



FINANCIAL RESULTS
FIRST QUARTER
ENDED MARCH 31, **2021**

It's all about **the chemistry™**

About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 7 to 45) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the first quarter ended March 31, 2021 as well as the first quarter ended March 31, 2020.

A review is substantially less in scope than an audit conducted in accordance with Korean Auditing Standards (KGAAS). There have been no changes in this approach in comparison to prior quarters and is only expanded in this paragraph for clarification to the user of the financial statements.

The interim condensed consolidated financial statements for the first quarter ended March 31, 2021 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2020 can be found on our website www.songwon.com.

All financials disclosed hereunder reflect consolidated numbers in Million KRW where not indicated differently.

Forward-looking statements & information

This 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.

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SECTION 1:

Business Development

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>	<i>21.6%</i>	<i>19.7%</i>	
Operating profit	17,343	18,069	-4.0%
EBITDA	26,131	26,990	-3.2%
<i>EBITDA margin</i>	<i>11.7%</i>	<i>12.8%</i>	
EBIT	13,274	18,450	-28.1%
<i>EBIT margin</i>	<i>6.0%</i>	<i>8.8%</i>	
Profit for the period	9,164	11,182	-18.0%
Total assets	934,426	929,854	0.5%
Total equity	470,489	446,598	5.3%
<i>Equity ratio</i>	<i>50.4%</i>	<i>48.0%</i>	
Headcounts	1,070	1,086	-1.5%

Sales development

Divisions

For the three months ended
March 31,

	2021	2020		2021	2020		2021	2020	
	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 18.0% decrease in net profit (Q1/2021: 9,164 Million KRW) over the same reporting period in the previous year (11,182 Million KRW) due to the anticipated losses recognized in March 2021 related to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. with effective date as of April 30, 2021.

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.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim condensed consolidated statements of financial position (unaudited)

		As of	
		March 31, 2021	December 31, 2020
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		477,328	478,975
Property, plant and equipment	5.3.2, 6, 25	423,503	426,212
Right-of-use assets	5.3.2, 7	17,050	19,757
Investment properties	5.3.2, 25	3,478	3,483
Intangible assets	5.3.2, 8	8,095	7,757
Investments accounted for using the equity method	4	6,350	5,912
Other non-current assets		159	245
Other non-current financial assets	12, 22, 23	11,586	9,889
Deferred tax assets		7,107	5,720
Current assets		457,098	412,167
Inventories	9	216,254	192,057
Trade and other receivables	10, 22, 23	162,290	133,691
Income tax receivables		134	446
Other current assets		13,918	9,172
Other current financial assets	12, 20, 22	4,787	4,017
Cash and cash equivalents	11, 22	59,715	72,784
Total assets		934,426	891,142
EQUITY AND LIABILITIES			
Equity		470,489	463,497
<i>Non-controlling interests</i>		<i>2,926</i>	<i>4,788</i>
<i>Equity attributable to owners of the parent</i>		<i>467,563</i>	<i>458,709</i>
Issued capital		12,000	12,000
Capital surplus		20,482	22,359
Reserves	13.1	28,623	28,335
Retained earnings	13.1	411,788	405,105
Other components of equity	13.2	-5,330	-9,090
Non-current liabilities		130,748	134,523
Interest-bearing loans and borrowings	14, 22, 25, 26.3	56,005	59,647
Pension liability		14,324	13,865
Other long-term employee-related liabilities		8,149	7,431
Non-current lease liabilities	7, 22, 26.3	15,560	16,143
Other non-current financial liabilities	19, 20, 22, 26.3	468	940
Other non-current liabilities		441	446
Deferred tax liabilities		35,801	36,051
Current liabilities		333,189	293,122
Interest-bearing loans and borrowings	14, 22, 24, 25, 26.3	175,619	158,940
Trade and other payables	15, 22, 23, 26.3	132,288	114,614
Current lease liabilities	7, 22, 26.3	2,335	2,429
Other current financial liabilities	19, 20, 22, 26.3	3,838	2,521
Other current liabilities	21	5,618	3,064
Income tax payable		13,491	11,554
Total liabilities		463,937	427,645
Total equity and liabilities		934,426	891,142

Interim condensed consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	March 31, 2021	December 31, 2020
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	420,873	422,324
Property, plant and equipment	373,414	375,802
Right-of-use assets	15,033	17,420
Investment properties	3,067	3,071
Intangible assets	7,138	6,840
Investments accounted for using the equity method	5,599	5,213
Other non-current assets	140	216
Other non-current financial assets	10,216	8,719
Deferred tax assets	6,266	5,043
Current assets	403,036	363,419
Inventories	190,677	169,342
Trade and other receivables	143,095	117,879
Income tax receivables	118	393
Other current assets	12,272	8,087
Other current financial assets	4,222	3,542
Cash and cash equivalents	52,652	64,176
Total assets	823,909	785,743
EQUITY AND LIABILITIES		
Equity	414,843	408,679
<i>Non-controlling interests</i>	<i>2,580</i>	<i>4,222</i>
<i>Equity attributable to owners of the parent</i>	<i>412,263</i>	<i>404,457</i>
Issued capital	10,581	10,581
Capital surplus	18,060	19,715
Reserves	25,238	24,984
Retained earnings	363,084	357,191
Other components of equity	-4,700	-8,014
Non-current liabilities	115,285	118,611
Interest-bearing loans and borrowings	49,381	52,592
Pension liability	12,630	12,225
Other long-term employee-related liabilities	7,185	6,552
Non-current lease liabilities	13,720	14,234
Other non-current financial liabilities	413	829
Other non-current liabilities	389	392
Deferred tax liabilities	31,567	31,787
Current liabilities	293,781	258,453
Interest-bearing loans and borrowings	154,848	140,142
Trade and other payables	116,642	101,058
Current lease liabilities	2,059	2,142
Other current financial liabilities	3,384	2,223
Other current liabilities	4,953	2,701
Income tax payable	11,895	10,187
Total liabilities	409,066	377,064
Total equity and liabilities	823,909	785,743

Interim condensed consolidated statements of comprehensive income (unaudited)

