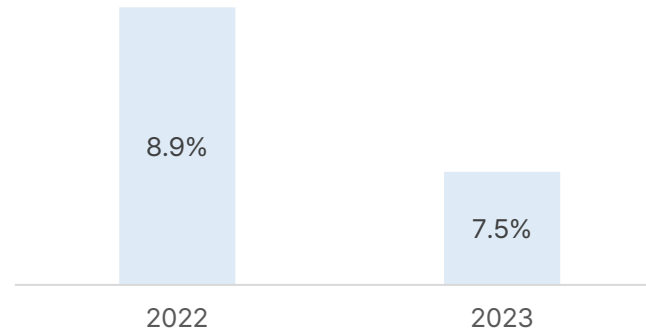
*Source: Volatus Korea Closing Financial Statements for 2022 and 2023
 *2023 net profit = Net profit as of December 2023 – comprehensive income tax paid in June 2024

Profitability Analysis

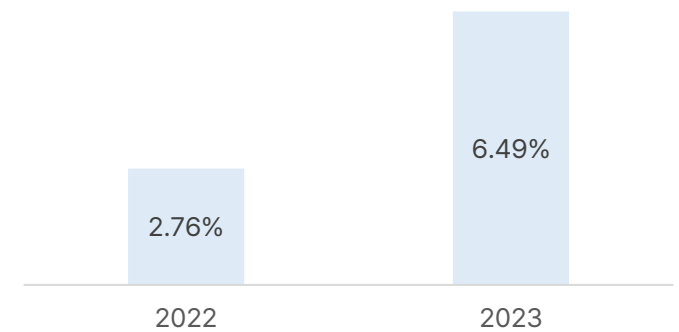
Gross profit margin



Operating profit margin



Net profit margin



Breakdown of SG&A expenses and non-operating expenses

	2023 (KRW thousand)	2022 (KRW thousand)
Payroll and allowances	410,891	227,980
Severance pay	10,655	To be calculated from 2023
Employee benefits	49,713	22,868
Service fees	558,451	220,433
Income tax (sole proprietorship)	3,890 (post-deduction)	38,078

Increased SG&A expenses and profit from comprehensive income tax deductions

Total SG&A expenses increased due to new hires and the revision of performance incentives and employee benefit programs. The labor costs for newly-hired overseas PMs were included as service fees, which also contributed to the rise in SG&A expenses.

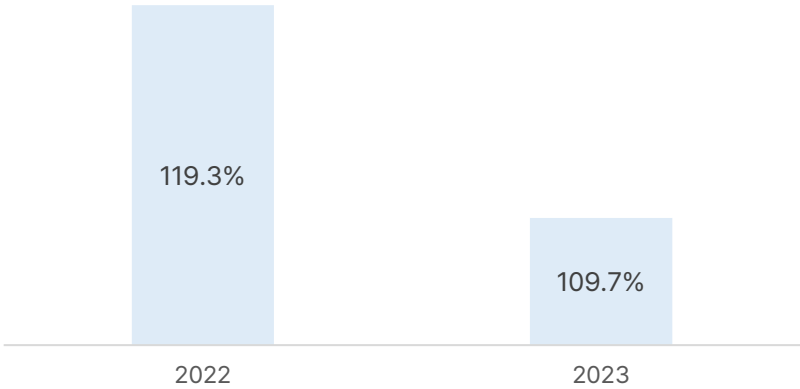
Starting from the fiscal year that ended in 2023, we hired one of the major Korean accounting firms for bookkeeping which helped us receive a deduction for hiring new employees. This also led to an increase in non-operating expenses, including income tax.

*Source: Volatus Korea Closing Financial Statements for 2022 and 2023

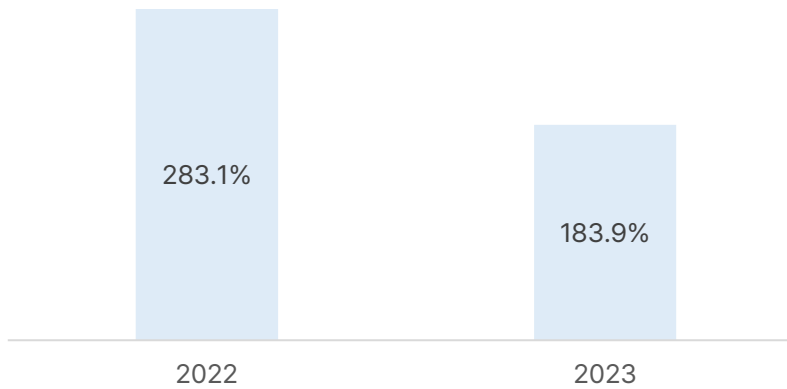
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Stability Analysis

