



FINANCIAL RESULTS
Q2 & 6 MONTHS
ENDED JUNE 30, **2021**

It's all about **the chemistry™**

About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 7 to 54) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the three and six months ended June 30, 2021 as well as the three and six months ended June 30, 2020.

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

The interim condensed consolidated financial statements for the three and six months ended June 30, 2021 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2020 can be found on our website www.songwon.com.

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

Forward-looking statements & information

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

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

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SECTION 1:

Business Development

Key financial data

	Q2 2021			Q2 2020			2021			2020		
	Million KRW			Million KRW			Million KRW			Million KRW		
			Δ%			Δ%			Δ%			Δ%
Sales	232,091	198,145	17.1%	454,578	408,688	11.2%						
Gross profit	52,108	41,768	24.8%	100,225	83,310	20.3%						
<i>Gross profit margin</i>	22.5%	21.1%		22.0%	20.4%							
Operating profit	21,737	16,164	34.5%	39,080	34,233	14.2%						
EBITDA	30,210	24,710	22.3%	56,341	51,700	9.0%						
<i>EBITDA margin</i>	13.0%	12.5%		12.4%	12.7%							
EBIT	22,048	16,043	37.4%	35,322	34,493	2.4%						
<i>EBIT margin</i>	9.5%	8.1%		7.8%	8.4%							
Profit for the period	14,973	5,422	176.2%	24,137	16,604	45.4%						
Total assets				959,841	924,573	3.8%						
Total equity				480,961	449,287	7.0%						
<i>Equity ratio</i>				50.1%	48.6%							
Headcounts				1,037	1,084	-4.3%						

Sales development

Divisions*

	For the three months ended June 30,											
	2021			2020			2021			2020		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	Industrial Chemicals			Performance Chemicals								
Sales	175,711	152,636	15.1%	56,380	45,509	23.9%	232,091	198,145	17.1%			

	For the six months ended June 30,											
	2021			2020			2021			2020		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	Industrial Chemicals			Performance Chemicals								
Sales	339,698	315,138	7.8%	114,880	93,550	22.8%	454,578	408,688	11.2%			

*refer to note 2.2 for further details

Regions

	For the six months ended June 30,											
	Q2 2021			Q2 2020			2021			2020		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Korea	50,112	34,785	44.1%	100,335	78,856	27.2%						
Rest of Asia	64,684	54,898	17.8%	128,821	111,789	15.2%						
Europe	55,902	43,858	27.5%	108,929	94,208	15.6%						
North and South America	48,225	48,019	0.4%	93,196	91,978	1.3%						
Australia	1,005	607	65.6%	1,801	1,210	48.8%						
Middle East and Africa	12,163	15,978	-23.9%	21,496	30,647	-29.9%						
Total sales	232,091	198,145	17.1%	454,578	408,688	11.2%						

Business development

During the 2nd quarter of 2021 ending June 30, 2021, Songwon Industrial Group achieved consolidated sales of 232,091 Million KRW and a net profit of 14,973 Million KRW marking a 17.1% increase in revenue when compared to the same quarter in the previous year. For the six months ended June 30, 2021, the Group achieved sales of 454,578 Million KRW (YTD June 2020: 408,688 Million KRW) and recorded a net profit of 24,137 Million KRW amounting to a 45.4% increase over the same period in the previous year (YTD June 2020: 16,604 Million KRW). The Group's gross profit margin for the quarter is 22.5% and 22.0% for the first six months of 2021 which reflects an increase of 1.4%-points and 1.6%-points over the prior year comparable period.

After a solid start to 2021 amid the backdrop of the ongoing COVID-19 pandemic, SONGWON's divisions continued to benefit from steadily increasing demand throughout the 2nd quarter of the year. Compared to Q2/2020, Division Industrial Chemicals recorded a 15.1% increase in sales in Q2/2021 amounting to 175,711 Million KRW, and an increase of 7.8% in sales in the first six months of 2021 (339,698 Million KRW) over the previous year (YTD June 2020: 315,138 Million KRW). For Division Performance Chemicals, Q2/2021 was also strong. The Division achieved a 23.9% increase in sales (56,380 Million KRW) over the prior year comparable quarter (45,509 Million KRW) and an increase in sales of 22.8% in the first six months, totalling 114,880 Million KRW compared with the same reporting period in 2020 (YTD June 2020: 93,550 Million KRW).

High demand worldwide combined with the tight availability of certain chemical products supported Division Industrial Chemicals' strong sales performance during Q2/2021. Throughout the 2nd quarter of 2021, market and customer demand was particularly high for SONGWON's Fuel and Lubricant Additives products driven by the recovery in the lubricants market. Furthermore, the good result was enhanced by Force Majeure events affecting competitors which led to additional requests from existing and new customers. In line with the expected seasonality, the overall positive trend in the coatings industry was confirmed and Q2/2021 was a very strong quarter. In addition, several Force Majeure events in late Q1/2021 generated a subsequent increase in demand for some coatings products. SONGWON's early and effective implementation of necessary price increases to offset the higher raw material costs and steep rises in freight shipping rates also positively influenced Division Industrial Chemicals performance and revenues.

In Q2/2021, the strong global demand also benefitted Division Performance Chemicals. For Tin Intermediates, turnover increased on the back of the previously implemented price increases which led to higher revenues. Throughout the quarter, demand for Tin Intermediates products exceeded the availability even though SONGWON's plants were running at full capacities. For PVC, margins remained similar to those in Q1/2021 due to price increases for tin stabilizers. The growth seen in previous quarters was hemmed by a weaker PVC market in Korea as well as COVID-19 restrictions which limited opportunities for new business. Compared to Q1/2021, the revenues in Q2/2021 slightly decreased from 58,500 Million KRW to 56,380 Million KRW. In June, a rebound in demand was observed as certain raw material prices began to decrease.

Outlook

Based on the solid results in the 1st and 2nd quarters of 2021, and as the global economy recovers from the effects of the COVID-19 pandemic, SONGWON considers the outlook for the coming quarter to be stable and demand to remain strong. However, positive growth and a return to normality will still be highly dependent on low infection case rates, global vaccination progress and easing of restrictions. Moving into Q3/2021, SONGWON anticipates continued upswings in demand especially in regions and industries which have fallen behind expectations. At the same time, SONGWON sees the negative impact that the global pandemic has inflicted on logistics and shipping as ongoing. In response, SONGWON will focus on alternative options for securing required vessel shipment slots and ensuring customers' needs are met while keeping supply disruption to a minimum. Going forward, SONGWON is confident that it remains on track for delivering on its plans for the remainder of 2021. The organization will continue to keep a close eye on developments while seeking to capitalize on opportunities for expanding the business.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim condensed consolidated statements of financial position (unaudited)

