



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

# **2020**

It's all about **the chemistry™**

## About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 8 to 51) 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 nine months ended September 30, 2020 as well as the three and nine months ended September 30, 2019.

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 nine months ended September 30, 2020 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, 2019, which have also been prepared in accordance with K-IFRS. The annual financial statements for the year 2019 can be found on our website [www.songwon.com](http://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.

## Content

### SECTION 1: Business Development

Key Financial Data .....	5
Sales development .....	5
Business development .....	6
Outlook .....	6

### SECTION 2: Interim Condensed Consolidated Financial Statements

Interim condensed consolidated statements of financial position .....	9
Interim condensed consolidated statements of comprehensive income .....	11
Interim condensed consolidated statements of changes in equity .....	15
Interim condensed consolidated statements of cash flows .....	17
Notes to the interim condensed consolidated financial statements .....	19

## **SECTION 1:**

# **Business Development**

## Key financial data

				For the nine months ended September 30,		
	Q3 2020	Q3 2019		2020	2019	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	195,237	208,388	-6.3%	603,925	617,272	-2.2%
Gross profit	40,622	41,000	-0.9%	123,932	132,573	-6.5%
Gross profit margin	20.8%	19.7%		20.5%	21.5%	
Operating profit	15,822	14,039	12.7%	50,055	51,075	-2.0%
EBITDA	24,349	22,694	7.3%	76,049	78,582	-3.2%
EBITDA margin	12.5%	10.9%		12.6%	12.7%	
EBIT	15,796	13,532	16.7%	50,289	51,017	-1.4%
EBIT margin	8.1%	6.5%		8.3%	8.3%	
Profit for the period	8,746	7,302	19.8%	25,350	28,905	-12.3%
Total assets				906,960	937,767	-3.3%
Total equity*				457,292	444,080*	3.0%
Equity ratio				50.4%	47.4%	
Headcounts				1,090	1,073	1.6%

\*refer to note "2.3. Restatement of prior year figures in consolidated statement of financial position"

## Sales development

### Divisions

									For the three months ended September 30,		
	2020	2019		2020	2019		2020	2019			
	Industrial Chemicals			Performance Chemicals							
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%		
Sales	137,568	155,077	-11.3%	57,669	53,311	8.2%	195,237	208,388	-6.3%		

  

									For the nine months ended September 30,		
	2020	2019		2020	2019		2020	2019			
	Industrial Chemicals			Performance Chemicals							
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%		
Sales	439,130	457,688	-4.1%	164,795	159,584	3.3%	603,925	617,272	-2.2%		

### Regions

				For the nine months ended September 30,		
	Q3 2020	Q3 2019		2020	2019	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Korea	40,383	42,420	-4.8%	119,239	130,296	-8.5%
Rest of Asia	57,686	57,401	0.5%	169,475	169,833	-0.2%
Europe	45,210	48,702	-7.2%	139,418	147,662	-5.6%
North and South America	41,544	44,131	-5.9%	133,522	131,604	1.5%
Australia	380	528	-28.0%	1,590	1,728	-8.0%
Middle East and Africa	10,034	15,206	-34.0%	40,681	36,149	12.5%
<b>Total sales</b>	<b>195,237</b>	<b>208,388</b>	<b>-6.3%</b>	<b>603,925</b>	<b>617,272</b>	<b>-2.2%</b>

## Business development

Songwon Industrial Group reports consolidated sales of 195,237 Mil. KRW in the 3rd quarter ending September 30, 2020. Compared to sales for Q3/2019 (208,388 Mil. KRW), this marked a decline in revenue of 6.3%. A higher gross profit margin of 20.8% in the 3rd quarter of 2020 was identified in relation to comparable period in 2019 (19.7%), however, slightly lower compared to the 2nd quarter 2020 (21.1%). The Group reported a net profit of 8,746 Mil. KRW, a 19.8% increase compared to Q3/2019 (7,302 Mil. KRW). For the nine months ended September 30, 2020, the Group achieved sales of 603,925 Mil. KRW (YTD September 2019: 617,272 Mil. KRW) and recorded a net profit of 25,350 Mil. KRW (YTD September 2019: 28,905 Mil. KRW).

The uncertainties surrounding the current economic environment caused by the continuing COVID-19 global pandemic have led to an overall decline in demand in various industries and continued to cause disruptions in the market. As a result, SONGWON's Division Industrial Chemicals (-11.3%) reported a decline in revenue in the Q3/2020 compared to Q3/2019, and additionally negatively impacted by lower sales prices as a result of pricing formulas based on lower raw material cost. In contrast, Division Performance Chemicals (+8.2%) saw improvements across its businesses and signs of recovery with increased volumes. In the 3rd quarter of 2020, Division Industrial Chemicals generated sales of 137,568 Mil. KRW (Q2/2020: 145,543 Mil. KRW) and Division Performance Chemicals recorded sales of 57,669 Mil. KRW (Q2/2020: 52,602 Mil. KRW).

In Q3/2020, Division Industrial Chemicals saw revenues negatively impacted by a drop in Polymer Stabilizer sales compared to the 2nd quarter of 2020. Mainly caused by lower market demand, this could only be partially mitigated by an increase in relative market share and the mildly positive effect of foreign exchange rate developments. Furthermore, an erosion in price was identified in Q3 which was driven by lower raw material costs. In Q3/2020, Lubricant Additives achieved a strong result due to higher, unforecasted demand with short lead times. SONGWON cautiously expects this sporadic demand increase to continue in Q4/2020 in light of the rising concerns relating to supply disruption which could be caused by a potential 2nd wave of COVID-19 pandemic.

During the quarter, Division Performance Chemicals noted improvement across its businesses ahead of expectations with increased volumes and signs of recovery of demand in Korea. PVC Additives sales revenues increased especially in South East Asia as well as in South Asia. In Q3/2020, Tin Intermediates/Catalysts' gross profit margin improved on the back of the high utilization rates within SONGWON plants. Throughout the quarter, the Group benefitted from signs of recovery in the automotive market with some exceptions, but a 2nd wave of COVID-19 could lead to an additional slowdown in demand. Continuing to underline its commitment to improving the sustainability of its products and processes, SONGWON launched its latest solvent-free, aqueous, flame-retardant synergist, SONGFLAME® WB 201 designed especially for the CASE<sup>1</sup> market and textile applications requiring flame retardancy.

Throughout the 3rd quarter of 2020, capacity levels were set to meet the demand and to achieve an optimal cost position for the organization. The Group's Business Continuity Plan measures were ongoing throughout the quarter and further ensured business continuity across the global organization.

## Outlook

The COVID-19 pandemic has made the business environment across the world more challenging with increased uncertainty and unpredictability. Not only has it caused traditionally strong markets to see downturns; it has also led to a rise in demand volatility throughout the industry. With such unclarity, the future remains unpredictable and challenging, particularly going into Q4/2020. SONGWON sees the current heightened concern for the potential next COVID-19 wave of disruption possibly continuing well into 2021 and being negatively impacted by customer's end-of-the year destocking. Despite this, the latest industry reports indicate that there will be some rebound in the final months of the year depending on the industry, segment, region, and country.

<sup>1</sup> CASE market includes coatings, adhesives, sealants and elastomers

Moving forward, it remains unclear whether demand will increase to some extent through Q4. In preparation, SONGWON is progressing additional plant utilization in advance of potential increases in demand in the short term so that it can deliver the necessary supply to meet sudden peaks in demand while building safety stock requirements for the business at the same time.

Looking ahead, SONGWON will continue closely monitoring the global situation and pandemic-related developments throughout the industry. The organization intends to keep implementing the necessary measures that will enable it to continue supplying customers and respond quickly to unforeseen changes in demand. SONGWON believes that even in the face of such uncertainty, by applying the necessary measures, it can successfully navigate upcoming challenges and keep the impact on its business to a minimum. Although it is too early to predict the actual magnitude or the duration of the pandemic, SONGWON entered this crisis period from a strong position and believes that the company is well-positioned to navigate these challenging times.

