



SONGWON

FINANCIAL RESULTS
Preliminary, unaudited

**Q4 & YEAR
ENDED DECEMBER 31**

2018

It's all about **the chemistry™**

About this report

This report contains Songwon Industrial Group's preliminary, unaudited financial results for the three months (Q4/2018) and twelve months (FY 2018) ended December 31, 2018.

All the disclosed figures are preliminary and may be subject to change during the review of the annual financial statements by the Group's auditor, Ernst & Young Han Young. Songwon Industrial Group will publish final audited annual financial statements for the year 2018, prepared in accordance with the Korean International Reporting Standards ("K-IFRS"). These will be audited by the Group auditor by mid-March 2019.

The financial information in this report reflects the consolidated figures in Mil. KRW unless otherwise stated.

For further information about Songwon Industrial Group, please visit: www.songwon.com or write to us at: ir@songwon.com.

Forward-looking statements & information

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

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

Key Financial Data

	Q4 2018			Q4 2017			For the twelve months ended December 31,		
	Million KRW	Million KRW	Δ%	2018 Million KRW	2017 Million KRW	Δ%	2018 Million KRW	2017 Million KRW	Δ%
Sales	196,022	182,314	7.5%	788,738	724,853	8.8%	788,738	724,853	8.8%
Gross profit	37,040	34,442	7.5%	156,156	155,060	0.7%	156,156	155,060	0.7%
<i>Gross profit margin</i>	<i>18.9%</i>	<i>18.9%</i>		<i>19.8%</i>	<i>21.4%</i>		<i>19.8%</i>	<i>21.4%</i>	
Operating profit	10,168	8,500	19.6%	54,277	54,466	-0.3%	54,277	54,466	-0.3%
EBITDA	16,821	16,046	4.8%	86,938	86,769	0.2%	86,938	86,769	0.2%
<i>EBITDA margin</i>	<i>8.6%</i>	<i>8.8%</i>		<i>11.0%</i>	<i>12.0%</i>		<i>11.0%</i>	<i>12.0%</i>	
EBIT	8,215	7,831	4.9%	53,148	54,485	-2.5%	53,148	54,485	-2.5%
<i>EBIT margin</i>	<i>4.2%</i>	<i>4.3%</i>		<i>6.7%</i>	<i>7.5%</i>		<i>6.7%</i>	<i>7.5%</i>	
Profit for the period	4,989	4,670	6.8%	37,820	34,706	9.0%	37,820	34,706	9.0%
Total assets				872,533	865,121	0.9%	872,533	865,121	0.9%
Total equity				414,301	378,127	9.6%	414,301	378,127	9.6%
<i>Equity ratio</i>				<i>47.5%</i>	<i>43.7%</i>		<i>47.5%</i>	<i>43.7%</i>	
Headcounts				1,037	974	6.5%	1,037	974	6.5%

Sales development

Products

	Q4 2018			Q4 2017			For the twelve months ended December 31,		
	Million KRW	Million KRW	Δ%	2018 Million KRW	2017 Million KRW	Δ%	2018 Million KRW	2017 Million KRW	Δ%
Alkylphenols and Intermediates	114	882	-87.1%	2,343	1,670	40.3%	2,343	1,670	40.3%
Plasticizers	1,979	1,980	-0.1%	8,121	8,192	-0.9%	8,121	8,192	-0.9%
Polyester Diols	3,386	2,650	27.8%	11,668	10,850	7.5%	11,668	10,850	7.5%
Polymer Stabilizers (AOX & UVs)	137,207	118,881	15.4%	554,304	495,345	11.9%	554,304	495,345	11.9%
Polyurethanes	13,037	9,077	43.6%	43,819	40,536	8.1%	43,819	40,536	8.1%
PVC Stabilizers	8,961	12,162	-26.3%	37,792	47,936	-21.2%	37,792	47,936	-21.2%
SAP and Flocculants	1,898	1,760	7.8%	7,972	8,483	-6.0%	7,972	8,483	-6.0%
Tin Intermediates	20,495	24,993	-18.0%	82,351	84,117	-2.1%	82,351	84,117	-2.1%
Others	8,945	9,929	-9.9%	40,368	27,724	45.6%	40,368	27,724	45.6%
Total sales	196,022	182,314	7.5%	788,738	724,853	8.8%	788,738	724,853	8.8%