	Notes	As of	
		June 30, 2021	December 31, 2020
		Million KRW	Million KRW
ASSETS			
Non-current assets		473,196	478,975
Property, plant and equipment	6.3.2, 7, 26	418,263	426,212
Right-of-use assets	6.3.2, 8	16,863	19,757
Investment properties	6.3.2, 26	3,474	3,483
Intangible assets	6.3.2, 9	8,241	7,757
Investments accounted for using the equity method	4	5,780	5,912
Other non-current assets		160	245
Other non-current financial assets	13, 23, 24	13,323	9,889
Deferred tax assets		7,092	5,720
Current assets		486,645	412,167
Inventories	10	252,951	192,057
Trade and other receivables	11, 23, 24	157,050	133,691
Income tax receivables		54	446
Other current assets		17,375	9,172
Other current financial assets	13, 21, 23	1,552	4,017
Cash and cash equivalents	12, 23	57,663	72,784
Total assets		959,841	891,142
EQUITY AND LIABILITIES			
Equity		480,961	463,497
<i>Non-controlling interests</i>	1.1, 5	-	4,788
<i>Equity attributable to owners of the parent</i>		480,961	458,709
Issued capital		12,000	12,000
Capital surplus		20,482	22,359
Reserves	14.1	28,623	28,335
Retained earnings	14.1	426,805	405,105
Other components of equity	14.2	-6,949	-9,090
Non-current liabilities		130,578	134,523
Interest-bearing loans and borrowings	15, 23, 26, 27.3	53,810	59,647
Pension liability		17,714	13,865
Other long-term employee-related liabilities		8,056	7,431
Non-current lease liabilities	8, 23, 27.3	14,724	16,143
Other non-current financial liabilities	20, 21, 23, 27.3	210	940
Other non-current liabilities		436	446
Deferred tax liabilities		35,628	36,051
Current liabilities		348,302	293,122
Interest-bearing loans and borrowings	15, 23, 25, 26, 27.3	188,393	158,940
Trade and other payables	16, 23, 24, 27.3	135,817	114,614
Current lease liabilities	8, 23, 27.3	2,205	2,429
Other current financial liabilities	20, 21, 23, 27.3	850	2,521
Other current liabilities	22	6,497	3,064
Income tax payable		14,540	11,554
Total liabilities		478,880	427,645
Total equity and liabilities		959,841	891,142

Interim condensed consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	June 30, 2021	December 31, 2020
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	418,296	423,405
Property, plant and equipment	369,737	376,763
Right-of-use assets	14,907	17,465
Investment properties	3,071	3,079
Intangible assets	7,285	6,857
Investments accounted for using the equity method	5,109	5,226
Other non-current assets	141	217
Other non-current financial assets	11,777	8,742
Deferred tax assets	6,269	5,056
Current assets	430,185	364,348
Inventories	223,604	169,775
Trade and other receivables	138,829	118,180
Income tax receivables	48	394
Other current assets	15,359	8,108
Other current financial assets	1,372	3,551
Cash and cash equivalents	50,973	64,340
Total assets	848,481	787,753
EQUITY AND LIABILITIES		
Equity	425,161	409,723
<i>Non-controlling interests</i>	-	4,233
<i>Equity attributable to owners of the parent</i>	425,161	405,490
Issued capital	10,608	10,608
Capital surplus	18,106	19,765
Reserves	25,302	25,047
Retained earnings	377,288	358,105
Other components of equity	-6,143	-8,035
Non-current liabilities	115,428	118,914
Interest-bearing loans and borrowings	47,567	52,727
Pension liability	15,659	12,256
Other long-term employee-related liabilities	7,121	6,569
Non-current lease liabilities	13,016	14,270
Other non-current financial liabilities	186	831
Other non-current liabilities	385	393
Deferred tax liabilities	31,494	31,868
Current liabilities	307,892	259,116
Interest-bearing loans and borrowings	166,536	140,500
Trade and other payables	120,060	101,317
Current lease liabilities	1,949	2,147
Other current financial liabilities	751	2,229
Other current liabilities	5,743	2,709
Income tax payable	12,853	10,214
Total liabilities	423,320	378,030
Total equity and liabilities	848,481	787,753

Interim condensed consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended	
		2021	2020
		Million KRW	Million KRW
Sales	6, 24	232,091	198,145
Cost of sales	24	-179,983	-156,377
Gross profit		52,108	41,768
Selling and administration costs	17.1, 24	-30,371	-25,604
Operating profit		21,737	16,164
Other income		969	314
Other expenses	5, 7, 8, 10	-658	-435
Share of result from investments accounted for using the equity method	4	202	332
Finance income	17.2	4,114	2,512
Finance expenses	17.3	-5,245	-3,403
Profit before tax		21,119	15,484
Income tax expenses	18	-6,146	-10,062
Profit for the period		14,973	5,422
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-1,720	-2,357
Gains / (losses) on valuation of interest rate swaps		265	-186
Exchange differences on translation of foreign operations		-1,985	-2,171
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-183	-376
Re-measurement losses on defined benefit plans		-183	-376
Total other comprehensive income, net of taxes		-1,903	-2,733
Total comprehensive income		13,070	2,689
Profit for the period attributable to:			
Owners of the parent	19	15,200	5,097
Non-controlling interests		-227	325
Profit for the period		14,973	5,422
Total comprehensive income attributable to:			
Owners of the parent		13,398	2,456
Non-controlling interests		-328	233
Total comprehensive income		13,070	2,689
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	19	633	212

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the three months ended June 30, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Sales	205,164	175,157
Cost of sales	-159,101	-138,235
Gross profit	46,063	36,922
Selling and administration costs	-26,848	-22,634
Operating profit	19,215	14,288
Other income	857	278
Other expenses	-583	-385
Share of result from investments accounted for using the equity method	179	293
Finance income	3,637	2,221
Finance expenses	-4,636	-3,008
Profit before tax	18,669	13,687
Income tax expenses	-5,433	-8,894
Profit for the period	13,236	4,793
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-1,521	-2,083
Gains / (losses) on valuation of interest rate swaps	234	-164
Exchange differences on translation of foreign operations	-1,755	-1,919
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-162	-332
Re-measurement losses on defined benefit plans	-162	-332
Total other comprehensive income, net of taxes	-1,683	-2,415
Total comprehensive income	11,553	2,378
Profit for the period attributable to:		
Owners of the parent	13,437	4,506
Non-controlling interests	-201	287
Profit for the period	13,236	4,793
Total comprehensive income attributable to:		
Owners of the parent	11,843	2,172
Non-controlling interests	-290	206
Total comprehensive income	11,553	2,378
Earnings per share		
	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.56	0.19

Interim condensed consolidated statements of comprehensive income (unaudited)

	Notes	For the six months ended June 30,	
		2021 Million KRW	2020 Million KRW
Sales	6, 24	454,578	408,688
Cost of sales	24	-354,353	-325,378
Gross profit		100,225	83,310
Selling and administration costs	17.1, 24	-61,145	-49,077
Operating profit		39,080	34,233
Other income		1,710	1,188
Other expenses	5, 7, 8, 10	-5,468	-928
Share of result from investments accounted for using the equity method	4	429	537
Finance income	17.2	12,335	13,640
Finance expenses	17.3	-13,676	-18,469
Profit before tax		34,410	30,201
Income tax expenses	18	-10,273	-13,597
Profit for the period		24,137	16,604
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		2,245	2,197
Gains / (losses) on valuation of interest rate swaps		672	-546
Exchange differences on translation of foreign operations		1,573	2,743
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-333	-555
Re-measurement losses on defined benefit plans		-333	-555
Total other comprehensive income, net of taxes		1,912	1,642
Total comprehensive income		26,049	18,246
Profit for the period attributable to:			
Owners of the parent	19	25,201	16,123
Non-controlling interests		-1,064	481
Profit for the period		24,137	16,604
Total comprehensive income attributable to:			
Owners of the parent		27,009	17,641
Non-controlling interests		-960	605
Total comprehensive income		26,049	18,246
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	19	1,050	672

