



FINANCIAL RESULTS  
Q2 & 6 MONTHS  
ENDED JUNE 30, **2020**

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## About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 8 to 51) according to K-IFRS are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the three and six months ended June 30, 2020 as well as the three and six months ended June 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 six months ended June 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

	Q2 2020			Q2 2019			For the six months ended		
	June 30,			2020			2019		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	198,145	218,467	-9.3%	408,688	408,884	0.0%			
Gross profit	41,768	51,860	-19.5%	83,310	91,573	-9.0%			
<i>Gross profit margin</i>	21.1%	23.7%		20.4%	22.4%				
Operating profit	16,164	23,274	-30.5%	34,233	37,036	-7.6%			
EBITDA	24,710	32,799	-24.7%	51,700	55,888	-7.5%			
<i>EBITDA margin</i>	12.5%	15.0%		12.7%	13.7%				
EBIT	16,043	23,540	-31.8%	34,493	37,485	-8.0%			
<i>EBIT margin</i>	8.1%	10.8%		8.4%	9.2%				
Profit for the period	5,422	12,826	-57.7%	16,604	21,603	-23.1%			
Total assets				924,573	957,355	-3.4%			
Total equity				450,227	432,596	4.1%			
<i>Equity ratio</i>				48.7%	45.2%				
Headcounts				1,084	1,059	2.4%			

## Sales development

### Divisions

	For the three months ended											
	2020			2019			2020			2019		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	<b>Industrial Chemicals</b>			<b>Performance Chemicals</b>								
Sales	145,543	161,720	-10.0%	52,602	56,747	-7.3%	198,145	218,467	-9.3%			

	For the six months ended											
	2020			2019			2020			2019		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	<b>Industrial Chemicals</b>			<b>Performance Chemicals</b>								
Sales	301,562	302,611	-0.3%	107,126	106,273	0.8%	408,688	408,884	0.0%			

### Regions

	Q2 2020			Q2 2019			For the six months ended		
	June 30,			2020			2019		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Korea	34,785	44,635	-22.1%	78,856	87,876	-10.3%			
Rest of Asia	54,898	63,237	-13.2%	111,789	112,432	-0.6%			
Europe	43,858	51,751	-15.3%	94,208	98,960	-4.8%			
North and South America	48,019	46,306	3.7%	91,978	87,473	5.2%			
Australia	607	677	-10.3%	1,210	1,200	0.8%			
Middle East and Africa	15,978	11,861	34.7%	30,647	20,943	46.3%			
<b>Total sales</b>	<b>198,145</b>	<b>218,467</b>	<b>-9.3%</b>	<b>408,688</b>	<b>408,884</b>	<b>0.0%</b>			

## Business development

During the 2nd quarter of 2020, ended June 30, 2020, SONGWON Industrial Group generated consolidated sales of 198,145 Mil. KRW marking a 9.3% decrease in revenue over the same quarter in 2019 (218,467 Mil. KRW). Compared to the prior quarter (Q1/2020), the gross profit margin for Q2/2020 increased by 1.4%-points to 21.1%. Year-to-date, the sales achieved (408,688 Mil. KRW) in the first six months 2020 remained almost on the same level as the 2019 comparative period (408,884 Mil. KRW). The net profit YTD June 2020 of 16,604 Mil. KRW (2019: 21,603 Mil. KRW) was negatively impacted by the tax audit result within the parent company, Songwon Industrial Co., Ltd, conducted by the Korean National Tax Service in 2019-2020 for the financial years 2015-2017. Based on the final notice of assessment, the parent company recognized an income tax expense of 10.4 Bil. KRW. This was partly offset by the reversal of the available deferred tax provision for the taxed transaction leading to the net impact of 4.5 Bil. KRW on the Q2/2020 close. With its solid contingency plan, Songwon Industrial Co., Ltd., will be reviewing its possibilities for starting tax appeal filing procedures against the tax assessment made.

After the sound growth of revenue in Q1/2020, mainly caused by customers increasing their stocking up activities due to concern for potential supply disruptions caused by the COVID-19 pandemic, Division Industrial Chemicals (-6.7%) and Division Performance Chemicals (-3.5%) both saw a decline in demand in Q2/2020. Division Industrial Chemicals generated sales of 145,543 Mil. KRW (Q1/2020: 156,019 Mil. KRW) and Division Performance Chemicals recorded sales of 52,602 Mil. KRW (Q1/2020: 54,524 Mil. KRW).

In connection to the significant impact of the COVID-19 pandemic across the industry, Division Industrial Chemicals noted negative price developments across the portfolio. Driven by the decreasing raw material costs which led to sales price adjustments for some products, together with a decline in demand, these subsequently impacted sales revenues negatively during the quarter. SONGWON registered a contraction compared to Q2/2019, especially in the demand for plastics used for automotive, appliances and construction. In addition, the Division saw customers moving orders from June to later in July and August. Throughout the quarter, the Division's profitability increased compared to Q1/2020 on the back of lower raw material costs and due to positive FX developments.

The Group's Division Performance Chemicals also suffered from the global pandemic throughout Q2/2020. There was a reduction in the demand for PVC Additives which especially affected sales in Korea given the already weakened Korean construction industry. However, Division Performance Chemicals was able to further increase sales of its Tin Intermediates/Catalysts in Q2/2020, mainly by gaining new business particularly in Europe and the Americas, partially due to discontinued production by competitors. The down-trend in raw material costs which continued throughout the quarter positively supported the business.

Throughout the first half year 2020, operations ran according to plan, although in comparison to the first quarter of 2020, there was a reduction in plant utilization as a direct consequence of the lower projected demand. To ensure business continuity and minimize the impact of the global pandemic, the Group adopted Business Continuity Plan measures across the global organization.

## Outlook

The COVID-19 pandemic has created significant uncertainty in relation to future demand, industry direction and supply dynamics across the globe. From its outbreak at the beginning of the year, the Group has been closely observing COVID-19 developments worldwide and continually evaluating its impact on the industries SONGWON serves. In line with this, the Group is following its ongoing improvement strategy. The Group also reports that it is maintaining close and continuous interaction with customers, suppliers and business partners in order to ensure timely reaction to new developments.

At this point in time, the COVID-19 pandemic's impact is difficult to assess or predict, both for the short and mid-term. However, SONGWON expects demand for its products to be lower than usual for most of Q3/2020, with signs of a recovery in demand towards the end of the quarter. As such a new global situation and remaining so uncertain, SONGWON emphasizes that it is not feasible to make concrete long-term generalized predictions. That being said, the Group assumes that there will be a gradual and sustainable return of global economic activity and gradual reopening of economies in the upcoming months and anticipates that a recovery will begin to take hold as the year progresses.

Until then, the Group will continue to evaluate customer demand directly with its customer base in order to fully understand it and establish the most accurate plan for the remainder of the year. SONGWON sees the current global environment remaining uncertain for some time to come but has confidence in the future of the industry. Therefore, for the remainder of the year, the Group intends to focus on optimizing its internal structure and processes. This will support SONGWON to deliver improved financial performance and ensure it fully capitalizes on arising opportunities while executing its strategic initiatives across the organization throughout the rest of the year. Looking ahead, SONGWON is confident that with its solid foundation and implemented contingency plans in place, it is well-positioned to offset current headwinds and emerge as an even stronger partner for its customers and a valuable player in the industry.