# **SECTION 2:**

## **Interim Condensed Consolidated Financial Statements (unaudited)**



## Interim condensed consolidated statements of financial position (unaudited)

		As of	
		September 30, 2020	December 31, 2019 (restated*)
	Notes	Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>491,587</b>	<b>495,555</b>
Property, plant and equipment	5.3.2, 6, 25	431,040	439,452
Right-of-use assets	5.3.2, 7	21,447	20,800
Investment properties	5.3.2, 25	3,488	3,502
Intangible assets	5.3.2, 8	14,628	14,630
Investments accounted for using the equity method	4	5,811	5,347
Other non-current assets		250	95
Other non-current financial assets	12, 20, 22, 23	8,685	7,937
Deferred tax assets		6,238	3,792
<b>Current assets</b>		<b>415,373</b>	<b>398,769</b>
Inventories	9	195,220	196,996
Trade and other receivables	10, 22, 23	128,735	128,166
Income tax receivables		87	1,516
Other current assets		11,484	7,556
Other current financial assets	12, 20, 22	2,758	1,403
Cash and cash equivalents	11, 22	77,089	63,132
<b>Total assets</b>		<b>906,960</b>	<b>894,324</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>457,292</b>	<b>434,904</b>
<i>Non-controlling interests</i>		<i>4,786</i>	<i>3,986</i>
<i>Equity attributable to owners of the parent</i>		<i>452,506</i>	<i>430,918</i>
Issued capital		12,000	12,000
Capital surplus		22,359	22,359
Reserves	13.1	28,335	27,975
Retained earnings*	13.1	392,132	372,068
Other components of equity	13.2	-2,320	-3,484
<b>Non-current liabilities</b>		<b>157,115</b>	<b>166,046</b>
Interest-bearing loans and borrowings	14, 22, 25, 26.3	61,950	73,094
Pension liability		38,331	30,252
Other long-term employee-related liabilities		5,693	5,688
Non-current lease liabilities	7, 22, 26.3	17,583	17,214
Other non-current financial liabilities	19, 20, 22, 26.3	1,230	2,485
Other non-current liabilities		454	458
Deferred tax liabilities*		31,874	36,855
<b>Current liabilities</b>		<b>292,553</b>	<b>293,374</b>
Interest-bearing loans and borrowings	14, 22, 24, 25, 26.3	165,451	171,200
Trade and other payables	15, 22, 23, 26.3	94,223	98,910
Current lease liabilities	7, 22, 26.3	2,669	2,309
Other current financial liabilities	19, 20, 22, 26.3	3,321	2,385
Other current liabilities		7,731	2,439
Income tax payable		19,158	16,131
<b>Total liabilities</b>		<b>449,668</b>	<b>459,420</b>
<b>Total equity and liabilities</b>		<b>906,960</b>	<b>894,324</b>

\*refer to note 2.3 for further details

## Interim condensed consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	September 30, 2020	December 31, 2019 (restated*)
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>420,606</b>	<b>424,002</b>
Property, plant and equipment	368,802	376,000
Right-of-use assets	18,350	17,797
Investment properties	2,984	2,996
Intangible assets	12,516	12,518
Investments accounted for using the equity method	4,972	4,575
Other non-current assets	214	81
Other non-current financial assets	7,431	6,791
Deferred tax assets	5,337	3,244
<b>Current assets</b>	<b>355,397</b>	<b>341,190</b>
Inventories	167,032	168,552
Trade and other receivables	110,147	109,660
Income tax receivables	74	1,297
Other current assets	9,826	6,465
Other current financial assets	2,360	1,200
Cash and cash equivalents	65,958	54,016
<b>Total assets</b>	<b>776,003</b>	<b>765,192</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>391,262</b>	<b>372,107</b>
<i>Non-controlling interests</i>	<i>4,095</i>	<i>3,410</i>
<i>Equity attributable to owners of the parent</i>	<i>387,167</i>	<i>368,697</i>
Issued capital	10,267	10,267
Capital surplus	19,131	19,131
Reserves	24,243	23,935
Retained earnings*	335,511	318,344
Other components of equity	-1,985	-2,980
<b>Non-current liabilities</b>	<b>134,429</b>	<b>142,071</b>
Interest-bearing loans and borrowings	53,005	62,540
Pension liability	32,796	25,884
Other long-term employee-related liabilities	4,871	4,867
Non-current lease liabilities	15,044	14,728
Other non-current financial liabilities	1,052	2,126
Other non-current liabilities	389	392
Deferred tax liabilities*	27,272	31,534
<b>Current liabilities</b>	<b>250,312</b>	<b>251,014</b>
Interest-bearing loans and borrowings	141,562	146,480
Trade and other payables	80,618	84,628
Current lease liabilities	2,284	1,976
Other current financial liabilities	2,841	2,041
Other current liabilities	6,615	2,087
Income tax payable	16,392	13,802
<b>Total liabilities</b>	<b>384,741</b>	<b>393,085</b>
<b>Total equity and liabilities</b>	<b>776,003</b>	<b>765,192</b>

\*refer to note 2.3 for further details

## Interim condensed consolidated statements of comprehensive income (unaudited)

		For the three months ended September 30,	
		2020	2019
	Notes	Million KRW	Million KRW
Sales	5, 23	195,237	208,388
Cost of sales	23	-154,615	-167,388
<b>Gross profit</b>		<b>40,622</b>	<b>41,000</b>
Selling and administration costs	16.1, 23	-24,800	-26,961
<b>Operating profit</b>		<b>15,822</b>	<b>14,039</b>
Other income		1,645	443
Other expenses		-1,671	-950
Share of result from investments accounted for using the equity method	4	261	194
Finance income	16.2, 23	3,153	3,610
Finance expenses	16.3	-6,282	-6,446
<b>Profit before tax</b>		<b>12,928</b>	<b>10,890</b>
Income tax expenses	17	-4,182	-3,588
<b>Profit for the period</b>		<b>8,746</b>	<b>7,302</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-921	2,383
Losses on valuation of interest rate swaps		100	-307
Exchange differences on translation of foreign operations		-1,021	2,690
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-83	-
Re-measurement losses on defined benefit plans		-83	-
<b>Total other comprehensive income, net of taxes</b>		<b>-1,004</b>	<b>2,383</b>
<b>Total comprehensive income</b>		<b>7,742</b>	<b>9,685</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	18	8,539	7,300
Non-controlling interests		207	2
<b>Profit for the period</b>		<b>8,746</b>	<b>7,302</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		7,547	9,666
Non-controlling interests		195	19
<b>Total comprehensive income</b>		<b>7,742</b>	<b>9,685</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	356	304

## Interim condensed consolidated statements of comprehensive income (unaudited)

	For the three months ended September 30, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
Sales	167,047	178,299
Cost of sales	-132,291	-143,219
<b>Gross profit</b>	<b>34,756</b>	<b>35,080</b>
Selling and administration costs	-21,219	-23,068
<b>Operating profit</b>	<b>13,537</b>	<b>12,012</b>
Other income	1,407	379
Other expenses	-1,430	-813
Share of result from investments accounted for using the equity method	223	166
Finance income	2,698	3,089
Finance expenses	-5,375	-5,515
<b>Profit before tax</b>	<b>11,060</b>	<b>9,318</b>
Income tax expenses	-3,578	-3,070
<b>Profit for the period</b>	<b>7,482</b>	<b>6,248</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-788	2,039
Losses on valuation of interest rate swaps	86	-263
Exchange differences on translation of foreign operations	-874	2,302
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-71	-
Re-measurement losses on defined benefit plans	-71	-
<b>Total other comprehensive income, net of taxes</b>	<b>-859</b>	<b>2,039</b>
<b>Total comprehensive income</b>	<b>6,623</b>	<b>8,287</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	7,306	6,246
Non-controlling interests	176	2
<b>Profit for the period</b>	<b>7,482</b>	<b>6,248</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	6,456	8,271
Non-controlling interests	167	16
<b>Total comprehensive income</b>	<b>6,623</b>	<b>8,287</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.30	0.26

## Interim condensed consolidated statements of comprehensive income (unaudited)

		For the nine months ended September 30,	
		2020	2019
	Notes	Million KRW	Million KRW
Sales	5, 23	603,925	617,272
Cost of sales	23	-479,993	-484,699
<b>Gross profit</b>		<b>123,932</b>	<b>132,573</b>
Selling and administration costs	16.1, 23	-73,877	-81,498
<b>Operating profit</b>		<b>50,055</b>	<b>51,075</b>
Other income		2,833	1,422
Other expenses		-2,599	-1,480
Share of result from investments accounted for using the equity method	4	798	749
Finance income	16.2, 23	16,793	14,729
Finance expenses	16.3	-24,751	-24,150
<b>Profit before tax</b>		<b>43,129</b>	<b>42,345</b>
Income tax expenses	17	-17,779	-13,440
<b>Profit for the period</b>		<b>25,350</b>	<b>28,905</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		<i>1,276</i>	<i>6,018</i>
Losses on valuation of interest rate swaps	13.2	-446	-1,311
Exchange differences on translation of foreign operations	13.2	1,722	7,329
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		<i>-638</i>	<i>-</i>
Re-measurement losses on defined benefit plans	13.2	-638	-
<b>Total other comprehensive income, net of taxes</b>		<b>638</b>	<b>6,018</b>
<b>Total comprehensive income</b>		<b>25,988</b>	<b>34,923</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	18	24,662	28,834
Non-controlling interests		688	71
<b>Profit for the period</b>		<b>25,350</b>	<b>28,905</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		25,188	34,768
Non-controlling interests		800	155
<b>Total comprehensive income</b>		<b>25,988</b>	<b>34,923</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	18	1,028	1,201

## Interim condensed consolidated statements of comprehensive income (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
Sales	516,725	528,144
Cost of sales	-410,687	-414,714
<b>Gross profit</b>	<b>106,038</b>	<b>113,430</b>
Selling and administration costs	-63,210	-69,731
<b>Operating profit</b>	<b>42,828</b>	<b>43,699</b>
Other income	2,424	1,217
Other expenses	-2,224	-1,266
Share of result from investments accounted for using the equity method	683	641
Finance income	14,368	12,603
Finance expenses	-21,177	-20,662
<b>Profit before tax</b>	<b>36,902</b>	<b>36,232</b>
Income tax expenses	-15,212	-11,500
<b>Profit for the period</b>	<b>21,690</b>	<b>24,732</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	<i>1,091</i>	<i>5,149</i>
Losses on valuation of interest rate swaps	-383	-1,122
Exchange differences on translation of foreign operations	1,474	6,271
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	<i>-546</i>	<i>-</i>
Re-measurement losses on defined benefit plans	-546	-
<b>Total other comprehensive income, net of taxes</b>	<b>545</b>	<b>5,149</b>
<b>Total comprehensive income</b>	<b>22,235</b>	<b>29,881</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	21,101	24,671
Non-controlling interests	589	61
<b>Profit for the period</b>	<b>21,690</b>	<b>24,732</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	21,550	29,748
Non-controlling interests	685	133
<b>Total comprehensive income</b>	<b>22,235</b>	<b>29,881</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.88	1.03