		For the three months ended March 31,	
		2021	2020
	Notes	Million KRW	Million KRW
Sales	5, 23	222,487	210,543
Cost of sales	23	-174,370	-169,001
Gross profit		48,117	41,542
Selling and administration costs	16.1, 23	-30,774	-23,473
Operating profit		17,343	18,069
Other income		741	874
Other expenses	6, 7, 9	-4,810	-493
Share of result from investments accounted for using the equity method	4	227	205
Finance income	16.2	8,221	11,128
Finance expenses	16.3	-8,431	-15,066
Profit before tax		13,291	14,717
Income tax expenses	17	-4,127	-3,535
Profit for the period		9,164	11,182
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		3,965	4,554
Gains / (losses) on valuation of interest rate swaps		407	-360
Exchange differences on translation of foreign operations		3,558	4,914
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-150	-179
Re-measurement losses on defined benefit plans		-150	-179
Total other comprehensive income, net of taxes		3,815	4,375
Total comprehensive income		12,979	15,557
Profit for the period attributable to:			
Owners of the parent	18	10,001	11,026
Non-controlling interests		-837	156
Profit for the period		9,164	11,182
Total comprehensive income attributable to:			
Owners of the parent		13,611	15,185
Non-controlling interests		-632	372
Total comprehensive income		12,979	15,557
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	417	459

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the three months ended March 31, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Sales	196,173	185,641
Cost of sales	-153,747	-149,012
Gross profit	42,426	36,629
Selling and administration costs	-27,134	-20,697
Operating profit	15,292	15,932
Other income	653	771
Other expenses	-4,241	-435
Share of result from investments accounted for using the equity method	200	181
Finance income	7,249	9,812
Finance expenses	-7,434	-13,284
Profit before tax	11,719	12,977
Income tax expenses	-3,639	-3,117
Profit for the period	8,080	9,860
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	<i>3,495</i>	<i>4,016</i>
Gains / (losses) on valuation of interest rate swaps	358	-317
Exchange differences on translation of foreign operations	3,137	4,333
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	<i>-132</i>	<i>-158</i>
Re-measurement losses on defined benefit plans	-132	-158
Total other comprehensive income, net of taxes	3,363	3,858
Total comprehensive income	11,443	13,718
Profit for the period attributable to:		
Owners of the parent	8,818	9,722
Non-controlling interests	-738	138
Profit for the period	8,080	9,860
Total comprehensive income attributable to:		
Owners of the parent	12,000	13,389
Non-controlling interests	-557	329
Total comprehensive income	11,443	13,718
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.37	0.41

Interim condensed consolidated statements of changes in equity (unaudited)

For the three months ended March 31, 2020 and 2021

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Cash flow hedge reserve Million KRW	Fair value reserve of financial assets at FVOCI Million KRW	Foreign currency translation reserve Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2020	12,000	22,359	27,975	371,805	-997	-44	-2,443	430,655	3,986	434,641
Profit for the period	-	-	-	11,026	-	-	-	11,026	156	11,182
Other comprehensive income	-	-	-	-179	-360	-	4,698	4,159	216	4,375
Total comprehensive income	-	-	-	10,847	-360	-	4,698	15,185	372	15,557
Dividends	-	-	-	-3,600	-	-	-	-3,600	-	-3,600
Appropriation to reserves	-	-	360	-360	-	-	-	-	-	-
As of March 31, 2020	12,000	22,359	28,335	378,692	-1,357	-44	2,255	442,240	4,358	446,598
As of January 1, 2021	12,000	22,359	28,335	405,105	-1,207	-362	-7,521	458,709	4,788	463,497
Profit for the period	-	-	-	10,001	-	-	-	10,001	-837	9,164
Other comprehensive income	-	-	-	-150	407	-	3,353	3,610	205	3,815
Total comprehensive income	-	-	-	9,851	407	-	3,353	13,611	-632	12,979
Dividends	-	-	-	-2,880	-	-	-	-2,880	-	-2,880
Appropriation to reserves	-	-	288	-288	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,877	-	-	-	-	-	-1,877	-1,230	-3,107
As of March 31, 2021	12,000	20,482	28,623	411,788	-800	-362	-4,168	467,563	2,926	470,489

Interim condensed consolidated statements of changes in equity (unaudited)

For the three months ended March 31, 2020 and 2021 (refer to note 2.1)

Attributable to owners of the parent										Non-controlling interests	Total equity
Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity				Total			
				Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve					
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	
As of January 1, 2020	10,581	19,715	24,666	327,830	-880	-39	-2,152	379,721	3,514	383,235	
Profit for the period	-	-	-	9,722	-	-	-	9,722	138	9,860	
Other comprehensive income	-	-	-	-158	-317	-	4,143	3,668	190	3,858	
Total comprehensive income	-	-	-	9,564	-317	-	4,143	13,390	328	13,718	
Dividends	-	-	-	-3,175	-	-	-	-3,175	-	-3,175	
Appropriation to reserves	-	-	317	-317	-	-	-	-	-	-	
As of March 31, 2020	10,581	19,715	24,983	333,902	-1,197	-39	1,991	389,936	3,842	393,778	
As of January 1, 2021	10,581	19,715	24,984	357,191	-1,064	-319	-6,631	404,457	4,222	408,679	
Profit for the period	-	-	-	8,818	-	-	-	8,818	-738	8,080	
Other comprehensive income	-	-	-	-132	358	-	2,956	3,182	181	3,363	
Total comprehensive income	-	-	-	8,686	358	-	2,956	12,000	-557	11,443	
Dividends	-	-	-	-2,539	-	-	-	-2,539	-	-2,539	
Appropriation to reserves	-	-	254	-254	-	-	-	-	-	-	
Change in non-controlling interest due to interest increase	-	-1,655	-	-	-	-	-	-1,655	-1,085	-2,740	
As of March 31, 2021	10,581	18,060	25,238	363,084	-706	-319	-3,675	412,263	2,580	414,843	

Interim condensed consolidated statements of cash flows (unaudited)

		For the three months ended March 31,	
		2021	2020
	Notes	Million KRW	Million KRW
Profit for the period		9,164	11,182
Total adjustments	27	17,347	11,253
Changes in operating assets and liabilities	27	-33,909	-1,753
Interest received		54	47
Payments of income tax		-3,759	-6,370
Net cash flow from operating activities		-11,103	14,359
Proceeds from sale of property, plant and equipment	6	-	111
Purchases of property, plant and equipment	6	-5,565	-5,064
Purchases of intangible assets	8	-362	-30
Increase in other financial assets, net		-2,317	-1,716
Net cash flow from investing activities		-8,244	-6,699
Proceeds from borrowings		145,085	159,269
Repayments of borrowings		-132,078	-157,927
Payment of lease liabilities	7	-975	-909
Decrease in other financial liabilities, net		-1,273	-152
Interest paid		-1,365	-1,646
Acquisition of additional interest in a subsidiary	1.1	-3,107	-
Net cash flow from financing activities		6,287	-1,365
(Decrease) / increase in cash and cash equivalents		-13,060	6,295
Net foreign exchange differences		-9	2,356
Cash and cash equivalents as of January 1	11	72,784	63,132
Cash and cash equivalents as of March 31	11	59,715	71,783