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the six months ended June 30, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Sales	401,839	361,273
Cost of sales	-313,242	-287,628
Gross profit	88,597	73,645
Selling and administration costs	-54,051	-43,384
Operating profit	34,546	30,261
Other income	1,512	1,050
Other expenses	-4,835	-821
Share of result from investments accounted for using the equity method	379	475
Finance income	10,904	12,058
Finance expenses	-12,089	-16,327
Profit before tax	30,417	26,696
Income tax expenses	-9,081	-12,019
Profit for the period	21,336	14,677
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	1,984	1,942
Gains / (losses) on valuation of interest rate swaps	593	-483
Exchange differences on translation of foreign operations	1,391	2,425
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-294	-491
Re-measurement losses on defined benefit plans	-294	-491
Total other comprehensive income, net of taxes	1,690	1,451
Total comprehensive income	23,026	16,128
Profit for the period attributable to:		
Owners of the parent	22,277	14,252
Non-controlling interests	-941	425
Profit for the period	21,336	14,677
Total comprehensive income attributable to:		
Owners of the parent	23,875	15,594
Non-controlling interests	-849	534
Total comprehensive income	23,026	16,128
Earnings per share		
	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.93	0.59

Interim condensed consolidated statements of changes in equity (unaudited)

	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total	Non-controlling interests	Total equity
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As of January 1, 2020	12,000	22,359	27,975	371,805	-997	-44	-2,443	430,655	3,986	434,641
Profit for the period	-	-	-	16,123	-	-	-	16,123	481	16,604
Other comprehensive income	-	-	-	-555	-546	-	2,619	1,518	124	1,642
Total comprehensive income	-	-	-	15,568	-546	-	2,619	17,641	605	18,246
Dividends	-	-	-	-3,600	-	-	-	-3,600	-	-3,600
Appropriation to reserves	-	-	360	-360	-	-	-	-	-	-
As of June 30, 2020	12,000	22,359	28,335	383,413	-1,543	-44	176	444,696	4,591	449,287
As of January 1, 2021	12,000	22,359	28,335	405,105	-1,207	-362	-7,521	458,709	4,788	463,497
Profit for the period	-	-	-	25,201	-	-	-	25,201	-1,064	24,137
Other comprehensive income	-	-	-	-333	672	-	1,469	1,808	104	1,912
Total comprehensive income	-	-	-	24,868	672	-	1,469	27,009	-960	26,049
Dividends	-	-	-	-2,880	-	-	-	-2,880	-	-2,880
Appropriation to reserves	-	-	288	-288	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,877	-	-	-	-	-	-1,877	-1,230	-3,107
Change in non-controlling interest due to the disposal of a subsidiary*	-	-	-	-	-	-	-	-	-2,598	-2,598
As of June 30, 2021	12,000	20,482	28,623	426,805	-535	-362	-6,052	480,961	-	480,961

*refer to note 5. for further details

Interim condensed consolidated statements of changes in equity (unaudited)

	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total	Non-controlling interests	Total equity
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
As of January 1, 2020	10,608	19,765	24,729	328,669	-882	-39	-2,158	380,692	3,523	384,215
Profit for the period	-	-	-	14,252	-	-	-	14,252	425	14,677
Other comprehensive income	-	-	-	-491	-483	-	2,315	1,341	110	1,451
Total comprehensive income	-	-	-	13,761	-483	-	2,315	15,593	535	16,128
Dividends	-	-	-	-3,183	-	-	-	-3,183	-	-3,183
Appropriation to reserves	-	-	318	-318	-	-	-	-	-	-
As of June 30, 2020	10,608	19,765	25,047	338,929	-1,365	-39	157	393,102	4,058	397,160
As of January 1, 2021	10,608	19,765	25,047	358,105	-1,067	-320	-6,648	405,490	4,233	409,723
Profit for the period	-	-	-	22,277	-	-	-	22,277	-941	21,336
Other comprehensive income	-	-	-	-294	593	-	1,299	1,598	92	1,690
Total comprehensive income	-	-	-	21,983	593	-	1,299	23,875	-849	23,026
Dividends	-	-	-	-2,545	-	-	-	-2,545	-	-2,545
Appropriation to reserves	-	-	255	-255	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,659	-	-	-	-	-	-1,659	-1,087	-2,746
Change in non-controlling interest due to the disposal of a subsidiary*	-	-	-	-	-	-	-	-	-2,297	-2,297
As of June 30, 2021	10,608	18,106	25,302	377,288	-474	-320	-5,349	425,161	-	425,161

*refer to note 5. for further details

Interim condensed consolidated statements of cash flows (unaudited)

	Notes	For the six months ended June 30,	
		2021 Million KRW	2020 Million KRW
Profit for the period		24,137	16,604
Total adjustments	28	32,803	31,618
Changes in operating assets and liabilities	28	-70,301	-7,132
Interest received		137	128
Payments of income tax		-8,965	-13,588
Net cash flow from operating activities		-22,189	27,630
Proceeds from sale of property, plant and equipment	7	32	111
Purchases of property, plant and equipment	7	-9,427	-11,853
Purchases of intangible assets	9	-699	-239
Dividends received from investments using equity method	4	519	519
Disposal of a subsidiary, net of cash disposed	5	5,584	-
Increase in other financial assets, net		-859	-3,221
Net cash flow from investing activities		-4,850	-14,683
Proceeds from borrowings		259,310	239,765
Repayments of borrowings		-235,726	-236,330
Payment of lease liabilities	8	-1,808	-1,815
Decrease in other financial liabilities, net		-1,250	-1,851
Interest paid		-2,658	-3,206
Acquisition of additional interest in a subsidiary	1.1	-3,107	-
Dividends paid	14	-2,880	-3,600
Net cash flow from financing activities		11,881	-7,037
(Decrease) / increase in cash and cash equivalents		-15,158	5,910
Net foreign exchange differences		37	1,735
Cash and cash equivalents as of January 1	12	72,784	63,132
Cash and cash equivalents as of June 30	12	57,663	70,777

Interim condensed consolidated statements of cash flows (unaudited)

	For the six months ended June 30, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Profit for the period	21,336	14,677
Total adjustments	28,997	27,950
Changes in operating assets and liabilities	-62,145	-6,305
Interest received	121	113
Payments of income tax	-7,925	-12,012
Net cash flow from operating activities	-19,616	24,423
Proceeds from sale of property, plant and equipment	28	98
Purchases of property, plant and equipment	-8,333	-10,478
Purchases of intangible assets	-618	-211
Dividends received from investments using equity method	459	459
Disposal of a subsidiary, net of cash disposed	4,936	-
Increase in other financial assets, net	-759	-2,847
Net cash flow from investing activities	-4,287	-12,979
Proceeds from borrowings	229,225	211,948
Repayments of borrowings	-208,377	-208,911
Payment of lease liabilities	-1,598	-1,604
Decrease in other financial liabilities, net	-1,105	-1,636
Interest paid	-2,350	-2,834
Acquisition of additional interest in a subsidiary	-2,747	-
Dividends paid	-2,546	-3,182
Net cash flow from financing activities	10,502	-6,219
(Decrease) / increase in cash and cash equivalents	-13,401	5,225
Net foreign exchange differences	34	1,535
Cash and cash equivalents as of January 1	64,340	55,808
Cash and cash equivalents as of June 30	50,973	62,567

Notes to the interim condensed consolidated financial statements

1. Corporate information

1.1. The Group

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

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

Scope of consolidation

As of June 30, 2021, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2020: 14 entities). Additionally, one entity is classified as a joint venture (2020: one entity) and accounted for using the equity method.

