



**FINANCIAL RESULTS
Q3 & 9 MONTHS
ENDED SEPTEMBER 30, 2019**

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 52) according to 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 three and nine months ended September 30, 2019 as well as the three and nine months ended September 30, 2018.

A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. 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 financial statements for the three and nine months ended September 30, 2019 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, 2018, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2018 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 nine months ended September 30,		
	Q3 2019	Q3 2018		2019	2018	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	208,388	204,403	1.9%	617,272	592,716	4.1%
Gross profit	41,000	42,974	-4.6%	132,573	119,116	11.3%
Gross profit margin	19.7%	21.0%		21.5%	20.1%	
Operating profit	14,039	17,400	-19.3%	51,075	44,109	15.8%
EBITDA	22,694	25,721	-11.8%	78,582	70,117	12.1%
EBITDA margin	10.9%	12.6%		12.7%	11.8%	
EBIT	13,532	17,159	-21.1%	51,017	44,933	13.5%
EBIT margin	6.5%	8.4%		8.3%	7.6%	
Profit for the period	7,302	13,115	-44.3%	28,905	32,831	-12.0%
Total assets				937,767	915,087	2.5%
Total equity				444,757	408,648	8.8%
Equity ratio				47.4%	44.7%	
Headcounts				1,073	1,030	4.2%

Sales development

Divisions*

For the three months ended September 30,								
	Q3 2019			Q3 2018			Q3 2019	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW
Sales	155,077	153,134	1.3%	53,311	51,269	4.0%	208,388	204,403

For the nine months ended September 30,								
	2019			2018			2019	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW
Sales	457,688	437,450	4.6%	159,584	155,266	2.8%	617,272	592,716

*refer to note 6 for further details

Regions

For the nine months ended September 30,						
	Q3 2019	Q3 2018		2019	2018	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Korea	42,420	42,814	-0.9%	130,296	133,389	-2.3%
Rest of Asia	57,401	55,811	2.8%	169,833	162,829	4.3%
Europe	48,702	47,287	3.0%	147,662	136,798	7.9%
North and South America	44,131	44,855	-1.6%	131,604	122,705	7.3%
Australia	528	886	-40.4%	1,728	1,908	-9.4%
Middle East and Africa	15,206	12,750	19.3%	36,149	35,087	3.0%
Total sales	208,388	204,403	1.9%	617,272	592,716	4.1%

Business development

Songwon Industrial Group achieved consolidated sales of 208,388 Mil. KRW and a net profit of 7,302 Mil. KRW during the third quarter of 2019, ending September 30, 2019. This marks a 1.9% increase in revenue when compared to sales for Q3/2018 (204,403 Mil. KRW). When also compared to Q3/2018, the gross profit margin in Q3 decreased to 19.7%. Year-to-date, the Group realized consolidated sales of 617,272 Mil. KRW, marking a 4.1% increase over YTD September 2018 (592,716 Mil. KRW) and a 12.0% decrease in net profit of 28,905 Mil. KRW.

In Q3/2019, overall demand for SONGWON's Division Industrial Chemicals continued to be stable in line with expectations. Industrial Chemicals business remained particularly strong for the first two months of the quarter, but declined throughout the final month of Q3. SONGWON had anticipated a weaker Q3 with lower margins driven by the raw material pricing formula in the lube business within Industrial Chemicals. The coming together of long Korean holidays, the weakening of the KRW, raw materials needing to be sourced outside Korea and fierce competition putting pressure on prices made the market environment challenging also for SONGWON's Division Performance Chemicals in Q3/2019.

Over the course of the third quarter, the entire Asian region continued to experience lower market demand linked to the ongoing trade war between China and the U.S. which has resulted in Chinese competitors aggressively seeking new markets to compensate for China's lower internal demand and reduced export to North America. In Q3, the Group, like the rest of the industry also felt the impact from the downward turn in the business-to-consumer market as well as the automotive market with, for example, India reporting a 40% decrease in Q2/Q3 2019. China and Europe are estimated to be experiencing a slow down of probably up to 30%. The weaker demand also determined an adjustment in overall supply and demand leading to increased pressure to reduce prices.

Throughout Q3/2019, SONGWON's production sites ran smoothly and continued to operate at a level that meets customers' demands. Raw materials remained in good supply during the quarter and the Group continued its efforts to effectively manage all elements of the supply and inventory situation for the business. The establishment of a strong distributor network in the U.S. for its coatings business and the partnership with the largest PVC stabilizer producer, Uniwel in Q3 will support the organization to accelerate market penetration and expansion going forward. SONGWON began supplying PVC Stabilizers from Uniwel's Chinese plant towards the end of Q3 and added several new stabilizers to its portfolio from Uniwel's product lines. The Groups innovation labs also operated at high levels over the quarter and continued to support customer requirements as well as supplying performance information on new products for the business.

Outlook

Looking ahead, SONGWON expects to see the noticeable slowdown observed in the final month of Q3/2019 continuing as customers begin their traditional year-end de-stocking. In general, the industry is preparing for tougher, more challenging market conditions due to the ongoing volatility of the global business environment caused by the impact of the U.S. - China trade war together with other factors such as the unclear nature of Brexit and political uncertainties in several countries. Amid the uncertainty in the medium and long-term economic growth scenarios, the Group anticipates the demand for its offering to still remain steady, although slightly weaker in Q4. SONGWON also expects to see sustained market growth over the next periods especially in its Performance Chemicals business on the back of its partnership with Uniwel and accelerated sales.

In the next months, the Group intends to continue pursuing its strategy of focusing on expanding its market coverage into South East Asia, Europe and the Americas. Although SONGWON does not see any short-term improvement in the underlying macroeconomic conditions, it is confident that its industry experience combined with the company's global reach and the diversity of its high-performance product portfolio will offset the current and emerging challenges. By focusing on the development of more environment friendly solutions, the company also plans to enhance its sustainability approach to support the industry make the transition to a circular economy. Going forward, SONGWON will continue leveraging its innovation-driven growth model, while cautiously keeping a close eye on global trends and developments as it continues to implement prudent cost management and drive productivity.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim condensed consolidated statements of financial position (unaudited)

	Notes	As of	
		September 30, 2019	December 31, 2018
		Million KRW	Million KRW
ASSETS			
Non-current assets		507,160	480,898
Property, plant and equipment	6.3.2, 7, 25	441,985	439,322
Right-of-use assets	6.3.2, 8	23,728	-
Investment properties	6.3.2, 25	3,508	3,516
Intangible assets	6.3.2, 9	15,394	17,826
Investments accounted for using the equity method	5	5,193	4,760
Other non-current assets		100	1,515
Other non-current financial assets	13, 20, 22, 23	13,046	11,129
Deferred tax assets		4,206	2,830
Current assets		430,607	391,646
Inventories	10	217,553	201,368
Trade and other receivables	11, 22, 23	131,123	115,969
Income tax receivables		1,637	610
Other current assets	14	10,238	4,387
Other current financial assets	13, 20, 22, 23	5,252	6,006
Cash and cash equivalents	12, 22	64,804	63,306
Total assets		937,767	872,544
EQUITY AND LIABILITIES			
Equity		444,757	411,198
<i>Non-controlling interests</i>		<i>3,919</i>	<i>-714</i>
<i>Equity attributable to owners of the parent</i>		<i>440,838</i>	<i>411,912</i>
Issued capital		12,000	12,000
Capital surplus		22,359	24,361
Reserves	15.1	27,975	27,591
Retained earnings	15.1	377,516	352,906
Accumulated other comprehensive income	15.2	988	-4,946
Non-current liabilities		168,184	84,690
Interest-bearing loans and borrowings	16, 22, 25, 26	76,500	17,180
Pension liability		21,643	16,037
Other long-term employee-related liabilities		5,650	5,111
Non-current lease liabilities	22, 26.3	20,283	-
Other non-current financial liabilities	19, 20, 22, 26.3	2,828	3,361
Other non-current liabilities		50	41
Deferred tax liabilities		41,230	42,960
Current liabilities		324,826	376,656
Interest-bearing loans and borrowings	16, 22, 24, 25, 26	188,644	267,930
Trade and other payables	22, 23, 26.3	107,559	100,529
Current lease liabilities	22, 26.3	2,373	-
Other current financial liabilities	19, 20, 22, 26.3	3,556	1,978
Other current liabilities		7,240	1,883
Income tax payable		15,454	4,336
Total liabilities		493,010	461,346
Total equity and liabilities		937,767	872,544