# **SECTION 2:**

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



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

	Notes	As of	
		June 30, 2020	December 31, 2019
		Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>497,967</b>	<b>495,555</b>
Property, plant and equipment	5.3.2, 6, 26	435,892	439,452
Right-of-use assets	5.3.2, 7	22,371	20,800
Investment properties	5.3.2	3,495	3,502
Intangible assets	5.3.2, 8	14,655	14,630
Investments accounted for using the equity method	4	5,491	5,347
Other non-current assets		254	95
Other non-current financial assets	12, 21, 23, 24	11,198	7,937
Deferred tax assets		4,611	3,792
<b>Current assets</b>		<b>426,606</b>	<b>398,769</b>
Inventories	9	211,455	196,996
Trade and other receivables	10, 23, 24	133,855	128,166
Income tax receivables		412	1,516
Other current assets	13	9,094	7,556
Other current financial assets	12, 21, 23	1,013	1,403
Cash and cash equivalents	11, 23	70,777	63,132
<b>Total assets</b>		<b>924,573</b>	<b>894,324</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>450,227</b>	<b>435,581</b>
<i>Non-controlling interests</i>		<i>4,591</i>	<i>3,986</i>
<i>Equity attributable to owners of the parent</i>		<i>445,636</i>	<i>431,595</i>
Issued capital		12,000	12,000
Capital surplus		22,359	22,359
Reserves	14.1	28,335	27,975
Retained earnings	14.1	384,353	372,745
Other components of equity	14.2	-1,411	-3,484
<b>Non-current liabilities</b>		<b>157,486</b>	<b>165,369</b>
Interest-bearing loans and borrowings	15, 23, 26, 27.3	64,187	73,094
Pension liability		36,064	30,252
Other long-term employee-related liabilities		5,552	5,688
Non-current lease liabilities	7, 23, 27.3	18,364	17,214
Other non-current financial liabilities	20, 21, 23, 27.3	1,389	2,485
Other non-current liabilities		458	458
Deferred tax liabilities		31,472	36,178
<b>Current liabilities</b>		<b>316,860</b>	<b>293,374</b>
Interest-bearing loans and borrowings	15, 23, 25, 26, 27.3	183,429	171,200
Trade and other payables	16, 23, 24, 27.3	100,237	98,910
Current lease liabilities	7, 23, 27.3	2,777	2,309
Other current financial liabilities	20, 21, 23, 27.3	3,654	2,385
Other current liabilities		6,298	2,439
Income tax payable		20,465	16,131
<b>Total liabilities</b>		<b>474,346</b>	<b>458,743</b>
<b>Total equity and liabilities</b>		<b>924,573</b>	<b>894,324</b>

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

	As of (refer to note 2.1)	
	June 30, 2020	December 31, 2019
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>414,877</b>	<b>412,867</b>
Property, plant and equipment	363,159	366,125
Right-of-use assets	18,638	17,329
Investment properties	2,912	2,918
Intangible assets	12,210	12,189
Investments accounted for using the equity method	4,575	4,455
Other non-current assets	212	79
Other non-current financial assets	9,329	6,613
Deferred tax assets	3,842	3,159
<b>Current assets</b>	<b>355,422</b>	<b>332,230</b>
Inventories	176,171	164,125
Trade and other receivables	111,520	106,780
Income tax receivables	343	1,263
Other current assets	7,577	6,295
Other current financial assets	844	1,169
Cash and cash equivalents	58,967	52,598
<b>Total assets</b>	<b>770,299</b>	<b>745,097</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>375,102</b>	<b>362,901</b>
<i>Non-controlling interests</i>	<i>3,825</i>	<i>3,321</i>
<i>Equity attributable to owners of the parent</i>	<i>371,277</i>	<i>359,580</i>
Issued capital	9,998	9,998
Capital surplus	18,628	18,628
Reserves	23,607	23,307
Retained earnings	320,219	310,548
Other components of equity	-1,175	-2,901
<b>Non-current liabilities</b>	<b>131,209</b>	<b>137,775</b>
Interest-bearing loans and borrowings	53,477	60,897
Pension liability	30,046	25,204
Other long-term employee-related liabilities	4,626	4,739
Non-current lease liabilities	15,300	14,342
Other non-current financial liabilities	1,157	2,070
Other non-current liabilities	382	382
Deferred tax liabilities	26,221	30,141
<b>Current liabilities</b>	<b>263,988</b>	<b>244,421</b>
Interest-bearing loans and borrowings	152,822	142,633
Trade and other payables	83,511	82,406
Current lease liabilities	2,314	1,924
Other current financial liabilities	3,044	1,987
Other current liabilities	5,247	2,032
Income tax payable	17,050	13,439
<b>Total liabilities</b>	<b>395,197</b>	<b>382,196</b>
<b>Total equity and liabilities</b>	<b>770,299</b>	<b>745,097</b>

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

	Notes	For the three months ended	
		2020	2019
		Million KRW	Million KRW
Sales	5, 24	198,145	218,467
Cost of sales	24	-156,377	-166,607
<b>Gross profit</b>		<b>41,768</b>	<b>51,860</b>
Selling and administration costs	17.1, 24	-25,604	-28,586
<b>Operating profit</b>		<b>16,164</b>	<b>23,274</b>
Other income		314	511
Other expenses		-435	-245
Share of result from investments accounted for using the equity method	4	332	329
Finance income	17.2, 24	2,512	6,777
Finance expenses	17.3	-3,403	-10,436
<b>Profit before tax</b>		<b>15,484</b>	<b>20,210</b>
Income tax expenses	18	-10,062	-7,384
<b>Profit for the period</b>		<b>5,422</b>	<b>12,826</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>		-2,357	1,987
Losses on valuation of interest rate swaps	14.2	-186	-970
Exchange differences on translation of foreign operations	14.2	-2,171	2,957
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-376	-
Re-measurement losses on defined benefit plans	14.2	-376	-
<b>Total other comprehensive income, net of taxes</b>		<b>-2,733</b>	<b>1,987</b>
<b>Total comprehensive income</b>		<b>2,689</b>	<b>14,813</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	19	5,097	12,813
Non-controlling interests		325	13
<b>Profit for the period</b>		<b>5,422</b>	<b>12,826</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		2,456	14,835
Non-controlling interests		233	-22
<b>Total comprehensive income</b>		<b>2,689</b>	<b>14,813</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	19	212	534

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

	For the three months ended June 30, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
Sales	165,083	182,013
Cost of sales	-130,284	-138,806
<b>Gross profit</b>	<b>34,799</b>	<b>43,207</b>
Selling and administration costs	-21,332	-23,816
<b>Operating profit</b>	<b>13,467</b>	<b>19,391</b>
Other income	262	426
Other expenses	-362	-204
Share of result from investments accounted for using the equity method	277	274
Finance income	2,093	5,646
Finance expenses	-2,835	-8,695
<b>Profit before tax</b>	<b>12,902</b>	<b>16,838</b>
Income tax expenses	-8,383	-6,152
<b>Profit for the period</b>	<b>4,519</b>	<b>10,686</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>	-1,964	1,656
Losses on valuation of interest rate swaps	-155	-808
Exchange differences on translation of foreign operations	-1,809	2,464
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-313	-
Re-measurement losses on defined benefit plans	-313	-
<b>Total other comprehensive income, net of taxes</b>	<b>-2,277</b>	<b>1,656</b>
<b>Total comprehensive income</b>	<b>2,242</b>	<b>12,342</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	4,247	10,675
Non-controlling interests	272	11
<b>Profit for the period</b>	<b>4,519</b>	<b>10,686</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	2,047	12,360
Non-controlling interests	195	-18
<b>Total comprehensive income</b>	<b>2,242</b>	<b>12,342</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	0.18	0.44