Interim condensed consolidated statements of cash flows (unaudited)

	For the three months ended March 31, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Profit for the period	8,080	9,860
Total adjustments	15,295	9,922
Changes in operating assets and liabilities	-29,898	-1,546
Interest received	48	41
Payments of income tax	-3,314	-5,617
Net cash flow from operating activities	-9,789	12,660
Proceeds from sale of property, plant and equipment	-	98
Purchases of property, plant and equipment	-4,907	-4,465
Purchases of intangible assets	-319	-26
Increase in other financial assets, net	-2,043	-1,513
Net cash flow from investing activities	-7,269	-5,906
Proceeds from borrowings	127,925	140,432
Repayments of borrowings	-116,457	-139,248
Payment of lease liabilities	-860	-801
Decrease in other financial liabilities, net	-1,122	-134
Interest paid	-1,204	-1,451
Acquisition of additional interest in a subsidiary	-2,740	-
Net cash flow from financing activities	5,542	-1,202
(Decrease) / increase in cash and cash equivalents	-11,516	5,552
Net foreign exchange differences	-8	2,078
Cash and cash equivalents as of January 1	64,176	55,665
Cash and cash equivalents as of March 31	52,652	63,296

Notes to the interim condensed consolidated financial statements

1. Corporate information

1.1. The Group

SONGWON Industrial Group (the "Group") consists of the parent company Songwon Industrial Co., Ltd. (the "Company") and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965, under the law of the Republic of Korea to engage in the manufacture and commercial sale of polymer stabilizers, tin intermediates, PVC stabilizers and specialty chemicals, among others. The Company's main manufacturing plants are located in Korea in Ulsan, Maeam and Suwon and in India in Ankleshwar. The address of the registered office (Songwon Industrial Co., Ltd.) can be found at the end of the annual report.

The Company has listed its common shares on the Korea Exchange since June 1977, pursuant to the Korean Securities and Exchange Act.

Scope of consolidation

As of March 31, 2021, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2020: 14 entities). Additionally, one entity is classified as a joint venture (2020: one entity) and accounted for using the equity method.

During the three months ended March 31, 2021, the following changes in the legal structure of the Group and scope of consolidation took place:

- Acquisition of an additional 18.5% interest in Songwon Polysys Additives LLC with the effective date as of March 23, 2021. Therefore, the Group's interest in Songwon Polysys Additives LLC, which had already been fully consolidated as of April 1, 2014, increased from 81.5% to 100% for a consideration of 2.75 Million USD (3,107 Million KRW).

The consolidated financial statements include the financial statements of the Company and of the subsidiaries listed in the following table. The table also includes the joint venture which is accounted for using the equity method.

		March 31, 2021		December 31, 2020	
Name	Location	Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Trading GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Qingdao Long Fortune Songwon Chemical Co., Ltd.	China	Subsidiary	72%	Subsidiary	72%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	100%	Subsidiary	81.5%
Entity accounted for using the equity method (joint venture)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

2. Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2021 have been prepared in accordance with K-IFRS 1034 – *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2020.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain items such as financial instruments. The financial statements are presented in Korean won (KRW) and all values are rounded to the nearest million (000,000), except when otherwise indicated.

The Group maintains its official accounting records in Korean won. In the event of any differences in the interpretation of the financial statements or the independent auditor's review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,134.14 to USD 1, the exchange rate in effect on March 31, 2021. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

New and amended standards adopted by the Group

Interest Rate Benchmark Reform – Phase 2: Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. Investment accounted for using the equity method

The summarized statements of financial position and comprehensive income of the joint venture (accounted for using the equity method) are as follows:

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
December 31, 2020	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,215	13,782	9,206	1,093	1,719	80	101	21,168	6,350
March 31, 2021	3,215	13,782	9,206	1,093	1,719	80	101	21,168	6,350

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,890	-36	1	-2	913	-229	684	747	1,431
For the three months ended March 31, 2020	4,890	-36	1	-2	913	-229	684	747	1,431
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	7,303	-42	1	-1	1,011	-253	758	703	1,461
For the three months ended March 31, 2021	7,303	-42	1	-1	1,011	-253	758	703	1,461

The changes in the investments accounted for using the equity method are summarized as follows:

	As of January 1, 2020	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of March 31, 2020
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,347	-	205	224	5,776
Total	5,347	-	205	224	5,776

	As of January 1, 2021	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of March 31, 2021
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-	227	211	6,350
Total	5,912	-	227	211	6,350

5. Segment information

The Group is organized into two main reporting segments "Industrial Chemicals" and "Performance Chemicals". The segments are defined based on SONGWON's product portfolio and its respective product families:

- **Industrial Chemicals**
Industrial Chemicals operating segment mainly includes the product lines "Polymer Stabilizers" and "Fuel and Lubricant Additives".
- **Performance Chemicals**
Performance Chemicals operating segment mainly includes the product lines "Tin Intermediates", "PVC Stabilizers and Polymers" and "Specialty Chemicals".

The Chief Operating Decision Makers (CODM), at Songwon, leaders of respective divisions, monitor the sales and operating profits or losses of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. However, certain income and expense positions such as other income / expenses, finance income / expenses and income tax expenses are managed on a Group basis and therefore not allocated to operating segments. The Group does not disclose a measure of total assets and liabilities for each reportable segment as such amounts are not reported to the CODM.

There are no inter-company transactions between the two operating segments.

5.1. Reported key figures

The following key figures are presented each month to the CODM. For the segment reporting, the same accounting policies and methods of computation as were followed in the most recent annual financial statement are used.

For the three months ended						
March 31,						
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	153,431	156,019	69,056	54,524	222,487	210,543
Operating profit	17,727	18,525	-384	-456	17,343	18,069

5.2. Revenue from contracts with customers

For the three months ended						
March 31,						
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	151,028	153,855	68,086	53,925	219,114	207,780
Sales of services	2,403	2,164	970	599	3,373	2,763
Total sales	153,431	156,019	69,056	54,524	222,487	210,543

5.3. Geographic information

5.3.1. Sales

The sales information below is based on the location of the customer. Korea is disclosed separately due to the size of the Korean market whereas all other countries have been summarized into regions. Therefore, no other country's revenues are disclosed separately.

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

The Group has no customer who accounts for more than 10% of the Group's total sales during the reporting periods.