## Interim condensed consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2019 and 2020										
	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings (restated*)	Other components of equity			Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Million KRW	Million KRW	Million KRW
<b>As of January 1, 2019*</b>	<b>12,000</b>	<b>24,361</b>	<b>27,591</b>	<b>352,229</b>	<b>54</b>	<b>350</b>	<b>-5,350</b>	<b>411,235</b>	<b>-714</b>	<b>410,521</b>
Profit for the period	-	-	-	28,834	-	-	-	28,834	71	28,905
Other comprehensive income	-	-	-	-	-1,311	-	7,245	5,934	84	6,018
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,834</b>	<b>-1,311</b>	<b>-</b>	<b>7,245</b>	<b>34,768</b>	<b>155</b>	<b>34,923</b>
Dividends	-	-	-	-3,840	-	-	-	-3,840	-	-3,840
Appropriation to reserves	-	-	384	-384	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-2,002	-	-	-	-	-	-2,002	2,002	-
Change in non-controlling interest due to capital contribution	-	-	-	-	-	-	-	-	2,476	2,476
<b>As of September 30, 2019*</b>	<b>12,000</b>	<b>22,359</b>	<b>27,975</b>	<b>376,839</b>	<b>-1,257</b>	<b>350</b>	<b>1,895</b>	<b>440,161</b>	<b>3,919</b>	<b>444,080</b>
<b>As of January 1, 2020*</b>	<b>12,000</b>	<b>22,359</b>	<b>27,975</b>	<b>372,068</b>	<b>-997</b>	<b>-44</b>	<b>-2,443</b>	<b>430,918</b>	<b>3,986</b>	<b>434,904</b>
Profit for the period	-	-	-	24,662	-	-	-	24,662	688	25,350
Other comprehensive income	-	-	-	-638	-446	-	1,610	526	112	638
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,024</b>	<b>-446</b>	<b>-</b>	<b>1,610</b>	<b>25,188</b>	<b>800</b>	<b>25,988</b>
Dividends	-	-	-	-3,600	-	-	-	-3,600	-	-3,600
Appropriation to reserves	-	-	360	-360	-	-	-	-	-	-
<b>As of September 30, 2020</b>	<b>12,000</b>	<b>22,359</b>	<b>28,335</b>	<b>392,132</b>	<b>-1,443</b>	<b>-44</b>	<b>-833</b>	<b>452,506</b>	<b>4,786</b>	<b>457,292</b>

\*refer to note 2.3 for further details

## Interim condensed consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2019 and 2020 (refer to note 2.1)

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings (restated*)	Other components of equity			Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
<b>As of January 1, 2019*</b>	<b>10,267</b>	<b>20,844</b>	<b>23,607</b>	<b>301,371</b>	<b>46</b>	<b>299</b>	<b>-4,578</b>	<b>351,856</b>	<b>-611</b>	<b>351,245</b>
Profit for the period	-	-	-	24,671	-	-	-	24,671	61	24,732
Other comprehensive income	-	-	-	-	-1,122	-	6,199	5,077	72	5,149
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,671</b>	<b>-1,122</b>	<b>-</b>	<b>6,199</b>	<b>29,748</b>	<b>133</b>	<b>29,881</b>
Dividends	-	-	-	-3,286	-	-	-	-3,286	-	-3,286
Appropriation to reserves	-	-	329	-329	-	-	-	-	-	-
Change in non-controlling interest	-	-1,713	-	-	-	-	-	-1,713	1,713	-
Change in non-controlling interest due to capital contribution	-	-	-	-	-	-	-	-	2,118	2,118
<b>As of September 30, 2019*</b>	<b>10,267</b>	<b>19,131</b>	<b>23,936</b>	<b>322,427</b>	<b>-1,076</b>	<b>299</b>	<b>1,621</b>	<b>376,605</b>	<b>3,353</b>	<b>379,958</b>
<b>As of January 1, 2020*</b>	<b>10,267</b>	<b>19,131</b>	<b>23,935</b>	<b>318,344</b>	<b>-853</b>	<b>-38</b>	<b>-2,089</b>	<b>368,697</b>	<b>3,410</b>	<b>372,107</b>
Profit for the period	-	-	-	21,101	-	-	-	21,101	589	21,690
Other comprehensive income	-	-	-	-546	-383	-	1,378	449	96	545
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,555</b>	<b>-383</b>	<b>-</b>	<b>1,378</b>	<b>21,550</b>	<b>685</b>	<b>22,235</b>
Dividends	-	-	-	-3,080	-	-	-	-3,080	-	-3,080
Appropriation to reserves	-	-	308	-308	-	-	-	-	-	-
<b>As of September 30, 2020</b>	<b>10,267</b>	<b>19,131</b>	<b>24,243</b>	<b>335,511</b>	<b>-1,236</b>	<b>-38</b>	<b>-711</b>	<b>387,167</b>	<b>4,095</b>	<b>391,262</b>

\*refer to note 2.3 for further details



## Interim condensed consolidated statements of cash flows (unaudited)

		For the nine months ended September 30,	
		2020	2019
	Notes	Million KRW	Million KRW
<b>Profit for the period</b>		<b>25,350</b>	<b>28,905</b>
<b>Total adjustments</b>	<b>27</b>	<b>46,920</b>	<b>43,964</b>
<b>Changes in operating assets and liabilities</b>	<b>27</b>	<b>8,721</b>	<b>-11,591</b>
Interest received		182	425
Payments of income tax		-20,724	-6,680
<b>Net cash flow from operating activities</b>		<b>60,449</b>	<b>55,023</b>
Proceeds from sale of property, plant and equipment	6	138	73
Purchases of property, plant and equipment	6	-16,478	-21,588
Purchases of intangible assets	8	-342	-367
Dividends received from investments using equity method	4	519	511
Increase in other financial assets, net		-2,332	-1,314
<b>Net cash flow from investing activities</b>		<b>-18,495</b>	<b>-22,685</b>
Proceeds from borrowings		285,253	527,647
Repayments of borrowings		-301,896	-546,538
Payment of lease liabilities	7	-2,702	-2,404
Decrease in other financial liabilities, net		-1,925	-1,858
Interest paid		-4,553	-6,565
Dividends paid		-3,600	-3,840
<b>Net cash flow from financing activities</b>		<b>-29,423</b>	<b>-33,558</b>
Increase / (decrease) in cash and cash equivalents		12,531	-1,220
Net foreign exchange differences		1,426	2,718
Cash and cash equivalents as of January 1	11	63,132	63,306
<b>Cash and cash equivalents as of September 30</b>	<b>11</b>	<b>77,089</b>	<b>64,804</b>

## Interim condensed consolidated statements of cash flows (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>21,690</b>	<b>24,732</b>
<b>Total adjustments</b>	<b>40,145</b>	<b>37,616</b>
<b>Changes in operating assets and liabilities</b>	<b>7,462</b>	<b>-9,917</b>
Interest received	156	364
Payments of income tax	-17,732	-5,715
<b>Net cash flow from operating activities</b>	<b>51,721</b>	<b>47,079</b>
Proceeds from sale of property, plant and equipment	118	62
Purchases of property, plant and equipment	-14,099	-18,471
Purchases of intangible assets	-293	-314
Dividends received from investments using equity method	444	437
Increase in other financial assets, net	-1,995	-1,124
<b>Net cash flow from investing activities</b>	<b>-15,825</b>	<b>-19,410</b>
Proceeds from borrowings	244,065	451,460
Repayments of borrowings	-258,304	-467,623
Payment of lease liabilities	-2,312	-2,057
Decrease in other financial liabilities, net	-1,647	-1,590
Interest paid	-3,896	-5,617
Dividends paid	-3,080	-3,286
<b>Net cash flow from financing activities</b>	<b>-25,174</b>	<b>-28,713</b>
Increase / (decrease) in cash and cash equivalents	10,722	-1,043
Net foreign exchange differences	1,220	2,326
Cash and cash equivalents as of January 1	54,016	54,165
<b>Cash and cash equivalents as of September 30</b>	<b>65,958</b>	<b>55,448</b>

## 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 September 30, 2020, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2019: 14 entities). Additionally, one entity is classified as a joint venture (2019: one entity) and accounted for using the equity method.

During the nine months of 2020, no changes in the legal structure of the Group and scope of consolidation took place.

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

		September 30, 2020		December 31, 2019	
Name	Location	Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Trading GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Qingdao Long Fortune Songwon Chemical Co., Ltd.	China	Subsidiary	72%	Subsidiary	72%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	81.5%	Subsidiary	81.5%
Entity accounted for using the equity method (joint venture)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

## 2. Basis of preparation

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 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, 2019.