In the course of the first half of 2021, the following changes in the legal structure of the Group and in scope of consolidation took place:

- Establishment of a new distribution entity in China, Songwon International-Qingdao Co., Ltd. in April 2021.
- Sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co. Ltd. with the effective date as of April 30, 2021. As of this date, the Group’s control in Qingdao Long Fortune Songwon Chemical Co. Ltd. ceased and the entity was deconsolidated (refer to note 5. for further details).
- Acquisition of an additional 18.5% interest in Songwon Polysys Additives LLC with the effective date as of March 23, 2021. Therefore, the Group’s interest in Songwon Polysys Additives LLC, which had already been fully consolidated as of April 1, 2014, increased from 81.5% to 100% for a consideration of 2.75 Million USD (3,107 Million KRW).

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

Name	Location	June 30, 2021		December 31, 2020	
		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%
Songwon International-Qingdao Co., Ltd.	China	Subsidiary	100%	-	-
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	China		-	Subsidiary	72%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	100%	Subsidiary	81.5%
Entity accounted for using the equity method (joint venture)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

*refer to note 5. for further details

2. Basis of preparation

The interim condensed consolidated financial statements for the three and six months ended June 30, 2021 have been prepared in accordance with K-IFRS 1034 – *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*.

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

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

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

2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,131.25 to USD 1, the exchange rate in effect on June 30, 2021. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2. Changes in disclosure

In the 2nd quarter of 2021, a decision was made to change the structure of SONGWON's internal organization in a manner which has caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals. As a result of this reclassification, the segment information for the three and six months ended June 30, 2020 (comparable period), have been restated. For the three and six months ended June 30, 2020, the sales for Division Industrial Chemicals increased by 7,093 Million KRW and 13,576 Million KRW, respectively (Division Performance Chemicals: sales decreased by 7,093 Million KRW and 13,576 Million KRW, respectively). The Divisions' operating profit for the three and six months ended June 30, 2020, decreased by 992 Million KRW and 1,714 Million KRW, respectively (Division Performance Chemicals: operating profit increased by 992 Million KRW and 1,714 Million KRW, respectively). The changes in the disclosure have had no impact on the consolidated statements of financial position or the consolidated statements of comprehensive income.

3. Accounting policies

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

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

New and amended standards adopted by the Group

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

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

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

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

4. Investment accounted for using the equity method

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

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
December 31, 2020	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,247	11,538	10,334	2,267	2,499	82	106	19,267	5,780
June 30, 2021	2,247	11,538	10,334	2,267	2,499	82	106	19,267	5,780

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.	5,942	-36	1	-2	1,474	-369	1,105	-327	778
For the three months ended June 30, 2020	5,942	-36	1	-2	1,474	-369	1,105	-327	778
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,426	-39	9	-2	895	-224	671	-843	-172
For the three months ended June 30, 2021	6,426	-39	9	-2	895	-224	671	-843	-172

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.	10,832	-72	2	-4	2,387	-598	1,789	420	2,209
For the six months ended June 30, 2020	10,832	-72	2	-4	2,387	-598	1,789	420	2,209
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,729	-81	10	-3	1,906	-477	1,429	-140	1,289
For the six months ended June 30, 2021	13,729	-81	10	-3	1,906	-477	1,429	-140	1,289

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

	As of January 1, 2020	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of June 30, 2020
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,347	-519	537	126	5,491
Total	5,347	-519	537	126	5,491

	As of January 1, 2021	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of June 30, 2021
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-519	429	-42	5,780
Total	5,912	-519	429	-42	5,780

5. Sale of a subsidiary

The Group sold its 72% interest in Qingdao Long Fortune Songwon Chemical Co. Ltd. with the effective date as of April 30, 2021. Qingdao Long Fortune Songwon Chemical Co. Ltd. does not represent a separate major line of business or geographical area of operations and is therefore not reported as a discontinued operation within the interim condensed consolidated financial statements. The financial information for the period to the date of disposal is set out below.

5.1. Financial performance and cash flow information

The financial performance and cash flow information of Qingdao Long Fortune Songwon Chemical Co. Ltd. presented in the tables below are for the four months ended April 30, 2021, and the year ended December 31, 2020:

	YTD April 30, 2021	Financial year 2020
	Million KRW	Million KRW
Sales	13,482	30,091
Cost of sales	-11,691	-25,191
Gross profit	1,791	4,900
Selling and administration costs	-1,082	-2,656
Operating profit	709	2,244
Other income	194	591
Other expenses	-992	-48
Finance income	77	444
Finance expenses	-42	-249
(Loss) / profit before tax	-54	2,982
Income tax expenses	-125	-756
(Loss) / profit before tax	-179	2,226

	YTD April 30, 2021	Financial year 2020
	Million KRW	Million KRW
Net cash flow from operating activities	-2,066	1,729
Net cash flow from investing activities	49	-3
Net cash flow from financing activities	-138	-116
Net (decrease) / increase in cash generated by the subsidiary	-2,155	1,610

The net of cash disposed from the sale of 72% interest in Qingdao Long fortune Songwon Chemical Co. Ltd. with effective date as of April 30, 2021, is as follows:

	As of April 30, 2021
	Million KRW
Cash and cash equivalents of subsidiary	-1,524
Total consideration received from sale of subsidiary	7,108
Disposal of a subsidiary, net of cash disposed	5,584

5.2. Details on sale of subsidiary

The net impairment losses resulting from the sale of 72% interest in Qingdao Long fortune Songwon Chemical Co. Ltd. (SWDM-CN) of 2,378 Million KRW have been recognized as "Other expenses" within the interim condensed consolidated statements of comprehensive income for the six months ended June 30, 2021:

For the six months ended	
June 30, 2021	
	Million KRW
Impairment losses from revaluation of SWDM-CN as of March 31, 2021	-3,331
Reversal of 28% impairment losses allocated to non-controlling interests	953
Net impairment losses from sale of 72% interest in SWDM-CN	-2,378

The total consideration received from the sale of 72% interest in Qingdao Long fortune Songwon Chemical Co. Ltd. was derived as follows:

As of April 30,	
2021	
	Million KRW
Property, plant and equipment	70
Right-of-use assets	588
Inventories	928
Trade and other receivables	8,515
Cash and cash equivalents	1,521
Other non-current and current assets	201
<i>Total assets</i>	<i>11,823</i>
Non-current lease liabilities	-734
Trade and other payables	-907
Other non-current and current liabilities	-476
<i>Total Liabilities</i>	<i>-2,117</i>
Net assets of subsidiary	9,706
<i>Non-controlling interests of 28%</i>	<i>-2,598</i>
Total consideration received from sale of 72% interest	7,108

6. Segment information

The Group is organized into two main reporting segments “Industrial Chemicals” and “Performance Chemicals”. The segments are defined based on SONGWON’s product portfolio and its respective product families. In the second quarter of 2021, a decision was made to change the structure of SONGWON’s internal organization in a manner that caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals (refer to note 2.2 for further details):

- Industrial Chemicals**
 Industrial Chemicals operating segment mainly includes the product lines “Polymer Stabilizers”, “Fuel and Lubricant Additives” and “Coatings”.
- Performance Chemicals**
 Performance Chemicals operating segment mainly includes the product lines “Thermoplastic Polyurethanes / Solution Polyurethanes”, “Tin Intermediates / PVC Stabilizers and Plasticizers” and “Specialty Chemicals”.