5.3.2. Non-current assets

Non-current assets information presented below consists of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

	As of	
	March 31,	December 31,
	2021	2020
	Million KRW	Million KRW
Korea	387,282	389,584
Rest of Asia	26,703	28,988
Europe	7,744	8,869
North and South America	11,288	11,193
Middle East and Africa	19,109	18,575
Total	452,126	457,209

6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2020	149,550	88,362	63,805	494,049	47,400	14,251	857,417
Additions	-	50	-	196	56	7,390	7,692
Disposals	-	-	-29	-490	-106	-	-625
Reclassifications	-	3,491	2,186	10,265	33	-15,975	-
Net exchange differences	-	872	-	1,147	219	72	2,310
As of March 31, 2020	149,550	92,775	65,962	505,167	47,602	5,738	866,794
As of January 1, 2021	149,550	91,280	65,989	489,289	46,278	10,640	853,026
Additions	-	1	42	391	45	4,072	4,551
Disposals	-	-	-64	-3,517	-868	-	-4,449
Reclassifications	150	349	876	4,742	50	-6,167	-
Net exchange differences	-	863	-	1,247	166	31	2,307
As of March 31, 2021	149,700	92,493	66,843	492,152	45,671	8,576	855,435
Accumulated depreciation and impairment							
As of January 1, 2020	-	-25,585	-40,213	-315,033	-37,134	-	-417,965
Depreciation charge	-	-627	-743	-5,784	-607	-	-7,761
Disposals	-	-	29	465	23	-	517
Net exchange differences	-	-123	-	-456	-159	-	-738
As of March 31, 2020	-	-26,335	-40,927	-320,808	-37,877	-	-425,947
As of January 1, 2021	-	-27,904	-42,663	-318,670	-37,577	-	-426,814
Depreciation charge	-	-632	-760	-5,963	-600	-	-7,955
Disposals	-	-	64	3,517	868	-	4,449
Impairment	-	-	-	-961	-63	-49	-1,073
Net exchange differences	-	-124	-	-319	-96	-	-539
As of March 31, 2021	-	-28,660	-43,359	-322,396	-37,468	-49	-431,932
Net book value							
As of March 31, 2021	149,700	63,833	23,484	169,756	8,203	8,527	423,503
As of January 1, 2021	149,550	63,376	23,326	170,619	8,701	10,640	426,212
As of March 31, 2020	149,550	66,440	25,035	184,359	9,725	5,738	440,847

There was an impairment of property, plant and equipment of 1,073 Million KRW within Qingdao Long Fortune Songwon Chemical Co., Ltd. during the three months ended March 31, 2021, that occurred during the ordinary course of business (not related to the COVID-19 pandemic) and an impairment related to the anticipated loss from the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. with the effective date as of April 30, 2021. Non-cash transactions during the three months ended March 31, 2021 decreased by 1,014 Million KRW (for the three months ended March 31, 2020: increase of 2,628 Million KRW) and accounts payables relating to non-cash transactions amounted to 4,064 Million KRW as of March 31, 2021 (March 31, 2020: 6,021 Million KRW).

7. Right-of-use assets and leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost					
As of January 1, 2020	21,273	1,144	84	977	23,478
Additions	84	-	1,067	32	1,183
Disposals	-22	-	-	-	-22
Modification of contract	-40	-	-	-	-40
Net exchange differences	1,175	1	-20	56	1,212
As of March 31, 2020	22,470	1,145	1,131	1,065	25,811
As of January 1, 2021	21,174	1,525	1,103	1,014	24,816
Disposals	-	-	-	-27	-27
Modification of contract	-530	71	-	1	-458
Net exchange differences	498	1	46	2	547
As of March 31, 2021	21,142	1,597	1,149	990	24,878
Accumulated depreciation					
As of January 1, 2020	-1,616	-658	-58	-346	-2,678
Depreciation charge	-436	-164	-32	-107	-739
Disposals	22	-	-	-	22
Net exchange differences	-104	-	-4	-23	-131
As of March 31, 2020	-2,134	-822	-94	-476	-3,526
As of January 1, 2021	-3,216	-1,152	-195	-496	-5,059
Depreciation charge	-425	-144	-37	-81	-687
Disposals	-	-	-	27	27
Impairment	-2,042	-	-	-	-2,042
Net exchange differences	-58	-	-8	-1	-67
As of March 31, 2021	-5,741	-1,296	-240	-551	-7,828
Net book value					
As of March 31, 2021	15,401	301	909	439	17,050
As of January 1, 2021	17,958	373	908	518	19,757
As of March 31, 2020	20,336	323	1,037	589	22,285

For the three months ended March 31, 2021, an impairment of 2,042 Million KRW has been recognized within right-of-use assets related to the anticipated loss from the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (for the three months ended March 31, 2020: no impairment) with the effective date as of April 30, 2021. Further, the Group recognized rent expenses from short-term leases of 35 Million KRW (March 31, 2020: 70 Million KRW), leases of low-value assets of 19 Million KRW (March 31, 2020: 18 Million KRW) and variable lease payments of 97 Million KRW (March 31, 2020: 114 Million KRW) in the interim condensed consolidated statements of comprehensive income for the three months ended March 31, 2021.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
Description	Million KRW	Million KRW
As of January 1	18,572	19,523
Additions	-	1,183
Modifications	-458	-40
Net exchange differences	560	997
Accretion of interest	196	223
Payments	-975	-909
As of March 31	17,895	20,977

8. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2020	6,036	2,846	831	43,075	98	52,886
Additions	-	11	-	-	19	30
Disposals	-3	-	-	-	-	-3
Reclassifications	91	-	-	-	-91	-
Net exchange differences	-	66	-	1,996	-	2,062
As of March 31, 2020	6,124	2,923	831	45,071	26	54,975
As of January 1, 2021	6,032	2,771	831	41,116	670	51,420
Additions	-	-	-	-	362	362
Reclassifications	14	-	-	-	-14	-
Net exchange differences	-	21	-	1,331	-	1,352
As of March 31, 2021	6,046	2,792	831	42,447	1,018	53,134
Accumulated amortization and impairment						
As of January 1, 2020	-2,687	-2,586	-	-32,983	-	-38,256
Amortization charge	-145	-31	-	-	-	-176
Disposals	3	-	-	-	-	3
Impairment	-22	-	-	-	-1	-23
Reclassification	-1	-	-	-	1	-
Net exchange differences	-	-51	-	-1,760	-	-1,811
As of March 31, 2020	-2,852	-2,668	-	-34,743	-	-40,263
As of January 1, 2021	-3,103	-2,494	-	-38,066	-	-43,663
Amortization charge	-122	-26	-	-	-	-148
Net exchange differences	-	-23	-	-1,205	-	-1,228
As of March 31, 2021	-3,225	-2,543	-	-39,271	-	-45,039
Net book value						
As of March 31, 2021	2,821	249	831	3,176	1,018	8,095
As of January 1, 2021	2,929	277	831	3,050	670	7,757
As of March 31, 2020	3,272	255	831	10,328	26	14,712

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. During the three months ended March 31, 2021, the Group recognized no impairment loss on intangible assets (for the three months ended March 31, 2020: impairment loss on industrial rights of 23 Million KRW). Intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred during the three months ended March 31, 2021 and 2020.