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 1,168.76 to USD 1, the exchange rate in effect on September 30, 2020. 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 and presentation

The Group reassessed its disclosure of equity balances and movements within the "consolidated statements of financial position", "consolidated statements of changes in equity" and in note "13.2 Accumulated other comprehensive income" in order to be more appropriate in presentation. The Group has been recording components of "other comprehensive income" (OCI) in both, retained earnings and other components of equity. Therefore, renaming of OCI into "Other components of equity" was performed within the interim statement of financial position and the respective OCI note (refer to note 13.2). Other comprehensive income as a separate line item within the "interim condensed consolidated statements of changes in equity" refers to OCI positions within retained earnings and other components of equity. The change in presentation has no impact on the actual and comparative figures disclosed.

### 2.3. Restatement of prior year figures in consolidated statement of financial position

During the current period end, Songwon Specialty Chemicals-India Pvt. Ltd. (SWDM-IN) retrospectively adjusted the K-IFRS opening balance for deferred tax liabilities due to a restatement of temporary taxable differences in property, plant and equipment (land) and intangible assets (goodwill). As a result of the reclassification adjustment, the impact on the opening balance as of January 1, 2019 in the consolidated statements of financial position was an increase in deferred tax liabilities and a decrease in retained earnings of 677 Million KRW, respectively. As the adjustment had no material impact on the consolidated statements of comprehensive income for the financial year 2019 and the interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2020, the consolidated statements of comprehensive income have not been restated.

### 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, 2019, except for the adoption of new standards effective as of January 1, 2020. 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 2020, 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**

##### **Amendments to K-IFRS 1103: *Definition of a Business***

The amendment to K-IFRS 1103 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

##### **Amendments to K-IFRS 1107, K-IFRS 1109 and K-IFRS 1039: *Interest Rate Benchmark Reform***

The amendments to K-IFRS 1109 and K-IFRS 1039 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Group applies these amendments to the interest rate swap designated as cash flow hedge (see note 20.2). The impact on the interim condensed consolidated financial statements of the Group is immaterial.

##### **Amendments to K-IFRS 1001 and K-IFRS 1008: *Definition of Materiality***

The amendments provide a new definition of materiality that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

##### **Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

##### **Amendment to K-IFRS 1116: *COVID-19 related Rent Concessions***

The amendment to K-IFRS 1116 provide lessees with a practical expedient to elect not to assess whether rent concessions arising as a direct consequence of the COVID-19 pandemic constitutes a lease modification. For such rent concessions, conditions of the practical expedient are required to be met and lessees that elect to apply the practical expedient, accounts for such changes that are not lease modifications the same way it would account for the change under K-IFRS 1116. The amendment may be retrospectively applied to annual reporting periods beginning on or after June 1, 2020 and earlier application is permitted. These amendments had no impact on the interim condensed consolidated financial statements of the Group as the practical expedient has not been applied during the nine months ended September 30, 2020.

#### 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.	2,437	11,524	8,587	1,784	2,132	147	155	17,824	5,347
<b>December 31, 2019</b>	<b>2,437</b>	<b>11,524</b>	<b>8,587</b>	<b>1,784</b>	<b>2,132</b>	<b>147</b>	<b>155</b>	<b>17,824</b>	<b>5,347</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,543	11,619	9,159	892	1,287	106	122	19,369	5,811
<b>September 30, 2020</b>	<b>2,543</b>	<b>11,619</b>	<b>9,159</b>	<b>892</b>	<b>1,287</b>	<b>106</b>	<b>122</b>	<b>19,369</b>	<b>5,811</b>

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.	5,728	-36	1	-3	859	-210	649	70	719
<b>For the three months ended September 30, 2019</b>	<b>5,728</b>	<b>-36</b>	<b>1</b>	<b>-3</b>	<b>859</b>	<b>-210</b>	<b>649</b>	<b>70</b>	<b>719</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,814	-34	2	-3	1,158	-288	870	197	1,067
<b>For the three months ended September 30, 2020</b>	<b>5,814</b>	<b>-34</b>	<b>2</b>	<b>-3</b>	<b>1,158</b>	<b>-288</b>	<b>870</b>	<b>197</b>	<b>1,067</b>

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.	18,577	-108	2	-9	3,312	-814	2,498	650	3,148
<b>For the nine months ended September 30, 2019</b>	<b>18,577</b>	<b>-108</b>	<b>2</b>	<b>-9</b>	<b>3,312</b>	<b>-814</b>	<b>2,498</b>	<b>650</b>	<b>3,148</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	16,646	-106	4	-7	3,545	-886	2,659	617	3,276
<b>For the nine months ended September 30, 2020</b>	<b>16,646</b>	<b>-106</b>	<b>4</b>	<b>-7</b>	<b>3,545</b>	<b>-886</b>	<b>2,659</b>	<b>617</b>	<b>3,276</b>

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

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

	As of January 1, 2020	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2020
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,347	-519	798	185	5,811
<b>Total</b>	<b>5,347</b>	<b>-519</b>	<b>798</b>	<b>185</b>	<b>5,811</b>

## 5. Segment information

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

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

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

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

### 5.1. Reported key figures

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

For the three months ended						
September 30,						
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	137,568	155,077	57,669	53,311	195,237	208,388
Operating profit	15,023	18,489	799	-4,450	15,822	14,039

For the nine months ended						
September 30,						
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	439,130	457,688	164,795	159,584	603,925	617,272
Operating profit	52,231	56,454	-2,176	-5,379	50,055	51,075



## 5.2. Revenue from contracts with customers

For the three months ended September 30,						
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	135,422	152,896	56,966	52,738	192,388	205,634
Sales of services	2,146	2,181	703	573	2,849	2,754
<b>Total sales</b>	<b>137,568</b>	<b>155,077</b>	<b>57,669</b>	<b>53,311</b>	<b>195,237</b>	<b>208,388</b>

For the nine months ended September 30,						
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
Description	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	432,892	451,339	162,901	157,995	595,793	609,334
Sales of services	6,238	6,349	1,894	1,589	8,132	7,938
<b>Total sales</b>	<b>439,130</b>	<b>457,688</b>	<b>164,795</b>	<b>159,584</b>	<b>603,925</b>	<b>617,272</b>

## 5.3. Geographic information

### 5.3.1. Sales

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

For the three months ended September 30,		
	2020	2019
	Million KRW	Million KRW
Korea	40,383	42,420
Rest of Asia	57,686	57,401
Europe	45,210	48,702
North and South America	41,544	44,131
Australia	380	528
Middle East and Africa	10,034	15,206
<b>Total sales</b>	<b>195,237</b>	<b>208,388</b>

	For the nine months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Korea	119,239	130,296
Rest of Asia	169,475	169,833
Europe	139,418	147,662
North and South America	133,522	131,604
Australia	1,590	1,728
Middle East and Africa	40,681	36,149
<b>Total sales</b>	<b>603,925</b>	<b>617,272</b>

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

### 5.3.2. Non-current assets

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

	As of	
	September 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Korea	390,803	398,389
Rest of Asia	30,896	29,916
Europe	16,232	16,537
North and South America	12,372	13,389
Middle East and Africa	20,300	20,153
<b>Total</b>	<b>470,603</b>	<b>478,384</b>

## 6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>							
<b>As of January 1, 2019</b>	<b>149,508</b>	<b>86,882</b>	<b>66,486</b>	<b>489,601</b>	<b>47,190</b>	<b>3,498</b>	<b>843,165</b>
Additions	-	23	115	1,341	1,215	20,226	22,920
Disposals	-	-728	-	-646	-305	-	-1,679
Reclassifications	42	196	378	9,029	158	-9,803	-
Net exchange differences	-	1,330	-	2,137	518	180	4,165
<b>As of September 30, 2019</b>	<b>149,550</b>	<b>87,703</b>	<b>66,979</b>	<b>501,462</b>	<b>48,776</b>	<b>14,101</b>	<b>868,571</b>
<b>As of January 1, 2020</b>	<b>149,550</b>	<b>88,362</b>	<b>63,805</b>	<b>494,049</b>	<b>47,400</b>	<b>14,251</b>	<b>857,417</b>
Additions	-	100	111	668	562	15,428	16,869
Disposals	-	-17	-541	-18,902	-1,444	-	-20,904
Impairment	-	-16	-	-66	-86	-	-168
Reclassifications	-	4,064	2,579	15,830	420	-22,893	-
Net exchange differences	-	-25	-	142	67	36	220
<b>As of September 30, 2020</b>	<b>149,550</b>	<b>92,468</b>	<b>65,954</b>	<b>491,721</b>	<b>46,919</b>	<b>6,822</b>	<b>853,434</b>
<b>Accumulated depreciation</b>							
<b>As of January 1, 2019</b>	-	<b>-23,404</b>	<b>-40,020</b>	<b>-303,792</b>	<b>-36,627</b>	-	<b>-403,843</b>
Depreciation charge	-	-1,784	-2,292	-16,848	-1,794	-	-22,718
Disposals	-	248	-	646	304	-	1,198
Net exchange differences	-	-147	-	-731	-345	-	-1,223
<b>As of September 30, 2019</b>	-	<b>-25,087</b>	<b>-42,312</b>	<b>-320,725</b>	<b>-38,462</b>	-	<b>-426,586</b>
<b>As of January 1, 2020</b>	-	<b>-25,585</b>	<b>-40,213</b>	<b>-315,033</b>	<b>-37,134</b>	-	<b>-417,965</b>
Depreciation charge	-	-1,903	-2,248	-17,407	-1,822	-	-23,380
Disposals	-	8	537	17,293	1,308	-	19,146
Impairment	-	15	-	15	81	-	111
Net exchange differences	-	-2	-	-240	-64	-	-306
<b>As of September 30, 2020</b>	-	<b>-27,467</b>	<b>-41,924</b>	<b>-315,372</b>	<b>-37,631</b>	-	<b>-422,394</b>
<b>Net book value</b>							
<b>As of September 30, 2020</b>	<b>149,550</b>	<b>65,001</b>	<b>24,030</b>	<b>176,349</b>	<b>9,288</b>	<b>6,822</b>	<b>431,040</b>
<b>As of January 1, 2020</b>	<b>149,550</b>	<b>62,777</b>	<b>23,592</b>	<b>179,016</b>	<b>10,266</b>	<b>14,251</b>	<b>439,452</b>
<b>As of September 30, 2019</b>	<b>149,550</b>	<b>62,616</b>	<b>24,667</b>	<b>180,737</b>	<b>10,314</b>	<b>14,101</b>	<b>441,985</b>