Interim condensed consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	September 30, 2019	December 31, 2018
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	421,238	399,426
Property, plant and equipment	367,105	364,893
Right-of-use assets	19,708	-
Investment properties	2,914	2,920
Intangible assets	12,786	14,806
Investments accounted for using the equity method	4,313	3,954
Other non-current assets	83	1,258
Other non-current financial assets	10,836	9,244
Deferred tax assets	3,493	2,351
Current assets	357,654	325,294
Inventories	180,695	167,252
Trade and other receivables	108,909	96,322
Income tax receivables	1,360	507
Other current assets	8,503	3,644
Other current financial assets	4,362	4,988
Cash and cash equivalents	53,825	52,581
Total assets	778,892	724,720
EQUITY AND LIABILITIES		
Equity	369,407	341,533
<i>Non-controlling interests</i>	<i>3,255</i>	<i>-593</i>
<i>Equity attributable to owners of the parent</i>	<i>366,152</i>	<i>342,126</i>
Issued capital	9,967	9,967
Capital surplus	18,571	20,234
Reserves	23,236	22,917
Retained earnings	313,558	293,116
Accumulated other comprehensive income	820	-4,108
Non-current liabilities	139,691	70,342
Interest-bearing loans and borrowings	63,539	14,269
Pension liability	17,976	13,320
Other long-term employee-related liabilities	4,693	4,245
Non-current lease liabilities	16,847	-
Other non-current financial liabilities	2,349	2,792
Other non-current liabilities	42	34
Deferred tax liabilities	34,245	35,682
Current liabilities	269,794	312,845
Interest-bearing loans and borrowings	156,683	222,539
Trade and other payables	89,337	83,498
Current lease liabilities	1,971	-
Other current financial liabilities	2,954	1,643
Other current liabilities	6,013	1,564
Income tax payable	12,836	3,601
Total liabilities	409,485	383,187
Total equity and liabilities	778,892	724,720

Interim condensed consolidated statements of comprehensive income (unaudited)

		For the three months ended September 30,	
		2019	2018
	Notes	Million KRW	Million KRW
Sales	6, 23	208,388	204,403
Cost of sales	23	-167,388	-161,429
Gross profit		41,000	42,974
Selling and administration costs	23	-26,961	-25,574
Operating profit		14,039	17,400
Other income	23	443	128
Other expenses		-950	-369
Share of result from investments accounted for using the equity method	5	194	227
Finance income	23	3,610	2,222
Finance expenses		-6,446	-3,381
Profit before tax		10,890	16,227
Income tax expenses	17	-3,588	-3,112
Profit for the period		7,302	13,115
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		2,383	-2,911
(Losses) / gains on valuation of interest rate swaps	15.2	-307	-23
Exchange differences on translation of foreign operations	15.2	2,690	-2,888
Total other comprehensive income, net of taxes		2,383	-2,911
Total comprehensive income		9,685	10,204
Profit for the period attributable to:			
Owners of the parent	18	7,300	12,969
Non-controlling interests		2	146
Profit for the period		7,302	13,115
Total comprehensive income attributable to:			
Owners of the parent		9,666	10,167
Non-controlling interests		19	37
Total comprehensive income		9,685	10,204
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	304	540

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the three months ended September 30, (refer to note 2.1)	
	2019	2018
	Thousand USD	Thousand USD
Sales	173,083	169,773
Cost of sales	-139,029	-134,080
Gross profit	34,054	35,693
Selling and administration costs	-22,393	-21,241
Operating profit	11,661	14,452
Other income	368	106
Other expenses	-789	-306
Share of result from investments accounted for using the equity method	161	189
Finance income	2,998	1,846
Finance expenses	-5,354	-2,808
Profit before tax	9,045	13,479
Income tax expenses	-2,980	-2,585
Profit for the period	6,065	10,894
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	1,979	-2,418
(Losses) / gains on valuation of interest rate swaps	-255	-19
Exchange differences on translation of foreign operations	2,234	-2,399
Total other comprehensive income, net of taxes	1,979	-2,418
Total comprehensive income	8,044	8,476
Profit for the period attributable to:		
Owners of the parent	6,063	10,773
Non-controlling interests	2	121
Profit for the period	6,065	10,894
Total comprehensive income attributable to:		
Owners of the parent	8,028	8,445
Non-controlling interests	16	31
Total comprehensive income	8,044	8,476
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.25	0.45

Interim condensed consolidated statements of comprehensive income (unaudited)

		For the nine months ended September 30,	
		2019	2018
	Notes	Million KRW	Million KRW
Sales	6, 23	617,272	592,716
Cost of sales	23	-484,699	-473,600
Gross profit		132,573	119,116
Selling and administration costs	23	-81,498	-75,007
Operating profit		51,075	44,109
Other income	23	1,422	1,713
Other expenses		-1,480	-889
Share of result from investments accounted for using the equity method	5	749	1,096
Finance income	23	14,729	17,533
Finance expenses		-24,150	-23,268
Profit before tax		42,345	40,294
Income tax expenses	17	-13,440	-7,463
Profit for the period		28,905	32,831
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		<i>6,018</i>	<i>-2,166</i>
(Losses) / gains on valuation of interest rate swaps	15.2	-1,311	-131
Exchange differences on translation of foreign operations	15.2	7,329	-2,035
Total other comprehensive income, net of taxes		6,018	-2,166
Total comprehensive income		34,923	30,665
Profit for the period attributable to:			
Owners of the parent	18	28,834	33,470
Non-controlling interests		71	-639
Profit for the period		28,905	32,831
Total comprehensive income attributable to:			
Owners of the parent		34,768	31,519
Non-controlling interests		155	-854
Total comprehensive income		34,923	30,665
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	1,201	1,395

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2019	2018
	Thousand USD	Thousand USD
Sales	512,695	492,299
Cost of sales	-402,582	-393,363
Gross profit	110,113	98,936
Selling and administration costs	-67,691	-62,299
Operating profit	42,422	36,637
Other income	1,181	1,423
Other expenses	-1,229	-738
Share of result from investments accounted for using the equity method	622	910
Finance income	12,234	14,563
Finance expenses	-20,059	-19,326
Profit before tax	35,171	33,469
Income tax expenses	-11,163	-6,199
Profit for the period	24,008	27,270
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	4,998	-1,799
(Losses) / gains on valuation of interest rate swaps	-1,089	-109
Exchange differences on translation of foreign operations	6,087	-1,690
Total other comprehensive income, net of taxes	4,998	-1,799
Total comprehensive income	29,006	25,471
Profit for the period attributable to:		
Owners of the parent	23,949	27,801
Non-controlling interests	59	-531
Profit for the period	24,008	27,270
Total comprehensive income attributable to:		
Owners of the parent	28,877	26,180
Non-controlling interests	129	-709
Total comprehensive income	29,006	25,471
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1.00	1.16