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

	Notes	For the six months ended June 30,	
		2020	2019
		Million KRW	Million KRW
Sales	5, 24	408,688	408,884
Cost of sales	24	-325,378	-317,311
<b>Gross profit</b>		<b>83,310</b>	<b>91,573</b>
Selling and administration costs	17.1, 24	-49,077	-54,537
<b>Operating profit</b>		<b>34,233</b>	<b>37,036</b>
Other income		1,188	979
Other expenses		-928	-530
Share of result from investments accounted for using the equity method	4	537	555
Finance income	17.2, 24	13,640	11,119
Finance expenses	17.3	-18,469	-17,704
<b>Profit before tax</b>		<b>30,201</b>	<b>31,455</b>
Income tax expenses	18	-13,597	-9,852
<b>Profit for the period</b>		<b>16,604</b>	<b>21,603</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>			
Losses on valuation of interest rate swaps	14.2	-546	-1,004
Exchange differences on translation of foreign operations	14.2	2,743	4,639
<i>Net other comprehensive income not to be reclassified to profit or loss</i>			
Re-measurement losses on defined benefit plans	14.2	-555	-
<b>Total other comprehensive income, net of taxes</b>		<b>1,642</b>	<b>3,635</b>
<b>Total comprehensive income</b>		<b>18,246</b>	<b>25,238</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	19	16,123	21,534
Non-controlling interests		481	69
<b>Profit for the period</b>		<b>16,604</b>	<b>21,603</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		17,641	25,102
Non-controlling interests		605	136
<b>Total comprehensive income</b>		<b>18,246</b>	<b>25,238</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	19	672	897

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

	For the six months ended June 30, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
Sales	340,493	340,657
Cost of sales	-271,085	-264,364
<b>Gross profit</b>	<b>69,408</b>	<b>76,293</b>
Selling and administration costs	-40,888	-45,437
<b>Operating profit</b>	<b>28,520</b>	<b>30,856</b>
Other income	990	816
Other expenses	-773	-442
Share of result from investments accounted for using the equity method	447	462
Finance income	11,364	9,264
Finance expenses	-15,387	-14,750
<b>Profit before tax</b>	<b>25,161</b>	<b>26,206</b>
Income tax expenses	-11,328	-8,208
<b>Profit for the period</b>	<b>13,833</b>	<b>17,998</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>	1,829	3,029
Losses on valuation of interest rate swaps	-456	-836
Exchange differences on translation of foreign operations	2,285	3,865
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-462	-
Re-measurement losses on defined benefit plans	-462	-
<b>Total other comprehensive income, net of taxes</b>	<b>1,367</b>	<b>3,029</b>
<b>Total comprehensive income</b>	<b>15,200</b>	<b>21,027</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	13,432	17,941
Non-controlling interests	401	57
<b>Profit for the period</b>	<b>13,833</b>	<b>17,998</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	14,696	20,914
Non-controlling interests	504	113
<b>Total comprehensive income</b>	<b>15,200</b>	<b>21,027</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	0.56	0.75

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

For the six months ended June 30, 2019 and 2020

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	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>352,906</b>	<b>54</b>	<b>350</b>	<b>-5,350</b>	<b>411,912</b>	<b>-714</b>	<b>411,198</b>
Profit for the period	-	-	-	21,534	-	-	-	21,534	69	21,603
Other comprehensive income	-	-	-	-	-1,004	-	4,572	3,568	67	3,635
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,534</b>	<b>-1,004</b>	<b>-</b>	<b>4,572</b>	<b>25,102</b>	<b>136</b>	<b>25,238</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	-
<b>As of June 30, 2019</b>	<b>12,000</b>	<b>22,359</b>	<b>27,975</b>	<b>370,216</b>	<b>-950</b>	<b>350</b>	<b>-778</b>	<b>431,172</b>	<b>1,424</b>	<b>432,596</b>
<b>As of January 1, 2020</b>	<b>12,000</b>	<b>22,359</b>	<b>27,975</b>	<b>372,745</b>	<b>-997</b>	<b>-44</b>	<b>-2,443</b>	<b>431,595</b>	<b>3,986</b>	<b>435,581</b>
Profit for the period	-	-	-	16,123	-	-	-	16,123	481	16,604
Other comprehensive income	-	-	-	-555	-546	-	2,619	1,518	124	1,642
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,568</b>	<b>-546</b>	<b>-</b>	<b>2,619</b>	<b>17,641</b>	<b>605</b>	<b>18,246</b>
Dividends	-	-	-	-3,600	-	-	-	-3,600	-	-3,600
Appropriation to reserves	-	-	360	-360	-	-	-	-	-	-
<b>As of June 30, 2020</b>	<b>12,000</b>	<b>22,359</b>	<b>28,335</b>	<b>384,353</b>	<b>-1,543</b>	<b>-44</b>	<b>176</b>	<b>445,636</b>	<b>4,591</b>	<b>450,227</b>

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

For the six months ended June 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	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	
<b>As of January 1, 2019</b>	<b>9,998</b>	<b>20,296</b>	<b>22,987</b>	<b>294,020</b>	<b>45</b>	<b>292</b>	<b>-4,457</b>	<b>343,181</b>	<b>-595</b>	<b>342,586</b>
Profit for the period	-	-	-	17,941	-	-	-	17,941	57	17,998
Other comprehensive income	-	-	-	-	-836	-	3,809	2,973	56	3,029
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,941</b>	<b>-836</b>	<b>-</b>	<b>3,809</b>	<b>20,914</b>	<b>113</b>	<b>21,027</b>
Dividends	-	-	-	-3,197	-	-	-	-3,197	-	-3,197
Appropriation to reserves	-	-	320	-320	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,668	-	-	-	-	-	-1,668	1,668	-
<b>As of June 30, 2019</b>	<b>9,998</b>	<b>18,628</b>	<b>23,307</b>	<b>308,444</b>	<b>-791</b>	<b>292</b>	<b>-648</b>	<b>359,230</b>	<b>1,186</b>	<b>360,416</b>
<b>As of January 1, 2020</b>	<b>9,998</b>	<b>18,628</b>	<b>23,307</b>	<b>310,548</b>	<b>-830</b>	<b>-37</b>	<b>-2,034</b>	<b>359,580</b>	<b>3,321</b>	<b>362,901</b>
Profit for the period	-	-	-	13,432	-	-	-	13,432	401	13,833
Other comprehensive income	-	-	-	-462	-456	-	2,182	1,264	103	1,367
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,970</b>	<b>-456</b>	<b>-</b>	<b>2,182</b>	<b>14,696</b>	<b>504</b>	<b>15,200</b>
Dividends	-	-	-	-2,999	-	-	-	-2,999	-	-2,999
Appropriation to reserves	-	-	300	-300	-	-	-	-	-	-
<b>As of June 30, 2020</b>	<b>9,998</b>	<b>18,628</b>	<b>23,607</b>	<b>320,219</b>	<b>-1,286</b>	<b>-37</b>	<b>148</b>	<b>371,277</b>	<b>3,825</b>	<b>375,102</b>



