



FINANCIAL RESULTS  
FIRST QUARTER  
ENDING MARCH 31, **2020**

It's all about **the chemistry™**

## About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 7 to 43) 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 first quarter ending March 31, 2020 and the first quarter ending March 31, 2019.

A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. There have been no changes in this approach in comparison to prior quarters and is only expanded in this paragraph for clarification to the user of the financial statements.

The interim condensed consolidated financial statements for the first quarter ending March 31, 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.

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## **SECTION 1:**

# **Business Development**

## Key financial data

For the three months ended  
March 31,

	2020	2019	
	Million KRW	Million KRW	Δ%
Sales	210,543	190,417	10.6%
Gross profit	41,542	39,713	4.6%
<i>Gross profit margin</i>	<i>19.7%</i>	<i>20.9%</i>	
Operating profit	18,069	13,762	31.3%
EBITDA	26,990	23,089	16.9%
<i>EBITDA margin</i>	<i>12.8%</i>	<i>12.1%</i>	
EBIT	18,450	13,945	32.3%
<i>EBIT margin</i>	<i>8.8%</i>	<i>7.3%</i>	
Profit for the period	11,182	8,777	27.4%
Total assets	929,854	917,688	1.3%
Total equity	447,538	417,783	7.1%
<i>Equity ratio</i>	<i>48.1%</i>	<i>45.5%</i>	
Headcounts	1,086	1,048	3.6%

## Sales development

### Divisions

For the three months ended  
March 31,

	2020	2019		2020	2019		2020	2019	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	156,019	140,891	10.7%	54,524	49,526	10.1%	210,543	190,417	10.6%

### Regions

For the three months ended  
March 31,

	2020	2019	
	Million KRW	Million KRW	Δ%
Korea	44,071	43,241	1.9%
Rest of Asia	56,891	49,195	15.6%
Europe	50,350	47,209	6.7%
North and South America	43,959	41,167	6.8%
Australia	603	523	15.3%
Middle East and Africa	14,669	9,082	61.5%
<b>Total sales</b>	<b>210,543</b>	<b>190,417</b>	<b>10.6%</b>

## Business development

In the first quarter of 2020, ending March 31, SONGWON Industrial Group generated consolidated sales of 210,543 Mil. KRW. This marks a 10.6% increase compared to the sales recorded in the first quarter of 2019 which was achieved on the back of growing concern for the potential impact of the rapid spread of COVID-19. During Q1/2020, SONGWON achieved a net profit of 11,182 Mil. KRW, which is an increase of 27.4% compared to a net profit of 8,777 KRW in the first quarter of 2019. SONGWON's gross profit margin decreased during Q1 from 20.9% to 19.7%, over the same period in the previous year.

After the volume peaks and lows in 2019, particularly towards the end of the year as well as the decline in profitability in Q4/2019, SONGWON Industrial Group experienced a solid start to 2020 with sound growth and an increase in revenue. Both Divisions, Industrial Chemicals (+10.7%) and Performance Chemicals (+10.1%), recorded higher sales revenues compared to the same period in 2019.

Compared to the 4th quarter of 2019, Division Industrial Chemicals noted stronger sales in Q1/2020. The Division benefited from customers usual replenishing of stock at the beginning of the year but observed an increase in stockpiling during the first quarter of 2020. The rapidly growing global concern relating to the coronavirus pandemic and its potential impact on supply chains, resulted in customers building up higher levels of stock in general to avoid supply deficits relating to the COVID-19 outbreak. SONGWON's key Polymer Stabilizers business, in particular, has benefitted from the increased demand.

Contrary to the organization's expectations and despite circumstances such as the extended Chinese New Year and the COVID-19 outbreak paralyzing the automotive industry in China, Division Performance Chemicals experienced a solid start to the year. SONGWON's Tin Intermediates/Catalyst business was able to take advantage of the stoppage of competitor's lines in Europe and captured new business. The subsequent need to increase capacity to manage the rise in demand led to better than expected business performance. In addition, the Division's PVC Additives business also saw a rise in profitability in Q1/2020 over Q4/2019. This was due to SONGWON producing less in Q4/2019 to counteract the traditional end-of-year destocking by customers and starting again to produce higher volumes in Q1/2020.

Following the outbreak of COVID-19 in Korea in February, the Group implemented its continuity plan, thereby ensuring raw material availability. For the most part, SONGWON's manufacturing facilities continued to run steadily in the first quarter of 2020 at high utilization rates.

## Outlook

The year began as it ended. Political uncertainties remained volatile and the continuing trade disputes and instability in various regions made predicting demand difficult. The outbreak and rapid spread of the coronavirus pandemic worldwide has added an additional burden on development in the industry, further disrupted supply chains, curtailed many operations and increased the level of uncertainty across the globe.

From a historical perspective, Q2 and Q3 have always been stronger quarters but due to the current global COVID-19 pandemic, the Group cannot be certain that its growth expectations previously made for the financial year 2020 will be realizable. SONGWON does assume, however, that there may be a drop in demand for plastics and subsequently additives in the coming months in view of a possible global recession.