9. Inventories

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Raw materials and supplies	40,286	34,532
Work in progress	1,617	1,171
Finished and semi-finished goods	111,872	114,625
Goods in transit	61,007	39,758
Consignment stocks	1,472	1,971
Total inventories at the lower of cost and net realizable value	216,254	192,057

For the three months ended March 31, 2021, an impairment of 1,044 Million KRW has been recognized within inventories related to the anticipated loss from the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (for the three months ended March 31, 2020: no impairment recognized) with the effective date as of April 30, 2021. As of March 31, 2021, inventory write-off amounted to 4,013 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2020: 3,991 Million KRW). The Group recognized inventory allowance expenses of 280 Million KRW during the three months ended March 31, 2021 (for the three months ended March 31, 2020: 385 Million KRW).

10. Trade and other receivables

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Trade and notes receivables	159,661	133,057
Allowances for trade and notes receivables	-1,427	-1,249
Trade and notes receivables (related parties)	-	49
Other accounts receivables	4,045	1,827
Allowances for other accounts receivables	-35	-34
Accrued income	46	41
Total	162,290	133,691

Other accounts receivables include customs duty refunds, rental income receivables and others.

The ageing analysis of trade and other receivables is as follows:

	Total	Current	Days past due			
			≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
March 31, 2021	163,752	155,720	6,775	16	48	1,193
December 31, 2020	134,974	126,727	7,058	167	8	1,014

Refer to note 26.2 on credit risk of trade receivables, which describes how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

11. Cash and cash equivalents

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Cash on hand	68	53
Bank accounts	57,369	69,627
Time deposits (< 3 months)	2,278	3,104
Total	59,715	72,784

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for various periods from one day to three months, depending on the Group's immediate cash requirements, and earn interest at the respective short-term deposit rates.

12. Other financial assets

Description	March 31, 2021		December 31, 2020	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	327	2,592	420	1,913
Financial instruments at FVtPL	9,995	1,705	8,210	1,570
Derivative assets at FVtPL	-	13	-	33
Equity instruments at FVOCI	429	-	429	-
Guarantee and other deposits at amortized cost	835	477	830	501
Total	11,586	4,787	9,889	4,017

As of March 31, 2021 and December 31, 2020, financial instruments at amortized cost (bank deposit) include restricted cash of 7 Million KRW.

13. Equity

13.1. Reserves and dividends paid

At the regular general meeting of shareholders held on March 19, 2021, dividends with the total amount of 2,880 Million KRW were approved by the shareholders. Legal reserves increased by 288 Million KRW due to the appropriation to the reserve approved by the shareholders on March 19, 2021.

13.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of March 31, 2021 and December 31, 2020, is composed of the following:

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-26,607	-26,457
OCI recognized within retained earnings	-26,607	-26,457
Cash flow hedge reserve	-800	-1,207
Fair value reserve of financial assets at FVOCI	-362	-362
Foreign currency translation reserve	-4,067	-7,662
Share of foreign currency translation reserve associated with non-controlling interests	-101	141
OCI recognized within other components of equity	-5,330	-9,090

14. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings as of March 31, 2021 and December 31, 2020, are as follows:

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Long-term borrowings	56,005	59,647
Non-current interest-bearing loans and borrowings	56,005	59,647
Current portion of long-term borrowings	8,780	8,780
Short-term borrowings	166,839	150,160
Current interest-bearing loans and borrowings	175,619	158,940
Total	231,624	218,587

15. Trade and other payables

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Trade payables	89,279	71,279
Trade payables (related parties)	1,743	917
Other accounts payables	22,187	19,542
Other accounts payables (related parties)	7	6
Withholdings	1,050	1,857
Accrued expenses	18,006	20,996
Guarantee deposits	16	17
Total	132,288	114,614

Trade and other payables do not bear interest and usually become due within 30-60 days.

16. Operating profit and finance income / expenses

16.1. Selling and administration expenses

Description	For the three months ended	
	March 31,	
	2021	2020
	Million KRW	Million KRW
Sales-related costs	-11,906	-7,069
Personnel expenses	-13,763	-10,781
Travelling and entertainment	-611	-1,209
Depreciation and amortization	-608	-684
Administration expenses	-2,325	-2,088
Others	-1,561	-1,642
Total	-30,774	-23,473

16.2. Finance income

Description	For the three months ended	
	March 31,	
	2021	2020
	Million KRW	Million KRW
Gains on foreign exchange transactions	5,580	5,552
Gains on foreign exchange translations	2,252	5,397
Gains on derivative transactions	319	116
Gains on valuation of derivatives	13	-
Interest on loans and receivables	57	63
Total finance income	8,221	11,128

16.3. Finance expenses

Description	For the three months ended	
	March 31,	
	2021	2020
	Million KRW	Million KRW
Interest on borrowings	-1,440	-1,798
Total interest expenses	-1,440	-1,798
Losses on foreign exchange transactions	-3,618	-4,558
Losses on foreign exchange translations	-3,241	-4,709
Losses on derivative transactions	-65	-423
Losses on valuation of derivatives	-34	-3,135
Losses on valuation of financial assets at FVtPL	-	-314
Bank charges	-33	-129
Total finance expenses	-8,431	-15,066

17. Income tax expenses

The major components of income tax expense in the interim condensed consolidated income statement are as follows:

	For the three months ended	
	March 31,	March 31,
Income taxes	2021	2020
	Million KRW	Million KRW
Current income tax charge	-6,004	-4,070
Deferred taxes related to origination and reversal of deferred taxes	1,954	616
Income tax recognized in other comprehensive income	-77	-81
Income tax expenses	-4,127	-3,535

18. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of March 31, 2021 and 2020, as no securities with dilutive features have been issued as of the end of the reporting periods.