There was an impairment of property, plant and equipment of 57 Mil. KRW within SWDM-IN during the nine months ended September 30, 2020, in course of ordinary business (not related to COVID-19 pandemic, refer to note 28 for further details). Non-cash transactions during the nine months ended September 30, 2020 increased by 391 Mil. KRW (nine months ended September 30, 2019: 1,332 Mil. KRW) and amounted to 3,784 Million KRW as of September 30, 2020 (September 30, 2019: 3,480 Million KRW).

## 7. Right-of-use assets and leases

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>					
<b>As of January 1, 2019</b>	<b>20,612</b>	<b>803</b>	<b>241</b>	<b>681</b>	<b>22,337</b>
Additions	6	246	-	246	498
Modification of contract	4	-	-169	-	-165
Net exchange differences	1,473	-	14	42	1,529
<b>As of September 30, 2019</b>	<b>22,095</b>	<b>1,049</b>	<b>86</b>	<b>969</b>	<b>24,199</b>
<b>As of January 1, 2020</b>	<b>21,273</b>	<b>1,144</b>	<b>84</b>	<b>977</b>	<b>23,478</b>
Additions	84	-	1,067	306	1,457
Disposals	-28	-144	-	-180	-352
Modification of contract	313	526	89	-15	913
Net exchange differences	570	-	-54	36	552
<b>As of September 30, 2020</b>	<b>22,212</b>	<b>1,526</b>	<b>1,186</b>	<b>1,124</b>	<b>26,048</b>
<b>Accumulated depreciation</b>					
<b>As of January 1, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation charge	-1,323	-494	-43	-267	-2,127
Net exchange differences	-29	-	-	-3	-32
<b>As of September 30, 2019</b>	<b>-1,352</b>	<b>-494</b>	<b>-43</b>	<b>-270</b>	<b>-2,159</b>
<b>As of January 1, 2020</b>	<b>-1,616</b>	<b>-658</b>	<b>-58</b>	<b>-346</b>	<b>-2,678</b>
Depreciation charge	-1,329	-494	-113	-314	-2,250
Disposals	28	144	-	180	352
Modification of contract	-	-	-	19	19
Net exchange differences	-30	-	2	-16	-44
<b>As of September 30, 2020</b>	<b>-2,947</b>	<b>-1,008</b>	<b>-169</b>	<b>-477</b>	<b>-4,601</b>
<b>Net book value</b>					
<b>As of September 30, 2020</b>	<b>19,265</b>	<b>518</b>	<b>1,017</b>	<b>647</b>	<b>21,447</b>
<b>As of January 1, 2020</b>	<b>19,657</b>	<b>486</b>	<b>26</b>	<b>631</b>	<b>20,800</b>
<b>As of September 30, 2019</b>	<b>20,743</b>	<b>555</b>	<b>43</b>	<b>699</b>	<b>22,040</b>

For the nine months ended September 30, 2020, no impairment of right-of-use assets has been recognized. Further, the Group recorded rent expenses from short-term leases of 218 Million KRW (September 30, 2019: 124 Million KRW), leases of low-value assets of 51 Million KRW (September 30, 2019: 50 Million KRW) and variable lease payments of 511 Million KRW (September 30, 2019: 288 Million KRW) in the interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2020.

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

	2020	2019
Description	KRW	KRW
<b>As of January 1</b>	<b>19,523</b>	<b>20,910</b>
Additions	1,457	498
Modifications	913	-165
Net exchange differences	480	1,375
Accretion of interest	581	603
Payments	-2,702	-2,404
<b>As of September 30</b>	<b>20,252</b>	<b>20,817</b>

## 8. Intangible assets

	Industrial rights	Software	Memberships	Customer relationships	Capitalization process technology	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>								
<b>As of January 1, 2019</b>	<b>5,539</b>	<b>2,709</b>	<b>831</b>	<b>28,685</b>	<b>3,294</b>	<b>41,929</b>	<b>196</b>	<b>83,183</b>
Additions	2	28	-	-	-	-	337	367
Disposals	-28	-82	-	-	-	-	-	-110
Impairment	-55	-	-	-	-	-	-33	-88
Reclassifications	379	-	-	-	-	-	-379	-
Net exchange differences	-	68	-	2,740	393	2,642	-	5,843
<b>As of September 30, 2019</b>	<b>5,837</b>	<b>2,723</b>	<b>831</b>	<b>31,425</b>	<b>3,687</b>	<b>44,571</b>	<b>121</b>	<b>89,195</b>
<b>As of January 1, 2020</b>	<b>5,981</b>	<b>2,846</b>	<b>831</b>	<b>29,821</b>	<b>3,457</b>	<b>43,075</b>	<b>98</b>	<b>86,109</b>
Additions	-	107	-	-	-	-	235	342
Disposals	-148	-161	-	-	-	-	-	-309
Impairment	-22	-	-	-	-	-	-1	-23
Reclassifications	161	-	-	-	-	-	-161	-
Net exchange differences	-	30	-	-	-	496	-	526
<b>As of September 30, 2020</b>	<b>5,972</b>	<b>2,822</b>	<b>831</b>	<b>29,821</b>	<b>3,457</b>	<b>43,571</b>	<b>171</b>	<b>86,645</b>
<b>Accumulated amortization</b>								
<b>As of January 1, 2019</b>	<b>-2,103</b>	<b>-2,546</b>	<b>-</b>	<b>-25,882</b>	<b>-2,892</b>	<b>-31,934</b>	<b>-</b>	<b>-65,357</b>
Amortization charge	-414	-68	-	-2,297	-330	-	-	-3,109
Disposals	28	82	-	-	-	-	-	110
Net exchange differences	-	-58	-	-2,722	-390	-2,275	-	-5,445
<b>As of September 30, 2019</b>	<b>-2,489</b>	<b>-2,590</b>	<b>-</b>	<b>-30,901</b>	<b>-3,612</b>	<b>-34,209</b>	<b>-</b>	<b>-73,801</b>
<b>As of January 1, 2020</b>	<b>-2,632</b>	<b>-2,586</b>	<b>-</b>	<b>-29,821</b>	<b>-3,457</b>	<b>-32,983</b>	<b>-</b>	<b>-71,479</b>
Amortization charge	-437	-89	-	-	-	-	-	-526
Disposals	148	161	-	-	-	-	-	309
Net exchange differences	-	-17	-	-	-	-304	-	-321
<b>As of September 30, 2020</b>	<b>-2,921</b>	<b>-2,531</b>	<b>-</b>	<b>-29,821</b>	<b>-3,457</b>	<b>-33,287</b>	<b>-</b>	<b>-72,017</b>
<b>Net book value</b>								
<b>As of September 30, 2020</b>	<b>3,051</b>	<b>291</b>	<b>831</b>	<b>-</b>	<b>-</b>	<b>10,284</b>	<b>171</b>	<b>14,628</b>
<b>As of January 1, 2020</b>	<b>3,349</b>	<b>260</b>	<b>831</b>	<b>-</b>	<b>-</b>	<b>10,092</b>	<b>98</b>	<b>14,630</b>
<b>As of September 30, 2019</b>	<b>3,348</b>	<b>133</b>	<b>831</b>	<b>524</b>	<b>75</b>	<b>10,362</b>	<b>121</b>	<b>15,394</b>

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. In the nine months ended September 30, 2020, the Group recognized an impairment loss on industrial rights of 23 Million KRW (nine months ended September 30, 2019: none). Intangible assets with indefinite useful lives are tested for impairment on an annual basis as of December 31. No triggering events occurred in the nine months ended September 30, 2020 and 2019 (refer to note 28 for further details).