Interim condensed consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2018 and 2019								
	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2018	12,000	24,361	27,255	322,085	-4,841	380,860	-2,733	378,127
Profit for the period	-	-	-	33,470	-	33,470	-639	32,831
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-131	-131	-	-131
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,820	-1,820	-215	-2,035
Total comprehensive income	-	-	-	33,470	-1,951	31,519	-854	30,665
Dividends	-	-	-	-3,360	-	-3,360	-	-3,360
Appropriation to reserves	-	-	336	-336	-	-	-	-
Change in non-controlling interest due to interest increase	-	-	-	-	-	-	3,216	3,216
As of September 30, 2018	12,000	24,361	27,591	351,859	-6,792	409,019	-371	408,648
As of January 1, 2019	12,000	24,361	27,591	352,906	-4,946	411,912	-714	411,198
Profit for the period	-	-	-	28,834	-	28,834	71	28,905
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-1,311	-1,311	-	-1,311
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	7,245	7,245	84	7,329
Total comprehensive income	-	-	-	28,834	5,934	34,768	155	34,923
Dividends	-	-	-	-3,840	-	-3,840	-	-3,840
Appropriation to reserves	-	-	384	-384	-	-	-	-
Change in non-controlling interest due to interest increase*	-	-2,002	-	-	-	-2,002	2,002	-
Change in non-controlling interest due to capital contribution*	-	-	-	-	-	-	2,476	2,476
As of September 30, 2019	12,000	22,359	27,975	377,516	988	440,838	3,919	444,757

*refer to note 1.1 for further details

Interim condensed consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2018 and 2019 (refer to note 2.1)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
As of January 1, 2018	9,967	20,234	22,637	267,518	-4,020	316,336	-2,270	314,066
Profit for the period	-	-	-	27,801	-	27,801	-531	27,270
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-109	-109	-	-109
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,511	-1,511	-179	-1,690
Total comprehensive income	-	-	-	27,801	-1,620	26,181	-710	25,471
Dividends	-	-	-	-2,791	-	-2,791	-	-2,791
Appropriation to reserves	-	-	279	-279	-	-	-	-
Change in non-controlling interest due to interest increase	-	-	-	-	-	-	2,670	2,670
As of September 30, 2018	9,967	20,234	22,916	292,249	-5,640	339,726	-310	339,416
As of January 1, 2019	9,967	20,234	22,917	293,116	-4,108	342,126	-593	341,533
Profit for the period	-	-	-	23,949	-	23,949	59	24,008
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-1,089	-1,089	-	-1,089
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	6,017	6,017	70	6,087
Total comprehensive income	-	-	-	23,949	4,928	28,877	129	29,006
Dividends	-	-	-	-3,188	-	-3,188	-	-3,188
Appropriation to reserves	-	-	319	-319	-	-	-	-
Change in non-controlling interest due to interest increase*	-	-1,663	-	-	-	-1,663	1,663	-
Change in non-controlling interest due to capital contribution*	-	-	-	-	-	-	2,056	2,056
As of September 30, 2019	9,967	18,571	23,236	313,558	820	366,152	3,255	369,407

*refer to note 1.1 for further details

Interim condensed consolidated statements of cash flows (unaudited)

		For the nine months ended September 30,	
		2019	2018
	Notes	Million KRW	Million KRW
Profit for the period		28,905	32,831
Total adjustments	27	43,964	30,815
Changes in operating assets and liabilities	27	-11,591	-25,748
Interest received		425	725
Payments of income tax		-6,680	-6,179
Net cash flow from operating activities		55,023	32,444
Proceeds from sale of property, plant and equipment	7	73	35
Purchases of property, plant and equipment	7	-21,588	-21,713
Purchases of intangible assets	9	-367	-1,199
Dividends received from investments using equity method	5	511	534
Acquisition of a subsidiary, net of cash acquired	4.2	-	2,103
Decrease / (increase) of other financial assets, net		-1,314	8,852
Net cash flow from investing activities		-22,685	-11,388
Proceeds from borrowings		527,647	455,709
Repayments of borrowings		-546,538	-461,606
Payment of lease liabilities	3	-2,404	-
Decrease in other financial liabilities, net		-1,858	-1,194
Interest payments		-6,565	-7,159
Dividends paid	15.1	-3,840	-3,360
Net cash flow from financing activities		-33,558	-17,610
Increase / (decrease) in cash and cash equivalents		-1,220	3,446
Net foreign exchange differences		2,718	1,676
Cash and cash equivalents as of January 1	12	63,306	55,404
Cash and cash equivalents as of September 30	12	64,804	60,526

Interim condensed consolidated statements of cash flows (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2019	2018
	Thousand USD	Thousand USD
Profit for the period	24,008	27,270
Total adjustments	36,516	25,594
Changes in operating assets and liabilities	-9,627	-21,386
Interest received	353	602
Payments of income tax	-5,548	-5,132
Net cash flow from operating activities	45,702	26,949
Proceeds from sale of property, plant and equipment	61	29
Purchases of property, plant and equipment	-17,931	-18,034
Purchases of intangible assets	-305	-996
Dividends received from investments using equity method	424	444
Acquisition of a subsidiary, net of cash acquired	-	1,747
Decrease / (increase) of other financial assets, net	-1,092	7,352
Net cash flow from investing activities	-18,843	-9,459
Proceeds from borrowings	438,254	378,503
Repayments of borrowings	-453,944	-383,401
Payment of lease liabilities	-1,997	-
Decrease in other financial liabilities, net	-1,543	-992
Interest paid	-5,453	-5,946
Dividends paid	-3,189	-2,791
Net cash flow from financing activities	-27,872	-14,627
Increase / (decrease) in cash and cash equivalents	-1,013	2,863
Net foreign exchange differences	2,257	1,392
Cash and cash equivalents as of January 1	52,581	46,018
Cash and cash equivalents as of September 30	53,825	50,273

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 antioxidants, stabilizers and polyurethanes. 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 September 30, 2019, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2018: 14 entities). Additionally, one entity is classified as a joint venture (2018: one entity) and accounted for using the equity method.

During the nine months of 2019, the following changes in the legal structure of the Group and scope of consolidation took place:

- Acquisition of an additional 26% interest in Songwon Polysys Additives LLC with the effective date as of January 1, 2019. Therefore, the Group's interest in Songwon Polysys Additives LLC, which had already been fully consolidated as of April 1, 2014, increased from 55.5% to 81.5%. With effective date as of July 1, 2019, shareholder loans of 13,384 Million KRW granted by Songwon Group Holding AG (10,908 Million KRW) as well as by the minority shareholder (2,476 Million KRW) have been converted into the capital contribution of Songwon Polysys Additives LLC in proportion to their equity interests, to improve the financial structure of the subsidiary.

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.

		September 30, 2019		December 31, 2018	
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	81.5%	Subsidiary	55.5%

Entities accounted for using the equity method (joint ventures)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

2. Basis of preparation

The interim condensed financial statements for the three and nine months ended September 30, 2019 have been prepared in accordance with K-IFRS 1034 – *Interim Financial Reporting*.

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, 2018, which have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS") enacted by the *Act on External Audit of Stock Companies*.

The interim condensed 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 1,203.98 to USD 1, the exchange rate in effect on September 30, 2019. 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, 2018, except for the adoption of the new standard as of January 1, 2019, listed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, K-IFRS 1116 *Leases*. As required by K-IFRS 1034, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, 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

K-IFRS 1116 Leases

K-IFRS 1116 supersedes K-IFRS 1017 *Leases*, K-IFRS 2104 *Determining whether an Arrangement contains a Lease*, K-IFRS 2015 *Operating Leases-Incentives* and K-IFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under K-IFRS 1116 is substantially unchanged from K-IFRS 1017. Lessors will continue to classify leases as either operating or finance leases using similar principles as in K-IFRS 1017. Therefore, K-IFRS 1116 did not have an impact for leases where the Group is the lessor.