The following shows the income and share data used in the basic per share computations:

Description	For the three months ended	
	March 31,	
	2021	2020
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	10,000,835,186	11,026,198,538
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	417	459

19. Other financial liabilities

Other financial liabilities as of March 31, 2021 and December 31, 2020, are as follows:

Description	March 31, 2021		December 31, 2020	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 20)	461	630	901	741
Deposits	7	-	39	1,360
Accrued interest expenses	-	328	-	420
Unpaid dividends	-	2,880	-	-
Total	468	3,838	940	2,521

20. Derivative financial instruments

Description	March 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	13	55	33	75
Interest rate swaps (current portion)	-	575	-	666
Interest rate swaps (non-current portion)	-	461	-	901
Total	13	1,091	33	1,642

20.1. Forward exchange contracts

Details of forward exchange contracts which the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of March 31, 2021 and December 31, 2020 are as follows:

As of March 31, 2021

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 14,950,000	28.04.2021 – 22.02.2022	1,343.00 – 1,372.70
	Sell	JPY 1,012,000,000	30.04.2021 – 28.03.2022	10.8040 – 10.9620
Woori Bank	Sell	EUR 12,600,000	30.04.2021 – 28.02.2022	1,377.00 – 1,382.30
	Sell	JPY 445,000,000	30.04.2021 – 28.01.2022	10.9240

As of December 31, 2020

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 5,490,000	19.01.2021 – 28.06.2021	1,330.00 – 1,343.00
	Sell	EUR 3,570,000	29.01.2021 – 26.02.2021	1,331.10 – 1,334.00
Woori Bank	Sell	JPY 720,000,000	19.01.2021 – 21.06.2021	10.9950 – 11.0230

20.2. Interest rate swaps

As of March 31, 2021 and December 31, 2020, the Group has entered into the following interest rate swap contracts to hedge the risk in floating interest rate:

As of March 31, 2021

Description	Bonds contract	Interest rate swap contract
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	36,000 Million KRW	36,000 Million KRW
Fixed interest rate	n/a	3.47%
Floating interest rate	3MCD+1.43%	3MCD+1.43%
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	34,000 Million KRW	34,000 Million KRW
Fixed interest rate	n/a	3.52%
Floating interest rate	3MCD+1.70%	3MCD+1.70%

As of December 31, 2020

Description	Bonds contract	Interest rate swap contract
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	36,000 Million KRW	36,000 Million KRW
Fixed interest rate	n/a	3.47%
Floating interest rate	3MCD+1.43%	3MCD+1.43%
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	34,000 Million KRW	34,000 Million KRW
Fixed interest rate	n/a	3.52%
Floating interest rate	3MCD+1.70%	3MCD+1.70%

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2020. The balances included in accumulated other comprehensive income are -800 Million KRW (expenses) as of March 31, 2021 and -1,207 Million KRW (expenses) as of December 31, 2020, respectively (refer to note 13.2), net of income tax.

21. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of March 31, 2021, are as follows
 (Unit: Korean Allowance Unit - KAU):

	2021	2022	2023	2024	2025	Total
Allocated emission allowance	138,875	138,875	138,875	137,574	137,574	691,773

Changes in emission allowances during each planned period are as follows (Units: KAU and Million KRW):

	2021		2022		2023	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	135,195	-	-	-	-	-
Allocation	138,875	-	138,875	-	138,875	-
Ending	274,070	-	138,875	-	138,875	-

	2024		2025	
	Quantity	Book value	Quantity	Book value
Beginning	-	-	-	-
Allocation	137,574	-	137,574	-
Ending	137,574	-	137,574	-

There are no emission rights provided as collateral as of March 31, 2021.

Changes in emission liabilities during the current and prior reporting period are as follows (in Million KRW):

	2021	2020
As of January 1	725	512
Increase	199	409
Decrease	-	-
As of March 31	924	921

Allocated greenhouse gas emissions free of charge in 2021 were 138,875 KAU.

Estimated greenhouse gas emissions in 2021 are 178,312 KAU.

22. Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

As of March 31, 2021

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,162	3,069	1,162	3,069
	Trade and other receivables	-	162,290	-	162,290
	Cash and cash equivalents	-	59,715	-	59,715
	<i>Total financial assets at amortized cost</i>	<i>1,162</i>	<i>225,074</i>	<i>1,162</i>	<i>225,074</i>
	Financial assets at FVOCI				
	Other financial assets	429	-	429	-
	<i>Total financial assets at FVOCI</i>	<i>429</i>	<i>-</i>	<i>429</i>	<i>-</i>
	Financial assets at FVtPL				
	Forward exchange contracts	-	13	-	13
	Other financial assets	9,995	1,705	9,995	1,705
	<i>Total financial assets at FVtPL</i>	<i>9,995</i>	<i>1,718</i>	<i>9,995</i>	<i>1,718</i>
Total financial assets		11,586	226,792	11,586	226,792
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	7	3,208	7	3,208
	Lease liabilities	15,560	2,335	15,560	2,335
	Trade and other payables	-	132,288	-	132,288
	Interest-bearing loans and borrowings	56,005	175,619	56,005	175,619
	<i>Total financial liabilities at amortized cost</i>	<i>71,572</i>	<i>313,450</i>	<i>71,572</i>	<i>313,450</i>
	Financial liabilities at FVOCI				
	Interest rate swaps	461	575	461	575
	<i>Total financial liabilities at FVOCI</i>	<i>461</i>	<i>575</i>	<i>461</i>	<i>575</i>
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	55	-	55
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>55</i>	<i>-</i>	<i>55</i>
Total financial liabilities		72,033	314,080	72,033	314,080

As of December 31, 2020

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,250	2,414	1,250	2,414
	Trade and other receivables	-	133,691	-	133,691
	Cash and cash equivalents	-	72,784	-	72,784
	Total financial assets at amortized cost	1,250	208,889	1,250	208,889
	Financial assets at FVOCI				
	Other financial assets	429	-	429	-
	Total financial assets at FVOCI	429	-	429	-
	Financial assets at FVtPL				
	Forward exchange contracts	-	33	-	33
	Other financial assets	8,210	1,570	8,210	1,570
	Total financial assets at FVtPL	8,210	1,603	8,210	1,603
Total financial assets		9,889	210,492	9,889	210,492
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	39	1,780	39	1,780
	Lease liabilities	16,143	2,429	16,143	2,429
	Trade and other payables	-	114,614	-	114,614
	Interest-bearing loans and borrowings	59,647	158,940	59,647	158,940
	Total financial liabilities at amortized cost	75,829	277,763	75,829	277,763
	Financial liabilities at FVOCI				
	Interest rate swaps	901	666	901	666
	Total financial liabilities at FVOCI	901	666	901	666
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	75	-	75
	Total financial liabilities at FVtPL	-	75	-	75
Total financial liabilities		76,730	278,504	76,730	278,504

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of equity instruments at FVOCI is derived from quoted market prices in active markets, if available.
- Fair value of unquoted equity instruments at FVOCI is estimated using appropriate valuation techniques.