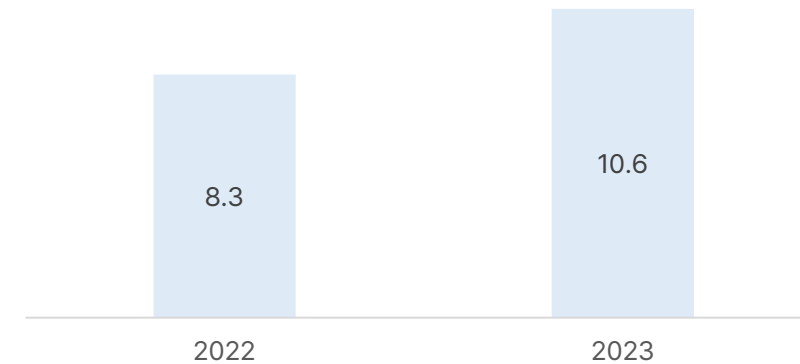
Current ratio (%)



Debt-to-equity ratio (%)



Interest coverage ratio (%)



Key stability metrics

	2023 (KRW thousand)	2022 (KRW thousand)
Current liabilities	65,259	159,975
Current assets	71,601	190,805
Total debt	65,259	159,975
Equity	35,478	56,618
Operating profit	110,474	67,187
Interest expense	10,470	8,190

Higher stability due to reduced debt

The decrease in the share of current liabilities in 2023 compared to 2022 resulted in an overall improvement in the current ratio and debt-to-equity ratio.

The current ratio is expected to continue improving, as a significant portion of current liabilities will be converted to non-current liabilities with the company's incorporation in 2024.

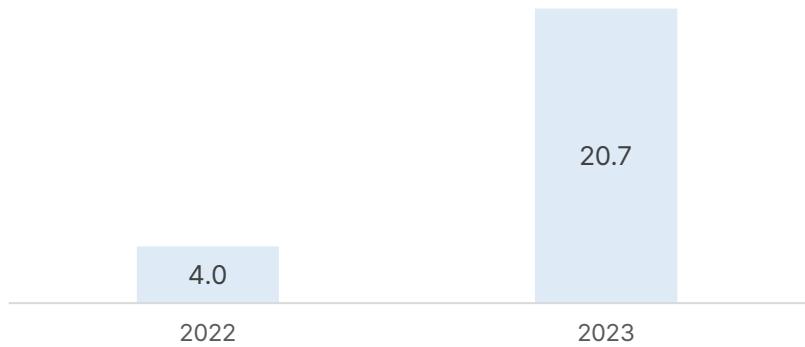
Given the smaller asset size typical of service businesses, Volatus is committed to reducing its debt under the slogan 'ZERO Debt' through monthly repayments and liquidity control including by expanding sales during off-seasons.

The interest expense remains above the safe level of 1.5, indicating no risk.

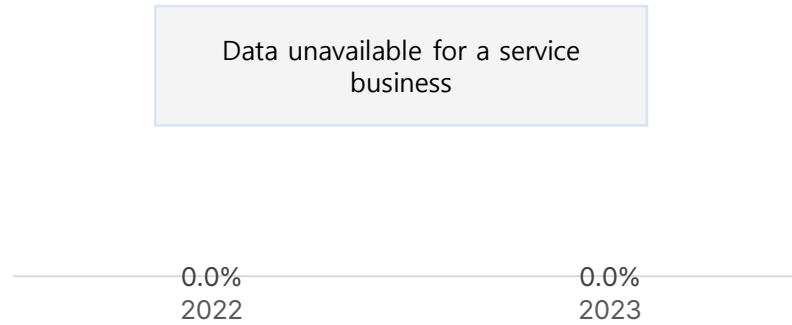
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Efficiency Analysis

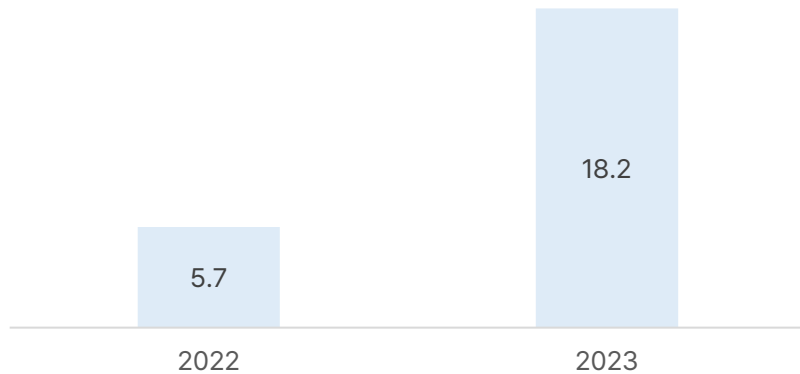
Total asset turnover (%)



Inventory turnover (%)



Receivables turnover (%)



Improved total asset turnover due to higher sales and an increase in receivables turnover from the collection of outstanding receivables in December

In 2023, the size of assets decreased year-on-year, but total asset turnover improved as annual sales increased.