The Group adopted K-IFRS 1116 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying K-IFRS 1017 and K-IFRS 2104 at the date of initial application. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value leases").

The effect of adoption K-IFRS 1116 as of January 1, 2019 (increase / (decrease)) is as follows:

	Million KRW
Assets	
Right-of-use assets	24,025
Prepayments	-1,345
<i>Total assets</i>	<i>22,680</i>
Liabilities	
Provisions	12
Non-current lease liability	2,190
Current lease liability	20,478
<i>Total liabilities</i>	<i>22,680</i>

1) Nature of the effect of adoption of K-IFRS 1116

The Group has lease contracts for various items of buildings, structures, machinery, vehicles and other equipment. Before the adoption of K-IFRS 1116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Prepayments".

Upon adoption of K-IFRS 1116, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- **Leases previously classified as finance leases**
As of December 31, 2018, the Group did not classify leases as finance leases. Therefore, there was no impact of initial application of K-IFRS 1116 as of January 1, 2019.
- **Leases previously accounted for as operating leases**
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	Million KRW
Operating lease commitments as of December 31, 2018	11,920
Weighted average incremental borrowing rate as of January 1, 2019	3.66%
Discounted operating lease commitments of January 1, 2019	10,675
Less:	
Commitments relating to short-term leases	-70
Commitments relating to leases of low-value assets	-78
Add:	
Commitments relating to newly identified leasing contracts and optional extension periods not recognized as of December 31, 2018	12,141
Lease liabilities as of January 1, 2019	22,668

2) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of K-IFRS 1116, which have been applied from the date of initial application:

- **Right-of-use assets**
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.
- **Lease liabilities**
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- **Short-term leases and leases of low-value assets**
The Group applies the short-term lease recognition exemption to its short-term leases of tools and other equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below 5,000 USD). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.
- **Significant judgement in determining the lease term of contracts with renewal options**
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
- The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amendments to K-IFRS 1109: Prepayment Features with Negative Compensation

Under K-IFRS 1109, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to K-IFRS 1109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments were applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to K-IFRS 1019: Plan Amendment, Curtailment or Settlement

The amendments to K-IFRS 1019 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to K-IFRS 1028: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies K-IFRS 1109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in K-IFRS 1109 applies to such long-term interests.

The amendments also clarified that, in applying K-IFRS 1109, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying K-IFRS 1028 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of K-IFRS 1012 and does not apply to taxes or levies outside the scope of K-IFRS 1012, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed on a yearly base whether the Interpretation had an impact on its consolidated financial statements. As of December 31, 2018, no significant uncertainties over income tax treatment were identified which had to be additionally recognized and disclosed in the respective financial statements. A new assessment of uncertainties over income tax treatment will be conducted as of December 31, 2019 with the respective recognition and disclosure of significant impact on the financial statements if applicable.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

3) K-IFRS 1103 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

4) K-IFRS 1111 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in K-IFRS 1103. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

5) K-IFRS 1012 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group did not identify any effect on its consolidated financial statements.

6) K-IFRS 1023 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group did not identify any effect on its consolidated financial statements.

4. Business combinations

4.1. Business combinations in 2019

During the nine-month period ended September 30, 2019, there were no business combinations.

4.2. Business combinations in 2018

Step acquisition of Qingdao Long Fortune Songwon Chemical Co., Ltd.

Since August 2015, Qingdao Long Fortune Songwon Chemical Co., Ltd. (SWDM-CN) is consolidated in the financial statements of the Group using the equity method. In April 2018, the Group acquired additional 22% of the shares through a capital increase. The conditions to fully consolidate and disclose non-controlling interest were met and SWDM-CN was fully consolidated as of May 1, 2018.

The assets, liabilities and contingent liabilities of SWDM-CN were measured at fair value on the date of acquisition. If the costs exceed the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the balance is reported as goodwill. If the costs fall under the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the bargain purchase gain is recorded in the consolidated statements of comprehensive income.

Assets acquired and liabilities assumed

The assessment of the fair values of the identifiable assets and liabilities of the acquired business at the date of acquisition were (figures represent a 100% interest):

	Million KRW
Assets	
Property, plant and equipment	1,483
Other non-current assets	1,554
Deferred tax assets	128
Inventories	6,012
Trade and other receivables	7,841
Other current assets	299
Cash and cash equivalents	2,103
Total assets	19,420
Liabilities	
Other non-current financial liabilities	34
Trade and other payables	7,208
Other current liabilities	33
Income tax payable	657
Total liabilities	7,932
Total identifiable net assets at fair value	11,488
Bargain purchase gain arising on acquisition	-2,258

Consideration satisfied by:

Consideration transferred on acquisition of 22% shareholdings	4,240
Preliminary revaluation of previously held interest in SWDM-CN	2,499
Non-controlling interest measured at fair value	2,491
Total consideration	9,230

Revaluation of previously held interest

The Group held an equity interest of 50% before the increase and accounted for SWDM-CN as a joint venture using the equity method. In this business acquisition, which was achieved in stages, the Group re-measured its previously held interest. The resulting loss of 656 Million KRW is included in the consolidated statements of comprehensive income.

5. Investment accounted for using the equity method

The summarized statements of financial position and comprehensive income of 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.	1,964	9,317	8,326	1,461	1,777	-	-	15,866	4,760
December 31, 2018	1,964	9,317	8,326	1,461	1,777	-	-	15,866	4,760
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,133	9,997	8,840	1,056	1,320	205	206	17,311	5,193
September 30, 2019	2,133	9,997	8,840	1,056	1,320	205	206	17,311	5,193

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.	6,169	-30	-	-	1,006	-248	758	-600	158
For the three months ended September 30, 2018	6,169	-30	-	-	1,006	-248	758	-600	158
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,728	-36	1	-3	859	-210	649	70	719
For the three months ended September 30, 2019	5,728	-36	1	-3	859	-210	649	70	719

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.	19,883	-96	11	-	3,672	-918	2,754	-217	2,537
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	10,656	-84	11	-91	746	-207	539	160	699
For the nine months ended September 30, 2018	30,539	-180	22	-91	4,418	-1,125	3,293	-57	3,236
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	18,577	-108	2	-9	3,312	-814	2,498	650	3,148
For the nine months ended September 30, 2019	18,577	-108	2	-9	3,312	-814	2,498	650	3,148

*refer to note 4.2 for further details

The changes in the interest in joint ventures are summarized as follows:

	As of January 1, 2018	Dividends	Share of result from equity method revaluation	Change in scope of consolidation	Exchange rate effects	As of September 30, 2018
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,231	-534	826	-	-65	4,458
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	2,804	-	270	-3,154	80	-
Total	7,035	-534	1,096	-3,154	15	4,458

*refer to note 4.2 for further details

	As of January 1, 2019	Dividends	Share of result from equity method revaluation	Change in scope of consolidation	Exchange rate effects	As of September 30, 2019
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,760	-511	749	-	195	5,193
Total	4,760	-511	749	-	195	5,193

6. Segment information

For management purposes, the Group was organized into one main operating segment until December 31, 2018. In the financial year 2019, the Group has changed their management approach in regard to operating segments. The Group is now organized into two main reporting segments "Industrial Chemicals" and "Performance Chemicals". The segments are defined based on SONGWON's product portfolio and its product families:

- **Industrial Chemicals**
Industrial Chemicals operating segment mainly includes the product lines "polymer stabilizers" and other products.
- **Performance Chemicals**
Performance Chemicals operating segment mainly includes the product lines "TPP" (Tin Intermediates, PVC Additives, Polymers) and "specialty chemicals".

The Chief Operating Decision Maker monitors 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 like 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 Chief Operating Decision Maker.

There are no transactions between the two operating segments.

