



SONGWON Industrial Group publishes Financial Results for Q2/2020

- **Q2/2020 consolidated sales totaled 198,145 Mil. KRW**
- **The gross profit margin increased by 1.4%-points over Q1/2020 to 21.1%**
- **Net profit Q2/2020 was negatively impacted by a tax audit and amounted to 5,422 Mil. KRW**

Ulsan, South Korea – August 14, 2020 – SONGWON Industrial Group (www.songwon.com) today announced its financial results for the second quarter of 2020. Over the quarter, the Group achieved consolidated sales of 198,145 Mil. KRW which, when compared to Q2/2019, marked a 9.3% decrease in revenue. However, the year-to-date (YTD) June 2020 sales revenues of 408,688 Mil. KRW were comparably in line with and remained almost at the same level as the first six months of 2019 (408,884 Mil. KRW). In Q2/2020, the Group saw its gross profit margin increase by 1.4%-points to 21.1% over Q1/2020.

In Million KRW	Q2			YTD June		
	2020	2019	Δ%	2020	2019	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%

The result of the 2015-2017 tax audit carried out by the Korean National Tax Service from 2019-2020 negatively impacted the Q2/2020 net profit (5,422 Mil. KRW). The income tax expense of 10.4 Bil. KRW was recognized by the parent company based on the final notice of assessment and partly offset by the reversal of the available deferred tax provision for the taxed transaction. This led to a net impact of 4.5 Bil. KRW on the Q2/2020 close. With its solid contingency plan, SONGWON will be reviewing possibilities for appealing against the tax assessment made.

After seeing sound revenue growth throughout Q1/2020 on the back of customers increased stocking up activities out of concern for potential disruptions due to the COVID-19 pandemic, SONGWON witnessed a slowdown in demand in Q2/2020. Consequently, the business performance of both Divisions, Industrial Chemicals (-6.7%) and Performance Chemicals (-3.5%) remained below Q1/2020 numbers but YTD in line with the prior year.

Division Industrial Chemicals noted negative price developments across its portfolio in Q2/2020. Ongoing decreases in raw material costs, customers shifting their orders to Q3/2020 combined with the reduced demand in the automotive, appliances and construction industries resulted in a decline in the Division's sales revenues for the quarter. Nevertheless, the lower cost of raw materials in Q2/2020 and positive FX developments led to an increase in profitability for the Division over Q1/2020.

In Q2/2020, the decline in demand for PVC Additives subsequently impacted Division Performance Chemicals sales throughout the quarter, particularly in Korea where the already depressed construction industry was further adversely affected by the COVID-19 outbreak. On the other hand, the Division positively benefitted from the declining raw material costs which supported business. In addition, Division Performance Chemicals was able to increase its sales of Tin Intermediates/Catalysts in the second quarter of 2020 partly by taking advantage of the opportunities arising from competitors discontinuing their production in Europe and the Americas.

During the quarter, SONGWON's operations ran as expected but in response to the lower demand projected, plant utilization was scaled back in the second quarter of 2020. To ensure business continuity and minimize the impact of the global pandemic, SONGWON reacted in a timely fashion by adopting measures across the organization to maintain production, ensure continuous supply to customers and protect its employees.

The COVID-19 pandemic has caused major global business disruptions and increased financial challenges across the globe. Looking forward to the second half of the year, the pandemic's ultimate impact, duration or magnitude of recovery is unclear at this time. In light of this, it is not possible to accurately predict or anticipate what the coming months will bring. Given the current uncertainty, SONGWON will continue closely monitoring the situation and demand levels while following its ongoing strategy for improvement across all levels of the organization and closely interacting with customers and suppliers to ensure a swift response to new developments.

Although SONGWON expects demand for its products to be lower than usual in Q3/2020, after seeing the current easing of restrictions in many places, it assumes that there will be a gradual return of global business activity in the coming months and possible recovery towards the end of the year. SONGWON believes that with the contingency plans it already had in place before the pandemic in combination with its solid business foundation, it is well-positioned to navigate these challenging times and emerge an even stronger partner for its customers and a valuable player in the industry.

The Q2/2020 Report can be downloaded at: www.songwon.com/investors/reports-publications

About Songwon Industrial Co., Ltd.

A leader in the development, production and supply of specialty chemicals, SONGWON's products touch your life every day, everywhere. Since 1965, we've been driving innovation, partnering for progress and paving the way for a better more sustainable tomorrow with 360° customized solutions.

Headquartered in South Korea, SONGWON is the 2nd largest manufacturer of polymer stabilizers worldwide. With Group companies and world-class manufacturing facilities across the globe, we are dedicated to providing customers in over 60 countries with high-performance products that meet their individual needs and the best levels of service.

For further information, please go to: www.songwon.com.

This press release can be downloaded from www.PressReleaseFinder.com.

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