



SONGWON

FINANCIAL RESULTS
Preliminary, unaudited

**Q4 & 12 MONTHS
ENDED DECEMBER 31**

2019

It's all about **the chemistry™**

About this report

This report contains Songwon Industrial Group's preliminary, unaudited financial results for the three months (Q4/2019) and twelve months (FY2019) ended December 31, 2019.

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 2019, prepared in accordance with the Korean International Reporting Standards ("K-IFRS"). These will be audited by the Group auditor by mid-March 2020.

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.

Disclosure of sales by division

Effective January 1, 2019, the Group's division structure was adjusted and separated into two reportable segments "Industrial Chemicals" and "Performance Chemicals" based on the Group's product portfolio and its product families. Therefore, the presentation of sales development has been aligned with the new segment reporting and sales by product was replaced by divisional disclosure of sales as per December 31, 2019, inclusive comparative numbers as per December 31, 2018.

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 2019			Q4 2018			2019			2018		
	Million KRW			Million KRW			Million KRW			Million KRW		
			Δ%			Δ%			Δ%			Δ%
Sales	196,678	196,022	0.3%	813,950	788,738	3.2%						
Gross profit	33,510	37,040	-9.5%	166,083	156,156	6.4%						
<i>Gross profit margin</i>	17.0%	18.9%		20.4%	19.8%							
Operating profit	7,827	10,168	-23.0%	58,902	54,277	8.5%						
EBITDA	16,321	16,821	-3.0%	94,903	86,938	9.2%						
<i>EBITDA margin</i>	8.3%	8.6%		11.7%	11.0%							
EBIT	7,348	8,215	-10.6%	58,365	53,148	9.8%						
<i>EBIT margin</i>	3.7%	4.2%		7.2%	6.7%							
Profit for the period	5,747	4,975	15.5%	34,652	37,805	-8.3%						
Total assets				894,324	872,544	2.5%						
Total equity				435,227	411,198	5.8%						
<i>Equity ratio</i>				48.7%	47.1%							
Headcounts				1,081	1,037	4.2%						

Sales development

Divisions*

	2019			2018			2019			2018		
	Industrial Chemicals			Performance Chemicals			Total					
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	146,292	139,714	4.7%	50,386	56,308	-10.5%	196,678	196,022	0.3%			

	2019			2018			2019			2018		
	Industrial Chemicals			Performance Chemicals			Total					
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	603,980	577,164	4.6%	209,970	211,574	-0.8%	813,950	788,738	3.2%			

* Please refer to "Disclosure of sales by division" on page 2.

Regions

	Q4 2019			Q4 2018			2019			2018		
	Million KRW			Million KRW			Million KRW			Million KRW		
			Δ%			Δ%			Δ%			Δ%
Korea	46,710	46,617	0.2%	177,006	180,006	-1.7%						
Rest of Asia	54,807	57,911	-5.4%	224,640	220,740	1.8%						
Europe	40,469	40,193	0.7%	188,131	176,991	6.3%						
North and South America	38,846	40,189	-3.3%	170,450	162,894	4.6%						
Australia	805	523	53.9%	2,533	2,431	4.2%						
Middle East and Africa	15,041	10,589	42.0%	51,190	45,676	12.1%						
Total sales	196,678	196,022	0.3%	813,950	788,738	3.2%						

Business development

During the 4th quarter of the year ended December 31, 2019, SONGWON Industrial Group achieved consolidated sales of 196,678 Mil. KRW, remaining at the same level as Q4/2018 (196,022 Mil. KRW). For the final quarter of 2019, the Group also recorded a net profit of 5,747 Mil. KRW – which was 15.5% higher than the net profit reported in Q4/2018 (4,975 Mil. KRW). The Group maintained a gross profit margin of 17.0% in Q4/2019. For the full year ended December 31, 2019, SONGWON achieved sales of 813,950 Mil. KRW (FY2018: 788,738 Mil. KRW) and recorded a net profit of 34,652 Mil. KRW (FY2018: 37,805 Mil. KRW).

After a challenging 2018, the financial year 2019 also proved not to be easy for the global economy which continued to be impacted by ongoing geopolitical challenges and macro-economic uncertainty. In 2019, the industry saw demand weak and volatile. Within this environment, the Group observed volume peaks and lows in Q4/2019, as well as throughout the year. Overall, demand for Division Industrial Chemicals products was good across the regions in Q4/2019, particularly in MEA, despite customers' typical end-of-year stock adjustments.

The Group saw a decline in profitability in the 4th quarter compared to the previous Q4 in 2018, due to less favorable currency developments, price reductions resulting from the weaker demand and some lower capacity utilization caused by scheduled plant maintenance. Furthermore, SONGWON observed the ongoing concern within the industry, relating to the potential slowdown in Asia leading to erratic offtake by some of the customers of SONGWON's customers. When compared to FY2018, SONGWON Industrial Group achieved an increase profitability in Division Industrial Chemicals and a revenue growth of 4.6% in 2019.

In 2019, SONGWON Industrial Group's Division Performance Chemicals felt the effects of customers' destocking and the downturn in global demand especially in automotive and electronics industry which negatively impacted sales. In addition to this, Korea's construction industry shrunk significantly during the year leading to a decline in demand and fierce increased competition. SONGWON was able to compensate for business lost in PVC stabilizers by proactively seeking and capitalizing on new sales opportunities outside of Korea. To support this, the Group pursued its multiple sources policy. In order to accelerate market penetration and expansion, particularly into the ASEAN region, the organization continued to build its global distributor network. Work is also ongoing on expanding its portfolio and optimizing stage and gate evaluations of new products.

During FY2019, SONGWON's production facilities ran smoothly at the level needed to meet customers' demands and economic requirements. During the quarter, the planned maintenance shutdown went smoothly, no issues were encountered when restarting the plant and customers were not negatively impacted. Throughout the year, raw materials remained at stable levels with some exceptions linked to specific availability. Investments in further automation and plant optimization are ongoing. The results

already achieved as a result in 2019 will continue to have a positive impact in 2020 and beyond.

Outlook

Looking ahead to FY2020, the Group expects to face a challenging, market environment that is difficult to predict particularly with regard to industry demand. It also sees the volatile levels of political uncertainty and instability in various regions across the world continuing. Although the outlook for the global economy is cautious, higher GDP growth is predicted for FY2020 than was seen in FY2019. Particularly for its Division Industrial Chemicals, SONGWON anticipates that demand will rise above GDP driven by growth in China and other emerging countries. Pursuing its strategy in the coming year, the Group will also continue investing in new technologies, improving operational efficiency and meeting its customers' requirements with innovation. In line with this, the company expects to see a positive impact from the new product solutions launched at the K-Fair 2019 in Germany, the expansion of its distributor network and from the ongoing positive collaboration with industry-leading partners.

SONGWON continues to concentrate its efforts on achieving more sustainability and to making a positive contribution to the plastics industry through investment and its increased focus on innovation that supports the shift to a circular economy. Although remaining cautious and exercising financial prudence, the Group has confidence in the future of the industry, and will continue to improve its positions going forward and strengthen its position as a leader in specialty chemicals. The company is confident that the strong foundation that it has built in previous years forms a sound basis for SONGWON to successfully navigate upcoming challenges and remain on track to deliver its targets in the coming year.