## 9. Inventories

Description	September 30, 2020	December 31, 2019
	Million KRW	Million KRW
Raw materials and supplies	36,011	39,219
Work in progress	1,407	494
Finished and semi-finished goods	124,038	123,283
Goods in transit	32,568	32,981
Consignment stocks	1,196	1,019
<b>Total inventories at the lower of cost and net realizable value</b>	<b>195,220</b>	<b>196,996</b>

As of September 30, 2020, inventory write-off amounted to 5,253 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2019: 4,489 Million KRW).

## 10. Trade and other receivables

Description	September 30, 2020	December 31, 2019
	Million KRW	Million KRW
Trade and notes receivables	126,091	124,229
Allowances for trade and notes receivables	-1,344	-1,482
Trade and notes receivables (related parties)	-	106
Other accounts receivables	3,991	4,960
Allowances for other accounts receivables	-46	-9
Accrued income	43	362
<b>Total</b>	<b>128,735</b>	<b>128,166</b>

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

## 11. Cash and cash equivalents

Description	September 30, 2020	December 31, 2019
	Million KRW	Million KRW
Cash on hand	59	76
Bank accounts	73,055	59,067
Time deposits (< 3 months)	3,975	3,989
<b>Total</b>	<b>77,089</b>	<b>63,132</b>

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

## 12. Other financial assets

Description	September 30, 2020		December 31, 2019	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	759	1	740	1
Financial instruments at FVtPL	6,725	2,241	6,000	794
Derivative assets at FVtPL	-	-	-	61
Equity Instruments at FVOCI	842	-	842	-
Guarantee deposits at amortized cost	359	516	355	547
<b>Total</b>	<b>8,685</b>	<b>2,758</b>	<b>7,937</b>	<b>1,403</b>

## 13. Equity

### 13.1. Reserves and dividends paid

At the regular general meeting of shareholders held on March 20, 2020, dividends with the total amount of 3,600 Million KRW were approved by the shareholders. Legal reserves increased by 360 Million KRW due to the appropriation to the reserve approved by the shareholders on March 20, 2020.

### 13.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of September 30, 2020 and December 31, 2019 is composed of the following:

Description	September 30, 2020	December 31, 2019
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-36,902	-36,264
<b>OCI recognized within retained earnings</b>	<b>-36,902</b>	<b>-36,264</b>
Cash flow hedge reserve	-1,443	-997
Fair value reserve of financial assets at FVOCI	-44	-44
Foreign currency translation reserve	-752	-2,474
Share of foreign currency translation reserve associated with non-controlling interests	-81	31
<b>OCI recognized within other components of equity</b>	<b>-2,320</b>	<b>-3,484</b>



## 14. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings as of September 30, 2020 and December 31, 2019 are as follows:

Description	September 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Long-term borrowings	61,950	73,094
<b>Non-current interest-bearing loans and borrowings</b>	<b>61,950</b>	<b>73,094</b>
Current portion of long-term borrowings	8,780	11,280
Short-term borrowings	156,671	159,920
<b>Current interest-bearing loans and borrowings</b>	<b>165,451</b>	<b>171,200</b>
<b>Total</b>	<b>227,401</b>	<b>244,294</b>

## 15. Trade and other payables

Description	September 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Trade payables	54,529	50,641
Trade payables (related parties)	848	1,535
Other accounts payables	16,728	23,437
Other accounts payables (related parties)	6	6
Withholdings	751	1,761
Accrued expenses	21,358	21,509
Guarantee deposits	3	21
<b>Total</b>	<b>94,223</b>	<b>98,910</b>

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

## 16. Operating profit and finance income / expenses

### 16.1. Selling and administration expenses

Description	For the three months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Sales-related costs	-5,618	-6,298
Personnel expenses	-14,090	-12,948
Travelling and entertainment	-618	-1,916
Depreciation and amortization	-683	-1,358
Administration expenses	-2,385	-2,697
Others	-1,406	-1,744
<b>Total</b>	<b>-24,800</b>	<b>-26,961</b>

Description	For the nine months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Sales-related costs	-18,942	-18,553
Personnel expenses	-39,147	-40,413
Travelling and entertainment	-2,357	-5,372
Depreciation and amortization	-2,033	-4,261
Administration expenses	-6,728	-7,902
Others	-4,670	-4,997
<b>Total</b>	<b>-73,877</b>	<b>-81,498</b>

## 16.2. Finance income

Description	For the three months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Gains on foreign exchange transactions	3,791	3,734
Gains on foreign exchange translations	-798	-403
Gains on derivative transactions	91	178
Gains on valuation of derivatives	-	-4
Gains on valuation of financial assets at FVtPL	12	-24
Interest on loans and receivables	57	128
Interest on loan and receivables (related parties)	-	1
<b>Total finance income</b>	<b>3,153</b>	<b>3,610</b>

Description	For the nine months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Gains on foreign exchange transactions	13,500	9,668
Gains on foreign exchange translations	2,813	3,907
Gains on derivative transactions	300	647
Gains on valuation of financial assets at FVtPL	12	45
Interest on loans and receivables	168	460
Interest on loan and receivables (related parties)	-	2
<b>Total finance income</b>	<b>16,793</b>	<b>14,729</b>

### 16.3. Finance expenses

Description	For the three months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Interest on borrowings	-1,640	-2,254
<b>Total interest expenses</b>	<b>-1,640</b>	<b>-2,254</b>
Losses on foreign exchange transactions	-4,809	-3,769
Losses on foreign exchange translations	480	388
Losses on derivative transactions	-736	-502
Losses on valuation of derivatives	359	-251
Losses on valuation of financial assets at FVtPL	129	-
Bank charges	-65	-58
<b>Total finance expenses</b>	<b>-6,282</b>	<b>-6,446</b>

Description	For the nine months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Interest on borrowings	-5,131	-7,335
<b>Total interest expenses</b>	<b>-5,131</b>	<b>-7,335</b>
Losses on foreign exchange transactions	-13,892	-10,161
Losses on foreign exchange translations	-2,854	-4,405
Losses on derivative transactions	-1,736	-675
Losses on valuation of derivatives	-867	-1,277
Bank charges	-271	-297
<b>Total finance expenses</b>	<b>-24,751</b>	<b>-24,150</b>

### 17. Income tax expenses

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

Income taxes	For the three months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Current income tax charges	-6,164	-4,998
Deferred taxes related to origination and reversal of deferred taxes	1,990	1,501
Income tax recognized in other comprehensive income	-8	-91
<b>Income tax expenses</b>	<b>-4,182</b>	<b>-3,588</b>

	For the nine months ended	
	September 30,	
Income taxes	2020	2019
	Million KRW	Million KRW
Current income tax charge	-25,048	-16,590
Deferred taxes related to origination and reversal of deferred taxes	7,179	3,539
Income tax recognized in other comprehensive income	90	-389
<b>Income tax expenses</b>	<b>-17,779</b>	<b>-13,440</b>

In August 2019, the Korean National Tax Service started with the tax audit for FY 2015-2017 within the parent company Songwon Industrial Co., Ltd. As per year end 2019, 1,346 Million KRW were recognized for the known tax risks resulting from this tax audit. In July 2020, the tax authority issued the final notice of assessment with the total amount of 10,445 Million KRW related to the investment valuation in course of the changes in the legal structure of the Group of 6,951 Million KRW, Group cost recharge of Global Business Unit services of 2,920 Million KRW and other minor issues of 574 Million KRW for the period inspected. After the tax assessment result recognition and reversal of the tax risk provision of 1,346 Million KRW as well as the deferred tax provision of 4,567 Million KRW recorded on timing difference resulting from the investment valuation, the net impact of the tax audit on the Q3/2020 Financial Statements was 4,532 Million KRW.

## 18. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of September 30, 2020 and 2019, as no securities with dilutive features have been issued as of the end of the reporting periods.

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

Description	For the three months ended	
	September 30,	
	2020	2019
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	8,538,737,562	7,299,562,162
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>356</b>	<b>304</b>

Description	For the nine months ended	
	September 30,	
	2020	2019
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	24,661,968,311	28,833,943,591
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>1,028</b>	<b>1,201</b>

## 19. Other financial liabilities

Description	September 30, 2020		December 31, 2019	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 20)	1,198	1,543	979	425
Deposits	32	1,466	1,506	1,447
Accrued interest expenses	-	312	-	510
Unpaid dividends	-	-	-	3
<b>Total</b>	<b>1,230</b>	<b>3,321</b>	<b>2,485</b>	<b>2,385</b>

## 20. Derivative financial instruments

Description	September 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	867	61	113
Interest rate swaps (current portion)	-	676	-	312
Interest rate swaps (non-current portion)	-	1,198	-	979
<b>Total</b>	<b>-</b>	<b>2,741</b>	<b>61</b>	<b>1,404</b>

### 20.1. Forward exchange contracts

Details of forward exchange contracts which the Group entered into with financial institutions in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of September 30, 2020 and December 31, 2019 are as follows:

#### As of September 30, 2020

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 12,670,000	30.10.2020 – 30.06.2021	1,330.00 – 1,422.50
	Sell	JPY 1,301,000,000	30.10.2020 – 30.06.2021	11.1680 – 11.5570
Woori Bank	Sell	EUR 17,460,000	30.10.2020 – 30.06.2021	1,331.10 – 1,413.70
	Sell	JPY 295,000,000	30.10.2020 – 26.02.2021	11.1840