Regions

	Q4 2018			Q4 2017			For the twelve months ended December 31,		
	Million KRW	Million KRW	Δ%	2018 Million KRW	2017 Million KRW	Δ%	2018 Million KRW	2017 Million KRW	Δ%
Korea	46,617	48,856	-4.6%	180,006	194,963	-7.7%	180,006	194,963	-7.7%
Rest of Asia	57,911	53,222	8.8%	220,740	192,072	14.9%	220,740	192,072	14.9%
Europe	40,193	35,321	13.8%	176,991	150,549	17.6%	176,991	150,549	17.6%
North and South America	40,189	32,646	23.1%	162,894	138,717	17.4%	162,894	138,717	17.4%
Australia	523	740	-29.3%	2,431	2,764	-12.0%	2,431	2,764	-12.0%
Middle East and Africa	10,589	11,529	-8.2%	45,676	45,788	-0.2%	45,676	45,788	-0.2%
Total sales	196,022	182,314	7.5%	788,738	724,853	8.8%	788,738	724,853	8.8%

Business development

In Q4/2018 ended December 31, 2018, Songwon Industrial Group generated consolidated sales of 196,022 Mil. KRW. This marks a revenue increase of 7.5%, when compared to sales achieved in Q4/2017. The Group also recorded an increase in net profit for the fourth quarter of 4,989 Mil. KRW – which was 6.8% higher than the net profit reported in Q4/2017 (4,670 Mil. KRW). SONGWON maintained the gross margin of 18.9% in Q4/2018. Year-to-date, the Group realized consolidated sales of 788,738 Mil. KRW and a net profit of 37,820 Mil. KRW.

Looking at the 2018 YTD figures, the Group delivered a solid result for 2018 overall, largely due to the strong performance in the third quarter of the year. Regarding volumes sold throughout the year, despite the usual month-to-month fluctuations, demand was stable or showed signs of growth for most of SONGWON's product lines and led to acceptable margin levels. Although customer destocking activities were predicted to affect PS sales, and the product line was also impacted by unfavorable currency fluctuations, as well as higher raw material costs and lower capacity utilization in Q4/2018, SONGWON's polymer stabilizers (PS) ended the year strongly. SONGWON's TPP business also performed well with polyester diols and polyurethanes sales up. SAP, PVC and tin intermediates experienced a revenue slowdown due to strong price competition and the generally weak economic outlook in Korea.

Aligned with expectations, SONGWON continued to experience strong demand across all global regions in general during the course of 2018, especially in the Americas, Europe and the rest of Asia. Despite ongoing global trade tensions, particularly between the US and China as well as increased political uncertainty in the euro area, the Group recorded solid revenue increases across these regions. Contrary to this, suppressed demand, tight supply, pricing issues and Korea's weak economic outlook all contributed to weaker Korean sales performance.

Throughout 2018, the Group's manufacturing facilities ran smoothly and at high utilization rates. After a long period of repeated audits and inspections, SONGWON's plant in Pingdu, China was granted government permission and resumed operations in July 2018. Furthermore, construction of the new workshop for thioesters continues on time and on plan. During the year, SONGWON successfully increased capacities at its facilities in Korea, installed new production lines and began large scale manufacturing of functional monomers. The Group also further strengthened its PS product portfolio and continued the development and expansion of its specialty chemicals, fuel and lubricant additives product portfolios.

Outlook

While SONGWON achieved very good overall results in 2018, the last few months of the year showed signs of a slowdown in the global economy. Negative key economic indicators as well as protracted political and trading uncertainties could also contribute to an economic slowdown in 2019. Although it is difficult to ascertain at this stage if this situation is temporary or more structural in nature, SONGWON believes that, in the medium term the demand for its product offering will increase at a steady rate across the regions. New business opportunities are expected to materialize in 2019 and the Group anticipates that supply-demand will stay balanced throughout the coming year. Although the Group believes that the perceived economic slowdown may generate aggressive price competition, it intends to continue the implementation of its price increases where necessary across the portfolio.

SONGWON remains committed to broadening its focused portfolio of innovative specialty chemicals that offer both a sustainable advantage and opportunities for growth. Efforts so far are yielding the expected results and the organization is confident that this will continue in the coming year. To ensure SONGWON remains efficient and competitive, the company will also continue adapting its processes and following its expansion strategy in Asia and other areas across the globe that offer promising growth perspectives.

In the near future, SONGWON anticipates seeing continuing economic uncertainties, ongoing political tensions and foreign currency volatility. With contingency plans in place and a cautious, prudent approach, the organization believes that it is well-prepared and well-situated to successfully navigate the challenges it faces, and strongly positioned to meet, and exceed its strategic targets for the coming year and beyond.