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

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

6.1. Reported key figures

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

Description	For the three months ended					
	2021		2020		June 30,	
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	175,711	152,636	56,380	45,509	232,091	198,145
Operating profit	21,121	17,691	616	-1,527	21,737	16,164

Description	For the six months ended					
	2021		2020		June 30,	
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	339,698	315,138	114,880	93,550	454,578	408,688
Operating profit	38,132	35,494	948	-1,261	39,080	34,233

6.2. Revenue from contracts with customers

Description	For the three months ended June 30,					
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	173,089	150,622	55,772	45,003	228,861	195,625
Sales of services	2,622	2,014	608	506	3,230	2,520
Total sales	175,711	152,636	56,380	45,509	232,091	198,145

Description	For the six months ended June 30,					
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	334,520	310,864	113,455	92,541	447,975	403,405
Sales of services	5,178	4,274	1,425	1,009	6,603	5,283
Total sales	339,698	315,138	114,880	93,550	454,578	408,688

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 into regions. Therefore, no other country's revenues are disclosed separately.

	For the three months ended June 30,	
	2021	2020
	Million KRW	Million KRW
Korea	50,112	34,785
Rest of Asia	64,684	54,898
Europe	55,902	43,858
North and South America	48,225	48,019
Australia	1,005	607
Middle East and Africa	12,163	15,978
Total sales	232,091	198,145

	For the six months ended	
	2021	June 30, 2020
	Million KRW	Million KRW
Korea	100,335	78,856
Rest of Asia	128,821	111,789
Europe	108,929	94,208
North and South America	93,196	91,978
Australia	1,801	1,210
Middle East and Africa	21,496	30,647
Total sales	454,578	408,688

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

	As of	
	June 30, 2021	December 31, 2020
	Million KRW	Million KRW
Korea	383,220	389,584
Rest of Asia	26,386	28,988
Europe	7,468	8,869
North and South America	10,975	11,193
Middle East and Africa	18,792	18,575
Total	446,841	457,209

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
Acquisition cost							
As of January 1, 2020	149,550	88,362	63,805	494,049	47,400	14,251	857,417
Additions	-	66	37	321	173	11,055	11,652
Disposals	-	-	-99	-1,116	-245	-	-1,460
Reclassifications	-	3,958	2,434	13,378	117	-19,887	-
Net exchange differences	-	418	-	453	116	45	1,032
As of June 30, 2020	149,550	92,804	66,177	507,085	47,561	5,464	868,641
As of January 1, 2021	149,550	91,280	65,989	489,289	46,278	10,640	853,026
Additions	-	1	49	507	115	7,440	8,112
Disposals	-	-	-68	-5,132	-1,285	-	-6,485
Reclassifications	150	349	1,080	6,389	177	-8,145	-
Disposal of a subsidiary*	-	-	-	-464	-75	-48	-587
Net exchange differences	-	730	-	1,040	148	29	1,947
As of June 30, 2021	149,700	92,360	67,050	491,629	45,358	9,916	856,013
Accumulated depreciation and impairment							
As of January 1, 2020	-	-25,585	-40,213	-315,033	-37,134	-	-417,965
Depreciation charge	-	-1,267	-1,500	-11,633	-1,197	-	-15,597
Disposals	-	-	99	1,064	157	-	1,320
Impairment	-	-	-	-49	-1	-	-50
Net exchange differences	-	-66	-	-288	-103	-	-457
As of June 30, 2020	-	-26,918	-41,614	-325,939	-38,278	-	-432,749
As of January 1, 2021	-	-27,904	-42,663	-318,670	-37,577	-	-426,814
Depreciation charge	-	-1,266	-1,506	-11,293	-1,153	-	-15,218
Disposals	-	-	60	4,017	1,252	-	5,329
Impairment	-	-	-	-931	-62	-49	-1,042
Disposal of a subsidiary*	-	-	-	395	74	48	517
Net exchange differences	-	-110	-	-318	-95	1	-522
As of June 30, 2021	-	-29,280	-44,109	-326,800	-37,561	-	-437,750
Net book value							
As of June 30, 2021	149,700	63,080	22,941	164,829	7,797	9,916	418,263
As of January 1, 2021	149,550	63,376	23,326	170,619	8,701	10,640	426,212
As of June 30, 2020	149,550	65,886	24,563	181,146	9,283	5,464	435,892

*refer to note 5. for further details

For the six months ended June 30, 2021, there were impairment losses of property, plant and equipment within Qingdao Long Fortune Songwon Chemical Co., Ltd., occurred during the ordinary course of business (828 Million KRW, not related to the COVID-19 pandemic) and impairment losses related to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. of 175 Million KRW totaling 1,003 Million KRW. Additional impairment losses of 39 Million KRW have been recognized within Songwon International-Americas Inc., occurred during the ordinary course of business and not related to the COVID-19 pandemic (six months ended June 30, 2020: impairment losses of fixed assets of 50 Million KRW within Songwon Specialty Chemicals-India Pvt. Ltd. occurred in the ordinary course of business).

Non-cash acquisition of property, plant and equipment during the six months ended June 30, 2021 decreased by 1,315 Million KRW (for the six months ended June 30, 2020: decrease of 201 Million KRW) and accounts payables relating to non-cash transactions amounted to 3,763 Million KRW as of June 30, 2021 (June 30, 2020: 3,193 Million KRW).

8. Right-of-use assets and leases

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost					
As of January 1, 2020	21,273	1,144	84	977	23,478
Additions	84	-	1,067	251	1,402
Disposals	-28	-	-	-180	-208
Modification of contract	307	588	29	-17	907
Net exchange differences	834	1	-44	42	833
As of June 30, 2020	22,470	1,733	1,136	1,073	26,412
As of January 1, 2021	21,174	1,525	1,103	1,014	24,816
Additions	44	-	-	86	130
Disposals	-	-	-	-27	-27
Modification of contract	-279	71	-	67	-141
Disposal of a subsidiary*	-2,293	-	-	-	-2,293
Net exchange differences	537	1	31	10	579
As of June 30, 2021	19,183	1,597	1,134	1,150	23,064
Accumulated depreciation and impairment					
As of January 1, 2020	-1,616	-658	-58	-346	-2,678
Depreciation charge	-884	-329	-73	-217	-1,503
Disposals	28	-	-	180	208
Modification of contract	-	-	-	19	19
Net exchange differences	-67	-	-1	-19	-87
As of June 30, 2020	-2,539	-987	-132	-383	-4,041
As of January 1, 2021	-3,216	-1,152	-195	-496	-5,059
Depreciation charge	-829	-289	-73	-170	-1,361
Disposals	-	-	-	27	27
Impairment	-1,454	-	-	-	-1,454
Disposal of a subsidiary*	1,705	-	-	-	1,705
Net exchange differences	-47	-	-7	-5	-59
As of June 30, 2021	-3,841	-1,441	-275	-644	-6,201
Net book value					
As of June 30, 2021	15,342	156	859	506	16,863
As of January 1, 2021	17,958	373	908	518	19,757
As of June 30, 2020	19,931	746	1,004	690	22,371

*refer to note 5. for further details

For the six months ended June 30, 2021, impairment losses of 1,454 Million KRW have been recognized in relation to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (for the six months ended June 30, 2020: no impairment). Further, the Group recognized rent expenses from short-term leases of 36 Million KRW (June 30, 2020: 148 Million KRW), leases of low-value assets of 41 Million KRW (June 30, 2020: 35 Million KRW) and variable lease payments of 216 Million KRW (June 30, 2020: 357 Million KRW) in the interim condensed consolidated statements of comprehensive income for the six months ended June 30, 2021.