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

	Notes	For the six months ended	
		2020	June 30, 2019
		Million KRW	Million KRW
<b>Profit for the period</b>		<b>16,604</b>	<b>21,603</b>
<b>Total adjustments</b>	<b>28</b>	<b>31,618</b>	<b>30,559</b>
<b>Changes in operating assets and liabilities</b>	<b>28</b>	<b>-7,132</b>	<b>-30,405</b>
Interest received		128	307
Payments of income tax		-13,588	-4,311
<b>Net cash flow from operating activities</b>		<b>27,630</b>	<b>17,753</b>
Proceeds from sale of property, plant and equipment	6	111	66
Purchases of property, plant and equipment	6	-11,853	-12,767
Purchases of intangible assets	8	-239	-345
Dividends received from investments using equity method	4	519	-
(Increase) / decrease in other financial assets, net		-3,221	786
<b>Net cash flow from investing activities</b>		<b>-14,683</b>	<b>-12,260</b>
Proceeds from borrowings		239,765	423,230
Repayments of borrowings		-236,330	-412,430
Payment of lease liabilities	7	-1,815	-1,573
Decrease in other financial liabilities, net		-1,851	-1,872
Interest paid		-3,206	-4,611
Dividends paid		-3,600	-3,840
<b>Net cash flow from financing activities</b>		<b>-7,037</b>	<b>-1,096</b>
Increase in cash and cash equivalents		5,910	4,397
Net foreign exchange differences		1,735	1,598
Cash and cash equivalents as of January 1	11	63,132	63,306
<b>Cash and cash equivalents as of June 30</b>	<b>11</b>	<b>70,777</b>	<b>69,301</b>

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

	For the six months ended June 30, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>13,833</b>	<b>17,998</b>
<b>Total adjustments</b>	<b>26,342</b>	<b>25,460</b>
<b>Changes in operating assets and liabilities</b>	<b>-5,942</b>	<b>-25,332</b>
Interest received	107	256
Payments of income tax	-11,321	-3,592
<b>Net cash flow from operating activities</b>	<b>23,019</b>	<b>14,790</b>
Proceeds from sale of property, plant and equipment	92	55
Purchases of property, plant and equipment	-9,875	-10,637
Purchases of intangible assets	-199	-287
Dividends received from investments using equity method	432	-
(Increase) / decrease in other financial assets, net	-2,684	655
<b>Net cash flow from investing activities</b>	<b>-12,234</b>	<b>-10,214</b>
Proceeds from borrowings	199,758	352,609
Repayments of borrowings	-196,895	-343,612
Payment of lease liabilities	-1,512	-1,311
Decrease in other financial liabilities, net	-1,542	-1,560
Interest paid	-2,671	-3,842
Dividends paid	-2,999	-3,199
<b>Net cash flow from financing activities</b>	<b>-5,861</b>	<b>-913</b>
Increase in cash and cash equivalents	4,924	3,663
Net foreign exchange differences	1,445	1,331
Cash and cash equivalents as of January 1	52,598	52,743
<b>Cash and cash equivalents as of June 30</b>	<b>58,967</b>	<b>57,737</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 antioxidants, stabilizers and polyurethanes. The Company’s main manufacturing plants are located in Korea in Ulsan, Maeam and Suwon and in India in Ankleshwar. The address of the registered office (Songwon Industrial Co., Ltd.) can be found at the end of the annual report.

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

#### Scope of consolidation

As of June 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.

In the course of the first half 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.

Name	Location	June 30, 2020		December 31, 2019	
		Status	Interest	Status	Interest
<b>Consolidated entities</b>					
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%
<b>Entity accounted for using the equity method (joint venture)</b>					
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 six months ended June 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 1,200.28 to USD 1, the exchange rate in effect on June 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 "14.2 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 14.2). 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.

### 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 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 21.2). 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 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 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 consolidated financial statements of the Group as the practical expedient has not been applied during the six months ended June 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.	3,706	10,952	8,539	607	1,070	103	117	18,304	5,491
<b>June 30, 2020</b>	<b>3,706</b>	<b>10,952</b>	<b>8,539</b>	<b>607</b>	<b>1,070</b>	<b>103</b>	<b>117</b>	<b>18,304</b>	<b>5,491</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.	6,895	-40	1	-6	1,447	-352	1,095	-103	992
<b>For the three months ended June 30, 2019</b>	<b>6,895</b>	<b>-40</b>	<b>1</b>	<b>-6</b>	<b>1,447</b>	<b>-352</b>	<b>1,095</b>	<b>-103</b>	<b>992</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,942	-36	1	-2	1,474	-369	1,105	-327	778
<b>For the three months ended June 30, 2020</b>	<b>5,942</b>	<b>-36</b>	<b>1</b>	<b>-2</b>	<b>1,474</b>	<b>-369</b>	<b>1,105</b>	<b>-327</b>	<b>778</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.	12,849	-72	1	-6	2,453	-604	1,849	580	2,429
<b>For the six months ended June 30, 2019</b>	<b>12,849</b>	<b>-72</b>	<b>1</b>	<b>-6</b>	<b>2,453</b>	<b>-604</b>	<b>1,849</b>	<b>580</b>	<b>2,429</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	10,832	-72	2	-4	2,387	-598	1,789	420	2,209
<b>For the six months ended June 30, 2020</b>	<b>10,832</b>	<b>-72</b>	<b>2</b>	<b>-4</b>	<b>2,387</b>	<b>-598</b>	<b>1,789</b>	<b>420</b>	<b>2,209</b>

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

	As of January 1, 2019	Dividends	Share of result from equity method revaluation	Change in scope of consolidation	Exchange rate effects	As of June 30, 2019
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,760	-	555	-	174	5,489
<b>Total</b>	<b>4,760</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>174</b>	<b>5,489</b>

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

Description	For the three months ended					
	June 30,					
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	145,543	161,720	52,602	56,747	198,145	218,467
Operating profit	18,683	23,231	-2,519	43	16,164	23,274

Description	For the six months ended					
	June 30,					
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	301,562	302,611	107,126	106,273	408,688	408,884
Operating profit	37,208	37,965	-2,975	-929	34,233	37,036



## 5.2. Revenue from contracts with customers

Description	For the three months ended June 30,					
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	143,615	159,480	52,010	56,137	195,625	215,617
Sales of services	1,928	2,240	592	610	2,520	2,850
<b>Total sales</b>	<b>145,543</b>	<b>161,720</b>	<b>52,602</b>	<b>56,747</b>	<b>198,145</b>	<b>218,467</b>

Description	For the six months ended June 30,					
	2020	2019	2020	2019	2020	2019
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	297,470	298,443	105,935	105,257	403,405	403,700
Sales of services	4,092	4,168	1,191	1,016	5,283	5,184
<b>Total sales</b>	<b>301,562</b>	<b>302,611</b>	<b>107,126</b>	<b>106,273</b>	<b>408,688</b>	<b>408,884</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 June 30,	
	2020	2019
	Million KRW	Million KRW
Korea	34,785	44,635
Rest of Asia	54,898	63,237
Europe	43,858	51,751
North and South America	48,019	46,306
Australia	607	677
Middle East and Africa	15,978	11,861
<b>Total sales</b>	<b>198,145</b>	<b>218,467</b>