6.1. Reported key figures

The following key figures are presented each month to the Chief Operating Decision Maker. 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 September 30,						
Description	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales*	155,077	154,867	53,311	51,388	208,388	206,255
Adjusted operating profit*	18,489	19,801	-4,450	-550	14,039	19,251

For the nine months ended September 30,						
Description	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales*	457,688	443,085	159,584	155,652	617,272	598,737
Adjusted operating profit*	56,454	48,817	-5,379	-2,133	51,075	46,684

* Internally reported figures to the Chief Operating Decision Maker

Reconciliation to K-IFRS figures

During the year 2018, the new segment reporting process was implemented within the Group. Up to the time of the implementation, certain investments accounted for using the equity method under K-IFRS were fully consolidated for internal management reporting.

For the three months ended
September 30,

	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales*	155,077	154,867	53,311	51,388	208,388	206,255
Difference in consolidation scope and others	-	-1,733	-	-119	-	-1,852
Total sales	155,077	153,134	53,311	51,269	208,388	204,403

For the nine months ended
September 30,

	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales*	457,688	443,085	159,584	155,652	617,272	598,737
Difference in consolidation scope and others	-	-5,635	-	-386	-	-6,021
Total sales	457,688	437,450	159,584	155,266	617,272	592,716

For the three months ended
September 30,

	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Adjusted operating profit*	18,489	19,801	-4,450	-550	14,039	19,251
Difference in consolidation scope and others					-	-1,851
Operating profit per consolidated income statement					14,039	17,400

For the nine months ended
September 30,

	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Adjusted operating profit*	56,454	48,817	-5,379	-2,133	51,075	46,684
Difference in consolidation scope and others					-	-2,575
Operating profit per consolidated income statement					51,075	44,109

* Internally reported figures to the Chief Operating Decision Maker

6.2. Revenue from contracts with customers

For the three months ended						
September 30,						
	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	152,896	151,264	52,738	50,588	205,634	201,852
Sales of services	2,181	1,870	573	681	2,754	2,551
Total sales	155,077	153,134	53,311	51,269	208,388	204,403

For the nine months ended						
September 30,						
	2019	2018	2019	2018	2019	2018
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	451,339	432,104	157,995	153,318	609,334	585,422
Sales of services	6,349	5,346	1,589	1,948	7,938	7,294
Total sales	457,688	437,450	159,584	155,266	617,272	592,716

6.3. Geographic information

6.3.1. 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 to regions. Therefore, no country revenues are disclosed separately.

For the three months ended		
September 30,		
	2019	2018
	Million KRW	Million KRW
Korea	42,420	42,814
Rest of Asia	57,401	55,811
Europe	48,702	47,287
North and South America	44,131	44,855
Australia	528	886
Middle East and Africa	15,206	12,750
Total sales	208,388	204,403

	For the nine months ended	
	September 30,	
	2019	2018
	Million KRW	Million KRW
Korea	130,296	133,389
Rest of Asia	169,833	162,829
Europe	147,662	136,798
North and South America	131,604	122,705
Australia	1,728	1,908
Middle East and Africa	36,149	35,087
Total sales	617,272	592,716

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

6.3.2. Non-current assets

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

	As of	
	September 30,	December 31,
	2019	2018
	Million KRW	Million KRW
Korea	400,340	405,051
Rest of Asia	29,123	21,402
Europe	17,755	13,249
North and South America	16,469	4,689
Middle East and Africa	20,928	16,273
Total	484,615	460,664

7. 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
Cost							
As of January 1, 2018	147,904	88,716	66,195	499,870	18,792	4,315	825,792
Additions	-	5	58	141	1,235	19,085	20,524
Disposals	-	-	-	-9	-255	-	-264
Reclassifications	-	353	71	15,052	511	-15,987	-
Business acquisition	-	-	-	1,138	293	52	1,483
Net exchange differences	-	276	-	-712	-90	-40	-566
As of September 30, 2018	147,904	89,350	66,324	515,480	20,486	7,425	846,969
As of January 1, 2019	149,508	90,233	66,943	513,257	19,726	3,498	843,165
Additions	-	23	115	1,341	1,215	20,226	22,920
Disposals	-	-728	-	-646	-305	-	-1,679
Reclassifications	42	196	378	9,029	158	-9,803	-
Net exchange differences	-	1,330	-	2,137	518	180	4,165
As of September 30, 2019	149,550	91,054	67,436	525,118	21,312	14,101	868,571
Depreciation							
As of January 1, 2018	-	-22,439	-37,407	-311,438	-12,787	-	-384,071
Depreciation charge	-	-1,808	-2,337	-16,579	-1,242	-	-21,966
Disposals	-	-	-	-	247	-	247
Net exchange differences	-	-23	-	47	-36	-	-12
As of September 30, 2018	-	-24,270	-39,744	-327,970	-13,818	-	-405,802
As of January 1, 2019	-	-24,908	-40,393	-325,992	-12,550	-	-403,843
Depreciation charge	-	-1,851	-2,308	-17,116	-1,443	-	-22,718
Disposals	-	248	-	646	304	-	1,198
Net exchange differences	-	-147	-	-731	-345	-	-1,223
As of September 30, 2019	-	-26,658	-42,701	-343,193	-14,034	-	-426,586
Net book value							
As of September 30, 2019	149,550	64,396	24,735	181,925	7,278	14,101	441,985
As of January 1, 2019	149,508	65,325	26,550	187,265	7,176	3,498	439,322
As of September 30, 2018	147,904	65,080	26,580	187,510	6,668	7,425	441,167

There was no impairment during the reported financial period. Non-cash transactions amounting to 3,480 Million KRW (YTD September 30, 2018: 2,795 Million KRW / YTD December 31, 2018: 2,148 Million KRW) are included in the additions for the nine months ended September 30, 2019.

8. Right-of-use assets

	Right-of-use assets - land	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	Million KRW
Cost						
As of January 1, 2019	-	22,301	803	241	680	24,025
Additions	-	6	246	-	246	498
Modification of contract	-	4	-	-169	-	-165
Depreciation	-	-1,323	-494	-43	-267	-2,127
Net exchange differences	-	1,444	1	13	39	1,497
As of September 30, 2019	-	22,432	556	42	698	23,728

For the nine months ended September 30, 2019, the Group recognized rent expenses from short-term leases of 124 Million KRW, leases of low-value assets of 50 Million KRW and variable lease payments of 288 Million KRW in the consolidated statements of comprehensive income.

9. Intangible assets

	Industrial rights	Software	Memberships	Customer relationships	Capitalization process technology	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost								
As of January 1, 2018	3,601	2,601	831	27,627	3,142	40,791	1,485	80,078
Additions	2	4	-	-	-	-	1,193	1,199
Reclassifications	775	-	-	-	-	-	-775	-
Net exchange differences	-	31	-	627	90	876	-	1,624
As of September 30, 2018	4,378	2,636	831	28,254	3,232	41,667	1,903	82,901
As of January 1, 2019	5,539	2,709	831	28,685	3,294	41,929	196	83,183
Additions	2	28	-	-	-	-	337	367
Disposals	-28	-82	-	-	-	-	-	-110
Impairment	-55	-	-	-	-	-	-33	-88
Reclassifications	379	-	-	-	-	-	-379	-
Net exchange differences	-	68	-	2,740	393	2,642	-	5,843
As of September 30, 2019	5,837	2,723	831	31,425	3,687	44,571	121	89,195
Accumulated amortization								
As of January 1, 2018	-1,700	-2,431	-	-21,429	-2,254	-30,655	-	-58,469
Amortization charge	-287	-61	-	-2,494	-357	-	-	-3,199
Net exchange differences	-	-25	-	-745	-107	-1,123	-	-2,000
As of September 30, 2018	-1,987	-2,517	-	-24,668	-2,718	-31,778	-	-63,668
As of January 1, 2019	-2,103	-2,546	-	-25,882	-2,892	-31,934	-	-65,357
Amortization charge	-414	-68	-	-2,297	-330	-	-	-3,109
Disposals	28	82	-	-	-	-	-	110
Net exchange differences	-	-58	-	-2,722	-390	-2,275	-	-5,445
As of September 30, 2019	-2,489	-2,590	-	-30,901	-3,612	-34,209	-	-73,801
Net book value								
As of September 30, 2019	3,348	133	831	524	75	10,362	121	15,394
As of January 1, 2019	3,436	163	831	2,803	402	9,995	196	17,826
As of September 30, 2018	2,391	119	831	3,586	514	9,889	1,903	19,233

The intangible assets (except goodwill and memberships) are amortized over a finite useful life. The intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred in the nine months ended September 30, 2019 and 2018.