22.1. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Description	Valuation technique
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly
Level 3	Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of March 31, 2021 and December 31, 2020, the Group held the following financial instruments carried at fair value on the statement of financial position:

		March 31, 2021	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	13	-	13	-
	<i>Total</i>	13	-	13	-
	Debt instruments				
	Other debt instruments at FVtPL	11,700	-	11,700	-
	<i>Total</i>	11,700	-	11,700	-
	Equity instruments				
	Equity instruments at FVOCI	429	-	-	429
<i>Total</i>		429	-	-	429
Total		12,142	-	11,713	429
Financial liabilities	Derivatives				
	Forward exchange contracts	55	-	55	-
	Interest rate swaps	1,036	-	1,036	-
	<i>Total</i>	1,091	-	1,091	-
	Total	1,091	-	1,091	-

		December 31, 2020	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	33	-	33	-
	<i>Total</i>	33	-	33	-
	Debt instruments				
	Other debt instruments at FVtPL	9,780	-	9,780	-
	<i>Total</i>	9,780	-	9,780	-
	Equity instruments				
	Equity instruments at FVOCI	429	-	-	429
<i>Total</i>		429	-	-	429
Total		10,242	-	9,813	429
Financial liabilities	Derivatives				
	Forward exchange contracts	75	-	75	-
	Interest rate swaps	1,567	-	1,567	-
	<i>Total</i>	1,642	-	1,642	-
Total		1,642	-	1,642	-

During the three months ended March 31, 2021 and year ended December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

23. Related party disclosures

The companies listed below have been identified as related parties:

Company name	Location	Relation with the Group	Remarks
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	Jointly controlled by Songwon Group Holding AG
Songwon Moolsan Co., Ltd.	Korea	Other (refer to note 23.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 23.5)	A subsidiary of Songwon Moolsan Co., Ltd.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period and balances as per period-ends.

		For the three months ended March 31,	
		2021	2020
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-20	-16
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	-	54
	Cost of sales	-3,969	-3,087
Total	Sales	-	54
	Cost of sales	-3,969	-3,087
	Selling and administration costs	-20	-16

		As of	
		March 31, 2021	December 31, 2020
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	24
	Trade and other payables	7	6
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	-	49
	Trade and other payables	1,743	917
Total	Other non-current financial assets	33	24
	Trade and other receivables	-	49
	Trade and other payables	1,750	923

23.1. The ultimate parent

Songwon Industrial Co., Ltd. is the ultimate parent based and listed in Korea.

23.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of March 31, 2021 are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three months ended March 31, 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2020: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

23.3. Transactions with key management personnel

During the three months ended March 31, 2021 and the year ended December 31, 2020, no other transactions with key management personnel than those disclosed in note 23.4 and 25 took place.

23.4. Compensation of key management personnel of the Group

Description	For the three months ended	
	March 31,	
	2021	2020
	Million KRW	Million KRW
Short-term employee benefits	-2,685	-3,112
Post-employment benefits	-174	-176
Other long-term benefits	-131	-163
Share based payments	-215	346
Termination benefits	-528	-
Total compensation paid to key management personnel	-3,733	-3,105

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

23.5. Other related parties

Other related parties are Songwon Moolsan Co., Ltd. (Korea) which has significant influence on the Group due to the interest held in the share capital of the parent company of 23.88%. Further, the subsidiary of Songwon Moolsan Co., Ltd., Kyungshin Industrial Co., Ltd., which holds interest in the share capital of the parent company of 9.15%, is identified as a related party of the Group.

24. Contingencies and commitments

24.1. Contingent liability

There are no current proceedings such as lawsuits, claims, investigations and negotiations as a result of product liability, mercantile law, environmental protection and health and safety which could have significant influence on business operations and on the Group's consolidated financial position or income.

24.2. Other lease commitments

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixture. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of March 31, 2021 and December 31, 2020 are as follows:

Description	March 31, 2021	December 31, 2020
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-25	-80
<i>Total short-term lease commitments</i>	-25	-80
Low-value lease commitments		
Within one year	-49	-63
After one year but not more than five years	-144	-141
<i>Total low-value lease commitments</i>	-193	-204
Total	-218	-284

24.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of March 31, 2021, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 2,471 Million KRW (December 31, 2020: 1,624 Million KRW).

The Group has provided one blank promissory note to Hanwha Chemical Co., Ltd. as security on the supply contracts.

One check and one promissory note which the Group received from Hana Bank and provided to its customer are outstanding as of March 31, 2021, due to bankruptcy declared by the customer.

Details of the Group's available short-term credit line facilities (excluding general loans) as of March 31, 2021 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,400	10,639	9,761
D/A and D/P	Thousand USD	110,900	40,344	70,556
	Million KRW	22,000	5,585	16,415
Trade loans	Million KRW	10,000	-	10,000
Secured loan of credit sales	Million KRW	9,000	2,586	6,414
Other foreign currency guarantees	Thousand USD	17,020	6,639	10,381
	Total Million KRW	41,000	8,171	32,829
	Total Thousand USD	148,320	57,622	90,698

25. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of March 31, 2021 and December 31, 2020, presented in the maximum pledge amount, are as follows:

Pledged to			March 31, 2021	December 31, 2020
Property, plant and equipment (Joint collateral in connection with long-term loan)				
Busan Bank	Land, buildings and machinery	Million KRW	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000
Property, plant and equipment and investment property (Collateral for other than long-term loan)				
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	60,000	60,000
Korea Development Bank	Land, buildings, investment properties and machinery	Million KRW	57,000	57,000
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
Total		Million KRW	285,000	285,000
		Thousand USD	24,000	24,000

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of March 31, 2021 and December 31, 2020.

During the three months ended March 31, 2021, the payment guarantees provided by Jongho Park, the Chairman of the Board of Directors of the Group, in connection with the Group's borrowings, have been completely released by Korean banks (December 31, 2020: 10,800 Million KRW).

26. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade accounts and other accounts receivables, cash and cash equivalents and other financial assets that arrive directly from its operations. The Group also holds financial instruments at FVOCI and financial instruments at FVTPL and enters into derivative transactions and applies hedge accounting for cash flow hedges if applicable.

The Group is exposed to market, credit and liquidity risks. The Group's management oversees the management of these risks through appropriate risk assessment and monitoring activities to minimize their effects.

26.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk:

- Interest rate risk; and,
- Foreign currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVTPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of March 31, 2021 and 2020 as well as December 31, 2020.

26.1.1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings and bank deposits with floating interest rates.

The Group's exposure to the risk of changes in market interest rates relates substantially to the Group's interest-bearing loans and borrowings with floating interest rates, which makes the Group expose to cash flows risk. Responsively, the Group is minimizing the risk partially through interest rate swap contract or choosing the best favorable financing instruments by switching to the loans with more favorable conditions or improving the Group's credit rating.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings as well as bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
March 31, 2021	1.00	-257
	-1.00	257
March 31, 2020	1.00	-247
	-1.00	247

26.1.2. Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The risk of foreign exchange primarily relates to US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR).