	For the six months ended	
	2020	June 30, 2019
	Million KRW	Million KRW
Korea	78,856	87,876
Rest of Asia	111,789	112,432
Europe	94,208	98,960
North and South America	91,978	87,473
Australia	1,210	1,200
Middle East and Africa	30,647	20,943
<b>Total sales</b>	<b>408,688</b>	<b>408,884</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	
	June 30, 2020	December 31, 2019
	Million KRW	Million KRW
Korea	394,591	398,389
Rest of Asia	31,338	29,916
Europe	16,409	16,537
North and South America	13,040	13,389
Middle East and Africa	21,035	20,153
<b>Total</b>	<b>476,413</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	-	15	115	1,059	744	12,436	14,369
Disposals	-	-73	-	-646	-212	-	-931
Reclassifications	42	196	34	4,595	107	-4,974	-
Net exchange differences	-	661	-	1,436	383	68	2,548
<b>As of June 30, 2019</b>	<b>149,550</b>	<b>87,681</b>	<b>66,635</b>	<b>496,045</b>	<b>48,212</b>	<b>11,028</b>	<b>859,151</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	-	66	37	321	173	11,055	11,652
Disposals	-	-	-99	-1,116	-245	-	-1,460
Impairment	-	-	-	-63	-12	-	-75
Reclassifications	-	3,958	2,434	13,378	117	-19,887	-
Net exchange differences	-	418	-	453	116	45	1,032
<b>As of June 30, 2020</b>	<b>149,550</b>	<b>92,804</b>	<b>66,177</b>	<b>507,022</b>	<b>47,549</b>	<b>5,464</b>	<b>868,566</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	-	-1,188	-1,527	-11,211	-1,176	-	-15,102
Disposals	-	-	-	646	211	-	857
Net exchange differences	-	-69	-	-554	-265	-	-888
<b>As of June 30, 2019</b>	-	<b>-24,661</b>	<b>-41,547</b>	<b>-314,911</b>	<b>-37,857</b>	-	<b>-418,976</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	-	-1,267	-1,500	-11,633	-1,197	-	-15,597
Disposals	-	-	99	1,064	157	-	1,320
Impairment	-	-	-	14	11	-	25
Net exchange differences	-	-66	-	-288	-103	-	-457
<b>As of June 30, 2020</b>	-	<b>-26,918</b>	<b>-41,614</b>	<b>-325,876</b>	<b>-38,266</b>	-	<b>-432,674</b>
<b>Net book value</b>							
<b>As of June 30, 2020</b>	<b>149,550</b>	<b>65,886</b>	<b>24,563</b>	<b>181,146</b>	<b>9,283</b>	<b>5,464</b>	<b>435,892</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 June 30, 2019</b>	<b>149,550</b>	<b>63,020</b>	<b>25,088</b>	<b>181,134</b>	<b>10,355</b>	<b>11,028</b>	<b>440,175</b>

There was an impairment of fixed assets of 50 Mil. KRW within SWDM-IN during the six months ended June 30, 2020, in course of ordinary business (not related to COVID-19 pandemic, refer to note 29 for further details). Non-cash transactions amounting to 3,193 Million KRW (June 30, 2019: 3,750 Million KRW) are included in the additions for the six months ended June 30, 2020.

## 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	-	246	-	167	413
Modification of contract	4	-	-169	-	-165
Net exchange differences	788	1	11	27	827
<b>As of June 30, 2019</b>	<b>21,404</b>	<b>1,050</b>	<b>83</b>	<b>875</b>	<b>23,412</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	251	1,402
Disposals	-28	-	-	-180	-208
Modification of contract	307	588	29	-17	907
Net exchange differences	834	1	-44	42	833
<b>As of June 30, 2020</b>	<b>22,470</b>	<b>1,733</b>	<b>1,136</b>	<b>1,073</b>	<b>26,412</b>
<b>Accumulated depreciation</b>					
<b>As of January 1, 2019</b>	-	-	-	-	-
Depreciation charge	-869	-330	-28	-167	-1,394
Net exchange differences	-10	-	-	-3	-13
<b>As of June 30, 2019</b>	<b>-879</b>	<b>-330</b>	<b>-28</b>	<b>-170</b>	<b>-1,407</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	-884	-329	-73	-217	-1,503
Disposals	28	-	-	180	208
Modification of contract	-	-	-	19	19
Net exchange differences	-67	-	-1	-19	-87
<b>As of June 30, 2020</b>	<b>-2,539</b>	<b>-987</b>	<b>-132</b>	<b>-383</b>	<b>-4,041</b>
<b>Net book value</b>					
<b>As of June 30, 2020</b>	<b>19,931</b>	<b>746</b>	<b>1,004</b>	<b>690</b>	<b>22,371</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 June 30, 2019</b>	<b>20,525</b>	<b>720</b>	<b>55</b>	<b>705</b>	<b>22,005</b>

For the six months ended June 30, 2020, no impairment of right-of-use assets has been recognized. Further, the Group recorded rent expenses from short-term leases of 148 Million KRW (June 30, 2019: 86 Million KRW), leases of low-value assets of 35 Million KRW (June 30, 2019: 34 Million KRW) and variable lease payments of 357 Million KRW (June 30, 2019: 200 Million KRW) in the interim condensed consolidated statements of comprehensive income for the six months ended June 30, 2020.

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

Description	2020 KRW	2019 KRW
<b>As of January 1</b>	<b>19,523</b>	<b>20,910</b>
Additions	1,402	413
Modifications	907	-165
Net exchange differences	717	833
Accretion of interest	407	399
Payments	-1,815	-1,573
<b>As of June 30</b>	<b>21,141</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	-	28	-	-	-	-	317	345
Disposals	-	-82	-	-	-	-	-	-82
Reclassifications	370	-	-	-	-	-	-370	-
Net exchange differences	-	35	-	1,346	193	1,329	-	2,903
<b>As of June 30, 2019</b>	<b>5,909</b>	<b>2,690</b>	<b>831</b>	<b>30,031</b>	<b>3,487</b>	<b>43,258</b>	<b>143</b>	<b>86,349</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	-	29	-	-	-	-	210	239
Disposals	-3	-61	-	-	-	-	-	-64
Impairment	-22	-	-	-	-	-	-1	-23
Reclassifications	129	-	-	-	-	-	-129	-
Net exchange differences	-	47	-	-	-	1,277	-	1,324
<b>As of June 30, 2020</b>	<b>6,085</b>	<b>2,861</b>	<b>831</b>	<b>29,821</b>	<b>3,457</b>	<b>44,352</b>	<b>178</b>	<b>87,585</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	-274	-46	-	-1,666	-239	-	-	-2,225
Disposals	-	82	-	-	-	-	-	82
Net exchange differences	-	-28	-	-1,331	-191	-1,038	-	-2,588
<b>As of June 30, 2019</b>	<b>-2,377</b>	<b>-2,538</b>	<b>-</b>	<b>-28,879</b>	<b>-3,322</b>	<b>-32,972</b>	<b>-</b>	<b>-70,088</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	-291	-60	-	-	-	-	-	-351
Disposals	3	61	-	-	-	-	-	64
Net exchange differences	-	-35	-	-	-	-1,129	-	-1,164
<b>As of June 30, 2020</b>	<b>-2,920</b>	<b>-2,620</b>	<b>-</b>	<b>-29,821</b>	<b>-3,457</b>	<b>-34,112</b>	<b>-</b>	<b>-72,930</b>
<b>Net book value</b>								
<b>As of June 30, 2020</b>	<b>3,165</b>	<b>241</b>	<b>831</b>	<b>-</b>	<b>-</b>	<b>10,240</b>	<b>178</b>	<b>14,655</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 June 30, 2019</b>	<b>3,532</b>	<b>152</b>	<b>831</b>	<b>1,152</b>	<b>165</b>	<b>10,286</b>	<b>143</b>	<b>16,261</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 six months ended June 30, 2020, the Group recognized an impairment loss on industrial rights of 23 Million KRW (six months ended June 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 six months ended June 30, 2020 and 2019 (refer to note 29 for further details).