#### As of December 31, 2019

Contractual party	Position	Contract amount	Maturity dates	Contractual exchange rate (KRW)
Citibank Korea	sell	EUR 8,850,000	31.01.2020~30.06.2020	1,318.00~1,321.00
Woori Bank	sell	EUR 10,200,000	28.01.2020~29.06.2020	1,326.10
Citibank Korea	sell	JPY 282,300,000	31.01.2020~31.03.2020	10.4900~10.6000
Woori Bank	sell	JPY 283,000,000	23.01.2020~31.03.2020	10.4938~10.5979
Hana Bank	sell	JPY 330,000,000	31.01.2020~30.06.2020	10.8320~10.8701

## 20.2. Interest rate swaps

As of September 30, 2020 and December 31, 2019, the Group has entered into the following interest rate swap contracts:

### As of September 30, 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%

### As of December 31, 2019

Description	Bonds contract	Interest rate swap contract
Contract date	03.07.2017	03.07.2017
Maturity date	03.07.2020	03.07.2020
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	n/a	2.73%
Floating interest rate	3MCD+1.02%	3MCD+1.02%
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	36,000 Million KRW	36,000 Million KRW
Fixed interest rate	n/a	3.47%
Floating interest rate	3MCD+1.43%	3MCD+1.43%
Contract date	08.05.2019	08.05.2019
Maturity date	08.05.2024	08.05.2024
Contract amount	34,000 Million KRW	34,000 Million KRW
Fixed interest rate	n/a	3.52%
Floating interest rate	3MCD+1.70%	3MCD+1.70%

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2019. The balances included in accumulated other comprehensive income are -1,443 Million KRW (expenses) as of September 30, 2020 and -997 Million KRW (expenses) as of December 31, 2019, net of income tax (refer to note 13.2).

## 21. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of September 30, 2020, are as follows  
(Unit: Korean Allowance Unit - KAU):

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

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

	2018		2019		2020	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
<b>Beginning</b>	<b>27,182</b>	-	<b>5,444</b>	-	<b>12,996</b>	-
Allocation	122,199	-	122,199	-	122,199	-
Allocation cancel	-706	-	-320	-	-	-
Additional allocation	5,834	-	12,536	-	-	-
Purchase	-	-	21,690	-	-	-
Delivery to government	-149,065	-	-148,553	-	-	-
Carryforward	-5,444	-	-12,996	-	-	-
<b>Ending</b>	-	-	-	-	<b>135,195</b>	-

There are no emission rights provided as collateral as of September 30, 2020.

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

	2020	2019
<i>As of January 1</i>	512	-
<i>Increase</i>	488	516
<i>Decrease</i>	-455	-
<i>As of September 30</i>	545	516

Allocated greenhouse gas emissions free of charge in 2020 were 122,199 KAU.

Estimated greenhouse gas emissions in 2020 are 150,892 KAU.

## 22. Fair values

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

As of September 30, 2020

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,118	517	1,118	517
	Trade and other receivables	-	128,735	-	128,735
	Cash and cash equivalents	-	77,089	-	77,089
	<i>Total financial assets at amortized cost</i>	<i>1,118</i>	<i>206,341</i>	<i>1,118</i>	<i>206,341</i>
	<b>Financial assets at FVOCI</b>				
	Other financial assets	842	-	842	-
	<i>Total financial assets at FVOCI</i>	<i>842</i>	<i>-</i>	<i>842</i>	<i>-</i>
	<b>Financial assets at FVtPL</b>				
	Other financial assets	6,725	2,241	6,725	2,241
	<i>Total financial assets at FVtPL</i>	<i>6,725</i>	<i>2,241</i>	<i>6,725</i>	<i>2,241</i>
<b>Total financial assets</b>		<b>8,685</b>	<b>208,582</b>	<b>8,685</b>	<b>208,582</b>
Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	32	1,778	32	1,778
	Lease liabilities	17,583	2,669	17,583	2,669
	Trade and other payables	-	94,223	-	94,223
	Interest-bearing loans and borrowings	61,950	165,451	61,950	165,451
	<i>Total financial liabilities at amortized cost</i>	<i>79,565</i>	<i>264,121</i>	<i>79,565</i>	<i>264,121</i>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	1,198	676	1,198	676
	<i>Total financial liabilities at FVOCI</i>	<i>1,198</i>	<i>676</i>	<i>1,198</i>	<i>676</i>
	<b>Financial liabilities at FVtPL</b>				
	Forward exchange contracts	-	867	-	867
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>867</i>	<i>-</i>	<i>867</i>
<b>Total financial liabilities</b>		<b>80,763</b>	<b>265,664</b>	<b>80,763</b>	<b>265,664</b>



As of December 31, 2019

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,095	548	1,095	548
	Trade and other receivables	-	128,166	-	128,166
	Cash and cash equivalents	-	63,132	-	63,132
	<b>Total financial assets at amortized cost</b>	<b>1,095</b>	<b>191,846</b>	<b>1,095</b>	<b>191,846</b>
	<b>Financial assets at FVOCI</b>				
	Other financial assets	842	-	842	-
	<b>Total financial assets at FVOCI</b>	<b>842</b>	<b>-</b>	<b>842</b>	<b>-</b>
	<b>Financial assets at FVtPL</b>				
	Forward exchange contracts	-	61	-	61
	Other financial assets	6,000	794	6,000	794
	<b>Total financial assets at FVtPL</b>	<b>6,000</b>	<b>855</b>	<b>6,000</b>	<b>855</b>
<b>Total financial assets</b>		<b>7,937</b>	<b>192,701</b>	<b>7,937</b>	<b>192,701</b>
Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	1,506	1,960	1,506	1,960
	Lease liabilities	17,214	2,309	17,214	2,309
	Trade and other payables	-	98,910	-	98,910
	Interest-bearing loans and borrowings	73,094	171,200	73,094	171,200
	<b>Total financial liabilities at amortized cost</b>	<b>91,814</b>	<b>274,379</b>	<b>91,814</b>	<b>274,379</b>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	979	312	979	312
	<b>Total financial liabilities at FVOCI</b>	<b>979</b>	<b>312</b>	<b>979</b>	<b>312</b>
	<b>Financial liabilities at FVtPL</b>				
	Forward exchange contracts	-	113	-	113
	<b>Total financial liabilities at FVtPL</b>	<b>-</b>	<b>113</b>	<b>-</b>	<b>113</b>
<b>Total financial liabilities</b>		<b>92,793</b>	<b>274,804</b>	<b>92,793</b>	<b>274,804</b>

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

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

- Cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of equity instruments at FVOCI is derived from quoted market prices in active markets, if available.
- Fair value of unquoted equity instruments at FVOCI is estimated using appropriate valuation techniques (refer to note 22.1).

## 22.1. Fair value hierarchy

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

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

As of September 30, 2020 and December 31, 2019, the Group held the following financial instruments carried at fair value on the statement of financial position:

		September 30, 2020	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Debt instruments</b>				
	Exchange traded funds at FVtPL	806	806	-	-
	Other debt instruments at FVtPL	1,435	1,435	-	-
	<i>Total</i>	<i>2,241</i>	<i>2,241</i>	<i>-</i>	<i>-</i>
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	842	-	-	842
<i>Total</i>		<i>842</i>	<i>-</i>	<i>-</i>	<i>842</i>
<b>Total</b>		<b>3,083</b>	<b>2,241</b>	<b>-</b>	<b>842</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	867	-	867	-
	Interest Rate Swaps	1,874	-	1,874	-
	<i>Total</i>	<i>2,741</i>	<i>-</i>	<i>2,741</i>	<i>-</i>
<b>Total</b>		<b>2,741</b>	<b>-</b>	<b>2,741</b>	<b>-</b>

  

		December 31, 2019	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Forward exchange contracts	61	-	61	-
	<i>Total</i>	<i>61</i>	<i>-</i>	<i>61</i>	<i>-</i>
	<b>Debt instruments</b>				
	Exchange traded funds at FVtPL	794	794	-	-
	<i>Total</i>	<i>794</i>	<i>794</i>	<i>-</i>	<i>-</i>
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	842	-	-	842
<i>Total</i>		<i>842</i>	<i>-</i>	<i>-</i>	<i>842</i>
<b>Total</b>		<b>1,697</b>	<b>794</b>	<b>61</b>	<b>842</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	113	-	113	-
	Interest Rate Swaps	1,291	-	1,291	-
	<i>Total</i>	<i>1,404</i>	<i>-</i>	<i>1,404</i>	<i>-</i>
<b>Total</b>		<b>1,404</b>	<b>-</b>	<b>1,404</b>	<b>-</b>

During the nine months ended September 30, 2020 and year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements. For the financial assets and financial liabilities for which the fair values are disclosed the carrying amounts are reasonable approximations of fair values and are measured using Level 3 measurement methods, except for cash and cash equivalents.