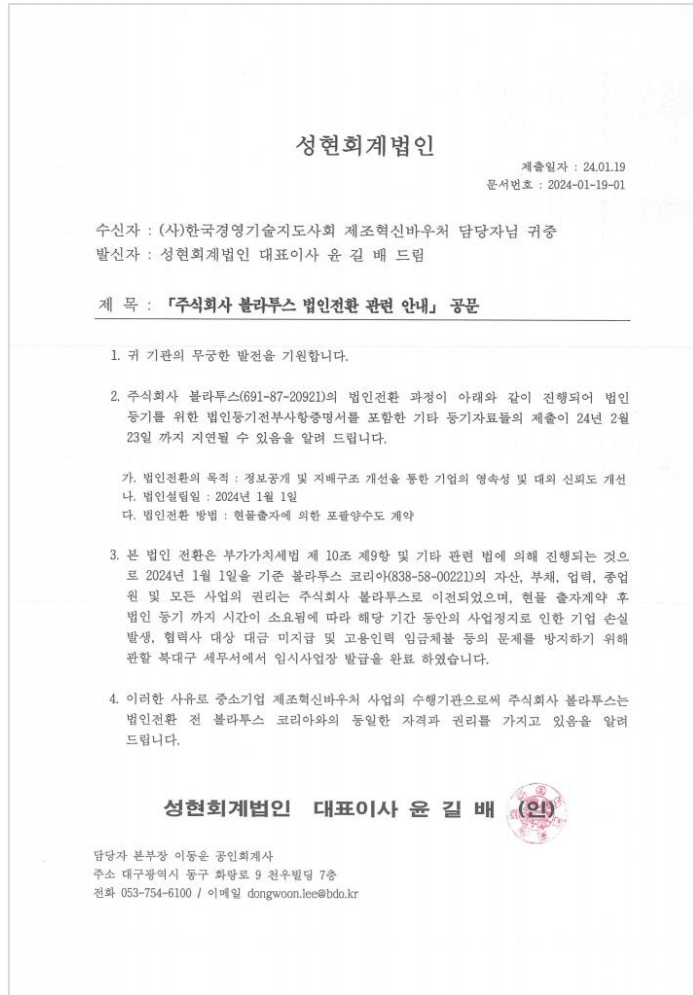
Many invoices issued in December 2022 remained unpaid until the end of the month. In 2023, the number of projects with outstanding invoices decreased, and the overall increase in sales contribute to improved receivables turnover.

However, the payment timing of government subsidy programs is subject to relevant regulations and guidelines and may vary from year to year, which inevitably affects the receivables turnover ratio.

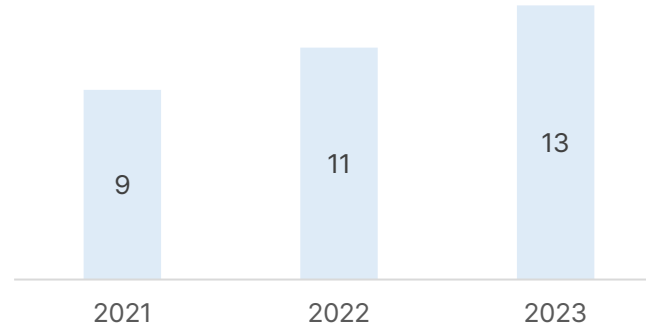
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Governance and Human Resources

Official letter informing the company's incorporation sent to relevant partners



Number of employees



- Revised employee reward program (base pay/performance incentives)
- Employee training system in place/ flexible working arrangements
- Revised employment policy (e.g. human rights protection, parental leaves)
- Seniors and women hired (non-discrimination policy introduced)
- Experienced seniors hired for new business areas (e.g. ESG, seller-buyer matching, and serious workplace accidents)

Enhanced corporate transparency through incorporation

To strengthen internal transparency, we closed down Volatus Korea, a sole proprietorship, as of December 2023 and incorporated as Volatus Co., Ltd. in January 2024. With this transition, we plan to appoint of employees, instead of affiliated persons, as shareholders, establish a decision-making system centered around the board of directors, and regularly disclose business performance. Our efforts to promote management transparency will continue throughout 2024.

Streamlined HR system based on the hiring of qualified individuals

We believe that our success as a company depends on our employees. Over the years, we have continuously reformed our HR system and intensified our hiring efforts, which resulted in an increase in the workforce for three consecutive years. We are fostering qualified talent capable to adding value to our marketing operations through a robust compensation scheme, flexible working arrangements, the protection of human rights under our employment policy, and an enhanced employee training system.



INSIGHTS

The preparation of this business report provided useful insights for our future management as follows:

1. Ensure stable operating profit margins through standardized terms for overseas project management and supply chain transactions;
2. Maintain efforts to enhance financial soundness through gradual debt reduction;
3. Introduce internal systems and improve talent development programs that match the growth in sales;
4. Continue to improve transparency in corporate governance by establishing a board of directors, strengthening disclosure efforts, and streamlining internal regulations and employment policies;
5. Continue to explore new business opportunities, including solutions for serious workplace accidents and corporate value enhancement; and
6. Manage risks through regular monitoring of financial indicators.