10. Inventories

Description	September 30, 2019	December 31, 2018
	Million KRW	Million KRW
Raw materials and supplies	42,038	41,559
Construction in progress	871	809
Finished and semi-finished goods	135,238	120,436
Goods in transit	38,091	37,057
Consignment stocks	1,315	1,507
Total inventories at the lower of cost and net realizable value	217,553	201,368

As of September 30, 2019, inventory write-off amounted to 4,772 Million KRW for raw materials and finished goods (December 31, 2018: 3,804 Million KRW).

11. Trade and other receivables

Description	September 30, 2019	December 31, 2018
	Million KRW	Million KRW
Trade and notes receivables – third parties	128,240	114,754
Allowances for trade and notes receivables	-1,659	-1,985
Other receivables – third parties	4,641	3,336
Allowances for other accounts receivables	-205	-203
Accrued income – third parties	106	65
Accrued income – related parties	-	2
Total	131,123	115,969

Other receivables from third parties include customs, rental income receivables and others.

12. Cash and cash equivalents

Description	September 30, 2019	December 31, 2018
	Million KRW	Million KRW
Cash on hand	56	72
Bank accounts	57,627	56,813
Time deposit (< 3 months)	7,121	6,421
Total	64,804	63,306

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.

13. Other financial assets

Description	September 30, 2019		December 31, 2018	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	778	2,465	635	2,291
Financial instrument at FVtPL	10,564	675	8,863	1,710
Interest-bearing loans at amortized cost	-	1,453	-	1,346
Derivative assets at FVOCI	-	-	1	69
Derivative assets at FVtPL	-	-	-	4
Equity Instrument at FVOCI	1,354	-	1,354	-
Guarantee deposits at amortized cost	350	659	276	586
Total	13,046	5,252	11,129	6,006

14. Other current assets

Description	September 30, 2019	December 31, 2018
	Million KRW	Million KRW
Advance payments	731	429
Prepaid expenses	3,079	2,755
VAT refundable	6,428	1,203
Total	10,238	4,387

15. Equity

15.1. Reserves and dividends paid

At the regular general meeting of shareholders, held on March 22, 2019, dividends with the total amount of 3,840 Million KRW were approved by the shareholders. Legal reserves increased by 384 Million KRW due to the appropriation to the reserve approved by the shareholders on March 22, 2019.

15.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of September 30, 2019 and December 31, 2018 is composed of the following:

Description	September 30, 2019	December 31, 2018
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	1,894	-5,351
Interest rate swaps	-1,256	55
Financial assets FVOCI	350	350
Total	988	-4,946

16. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings as of September 30, 2019 and December 31, 2018 are as follows:

Description	September 30, 2019	December 31, 2018
	Million KRW	Million KRW
Long-term borrowings	76,500	17,180
Non-current interest-bearing loans and borrowings	76,500	17,180
Current portion of long-term borrowings	9,085	82,742
Short-term borrowings	179,559	185,188
Current interest-bearing loans and borrowings	188,644	267,930
Total	265,144	285,110

17. Income tax expenses

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

Income taxes	For the three months ended September 30,	
	2019	2018
	Million KRW	Million KRW
Current income tax charge	-4,998	-3,519
Deferred taxes related to origination and reversal of deferred taxes	1,501	414
Income tax recognized in other comprehensive income	-91	-7
Income tax expenses	-3,588	-3,112

Income taxes	For the nine months ended September 30,	
	2019	2018
	Million KRW	Million KRW
Current income tax charge	-16,590	-8,472
Deferred taxes related to origination and reversal of deferred taxes	3,539	1,048
Income tax recognized in other comprehensive income	-389	-39
Income tax expenses	-13,440	-7,463

18. Earnings per share

Basic earnings per share is 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 September 30, 2019 and 2018, 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	
	September 30,	
	2019	2018
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	7,299,562,162	12,968,735,309
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	304	540

Description	For the nine months ended	
	September 30,	
	2019	2018
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	28,833,943,591	33,469,682,672
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,201	1,395

19. Other financial liabilities

Description	September 30, 2019		December 31, 2018	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 20)	1,278	1,628	-	45
Deposits	1,550	1,502	3,361	1,398
Accrued interest expenses	-	423	-	533
Unpaid dividends	-	3	-	2
Total	2,828	3,556	3,361	1,978

20. Derivative financial instruments

Description	September 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	1,277	4	45
Interest rate swaps (current portion)	-	351	69	-
Interest rate swaps (non-current portion)	-	1,278	1	-
Total	-	2,906	74	45

20.1. Currency forwards

Currency forward contracts which the Group has entered into in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of September 30, 2019 (December 31, 2018: none) are as follows:

As of September 30, 2019

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 16,920,000	31.10.2019 – 20.07.2020	1,318.00 – 1,356.50
	Sell	JPY 1,048,600,000	31.10.2019 – 26.05.2020	10.49 – 11.22
KEB Hana Bank	Sell	JPY 495,000,000	31.10.2019 – 30.06.2020	10.80 – 10.87
Woori Bank	Sell	EUR 11,740,000	25.10.2019 – 30.06.2020	1,329.90 – 1,354.00
	Sell	JPY 625,000,000	25.10.2019 – 31.03.2020	10.49 – 10.60

20.2. Interest rate swaps

As of September 30, 2019 the Group had entered into the following interest rate swap contracts:

As of September 30, 2019

Description	Bonds contract	Interest rate swap contract
Contract date	03.07.2017	03.07.2017
Maturity date	03.07.2020	03.07.2020
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	N/A	2.73%
Floating interest rate	3MCD+1.02%	3MCD+1.02%
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, 2018 the Group has entered into the following interest rate swap contracts:

As of December 31, 2018

Description	Bonds contract	Interest rate swap contract
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	40,000 Million KRW	40,000 Million KRW
Fixed interest rate	N/A	3.48%
Floating interest rate	3MCD+1.90%	3MCD+1.90%
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	60,000 Million KRW	60,000 Million KRW
Fixed interest rate	N/A	3.30%
Floating interest rate	3MCD+1.57%	3MCD+1.57%
Contract date	03.07.2017	03.07.2017
Maturity date	03.07.2020	03.07.2020
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	N/A	2.73%
Floating interest rate	3MCD+1.02%	3MCD+1.02%

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2018. The balances included in accumulated other comprehensive income are -1,256 Million KRW (expenses) as of September 30, 2019 and 55 Million KRW (income) as of December 31, 2018, respectively (refer to note 15.2) net of income tax.

21. Emission rights and emission liabilities

The Group, in accordance with the Act on Allocation and Trading of Emission Allowances, is issued emission allowances free of charge by the government up to the allowable limit. During the year, as the Group emits gasses, a liability is recognized for the obligation to deliver allowances at the end of the year to cover those emissions. This liability is measured at the end of each reporting period by reference to the current market value of the allowances.