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

Description	2021	2020
	Million KRW	Million KRW
As of January 1	18,572	19,523
Additions	130	1,402
Modifications	-141	907
Net exchange differences	-167	717
Accretion of interest	343	407
Payments	-1,808	-1,815
As of June 30	16,929	21,141

9. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2020	6,036	2,846	831	43,075	98	52,886
Additions	-	29	-	-	210	239
Disposals	-3	-61	-	-	-	-64
Reclassifications	129	-	-	-	-129	-
Net exchange differences	-	47	-	1,277	-	1,324
As of June 30, 2020	6,162	2,861	831	44,352	179	54,385
As of January 1, 2021	6,032	2,771	831	41,116	670	51,420
Additions	-	-	-	-	699	699
Reclassifications	14	-	-	-	-14	-
Net exchange differences	-	25	-	1,266	-	1,291
As of June 30, 2021	6,046	2,796	831	42,382	1,355	53,410
Accumulated amortization and impairment						
As of January 1, 2020	-2,687	-2,586	-	-32,983	-	-38,256
Amortization charge	-291	-60	-	-	-	-351
Disposals	3	61	-	-	-	64
Impairment	-22	-	-	-	-1	-23
Reclassifications	-1	-	-	-	1	-
Net exchange differences	-	-35	-	-1,129	-	-1,164
As of June 30, 2020	-2,998	-2,620	-	-34,112	-	-39,730
As of January 1, 2021	-3,103	-2,494	-	-38,066	-	-43,663
Amortization charge	-244	-52	-	-	-	-296
Net exchange differences	-	-24	-	-1,186	-	-1,210
As of June 30, 2021	-3,347	-2,570	-	-39,252	-	-45,169
Net book value						
As of June 30, 2021	2,699	226	831	3,130	1,355	8,241
As of January 1, 2021	2,929	277	831	3,050	670	7,757
As of June 30, 2020	3,164	241	831	10,240	179	14,655

Intangible assets with a definite useful life are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. During the six months ended June 30, 2021, the Group recognized no impairment loss on intangible assets (for the six months ended June 30, 2020: impairment loss on industrial rights of 23 Million KRW). Intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred during the six months ended June 30, 2021 and 2020.

10. Inventories

Description	June 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Raw materials and supplies	54,106	34,532
Work in progress	1,456	1,171
Finished and semi-finished goods	133,571	114,625
Goods in transit	61,434	39,758
Consignment stocks	2,384	1,971
Total inventories at the lower of cost and net realizable value	252,951	192,057

For the six months ended June 30, 2021, impairment losses of 749 Million KRW have been recognized in relation to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (for the six months ended June 30, 2020: no impairment recognized). As of June 30, 2021, inventory allowance balance amounted to 4,544 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2020: 3,991 Million KRW). The Group recognized inventory allowance expenses of 1,051 Million KRW during the six months ended June 30, 2021 (for the six months ended June 30, 2020: 851 Million KRW).

11. Trade and other receivables

Description	June 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Trade and notes receivables	156,025	133,057
Allowances for trade and notes receivables	-1,231	-1,249
Trade and notes receivables (related parties)	-	49
Other accounts receivables	2,251	1,827
Allowances for other accounts receivables	-30	-34
Accrued income	35	41
Total	157,050	133,691

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

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

	Total	Current	Days past due			
			≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
June 30, 2021	158,311	150,602	7,032	51	-	626
December 31, 2020	134,974	126,727	7,058	167	8	1,014

Refer to note 27.2 on credit risk of trade receivables, which describes how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

12. Cash and cash equivalents

Description	June 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Cash on hand	55	53
Bank accounts	54,423	69,627
Time deposits (< 3 months)	3,185	3,104
Total	57,663	72,784

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

13. Other financial assets

Description	June 30, 2021		December 31, 2020	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	303	406	420	1,913
Financial instruments at FVtPL	11,780	600	8,210	1,570
Derivative assets at FVtPL	-	36	-	33
Equity instruments at FVOCI	429	-	429	-
Guarantee and other deposits at amortized cost	778	510	806	501
Guarantee and other deposits at amortized cost (related parties)	33	-	24	-
Total	13,323	1,552	9,889	4,017

As of June 30, 2021 and December 31, 2020, financial instruments at amortized cost (bank deposit) include restricted cash of 7 Million KRW.

14. Equity

14.1. Reserves and dividends paid

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

14.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of June 30, 2021 and December 31, 2020, is composed of the following:

Description	June 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-26,790	-26,457
OCI recognized within retained earnings	-26,790	-26,457
Cash flow hedge reserve	-535	-1,207
Fair value reserve of financial assets at FVOCI	-362	-362
Foreign currency translation reserve	-6,052	-7,662
Share of foreign currency translation reserve associated with non-controlling interests	-	141
OCI recognized within other components of equity	-6,949	-9,090

15. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings as of June 30, 2021 and December 31, 2020, are as follows:

Description	June 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Long-term borrowings	53,810	59,647
Non-current interest-bearing loans and borrowings	53,810	59,647
Current portion of long-term borrowings	8,780	8,780
Short-term borrowings	179,613	150,160
Current interest-bearing loans and borrowings	188,393	158,940
Total	242,203	218,587

16. Trade and other payables

Description	June 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Trade payables	93,733	71,279
Trade payables (related parties)	1,872	917
Other accounts payables	19,933	19,542
Other accounts payables (related parties)	7	6
Withholdings	565	1,857
Accrued expenses	19,686	20,996
Guarantee deposits	21	17
Total	135,817	114,614

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

17. Operating profit and finance income / expenses

17.1. Selling and administration expenses

Description	For the three months ended June 30,	
	2021	2020
	Million KRW	Million KRW
Sales-related costs	-13,700	-6,255
Personnel expenses	-12,301	-14,276
Travelling and entertainment	-594	-530
Depreciation and amortization	-591	-666
Administration expenses	-2,034	-2,255
Others	-1,151	-1,622
Total	-30,371	-25,604

Description	For the six months ended June 30,	
	2021	2020
	Million KRW	Million KRW
Sales-related costs	-25,606	-13,324
Personnel expenses	-26,064	-25,057
Travelling and entertainment	-1,205	-1,739
Depreciation and amortization	-1,199	-1,350
Administration expenses	-4,359	-4,343
Others	-2,712	-3,264
Total	-61,145	-49,077