The Group also anticipates a negative influence on its strategic global activities especially in overseas markets. In addition, it expects to see delays in generating new business outside Korea as many businesses are now focusing on running standard production levels and doing less trials due to regional lockdowns. With the necessary level of caution, SONGWON is seeking opportunities to increase business via its local tolling partners in South East Asia and further its market penetration through its strong global distributor network. Pricing strategies are being aligned with this and operational improvements are ongoing.

Looking ahead, SONGWON will be closely reviewing the global situation and continuing to take action to minimize the pandemic's impact on its business and its customers worldwide. The Group has confidence in the future of the industry. It believes that its key strengths form a solid foundation for adapting to the current risks and challenges and says that, although cautious, SONGWON Industrial Group remains committed to both its long-term strategy and to remaining a key industry player.

# **SECTION 2:**

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

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

	Notes	As of	
		March 31, 2020	December 31, 2019
		Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>500,661</b>	<b>495,555</b>
Property, plant and equipment	2.2, 5.3.2, 6, 24	440,847	439,452
Right-of-use assets	5.3.2, 7	22,285	20,800
Investment properties	5.3.2, 24	3,500	3,502
Intangible assets	5.3.2, 8	14,712	14,630
Investments accounted for using the equity method	4	5,776	5,347
Other non-current assets		110	95
Other non-current financial assets	12, 19, 21, 22	9,587	7,937
Deferred tax assets		3,844	3,792
<b>Current assets</b>		<b>429,193</b>	<b>398,769</b>
Inventories	9	201,612	196,996
Trade and other receivables	10, 21, 22	145,918	128,166
Income tax receivables		586	1,516
Other current assets	13	8,195	7,556
Other current financial assets	12, 19, 21	1,099	1,403
Cash and cash equivalents	11, 21	71,783	63,132
<b>Total assets</b>		<b>929,854</b>	<b>894,324</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>447,538</b>	<b>435,581</b>
<i>Non-controlling interests</i>		<i>4,358</i>	<i>3,986</i>
<i>Equity attributable to owners of the parent</i>		<i>443,180</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	379,632	372,745
Accumulated other comprehensive income	14.2	854	-3,484
<b>Non-current liabilities</b>		<b>162,134</b>	<b>165,369</b>
Interest-bearing loans and borrowings	15, 21, 24, 25.3	66,414	73,094
Pension liability		33,583	30,252
Other long-term employee-related liabilities		4,690	5,688
Non-current lease liabilities	7, 21, 25.3	18,562	17,214
Other non-current financial liabilities	18, 19, 21, 25.3	2,783	2,485
Other non-current liabilities		463	458
Deferred tax liabilities		35,639	36,178
<b>Current liabilities</b>		<b>320,182</b>	<b>293,374</b>
Interest-bearing loans and borrowings	15, 21, 23, 24, 25.3	181,826	171,200
Trade and other payables	21, 22, 25.3	108,651	98,910
Current lease liabilities	7, 21, 25.3	2,415	2,309
Other current financial liabilities	18, 19, 21, 25.3	9,166	2,385
Other current liabilities		5,178	2,439
Income tax payable		12,946	16,131
<b>Total liabilities</b>		<b>482,316</b>	<b>458,743</b>
<b>Total equity and liabilities</b>		<b>929,854</b>	<b>894,324</b>



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

	As of (refer to note 2.1)	
	March 31, 2020	December 31, 2019
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>408,916</b>	<b>404,746</b>
Property, plant and equipment	360,062	358,923
Right-of-use assets	18,201	16,988
Investment properties	2,859	2,860
Intangible assets	12,016	11,949
Investments accounted for using the equity method	4,718	4,367
Other non-current assets	90	78
Other non-current financial assets	7,830	6,484
Deferred tax assets	3,140	3,097
<b>Current assets</b>	<b>350,545</b>	<b>325,696</b>
Inventories	164,667	160,897
Trade and other receivables	119,179	104,680
Income tax receivables	479	1,238
Other current assets	6,693	6,172
Other current financial assets	898	1,146
Cash and cash equivalents	58,629	51,563
<b>Total assets</b>	<b>759,461</b>	<b>730,442</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>365,528</b>	<b>355,763</b>
<i>Non-controlling interests</i>	<i>3,559</i>	<i>3,256</i>
<i>Equity attributable to owners of the parent</i>	<i>361,969</i>	<i>352,507</i>
Issued capital	9,801	9,801
Capital surplus	18,262	18,262
Reserves	23,143	22,849
Retained earnings	310,065	304,440
Accumulated other comprehensive income	698	-2,845
<b>Non-current liabilities</b>	<b>132,424</b>	<b>135,066</b>
Interest-bearing loans and borrowings	54,244	59,700
Pension liability	27,429	24,708
Other long-term employee-related liabilities	3,831	4,646
Non-current lease liabilities	15,161	14,060
Other non-current financial liabilities	2,273	2,030
Other non-current liabilities	378	374
Deferred tax liabilities	29,108	29,548
<b>Current liabilities</b>	<b>261,509</b>	<b>239,613</b>
Interest-bearing loans and borrowings	148,507	139,828
Trade and other payables	88,741	80,785
Current lease liabilities	1,972	1,886
Other current financial liabilities	7,486	1,948
Other current liabilities	4,229	1,991
Income tax payable	10,574	13,175
<b>Total liabilities</b>	<b>393,933</b>	<b>374,679</b>
<b>Total equity and liabilities</b>	<b>759,461</b>	<b>730,442</b>