## 23. Related party disclosures

The companies listed below have been identified as related parties:

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

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

		For the nine months ended September 30,	
		2020	2019
Related party	Description	Million KRW	Million KRW
Maurizio Butti (refer to note 23.3 for further details)	Finance income	-	2
Songwon Moolsan Co., Ltd.	Selling and administration costs	-49	-49
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	163	-
	Cost of sales	-9,371	-11,050
<b>Total</b>	<b>Sales</b>	<b>163</b>	<b>-</b>
	<b>Cost of sales</b>	<b>-9,371</b>	<b>-11,050</b>
	<b>Selling and administration costs</b>	<b>-49</b>	<b>-49</b>
	<b>Finance income</b>	<b>-</b>	<b>2</b>

		As of	
		September 30, 2020	December 31, 2019
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	24	24
	Trade and other payables	6	6
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	-	106
	Trade and other payables	848	1,535
<b>Total</b>	<b>Other non-current financial assets</b>	<b>24</b>	<b>24</b>
	<b>Trade and other receivables</b>	<b>-</b>	<b>106</b>
	<b>Trade and other payables</b>	<b>854</b>	<b>1,541</b>

### 23.1. The ultimate parent

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

## 23.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of September 30, 2020 are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and nine months ended September 30, 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2019: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

## 23.3. Transactions with key management personnel

During the nine months ended September 30, 2020, no transactions with key management personnel took place.

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

## 23.4. Compensation of key management personnel of the Group

Description	For the nine months ended	
	September 30,	
	2020	2019
	Million KRW	Million KRW
Short-term employee benefits	9,927	12,514
Post-employment benefits	533	607
Other long-term benefits	506	1,822
Share based payments	-122	107
<b>Total compensation paid to key management personnel</b>	<b>10,844</b>	<b>15,050</b>

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

## 23.5. Other related parties

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

## 24. Contingencies and commitments

### 24.1. Contingent liability

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

### 24.2. Other lease commitments

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixture. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of September 30, 2020 and December 31, 2019 are as follows:

Description	September 30, 2020	December 31, 2019
	Million KRW	Million KRW
<b>Short-term lease commitments</b>		
Within one year	-149	-68
<i>Total short-term lease commitments</i>	-149	-68
<b>Low-value lease commitments</b>		
Within one year	-27	-33
After one year but not more than five years	-13	-11
<i>Total low-value lease commitments</i>	-40	-44
<b>Total</b>	<b>-189</b>	<b>-112</b>

### 24.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of fixed assets and intangible assets and investment properties. As of September 30, 2020, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 2,916 Million KRW (December 31, 2019: 2,635 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 September 30, 2020, due to bankruptcy declared by the customer.

Details of the Group's available short-term credit line facilities (excluding general loans) as of September 30, 2020 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,400	3,647	16,753
D/A and D/P	Thousand USD	110,900	46,694	64,206
	Million KRW	22,000	3,707	18,293
Trade loans	Million KRW	15,000	-	15,000
Secured loan of credit sales	Million KRW	9,000	3,492	5,508
Other foreign currency guarantees	Thousand USD	17,020	6,639	10,381
	<b>Total Million KRW</b>	<b>46,000</b>	<b>7,199</b>	<b>38,801</b>
	<b>Total Thousand USD</b>	<b>148,320</b>	<b>56,980</b>	<b>91,340</b>

## 25. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment property pledged by the Group as collateral for interest-bearing loans and borrowings as of September 30, 2020 and December 31, 2019, expressed in the maximum pledge amount are as follows:

			September 30, 2020	December 31, 2019
Pledged to	Pledged assets			
<i>Property, plant and equipment and investment property (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
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
<i>Property, plant and equipment (Collateral for other than long-term loan)</i>				
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000
<b>Total</b>		<b>Million KRW</b>	<b>285,000</b>	<b>285,000</b>
		<b>Thousand USD</b>	<b>24,000</b>	<b>24,000</b>

The Group has received payment guarantees amounting to 49,200 Million KRW (December 31, 2019: 193,428 Million KRW and 32,076 Thousand USD) provided by Jongho Park, the Chairman of the Board of Directors of the Group, in connection with the Group's borrowings from banks as of September 30, 2020.

## 26. Financial risk management objectives and policies

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

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

### 26.1. Market risk

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

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

Financial instruments affected by market risk include loans and borrowings, deposits, financial instruments at FVOCI, financial instruments at FVTPL and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of September 30, 2020 and 2019 as well as December 31, 2019.

### 26.1.1. Interest rate risk

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

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

#### Interest rate sensitivity

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

	<b>Increase / (decrease)</b>	<b>Effect on profit before tax</b>
	in %	Million KRW
<b>September 30, 2020</b>	1.00	-737
	-1.00	737
<b>September 30, 2019</b>	1.00	-844
	-1.00	844

### 26.1.2. Foreign currency risk

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

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

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

### Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), United Arab Emirates Dirham (AED) and to the Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. The financial instruments are incorporated into calculations. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant and the foreign exchange rate only changes by 10%, the impacts on net profit for the nine months ended September 30, 2020 and year ended December 31, 2019 are as follows:

Currency	September 30, 2020		December 31, 2019	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	6,509	-6,509	1,903	-1,903
EUR	1,181	-1,181	728	-728
JPY	112	-112	240	-240
CHF	134	-134	206	-206
AED	-204	204	-186	186
INR	301	-301	973	-973
<b>Total</b>	<b>8,033</b>	<b>-8,033</b>	<b>3,864</b>	<b>-3,864</b>

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

## 26.2. Credit risk

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

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

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

## 26.3. Liquidity risk

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

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



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

The details of maturity profile of the Group's financial liabilities and lease liabilities based on contractual undiscounted payments as of September 30, 2020 and December 31, 2019 are as follows:

<b>As of September 30, 2020</b>	<b>Less than a month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	13,664	44,798	106,989	61,950	-	227,401
Trade and other payables	69,244	14,287	10,692	-	-	94,223
Lease liabilities	285	570	2,457	7,320	13,490	24,122
Other financial liabilities	256	1	1,521	32	-	1,810
<b>Total</b>	<b>83,449</b>	<b>59,656</b>	<b>121,659</b>	<b>69,302</b>	<b>13,490</b>	<b>347,556</b>

<b>As of December 31, 2019</b>	<b>Less than a month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	26,309	49,165	95,726	73,094	-	244,294
Trade and other payables	76,100	20,634	2,176	-	-	98,910
Lease liabilities	274	541	2,128	7,937	14,097	24,977
Other financial liabilities	376	1,560	24	1,506	-	3,466
<b>Total</b>	<b>103,059</b>	<b>71,900</b>	<b>100,054</b>	<b>82,537</b>	<b>14,097</b>	<b>371,647</b>

## 26.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statement of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of September 30, 2020 and December 31, 2019 is 98% and 105%, respectively.

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

## 27. Cash flow statement

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

The Group's interim condensed consolidated statement of cash flows is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the nine months ended September 30, 2020 and 2019 are as follows:

		For the nine months ended	
		September 30,	
		2020	2019
Adjustments	Notes	Million KRW	Million KRW
Depreciation of property, plant and equipment	6	23,380	22,718
Depreciation of right-of-use assets	7	2,250	2,127
Depreciation of investment properties		11	12
Amortization of intangible assets	8	526	3,109
Impairment of tangible assets	6	57	-
Impairment of intangible assets	8	23	88
Impairment of non-current financial assets		5	5
Losses on disposals of property, plant and equipment, net	6	1,620	408
Share of result from investments accounted using the equity method	4	-798	-749
Finance income		-4,305	-10,105
Finance expenses		6,372	12,911
Income tax expenses	17	17,779	13,440
<b>Total</b>		<b>46,920</b>	<b>43,964</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-63	-7,990
Other receivables		1,401	-1,076
Other current assets		-3,889	-5,382
Other current financial assets		61	88
Inventories		4,322	-11,350
Trade payables		3,524	6,474
Other payables		-8,746	-3,124
Other current financial liabilities		251	306
Other current liabilities		5,289	5,489
Pension liabilities		6,624	4,658
Other long-term employment benefits		-53	316
<b>Total</b>		<b>8,721</b>	<b>-11,591</b>

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

During the nine months ended September 30, 2020, the global economy was greatly impacted by the COVID-19 pandemic: the countries imposed travel bans, people have been placed with quarantine measures and global supply chains were disrupted due to factory shutdowns. 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 nine months ended September 30, 2020, the following assessments were performed, amongst others:

### **Indication of impairment on tangible and intangible assets**

The Group assessed whether there were any internal and external indicators of impairment of tangible and intangible assets. For the nine months ended September 30, 2020, no indications of impairment have been identified and accordingly, no impairment has been recognized on tangible 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 nine months ended September 30, 2020, 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 233 Million KRW in the interim condensed consolidated financial statements for the nine months ended September 30, 2020.

## 29. 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.



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

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

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

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

## Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises the interim condensed consolidated statement of financial position as of September 30, 2020, and the related interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the nine-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, 2019, 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 24, 2020 expressed an unqualified opinion thereon. The consolidated financial statements that we have expressed an unqualified opinion on are the consolidated financial statements before the adjustments described in Note 2.3 have been reflected. The accompanying statement of financial position as of December 31, 2019 presented for comparative purposes is the statement of financial position reflecting such adjustments.



November 11, 2020

This review report is effective as of November 11, 2020, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

For more information, please contact:

**SONGWON Industrial Group**

E-mail: [ir@songwon.com](mailto:ir@songwon.com)  
[www.songwon.com](http://www.songwon.com)