17.2. Finance income

Description	For the three months ended June 30,	
	2021	2020
	Million KRW	Million KRW
Gains on foreign exchange transactions	1,832	4,157
Gains on foreign exchange translations	1,830	-1,786
Gains on derivative transactions	354	93
Gains on valuation of derivatives	23	-
Interest on loans and receivables	75	48
Total finance income	4,114	2,512

Description	For the six months ended	
	2021	June 30, 2020
	Million KRW	Million KRW
Gains on foreign exchange transactions	7,412	9,709
Gains on foreign exchange translations	4,082	3,611
Gains on derivative transactions	673	209
Gains on valuation of derivatives	36	-
Interest on loans and receivables	132	111
Total finance income	12,335	13,640

17.3. Finance expenses

Description	For the three months ended	
	2021	June 30, 2020
	Million KRW	Million KRW
Interest on borrowings	-1,503	-1,693
Total interest expenses	-1,503	-1,693
Losses on foreign exchange transactions	-2,362	-4,525
Losses on foreign exchange translations	-1,323	1,375
Losses on derivative transactions	-5	-577
Losses on valuation of derivatives	2	1,909
Losses on valuation of financial assets at FViPL	-	185
Bank charges	-54	-77
Total finance expenses	-5,245	-3,403

Description	For the six months ended	
	2021	June 30, 2020
	Million KRW	Million KRW
Interest on borrowings	-2,943	-3,491
Total interest expenses	-2,943	-3,491
Losses on foreign exchange transactions	-5,980	-9,083
Losses on foreign exchange translations	-4,564	-3,334
Losses on derivative transactions	-70	-1,000
Losses on valuation of derivatives	-32	-1,226
Losses on valuation of financial assets at FViPL	-	-129
Bank charges	-87	-206
Total finance expenses	-13,676	-18,469

18. 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	
	June 30,	
	2021	2020
	Million KRW	Million KRW
Current income tax charges	-6,335	-14,814
Deferred taxes related to origination and reversal of deferred taxes	213	4,585
Income tax recognized in other comprehensive income	-24	167
Income tax expenses	-6,146	-10,062

Income taxes	For the six months ended	
	June 30,	
	2021	2020
	Million KRW	Million KRW
Current income tax charge	-12,339	-18,884
Deferred taxes related to origination and reversal of deferred taxes	2,167	5,189
Income tax recognized in other comprehensive income	-101	98
Income tax expenses	-10,273	-13,597

19. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of June 30, 2021 and 2020, as no securities with dilutive features have been issued as of the end of the reporting periods.

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

Description	For the three months ended	
	June 30,	
	2021	2020
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	15,199,766,712	5,097,032,211
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	633	212

Description	For the six months ended	
	June 30,	
	2021	2020
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	25,200,601,898	16,123,230,749
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,050	672

20. Other financial liabilities

Other financial liabilities as of June 30, 2021 and December 31, 2020, are as follows:

Description	June 30, 2021		December 31, 2020	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 21)	209	517	901	741
Deposits	1	-	39	1,360
Accrued interest expenses	-	333	-	420
Total	210	850	940	2,521

21. Derivative financial instruments

Description	June 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	36	32	33	75
Interest rate swaps (current portion)	-	485	-	666
Interest rate swaps (non-current portion)	-	209	-	901
Total	36	726	33	1,642

21.1. Forward exchange contracts

Details of forward exchange contracts which the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of June 30, 2021 and December 31, 2020 are as follows:

As of June 30, 2021

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 11,800,000	30.07.2021 – 19.05.2022	1,372.70 – 1,408.20
	Sell	JPY 1,408,000,000	30.07.2021 – 19.05.2022	10.6350 – 10.7050
Woori Bank	Sell	EUR 12,600,000	30.07.2021 – 31.05.2022	1,370.50 – 1,385.10

As of December 31, 2020

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

21.2. Interest rate swaps

As of June 30, 2021 and December 31, 2020, the Group has entered into the following interest rate swap contracts to hedge the risk in floating interest rate:

As of June 30, 2021

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

As of December 31, 2020

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

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2020. The balances included in accumulated other comprehensive income are -535 Million KRW (expenses) as of June 30, 2021 and -1,207 Million KRW (expenses) as of December 31, 2020, respectively (refer to note 14.2), net of income tax.

22. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of June 30, 2021, are as follows (Unit: Korean Allowance Unit - KAU):

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

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

	2020*		2021		2022	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	12,996	-	23,735	375	-	-
Allocation	122,199	-	138,875	-	138,875	-
Allocation cancelled	-436	-	-	-	-	-
Additional allocation	14,320	-	-	-	-	-
Purchase	22,366	375	-	-	-	-
Delivery to government	-147,710	-	-	-	-	-
Carryforward	-23,735	-375	-	-	-	-
Ending	-	-	162,610	375	138,875	-

*Emission rights 2020 approved by government

	2023		2024		2025	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	-	-	-	-	-	-
Allocation	138,875	-	137,574	-	137,574	-
Ending	138,875	-	137,574	-	137,574	-

There are no emission rights provided as collateral as of June 30, 2021.

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

	2021	2020
As of January 1	725	512
Increase	92	648
Decrease	-725	-
As of June 30	92	1,160

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

Estimated greenhouse gas emissions in 2021 are 174,016 KAU.

23. 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 June 30, 2021

	Carrying amount		Fair value		
	Non-current	Current	Non-current	Current	
	Million KRW	Million KRW	Million KRW	Million KRW	
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,114	916	1,114	916
	Trade and other receivables	-	157,050	-	157,050
	Cash and cash equivalents	-	57,663	-	57,663
	<i>Total financial assets at amortized cost</i>	<i>1,114</i>	<i>215,629</i>	<i>1,114</i>	<i>215,629</i>
	Financial assets at FVOCI				
	Other financial assets	429	-	429	-
	<i>Total financial assets at FVOCI</i>	<i>429</i>	<i>-</i>	<i>429</i>	<i>-</i>
	Financial assets at FVtPL				
	Forward exchange contracts	-	36	-	36
	Other financial assets	11,780	600	11,780	600
	<i>Total financial assets at FVtPL</i>	<i>11,780</i>	<i>636</i>	<i>11,780</i>	<i>636</i>
	Total financial assets	13,323	216,265	13,323	216,265
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1	333	1	333
	Lease liabilities	14,724	2,205	14,724	2,205
	Trade and other payables	-	135,817	-	135,817
	Interest-bearing loans and borrowings	53,810	188,393	53,810	188,393
	<i>Total financial liabilities at amortized cost</i>	<i>68,535</i>	<i>326,748</i>	<i>68,535</i>	<i>326,748</i>
	Financial liabilities at FVOCI				
	Interest rate swaps	209	485	209	485
	<i>Total financial liabilities at FVOCI</i>	<i>209</i>	<i>485</i>	<i>209</i>	<i>485</i>
	Financial liabilities at FVtPL				
Forward exchange contracts	-	32	-	32	
<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>32</i>	<i>-</i>	<i>32</i>	
Total financial liabilities	68,744	327,265	68,744	327,265	

As of December 31, 2020

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

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

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

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

23.1. 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 June 30, 2021 and December 31, 2020, the Group held the following financial instruments carried at fair value on the statement of financial position:

		June 30, 2021	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	36	-	36	-
	<i>Total</i>	36	-	36	-
	Debt instruments				
	Other debt instruments at FVtPL	12,380	-	12,380	-
	<i>Total</i>	12,380	-	12,380	-
	Equity instruments				
Equity instruments at FVOCI	429	-	-	429	
<i>Total</i>	429	-	-	429	
Total		12,845	-	12,416	429
Financial liabilities	Derivatives				
	Forward exchange contracts	32	-	32	-
	Interest rate swaps	694	-	694	-
	<i>Total</i>	726	-	726	-
Total		726	-	726	-

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

During the six months ended June 30, 2021 and year ended December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

24. Related party disclosures

The companies listed below have been identified as related parties:

Company name	Location	Relation with the Group	Remarks
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	Jointly controlled by Songwon Group Holding AG
Songwon Moolsan Co., Ltd.	Korea	Other (refer to note 24.5)	A company that has significant influence on the Group
Kyungshin Industrial Co., Ltd.	Korea	Other (refer to note 24.5)	A subsidiary of Songwon Moolsan Co., Ltd.