Allowances are derecognized on their sale (if sold into the market) or on their delivery to the government in settlement of the entity's obligation to deliver allowance to cover emissions. If the allowances are traded in an active market they are not amortized.

Where any unused allocated emission allowances after their delivery to the government, are sold, a gain or loss on disposal of the allocated emission allowances is subtracted from the cost of emissions; where emission allowances purchased are sold, the gain or loss on disposal is classified as non-operating income or expense; where the allocated emission allowances are sold when it is uncertain whether to achieve a reduction of emissions through the use of emission trading scheme, a difference between the book value and net sales price is recognized as deferred revenue which is offset against the cost of emissions over the period in which the allocated emission allowances pertain to.

A liability (emission obligation) is recognized only where actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as an operating cost. The liability is measured by adding the following (1) and (2).

- (1) The book value of emission allowances for the year to be delivered to the government
- (2) The best estimate of expenditures, as at the end of a reporting period, in performing emission obligations exceeding the above emission allowances

Where the Group borrows a part of the allocated emission allowances for any of future periods to deliver to the government, it recognizes the borrowed portion as deferred revenue when derecognizing the liability, and offsets the deferred revenue against the actual cost of emission, as it purchases the emission allowances to fill any shortfall in the period which the borrowed emission allowances belong to.

The emission allowances, which are held to obtain short-term trading profits, are measured at fair value, and changes in fair value are recognized as current profit or loss, and changes in the fair value of the emission allowances and the gain or loss on disposal are classified as operating income or expense (or non-operating income or expense).

- 1) Details of annual quantity of allocated emission allowances as of September 30, 2019 are as follows (Unit: Korean Allowance Unit - KAU):

	2018	2019	2020	Total
Allocated emission allowances	122,199	122,199	122,199	366,597

- 2) Changes in emission allowances during the current reporting period are as follows (Units: KAU and Million KRW):

	2018		2019		2020		Total (2 nd planned period)	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	27,182	-	6,376	-	-	-	27,182	-
Allocation	122,199	-	122,199	-	122,199	-	366,597	-
Delivery to government	-143,005	-	-	-	-	-	-143,005	-
Carryforward	-6,376	-	-	-	-	-	-	-
Ending	-	-	-	-	-	-	-	-

- 3) There are no emission rights provided as collateral as of September 30, 2019.
- 4) Changes in emission liabilities during the current and prior reporting period are as follows (in Million KRW):

	2019	2018
As of January 1	-	-
Increase	516	291
Decrease	-	-
As of September 30	516	291

- 5) Estimated gas emissions in 2019 are 144,788 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 September 30, 2019

		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	1,128	4,577	1,128	4,577
	Trade and other receivables	-	131,123	-	131,123
	Cash and cash equivalent	-	64,804	-	64,804
	<i>Total financial assets at amortized cost</i>	<i>1,128</i>	<i>200,504</i>	<i>1,128</i>	<i>200,504</i>
	Financial assets at FVOCI				
	Other financial assets	1,354	-	1,354	-
	<i>Total financial assets at FVOCI</i>	<i>1,354</i>	<i>-</i>	<i>1,354</i>	<i>-</i>
	Financial assets at FVtPL				
	Other financial assets	10,564	675	10,564	675
	<i>Total financial assets at FVtPL</i>	<i>10,564</i>	<i>675</i>	<i>10,564</i>	<i>675</i>
Total financial assets		13,046	201,179	13,046	201,179
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1,550	1,928	1,550	1,928
	Lease liabilities	20,283	2,373	20,283	2,373
	Trade and other payables	-	107,559	-	107,559
	Interest-bearing loans and borrowings	76,500	188,644	76,500	188,644
	<i>Total financial liabilities at amortized cost</i>	<i>98,333</i>	<i>300,504</i>	<i>98,333</i>	<i>300,504</i>
	Financial liabilities at FVOCI				
	Interest rate swaps	1,278	351	1,278	351
	<i>Total financial liabilities at FVOCI</i>	<i>1,278</i>	<i>351</i>	<i>1,278</i>	<i>351</i>
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	1,277	-	1,277
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>1,277</i>	<i>-</i>	<i>1,277</i>
Total financial liabilities		99,611	302,132	99,611	302,132

As of December 31, 2018

		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	911	4,223	911	4,223
	Trade and other receivables	-	115,969	-	115,969
	Cash and cash equivalent	-	63,306	-	63,306
	Total financial assets at amortized cost	911	183,498	911	183,498
	Financial assets at FVOCI				
	Other financial assets	1,354	-	1,354	-
	Interest rate swaps	1	69	1	69
	Total financial assets at FVOCI	1,355	69	1,355	69
	Financial assets at FVtPL				
	Forward exchange contracts	-	4	-	4
	Other financial assets	8,863	1,710	8,863	1,710
	Total financial assets at FVtPL	8,863	1,714	8,863	1,714
Total financial assets		11,129	185,281	11,129	185,281
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	3,361	1,933	3,361	1,933
	Trade and other payables	-	100,529	-	100,529
	Interest-bearing loans and borrowings	17,180	267,930	17,180	267,930
	Total financial liabilities at amortized cost	20,541	370,392	20,541	370,392
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	45	-	45
Total financial liabilities at FVtPL		-	45	-	45
Total financial liabilities		20,541	370,437	20,541	370,437

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 (refer to note 22.1).

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 September 30, 2019 and December 31, 2018, the Group held the following financial instruments carried at fair value on the statement of financial position:

		September 30, 2019	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Debt instruments				
	Exchange traded fund at FVtPL	675	675	-	-
	<i>Total</i>	675	675	-	-
	Equity instruments				
	Equity instruments at FVOCI	1,354	-	-	1,354
	<i>Total</i>	1,354	-	-	1,354
Total		2,029	675	-	1,354
Financial liabilities	Derivatives				
	Forward exchange contracts	1,277	-	1,277	-
	Interest Rate Swaps	1,629	-	1,629	-
	<i>Total</i>	2,906	-	2,906	-
Total		2,906	-	2,906	-

		December 31, 2018	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	4	-	4	-
	Interest Rate Swaps	70	-	70	-
	<i>Total</i>	74	-	74	-
	Debt instruments				
	Exchange traded fund at FVtPL	630	630	-	-
	<i>Total</i>	630	630	-	-
	Equity instruments				
	Equity instruments at FVOCI	1,354	-	-	1,354
	<i>Total</i>	1,354	-	-	1,354
Total		2,058	630	74	1,354
Financial liabilities	Derivatives				
	Forward exchange contracts	45	-	45	-
	<i>Total</i>	45	-	45	-
Total		45	-	45	-

During the reporting periods ended September 30, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair value is disclosed the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalents.

23. Related party disclosures

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 nine months ended September 30,	
		2019	2018
Related party	Description	Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Finance income	-	542
Maurizio Butti (refer to note 23.3 for further details)	Finance income	2	1
Songwon Moolsan Co., Ltd.	Selling and administration costs	-49	-41
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	-	10
	Cost of sales	-11,050	-11,212
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	Sales	-	5,761
	Cost of sales	-	-138
	Selling and administration costs	-	-332
	Other income	-	11
	Finance income	-	43
Total	Sales	-	5,771
	Cost of sales	-11,050	-11,350
	Selling and administration costs	-49	-373
	Other income	-	11
	Finance income	2	586

*refer to note 4.2 for further details

		As of	
		September 30, 2019	December 31, 2018
Related party	Description	Million KRW	Million KRW
Maurizio Butti (refer to note 23.3 for further details)	Trade and other receivables	-	2
	Other current financial assets	-	1,346
Songwon Moolsan Co., Ltd.	Other non-current financial assets	24	24
	Trade and other payables	5	5
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other payables	1,169	1,148
Total	Other non-current financial assets	24	24
	Trade and other receivables	-	2
	Other current financial assets	-	1,346
	Trade and other payables	1,174	1,153

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 at the year-end 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 and nine months ended September 30, 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2018: 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

In the first quarter of 2019, the former Chief Executive Officer of the Group, Maurizio Butti fully repaid his loan of in total 1,346 Million KRW (1,185 Thousand CHF). During the second quarter of 2019, the Group granted a loan of 1,358 Million KRW (1,195 Thousand CHF) to the former Chief Executive Officer of the Group, Maurizio Butti under normal market conditions (accumulated interest 2019 of 2 Million KRW). In September 2019, the Board of Directors of SONGWON Industrial Group announced the unexpected death of the former Chief Executive Officer of the Group, Maurizio Butti. Accordingly, the loan granted during the second quarter of 2019 was reclassified from non-current and current interest-bearing loans granted to related parties to current interest-bearing loans granted to third parties. The respective loan was set off against accrued employment claim of Maurizio Butti in October 2019.