## 9. Inventories

Description	June 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Raw materials and supplies	42,097	39,219
Construction in progress	1,167	494
Finished and semi-finished goods	128,809	123,283
Goods in transit	38,407	32,981
Consignment stocks	975	1,019
<b>Total inventories at the lower of cost and net realizable value</b>	<b>211,455</b>	<b>196,996</b>

As of June 30, 2020, inventory write-off amounted to 4,943 Million KRW for raw materials and finished goods (December 31, 2019: 4,489 Million KRW).

## 10. Trade and other receivables

Description	June 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Trade and notes receivables	128,012	124,229
Allowances for trade and notes receivables	-1,290	-1,482
Trade and notes receivables (related parties)	-	106
Other accounts receivables	7,151	4,960
Allowances for other accounts receivables	-56	-9
Accrued income	38	362
<b>Total</b>	<b>133,855</b>	<b>128,166</b>

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

## 11. Cash and cash equivalents

Description	June 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Cash on hand	68	76
Bank accounts	67,043	59,067
Time deposits (< 3 months)	3,666	3,989
<b>Total</b>	<b>70,777</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	June 30, 2020		December 31, 2019	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	750	-	740	1
Financial instruments at FVtPL	9,240	666	6,000	794
Derivative assets at FVtPL	-	-	-	61
Equity Instruments at FVOCI	842	-	842	-
Guarantee deposits at amortized cost	366	347	355	547
<b>Total</b>	<b>11,198</b>	<b>1,013</b>	<b>7,937</b>	<b>1,403</b>

## 13. Other current assets

Description	June 30, 2020	December 31, 2019
	Million KRW	Million KRW
Advance payments	313	688
Prepaid expenses	3,103	5,327
VAT refundables	5,678	1,541
<b>Total</b>	<b>9,094</b>	<b>7,556</b>

## 14. Equity

### 14.1. 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.

### 14.2. Accumulated other comprehensive income

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

Description	June 30, 2020	December 31, 2019
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-36,819	-36,264
<b>OCI recognized within retained earnings</b>	<b>-36,819</b>	<b>-36,264</b>
Cash flow hedge reserve	-1,543	-997
Fair value reserve of financial assets at FVOCI	-44	-44
Foreign currency translation reserve	269	-2,474
Share of foreign currency translation reserve associated with non-controlling interests	-93	31
<b>OCI recognized within other components of equity</b>	<b>-1,411</b>	<b>-3,484</b>



## 15. Interest-bearing loans and borrowings

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

Description	June 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Long-term borrowings	64,187	73,094
<b>Non-current interest-bearing loans and borrowings</b>	<b>64,187</b>	<b>73,094</b>
Current portion of long-term borrowings	9,614	11,280
Short-term borrowings	173,815	159,920
<b>Current interest-bearing loans and borrowings</b>	<b>183,429</b>	<b>171,200</b>
<b>Total</b>	<b>247,616</b>	<b>244,294</b>

## 16. Trade and other payables

Description	June 30,	December 31,
	2020	2019
	Million KRW	Million KRW
Trade payables	60,492	50,641
Trade payables (related parties)	570	1,535
Other accounts payables	18,393	23,437
Other accounts payables (related parties)	6	6
Withholdings	558	1,761
Accrued expenses	20,200	21,509
Guarantee deposits	18	21
<b>Total</b>	<b>100,237</b>	<b>98,910</b>

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

## 17. Operating profit and finance income / expenses

### 17.1. Selling and administration expenses

Description	For the three months ended	
	June 30,	June 30,
	2020	2019
	Million KRW	Million KRW
Sales-related costs	-6,255	-6,598
Personnel expenses	-14,276	-14,436
Travelling and entertainment	-530	-1,692
Depreciation and amortization	-666	-1,470
Administration expenses	-2,255	-2,758
Others	-1,622	-1,632
<b>Total</b>	<b>-25,604</b>	<b>-28,586</b>

Description	For the six months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Sales-related costs	-13,324	-12,255
Personnel expenses	-25,057	-27,465
Travelling and entertainment	-1,739	-3,456
Depreciation and amortization	-1,350	-2,903
Administration expenses	-4,343	-5,205
Others	-3,264	-3,253
<b>Total</b>	<b>-49,077</b>	<b>-54,537</b>

## 17.2. Finance income

Description	For the three months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Gains on foreign exchange transactions	4,157	3,687
Gains on foreign exchange translations	-1,786	2,740
Gains on derivative transactions	93	171
Gains on valuation of derivatives	-	-26
Gains on valuation of financial assets at FVtPL	-	1
Interest on loans and receivables	48	204
<b>Total finance income</b>	<b>2,512</b>	<b>6,777</b>

Description	For the six months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Gains on foreign exchange transactions	9,709	5,934
Gains on foreign exchange translations	3,611	4,310
Gains on derivative transactions	209	469
Gains on valuation of derivatives	-	4
Gains on valuation of financial assets at FVtPL	-	69
Interest on loans and receivables	111	332
Interest on loan and receivables (related parties)	-	1
<b>Total finance income</b>	<b>13,640</b>	<b>11,119</b>

### 17.3. Finance expenses

Description	For the three months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Interest on borrowings	-1,693	-2,518
<b>Total interest expenses</b>	<b>-1,693</b>	<b>-2,518</b>
Losses on foreign exchange transactions	-4,525	-4,217
Losses on foreign exchange translations	1,375	-2,650
Losses on derivative transactions	-577	-163
Losses on valuation of derivatives	1,909	-818
Losses on valuation of financial assets at FViPL	185	0
Bank charges	-77	-70
<b>Total finance expenses</b>	<b>-3,403</b>	<b>-10,436</b>

Description	For the six months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Interest on borrowings	-3,491	-5,081
<b>Total interest expenses</b>	<b>-3,491</b>	<b>-5,081</b>
Losses on foreign exchange transactions	-9,083	-6,392
Losses on foreign exchange translations	-3,334	-4,793
Losses on derivative transactions	-1,000	-173
Losses on valuation of derivatives	-1,226	-1,026
Losses on valuation of financial assets at FViPL	-129	-
Bank charges	-206	-239
<b>Total finance expenses</b>	<b>-18,469</b>	<b>-17,704</b>

### 18. Income tax expenses

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

Income taxes	For the three months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Current income tax charges	-14,814	-7,983
Deferred taxes related to origination and reversal of deferred taxes	4,585	887
Income tax recognized in other comprehensive income	167	-288
<b>Income tax expenses</b>	<b>-10,062</b>	<b>-7,384</b>

	For the six months ended	
	June 30,	
Income taxes	2020	2019
	Million KRW	Million KRW
Current income tax charge	-18,884	-11,592
Deferred taxes related to origination and reversal of deferred taxes	5,189	2,038
Income tax recognized in other comprehensive income	98	-298
<b>Income tax expenses</b>	<b>-13,597</b>	<b>-9,852</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 timely difference resulting from the investment valuation, the net impact of the tax audit on the Q2/2020 Financial Statements was 4,532 Million KRW.