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

Related party	Description	For the six months ended	
		June 30, 2021	June 30, 2020
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-40	-33
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	-	54
	Cost of sales	-8,100	-6,698
Total	Sales	-	54
	Cost of sales	-8,100	-6,698
	Selling and administration costs	-40	-33

Related party	Description	As of	
		June 30, 2021	December 31, 2020
		Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	24
	Trade and other payables	7	6
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	-	49
	Trade and other payables	1,872	917
Total	Other non-current financial assets	33	24
	Trade and other receivables	-	49
	Trade and other payables	1,879	923

24.1. The ultimate parent

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

24.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of June 30, 2021 are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and six months ended June 30, 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2020: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

24.3. Transactions with key management personnel

During the six months ended June 30, 2021 and the year ended December 31, 2020, no other transactions with key management personnel than those disclosed in note 24.4 and 26 took place.

24.4. Compensation of key management personnel of the Group

Description	For the six months ended	
	June 30,	
	2021	2020
	Million KRW	Million KRW
Short-term employee benefits	-4,422	-6,501
Post-employment benefits	-310	-357
Other long-term benefits	-227	-333
Share based payments	-169	141
Termination benefits	-528	-
Total compensation paid to key management personnel	-5,656	-7,050

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.

24.5. 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.

25. Contingencies and commitments

25.1. 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.

25.2. 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 June 30, 2021 and December 31, 2020 are as follows:

Description	June 30, 2021	December 31, 2020
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-5	-80
<i>Total short-term lease commitments</i>	-5	-80
Low-value lease commitments		
Within one year	-56	-63
After one year but not more than five years	-109	-141
<i>Total low-value lease commitments</i>	-165	-204
Total	-170	-284

25.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of June 30, 2021, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 1,556 Million KRW (December 31, 2020: 1,624 Million KRW).

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

One check and one promissory note which the Group received from Hana Bank and provided to its customer are outstanding as of June 30, 2021, due to bankruptcy declared by the customer.

Details of the Group's available short-term credit line facilities (excluding general loans) as of June 30, 2021 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,400	9,910	10,490
D/A and D/P	Thousand USD	100,900	46,041	54,859
	Million KRW	22,000	7,247	14,753
Trade loans	Million KRW	10,000	-	10,000
Secured loan of credit sales	Million KRW	9,000	2,339	6,661
Other foreign currency guarantees	Thousand USD	15,410	6,614	8,796
	Total Million KRW	41,000	9,586	31,414
	Total Thousand USD	136,710	62,565	74,145

26. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of June 30, 2021 and December 31, 2020, presented in the maximum pledge amount, are as follows:

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

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of June 30, 2021 and December 31, 2020.

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

27. 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.

27.1. Market risk

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

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

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVtPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of June 30, 2021 and 2020 as well as December 31, 2020.

27.1.1. 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
June 30, 2021	1.00	-526
	-1.00	526
June 30, 2020	1.00	-494
	-1.00	494

27.1.2. Foreign currency risk

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

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

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

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant and the foreign exchange rate only changes by 10%, the impacts on net profit for the six months ended June 30, 2021 and year ended December 31, 2020 are as follows:

Currency	June 30, 2021		December 31, 2020	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	3,205	-3,205	4,365	-4,365
EUR	100	-100	198	-198
JPY	1,269	-1,269	762	-762
CHF	85	-85	174	-174
AED	-212	212	-221	221
INR	263	-263	261	-261
Total	4,710	-4,710	5,539	-5,539

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

27.2. Credit risk

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

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at an insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 23.

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.

27.3. Liquidity risk

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

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

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

The details of maturity profile of the Group's financial liabilities and lease liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of June 30, 2021 and December 31, 2020 are as follows:

As of June 30, 2021	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	18,316	28,868	141,209	53,810	-	242,203
Trade and other payables	113,743	14,583	7,491	-	-	135,817
Lease liabilities	262	502	1,994	7,768	9,537	20,063
Other financial liabilities	268	-	65	1	-	334
Total	132,589	43,953	150,759	61,579	9,537	398,417

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

27.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of June 30, 2021 and December 31, 2020 is 100% and 92%, respectively.

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

28. Cash flow statement

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

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the six months ended June 30, 2021 and 2020 are as follows:

Adjustments	Notes	For the six months ended	
		2021	2020
		Million KRW	Million KRW
Depreciation of property, plant and equipment	7	15,218	15,597
Depreciation of right-of-use assets	8	1,361	1,503
Depreciation of investment properties		9	7
Amortization of intangible assets	9	296	351
Impairment of property, plant and equipment	7	1,042	50
Impairment of right-of-use assets	8	1,454	-
Impairment of intangible assets	9	-	23
Impairment of non-current financial assets		5	3
Impairment of other non-current assets		49	-
Impairment of inventories	10	749	-
Losses on disposals of property, plant and equipment, net	7	1,124	29
Share of result from investments accounted using the equity method	4	-429	-537
Finance income		-6,074	-4,346
Finance expenses		7,726	5,341
Income tax expenses	18	10,273	13,597
Total		32,803	31,618
Changes in operating assets and liabilities			
Trade receivables		-30,112	-1,865
Other receivables		-997	-1,779
Other current assets		-8,276	-1,420
Other current financial assets		-3	61
Inventories		-61,140	-11,600
Trade payables		22,943	9,123
Other payables		-644	-7,899
Other current financial liabilities		-220	212
Other current liabilities		3,894	3,789
Pension liabilities		3,654	4,459
Other long-term employment benefits		600	-213
Total		-70,301	-7,132

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

The Group closely monitors the global situation and assesses the future impact of the COVID-19 pandemic on the consolidated financial statements on a regular basis. For the six months ended June 30, 2021, the following assessments were performed, amongst others:

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

The Group assessed whether there were any internal and external indicators of impairment of property, plant and equipment and intangible assets. For the six months ended June 30, 2021, no indications of impairment have been identified and accordingly, no impairment has been recognized on property, plant and equipment and intangible assets due to the COVID-19 outbreak.

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

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the six months ended June 30, 2021, the Group identified the changes in risk indicators considering the nature of risk such as geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in an increase in the allowance on ECL by 33 Million KRW in the interim condensed consolidated financial statements for the six months ended June 30, 2021.

30. Events after the reporting period

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



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Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of June 30, 2021, and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six-month periods then ended, 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 ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Conclusion

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

**Other matters**

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



August 11, 2021

This review report is effective as of August 11, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

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