



SONGWON

FINANCIAL RESULTS
Preliminary, unaudited

Q1 2021

It's all about **the chemistry™**

About this report

This report contains Songwon Industrial Group's preliminary, unaudited financial results for the three months ended March 31, 2021 (Q1/2021).

All the disclosed figures are preliminary and may be subject to change during the review of the condensed interim financial statements by the Group's auditor, Ernst & Young Han Young. Songwon Industrial Group will publish condensed interim financial statements for the three months ended March 31, 2021 prepared in accordance with the Korean International Financial Reporting Standards ("K-IFRS"). These will be reviewed by the Group auditor by mid-May 2021.

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

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

Restatement of prior year figures

In 2020, Songwon Specialty Chemicals-India Pvt. Ltd. (SWDM-IN) retrospectively adjusted the K-IFRS opening balance for deferred tax liabilities due to a restatement of temporary taxable differences in property, plant and equipment (land), other non-current financial liabilities (intercompany loan) and intangible assets (goodwill). As a result of the reclassification adjustment, the impact on the opening balance as of January 1, 2020 in the consolidated statements of financial position was an increase in deferred tax liabilities and a decrease in retained earnings of 940 Million KRW, respectively. As the adjustment had no material impact on the consolidated statements of comprehensive income for the financial year 2020 and the three months ended March 31, 2020, the consolidated statements of comprehensive income have not been restated.

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

	For the three months ended		
	March 31,		
	2021	2020	
	Million KRW	Million KRW	Δ%
Sales	222,487	210,543	5.7%
Gross profit	48,117	41,542	15.8%
<i>Gross profit margin</i>	21.6%	19.7%	
Operating profit	17,343	18,069	-4.0%
EBITDA	26,131	26,990	-3.2%
<i>EBITDA margin</i>	11.7%	12.8%	
EBIT	16,605	18,450	-10.0%
<i>EBIT margin</i>	7.5%	8.8%	
Profit for the period	11,662	11,182	4.3%
Total assets	936,909	929,854	0.8%
Total equity*	472,972	446,598*	5.9%
<i>Equity ratio</i>	50.5%	48.0%	
Headcounts	1,070	1,086	-1.5%

*see page 2 "Restatement of prior year figures" for further details

Sales development

Divisions

	For the three months ended											
	2021			2020			2021			2020		
	Industrial Chemicals			Performance Chemicals			Million KRW			Million KRW		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	153,431	156,019	-1.7%	69,056	54,524	26.7%	222,487	210,543	5.7%			

Regions

	For the three months ended		
	March 31,		
	2021	2020	
	Million KRW	Million KRW	Δ%
Korea	50,223	44,071	14.0%
Rest of Asia	64,137	56,891	12.7%
Europe	53,027	50,350	5.3%
North and South America	44,971	43,959	2.3%
Australia	796	603	32.0%
Middle East and Africa	9,333	14,669	-36.4%
Total sales	222,487	210,543	5.7%

Business development

In the 1st quarter of 2021, ending March 31st, SONGWON Industrial Group generated consolidated sales of 222,487 Million KRW marking a rise in revenue when compared to the sales recorded in Q1/2020 (210,543 Million KRW). The gross profit margin also rose in Q1/2021, standing at 21.6% (Q1/2020:19.7%) and SONGWON recorded a 4.3% increase in net profit (Q1/2021: 11,662 Million KRW) over the same reporting period in the previous year (11,182 Million KRW).

Despite the ongoing challenges in the global environment and continuing COVID-19 pandemic, SONGWON started the year well with a 5.7% increase in revenue. On the back of the stronger demand throughout Q1/2021, Division Industrial Chemicals achieved consolidated sales of 153,431 Million KRW and Division Performance Chemicals consolidated sales of 69,056 Million KRW. Across its businesses, Division Industrial Chemicals registered solid demand, but slightly lower revenues (-1.7%) compared to the strong 1st quarter of the year 2020, which was positively impacted by the growing concern relating to the COVID-19 pandemic and its potential impact on supply chains. Division Performance Chemicals saw increased demand for its products and exceeded the strong Q1/2020 by 26.7%.

For Division Industrial Chemicals, stronger demand together with the price increases implemented in the previous months to counterbalance the rising cost of raw materials began positively impacting revenues in Q1/2021. Throughout the quarter, Polymer Stabilizers profitability remained at expected levels and the already high demand was further increased by supply disruptions at competitors that subsequently tightened availability. Despite the challenges in the supply chain due to limited containers and vessel space availability, SONGWON was able to continue serve its customers in line with expectations. In Q1/2021, SONGWON's Fuel and Lubricant Additives performance was strong and above forecast. The trend noted in 2020 continued with customers ordering ahead of the usual order patterns to counter delays in logistics and shipping.

The 1st quarter of the year, Division Performance Chemicals demand was especially strong in the automotive market and positively affected by a surge in customers' safety stock activities. The growth in revenue was further influenced by the price increases for Tin Intermediates implemented to offset the steeply rising raw material and logistical costs. During Q1/2021, SONGWON's product line PVC Stabilizers benefited from the strong demand in North East Asia achieving almost full recovery from the COVID-19 pandemic. Coatings sales were also strong across the entire portfolio especially in the U.S. and Asia despite the long Chinese New Year break. The economic recovery in both Asia and the U.S. as well as the fear of further shortages and product availability issues led to a subsequent increase in order levels and customer stocking activities.

Outlook

The volatility of the global situation is ongoing and the complex macroeconomic environment influenced by COVID-19 is expected to continue making it difficult to forecast long-term. Based on the improving conditions and strong demand witnessed in the 1st quarter of 2021, SONGWON anticipates that these demand levels will continue and that the price increases implemented in Q1/2021 in response to overall cost increases will have a positive impact on revenues and profitability in Q2/2021. With the price of raw materials rising and heightened logistics costs expected to continue throughout the 2nd quarter of the year, SONGWON will be closely monitoring developments and where necessary, respond by implementing actions to mitigate the impact. In addition, the Group will continue reviewing its strategic plans and improving operational efficiency. Going into Q2/2021, SONGWON is confident that it is well positioned to continue to improve its position and achieve solid revenues despite all the current economic uncertainties.