## 19. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of June 30, 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	
	June 30,	
	2020	2019
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	5,097,032,211	12,813,146,158
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>212</b>	<b>534</b>

Description	For the six months ended	
	June 30,	
	2020	2019
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	16,123,230,749	21,534,381,429
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>672</b>	<b>897</b>

## 20. Other financial liabilities

Description	June 30, 2020		December 31, 2019	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 21)	1,365	1,863	979	425
Deposits	24	1,500	1,506	1,447
Accrued interest expenses	-	291	-	510
Unpaid dividends	-	-	-	3
<b>Total</b>	<b>1,389</b>	<b>3,654</b>	<b>2,485</b>	<b>2,385</b>

## 21. Derivative financial instruments

Description	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	1,226	61	113
Interest rate swaps (current portion)	-	637	-	312
Interest rate swaps (non-current portion)	-	1,365	-	979
<b>Total</b>	<b>-</b>	<b>3,228</b>	<b>61</b>	<b>1,404</b>

### 21.1. Forward exchange contracts

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

#### As of June 30, 2020

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 13,630,000	31.07.2020 – 26.02.2021	1,330.00 – 1,358.20
	Sell	JPY 944,000,000	31.07.2020 – 26.02.2021	11.1680 – 11.3350
Woori Bank	Sell	EUR 21,150,000	31.07.2020 – 26.02.2021	1,331.10 – 1,359.20
	Sell	JPY 472,000,000	31.07.2020 – 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

## 21.2. Interest rate swaps

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

### As of June 30, 2020

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

### As of December 31, 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 -1,543 Million KRW (expenses) as of June 30, 2020 and -997 Million KRW (expenses) as of December 31, 2019, net of income tax (refer to note 14.2).

## 22. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of June 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>-8,698</b>	-
Allocation	122,199	-	122,199	-	122,199	-
Allocation cancel	-706	-	-320	-	-	-
Additional allocation	5,834	-	12,532	-	-	-
Delivery to government	-149,065	-	-148,553	-	-	-
Carryforward	-5,444	-	8,698	-	-	-
<b>Ending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,501</b>	<b>-</b>

There are no emission rights provided as collateral as of June 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>	648	386
<i>Decrease</i>	-	-
<i>As of June 30</i>	1,160	386

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

Estimated greenhouse gas emissions in 2020 are 157,996 KAU.

## 23. Fair values

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

As of June 30, 2020

	Carrying amount		Fair value		
	Non-current	Current	Non-current	Current	
	Million KRW	Million KRW	Million KRW	Million KRW	
<b>Financial assets</b>	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,116	347	1,116	347
	Trade and other receivables	-	133,855	-	133,855
	Cash and cash equivalents	-	70,777	-	70,777
	<i>Total financial assets at amortized cost</i>	<i>1,116</i>	<i>204,979</i>	<i>1,116</i>	<i>204,979</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	9,240	666	9,240	666
<i>Total financial assets at FVtPL</i>	<i>9,240</i>	<i>666</i>	<i>9,240</i>	<i>666</i>	
<b>Total financial assets</b>	<b>11,198</b>	<b>205,645</b>	<b>11,198</b>	<b>205,645</b>	
<b>Financial liabilities</b>	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	24	1,791	24	1,791
	Lease liabilities	18,364	2,777	18,364	2,777
	Trade and other payables	-	100,237	-	100,237
	Interest-bearing loans and borrowings	64,187	183,429	64,187	183,429
	<i>Total financial liabilities at amortized cost</i>	<i>82,575</i>	<i>288,234</i>	<i>82,575</i>	<i>288,234</i>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	1,365	637	1,365	637
	<i>Total financial liabilities at FVOCI</i>	<i>1,365</i>	<i>637</i>	<i>1,365</i>	<i>637</i>
	<b>Financial liabilities at FVtPL</b>				
Forward exchange contracts	-	1,226	-	1,226	
<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>1,226</i>	<i>-</i>	<i>1,226</i>	
<b>Total financial liabilities</b>	<b>83,940</b>	<b>290,097</b>	<b>83,940</b>	<b>290,097</b>	



As of December 31, 2019

	Carrying amount		Fair value		
	Non-current	Current	Non-current	Current	
	Million KRW	Million KRW	Million KRW	Million KRW	
<b>Financial assets</b>	<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
	<i>Total financial assets at amortized cost</i>	<i>1,095</i>	<i>191,846</i>	<i>1,095</i>	<i>191,846</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>				
	Forward exchange contracts	-	61	-	61
	Other financial assets	6,000	794	6,000	794
	<i>Total financial assets at FVtPL</i>	<i>6,000</i>	<i>855</i>	<i>6,000</i>	<i>855</i>
<b>Total financial assets</b>	<b>7,937</b>	<b>192,701</b>	<b>7,937</b>	<b>192,701</b>	
<b>Financial liabilities</b>	<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
	<i>Total financial liabilities at amortized cost</i>	<i>91,814</i>	<i>274,379</i>	<i>91,814</i>	<i>274,379</i>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	979	312	979	312
	<i>Total financial liabilities at FVOCI</i>	<i>979</i>	<i>312</i>	<i>979</i>	<i>312</i>
	<b>Financial liabilities at FVtPL</b>				
	Forward exchange contracts	-	113	-	113
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>113</i>	<i>-</i>	<i>113</i>
<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 23.1).

## 23.1. Fair value hierarchy

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

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

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

		<b>June 30, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Debt instruments</b>				
	Exchange traded funds at FVtPL	666	666	-	-
	<i>Total</i>	666	666	-	-
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	842	-	-	842
	<i>Total</i>	842	-	-	842
<b>Total</b>		<b>1,508</b>	<b>666</b>	<b>-</b>	<b>842</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	1,226	-	1,226	-
	Interest Rate Swaps	2,002	-	2,002	-
	<i>Total</i>	3,228	-	3,228	-
	<b>Total</b>		<b>3,228</b>	<b>-</b>	<b>3,228</b>
		<b>December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Forward exchange contracts	61	-	61	-
	<i>Total</i>	61	-	61	-
	<b>Debt instruments</b>				
	Exchange traded funds at FVtPL	794	794	-	-
	<i>Total</i>	794	794	-	-
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	842	-	-	842
	<i>Total</i>	842	-	-	842
	<b>Total</b>		<b>1,697</b>	<b>794</b>	<b>61</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	113	-	113	-
	Interest Rate Swaps	1,291	-	1,291	-
	<i>Total</i>	1,404	-	1,404	-
<b>Total</b>		<b>1,404</b>	<b>-</b>	<b>1,404</b>	<b>-</b>

During the six months ended June 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 value is disclosed the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalents.