Foreign exchange risks arise when commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The objective of the management of foreign currency risk is to maximize the value of the firm through minimizing the fluctuation of net profit and uncertainty arising from the fluctuation in foreign currency. To accomplish this, the Group uses a strategy to accord the collection terms of receivables and payment terms of payables denominated in USD considering the similar volume of exports and imports. In regard to EUR and JPY, the Group manages the risk through currency forward contracts.

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant and the foreign exchange rate only changes by 10%, the impacts on net profit for the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

Currency	March 31, 2021		December 31, 2020	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	3,399	-3,399	4,365	-4,365
EUR	298	-298	198	-198
JPY	1,967	-1,967	762	-762
CHF	108	-108	174	-174
AED	-211	211	-221	221
INR	265	-265	261	-261
Total	5,826	-5,826	5,539	-5,539

The Group's exposure to foreign currency changes for all other currencies is not material.

26.2. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and investing activities.

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at an insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 22.

The Group is also exposed to the credit risk with regard to bank deposits, as well as cash and cash equivalents in which the maximum exposure to credit risk at the reporting date is the carrying value. The exposure to the related credit risk, however, is relatively restricted because the Group maintains relationships with the financial institutions with high credit ratings.

26.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to the unfavorable economy of the industry or financial markets.

The Group manages its liquidity risk through its own strategy and plans which consider the maturity of financial instruments and expected operating cash flows and include the policy to map out the maturity of financial assets and liabilities.

In addition, the Group maintains credit facilities with the banks including overdraft to respond to unexpected shortage in liquidity. In response to expansion of the business, the Group manages funding schedules and ongoing review procedures, considering the appropriate mix of long-term and short-term loans and borrowings, to maintain the consistency and flexibility in obtaining liquidity and stable financing.

The details of maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of March 31, 2021 and December 31, 2020 are as follows:

As of March 31, 2021	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	7,104	22,603	145,912	56,005	-	231,624
Trade and other payables	117,163	11,012	4,113	-	-	132,288
Lease liabilities	410	516	1,997	7,754	10,743	21,420
Other financial liabilities	3,166	14	28	7	-	3,215
Total	127,843	34,145	152,050	63,766	10,743	388,547

As of December 31, 2020	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	5,963	92,503	60,474	59,647	-	218,587
Trade and other payables	92,967	20,598	1,049	-	-	114,614
Lease liabilities	509	1,170	1,264	7,823	12,850	23,616
Other financial liabilities	317	1,452	11	39	-	1,819
Total	99,756	115,723	62,798	67,509	12,850	358,636

26.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of March 31, 2021 and December 31, 2020 is 98% and 92%, respectively.

On a monthly basis, all subsidiaries have to report key performance indicators, which also include capital management information.

27. Cash flow statement

Cash and cash equivalents in the interim condensed consolidated statements of cash flows are equal to those in the interim condensed consolidated statements of financial position.

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the three months ended March 31, 2021 and 2020 are as follows:

		For the three months ended	
		March 31,	
Adjustments	Notes	2021	2020
		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	7,955	7,761
Depreciation of right-of-use assets	7	687	739
Depreciation of investment properties		3	3
Amortization of intangible assets	8	148	176
Impairment of property, plant and equipment	6	1,073	-
Impairment of right-of-use assets	7	2,042	-
Impairment of intangible assets	8	-	23
Impairment of non-current financial assets		2	2
Impairment of other non-current assets		47	-
Impairment of inventories	9	1,044	-
Gains on disposals of property, plant and equipment, net	6	-	-3
Share of result from investments accounted using the equity method	4	-227	-205
Finance income		-1,019	-2,890
Finance expenses		1,465	2,112
Income tax expenses	17	4,127	3,535
Total		17,347	11,253
Changes in operating assets and liabilities			
Trade receivables		-24,741	-10,198
Other receivables		-2,207	464
Other current assets		-4,675	-405
Other current financial assets		21	61
Inventories		-23,720	-593
Trade payables		17,789	17,004
Other payables		-186	-12,066
Other current financial liabilities		-132	89
Other current liabilities		2,570	2,597
Pension liabilities		651	2,392
Other long-term employment benefits		721	-1,098
Total		-33,909	-1,753

28. Impact of global economic situation on interim condensed consolidated financial statements

The Group closely monitors the global situation and assesses the future impact of the COVID-19 pandemic on the consolidated financial statements on a regular basis. For the three months ended March 31, 2021, the following assessments were performed, amongst others:

Indication of impairment on property, plant and equipment and intangible assets

The Group assessed whether there were any internal and external indicators of impairment of property, plant and equipment and intangible assets. For the three months ended March 31, 2021, no indications of impairment have been identified and accordingly, no impairment has been recognized on property, plant and equipment and intangible assets due to the COVID-19 outbreak.

Expected credit loss (ECL) of trade receivables and financial assets

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the three months ended March 31, 2021, the Group identified the changes in risk indicators considering the nature of risk such as geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in an increase in the allowance on ECL by 34 Million KRW in the interim condensed consolidated financial statements for the three months ended March 31, 2021.

29. Events after the reporting period

On April 30, 2021, the Group sold its interest of 72% in Qingdao Long Fortune Songwon Chemical Co., Ltd. Therefore, the consolidated subsidiary, as of March 31, 2021, has been deconsolidated as of the end of April 2021. The final transfer price was determined at the beginning of May 2021, based on the statutory financial statements as of April 30, 2021.

In April 2021, a new entity, Songwon International Qingdao Co., Ltd. has been established which is a wholly-owned subsidiary of the Group.

No further significant events occurred during the period from the reporting period end to the date on which the interim condensed consolidated financial statements were issued.



한영회계법인
서울특별시 영등포구 여의공원로 111, 태영빌딩 3-8F
07241

Tel: 02 3787 6600
Fax: 02 783 5890
ey.com/kr

Ernst & Young Han Young
Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Report on review of interim condensed consolidated financial statements

The Shareholders and Board of Directors Songwon Industrial Co., Ltd. and its subsidiaries

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises the interim condensed consolidated statement of financial position as of March 31, 2021, and the related interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2021 and 2020 and the notes to the accompanying interim condensed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Auditing Standards ("KGAAS") and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Other matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2020, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended (not presented herein) in accordance with KGAAS, and our report dated February 26, 2021 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2020, presented for comparative purpose, is not different, in all material respects, from the above audited consolidated statement of financial position.



May 12, 2021

This review report is effective as of May 12, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

For more information, please contact:

SONGWON Industrial Group

E-mail: ir@songwon.com
www.songwon.com