23.4. Compensation of key management personnel of the Group

Description	For the nine months ended	
	September 30,	
	2019	2018
	Million KRW	Million KRW
Short-term employee benefits	12,514	9,800
Post-employment benefits	607	591
Other long-term benefits	1,822	1,098
Share based payments	107	-22
Total compensation paid to key management personnel	15,050	11,467

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 September 30, 2019 are as follows:

Description	As of
	September 30, 2019
	Million KRW
Short-term lease commitments	
Within one year	-44
<i>Total short-term lease commitments</i>	-44
Low-value lease commitments	
Within one year	-83
After one year but not more than five years	-17
<i>Total low-value lease commitments</i>	-100
Total	-144

24.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of fixed assets and intangible assets as well as investment properties and promotion properties. As of September 30, 2019, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 3,290 Million KRW (December 31, 2018: 2,815 Million KRW).

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

One check and one promissory note which the Group received from KEB Hana Bank, are outstanding as of September 30, 2019 due to the bankruptcy declared by the issuers of the check.

Details of the Group's available short-term credit line facilities (excluding general loans) as of September 30, 2019 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	21,000	6,385	14,615
D/A and D/P	Thousand USD	112,400	67,312	45,088
	Million KRW	32,000	6,645	25,355
Trade loans	Million KRW	15,000	-	15,000
Secured loan of credit sales	Million KRW	9,000	3,067	5,933
Other foreign currency guarantees	Thousand USD	17,020	6,538	10,482
	Total Million KRW	56,000	9,712	46,288
	Total Thousand USD	150,420	80,235	70,185

25. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of September 30, 2019 and December 31, 2018, expressed in the maximum pledge amount are as follows:

			September 30, 2019	December 31, 2018
Pledged to	Pledged assets			
<i>Property, plant and equipment</i>				
<i>(Joint collateral in connection with long-term loan)</i>				
Busan Bank	Land, buildings and machinery	MKRW	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	MKRW	18,000	18,000
Woori Bank	Land, buildings and machinery	MKRW	120,000	120,000
KEB Hana Bank	Land, buildings and machinery	MKRW	60,000	60,000
Korea Development Bank	Land, buildings and machinery	MKRW	57,000	57,000
<i>Property, plant and equipment</i>				
<i>(Collateral for other than long-term loan)</i>				
Busan Bank	Land, buildings and machinery	TUSD	24,000	24,000
Total			285,000	285,000
			24,000	24,000

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of September 30, 2019 (December 31, 2018: none).

The Group has received payment guarantees amounting to 205,428 Million KRW and 32,076 Thousand USD provided by Jongho Park, the Chairman of the Board of Directors of the Group, in connection with the Group's borrowings from banks as of September 30, 2019.

The bank deposits pledged as collateral as of September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Description		
Bank deposits – current (in Thousand USD)	2,052	2,049

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, instruments and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of September 30, 2019 and 2018 as well as December 31, 2018.

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
September 30, 2019	1.00	-844
	-1.00	844
September 30, 2018	1.00	-832
	-1.00	832

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 Dollars (USD), Euro (EUR), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), United Arab Emirates Dirham (AED) and to 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 Dollars (USD), Euro (EUR), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), United Arab Emirates Dirham (AED) and to Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments. 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 but only the foreign exchange rate changes by 10%, the impacts on net profit for the period ended on September 30, 2019 and December 31, 2018 are as follows:

Currency	September 30, 2019		December 31, 2018	
	10%increase	10%decrease	10%increase	10%decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	1,073	-1,073	1,472	-1,472
EUR	334	-334	516	-516
JPY	35	-35	-44	44
CNY	2	-2	-38	38
CHF	453	-453	235	-235
AED	-151	151	-79	79
INR	1,035	-1,035	986	-986
Total	2,781	-2,781	3,048	-3,048

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 (issued loans).

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 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. 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 in response to expansion of the business.

The details of maturity profile of the Group's financial liabilities and lease liabilities based on contractual undiscounted payments as of September 30, 2019 and December 31, 2018 are as follows:

As of September 30, 2019	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	8,249	57,221	123,174	76,500	-	265,144
Trade and other payables	81,793	12,799	12,967	-	-	107,559
Lease liabilities	281	554	2,305	8,687	17,193	29,020
Other financial liabilities	317	19	1,592	1,550	-	3,478
Total	90,640	70,593	140,038	86,737	17,193	405,201

As of December 31, 2018	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	24,177	53,213	190,540	17,180	-	285,110
Trade and other payables	73,461	22,813	4,255	-	-	100,529
Other financial liabilities	425	1,496	12	3,361	-	5,294
Total	98,063	77,522	194,807	20,541	-	390,933

26.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statement 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 September 30, 2019 and December 31, 2018 is 111% and 112%, 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 consolidated statements of cash flows are equal to those in the consolidated statements of financial position.

The Group's 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 nine months ended September 30, 2019 and 2018 are as follows:

		For the nine months ended	
		September 30,	
		2019	2018
Adjustments	Notes	Million KRW	Million KRW
Depreciation of property, plant and equipment	7	22,718	21,966
Depreciation of right-of-use assets	8	2,127	-
Depreciation of investment properties		12	15
Amortization of intangible assets	9	3,109	3,199
Impairment of intangible assets		88	-
Impairment of non-current financial assets		5	4
Losses / (gains) on disposals of property, plant and equipment, net		408	-18
Share of result from investments accounted using the equity method	5	-749	-1,096
Financial income		-10,105	-7,422
Financial expenses		12,911	6,704
Income tax expenses	17	13,440	7,463
Total		43,964	30,815
Changes in operating assets and liabilities			
Trade receivables		-7,990	-679
Other receivables		-1,076	2,201
Other current assets		-5,382	-5,256
Other current financial assets		88	-680
Inventories		-11,350	-43,564
Trade payables		6,474	12,254
Other payables		-3,124	-327
Other current financial liabilities		306	466
Other current liabilities		5,489	5,111
Pension liabilities		4,658	4,414
Other long-term employment benefits		316	312
Total		-11,591	-25,748

28. Events after the reporting period

No significant events occurred during the period from the interim condensed consolidated statement of financial position date up to the date upon which the interim condensed consolidated financial statements were issued.



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Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors Songwon Industrial Co., Ltd. And it's 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 September 30, 2019, 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 and nine-month periods ended September 30, 2019 and 2018, and 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 (K-IFRS) 1034 *Interim Financial Reporting* and for such internal control as management determines is necessary to enable the preparation of the 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 standard 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 auditing standards generally accepted in the Republic of Korea. Consequently, it 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.

**Other matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2018, and the related consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea, and our report dated February 25, 2019 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2018, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.



November 8, 2019

This review report is effective as of November 8, 2019, 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.

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