## 24. Related party disclosures

The companies listed below have been identified as related parties:

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

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

Related party	Description	For the six months ended	
		June 30, 2020	June 30, 2019
		Million KRW	Million KRW
Maurizio Butti (refer to note 24.3 for further details)	Finance income	-	1
Songwon Moolsan Co., Ltd.	Selling and administration costs	-33	-33
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	54	-
	Cost of sales	-6,698	-7,556
<b>Total</b>	<b>Sales</b>	<b>54</b>	<b>-</b>
	<b>Cost of sales</b>	<b>-6,698</b>	<b>-7,556</b>
	<b>Selling and administration costs</b>	<b>-33</b>	<b>-33</b>
	<b>Finance income</b>	<b>-</b>	<b>1</b>

Related party	Description	As of	
		June 30, 2020	December 31, 2019
		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	570	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>576</b>	<b>1,541</b>

### 24.1. The ultimate parent

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

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

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of June 30, 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 six months ended June 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.

## 24.3. Transactions with key management personnel

During the six months ended June 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.

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

Description	For the six months ended	
	June 30,	
	2020	2019
	Million KRW	Million KRW
Short-term employee benefits	6,501	8,555
Post-employment benefits	357	423
Other long-term benefits	333	1,254
Share based payments	-141	337
<b>Total compensation paid to key management personnel</b>	<b>7,050</b>	<b>10,569</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.

## 24.5. Other related parties

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

## 25. Contingencies and commitments

### 25.1. Contingent liability

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

### 25.2. Other lease commitments

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

Description	June 30, 2020	December 31, 2019
	Million KRW	Million KRW
<b>Short-term lease commitments</b>		
Within one year	-25	-68
<i>Total short-term lease commitments</i>	-25	-68
<b>Low-value lease commitments</b>		
Within one year	-24	-33
After one year but not more than five years	-9	-11
<i>Total low-value lease commitments</i>	-33	-44
<b>Total</b>	-58	-112

### 25.3. 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 June 30, 2020, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 3,285 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 June 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 June 30, 2020 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,400	6,667	13,733
D/A and D/P	Thousand USD	110,900	57,766	53,134
	Million KRW	22,000	5,005	16,995
Trade loans	Million KRW	15,000	-	15,000
Secured loan of credit sales	Million KRW	9,000	3,502	5,498
Other foreign currency guarantees	Thousand USD	17,020	8,120	8,900
	<b>Total Million KRW</b>	<b>46,000</b>	<b>8,507</b>	<b>37,493</b>
	<b>Total Thousand USD</b>	<b>148,320</b>	<b>72,553</b>	<b>75,767</b>

## 26. Assets pledged as collateral and guarantees

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

Pledged to		Pledged assets		June 30, 2020	December 31, 2019
<i>Property, plant and equipment</i>					
<i>(Joint collateral in connection with long-term loan)</i>					
Busan Bank	Land, buildings and machinery	Million KRW	30,000	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	Million KRW	18,000	18,000	18,000
Woori Bank	Land, buildings and machinery	Million KRW	120,000	120,000	120,000
Hana Bank	Land, buildings and machinery	Million KRW	60,000	60,000	60,000
Korea Development Bank	Land, buildings and machinery	Million KRW	57,000	57,000	57,000
<i>Property, plant and equipment</i>					
<i>(Collateral for other than long-term loan)</i>					
Busan Bank	Land, buildings and machinery	Thousand USD	24,000	24,000	24,000
		<b>Million KRW</b>	<b>285,000</b>	<b>285,000</b>	<b>285,000</b>
<b>Total</b>		<b>Thousand USD</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of June 30, 2020 (December 31, 2019: none).

The Group has received payment guarantees amounting to 125,028 Million KRW and 26,724 Thousand USD (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 June 30, 2020.

As of June 30, 2020 and December 31, 2019, no bank deposits have been pledged as collateral for interest-bearing loans and borrowings.

## 27. Financial risk management objectives and policies

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

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

### 27.1. Market risk

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

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

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

### 27.1.1. Interest rate risk

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

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

#### Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
<b>June 30, 2020</b>	1.00	-494
	-1.00	494
<b>June 30, 2019</b>	1.00	-575
	-1.00	575

### 27.1.2. Foreign currency risk

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

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

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

### Foreign currency sensitivity

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

Currency	June 30, 2020		December 31, 2019	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	4,173	-4,173	1,903	-1,903
EUR	951	-951	728	-728
JPY	48	-48	240	-240
CHF	122	-122	206	-206
AED	-241	241	-186	186
INR	968	-968	973	-973
<b>Total</b>	<b>6,021</b>	<b>-6,021</b>	<b>3,864</b>	<b>-3,864</b>

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

## 27.2. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and investing activities (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 23.

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

## 27.3. Liquidity risk

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

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



In addition, the Group maintains credit facilities with the banks including overdraft to respond to unexpected shortage in liquidity. 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 June 30, 2020 and December 31, 2019 are as follows:

As of June 30, 2020	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	5,272	38,691	139,466	64,187	-	247,616
Trade and other payables	74,729	17,747	7,761	-	-	100,237
Lease liabilities	298	590	2,612	8,682	14,096	26,278
Other financial liabilities	304	-	1,487	24	-	1,815
<b>Total</b>	<b>80,603</b>	<b>57,028</b>	<b>151,326</b>	<b>72,893</b>	<b>14,096</b>	<b>375,946</b>

As of December 31, 2019	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	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>

## 27.4. 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 June 30, 2020 and December 31, 2019 is 105% for both periods.

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

## 28. Cash flow statement

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

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

Adjustments	Notes	For the six months ended	
		2020	2019
		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	15,597	15,102
Depreciation of right-of-use assets	7	1,503	1,394
Depreciation of investment properties		7	9
Amortization of intangible assets	8	351	2,225
Impairment of tangible assets	6	50	-
Impairment of intangible assets	8	23	-
Impairment of non-current financial assets		3	3
Losses on disposals of property, plant and equipment, net	6	29	8
Share of result from investments accounted using the equity method	4	-537	-555
Finance income		-4,346	-4,053
Finance expenses		5,341	6,574
Income tax expenses	18	13,597	9,852
<b>Total</b>		<b>31,618</b>	<b>30,559</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-1,865	-27,349
Other receivables		-1,779	-3,637
Other current assets		-1,420	-4,599
Other current financial assets		61	85
Inventories		-11,600	-13,337
Trade payables		9,123	13,209
Other payables		-7,899	-1,849
Other current financial liabilities		212	161
Other current liabilities		3,789	2,769
Pension liabilities		4,459	3,143
Other long-term employment benefits		-213	999
<b>Total</b>		<b>-7,132</b>	<b>-30,405</b>

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

In the first half of 2020, the global economic situation 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 six months ended June 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 six months ended June 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 six months ended June 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 232 Million KRW in the interim condensed consolidated financial statements for the six months ended June 30, 2020.

## 30. Events after the reporting period

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



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## Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises the interim condensed consolidated statement of financial position as of June 30, 2020, and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the interim condensed consolidated financial statements

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

### Auditor's responsibility

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

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

### Conclusion

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

### Other matters

We have audited the consolidated statement of financial position of the Group as of December 31, 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 accompanying consolidated statement of financial position as of December 31, 2019, presented for comparative purposes is not different, in all material respects, from the above audited consolidated statement of financial position.



August 12, 2020

This review report is effective as of August 12, 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.

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