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

		For the three months ended March 31,	
		2020	2019
	Notes	Million KRW	Million KRW
Sales	5, 22	210,543	190,417
Cost of sales	22	-169,001	-150,704
<b>Gross profit</b>		<b>41,542</b>	<b>39,713</b>
Selling and administration costs	22	-23,473	-25,951
<b>Operating profit</b>		<b>18,069</b>	<b>13,762</b>
Other income		874	468
Other expenses		-493	-285
Share of result from investments accounted for using the equity method	4	205	226
Finance income	22	11,128	4,342
Finance expenses		-15,066	-7,268
<b>Profit before tax</b>		<b>14,717</b>	<b>11,245</b>
Income tax expenses	16	-3,535	-2,468
<b>Profit for the period</b>		<b>11,182</b>	<b>8,777</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		<i>4,554</i>	<i>1,648</i>
Losses on valuation of interest rate swaps	14.2	-360	-34
Exchange differences on translation of foreign operations	14.2	4,914	1,682
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		<i>-179</i>	<i>-</i>
Re-measurement losses on defined benefit plans		-179	-
<b>Total other comprehensive income, net of taxes</b>		<b>4,375</b>	<b>1,648</b>
<b>Total comprehensive income</b>		<b>15,557</b>	<b>10,425</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	17	11,026	8,721
Non-controlling interests		156	56
<b>Profit for the period</b>		<b>11,182</b>	<b>8,777</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		15,185	10,267
Non-controlling interests		372	158
<b>Total comprehensive income</b>		<b>15,557</b>	<b>10,425</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	17	459	363

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

	For the three months ended March 31, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
Sales	171,961	155,523
Cost of sales	-138,032	-123,087
<b>Gross profit</b>	<b>33,929</b>	<b>32,436</b>
Selling and administration costs	-19,172	-21,195
<b>Operating profit</b>	<b>14,757</b>	<b>11,241</b>
Other income	714	382
Other expenses	-403	-233
Share of result from investments accounted for using the equity method	167	185
Finance income	9,089	3,546
Finance expenses	-12,305	-5,936
<b>Profit before tax</b>	<b>12,019</b>	<b>9,185</b>
Income tax expenses	-2,887	-2,016
<b>Profit for the period</b>	<b>9,132</b>	<b>7,169</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	<i>3,719</i>	<i>1,346</i>
Losses on valuation of interest rate swaps	-295	-28
Exchange differences on translation of foreign operations	4,014	1,374
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	<i>-146</i>	<i>0</i>
Re-measurement losses on defined benefit plans	-146	-
<b>Total other comprehensive income, net of taxes</b>	<b>3,573</b>	<b>1,346</b>
<b>Total comprehensive income</b>	<b>12,705</b>	<b>8,515</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	9,005	7,123
Non-controlling interests	127	46
<b>Profit for the period</b>	<b>9,132</b>	<b>7,169</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	12,401	8,386
Non-controlling interests	304	129
<b>Total comprehensive income</b>	<b>12,705</b>	<b>8,515</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	0.38	0.30

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

For the three months ended March 31, 2019 and 2020

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>As of January 1, 2019</b>	<b>12,000</b>	<b>24,361</b>	<b>27,591</b>	<b>352,906</b>	<b>-4,946</b>	<b>411,912</b>	<b>-714</b>	<b>411,198</b>
Profit for the period	-	-	-	8,721	-	8,721	56	8,777
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-34	-34	-	-34
Exchange differences on translation of foreign operations	-	-	-	-	1,580	1,580	102	1,682
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,721</b>	<b>1,546</b>	<b>10,267</b>	<b>158</b>	<b>10,425</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 March 31, 2019</b>	<b>12,000</b>	<b>22,359</b>	<b>27,975</b>	<b>357,403</b>	<b>-3,400</b>	<b>416,337</b>	<b>1,446</b>	<b>417,783</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>-3,484</b>	<b>431,595</b>	<b>3,986</b>	<b>435,581</b>
Profit for the period	-	-	-	11,026	-	11,026	156	11,182
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-360	-360	-	-360
Exchange differences on translation of foreign operations	-	-	-	-	4,698	4,698	216	4,914
Re-measurement losses on defined benefit plans, net of tax	-	-	-	-179	-	-179	-	-179
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,847</b>	<b>4,338</b>	<b>15,185</b>	<b>372</b>	<b>15,557</b>
Dividends	-	-	-	-3,600	-	-3,600	-	-3,600
Appropriation to reserves	-	-	360	-360	-	-	-	-
<b>As of March 31, 2020</b>	<b>12,000</b>	<b>22,359</b>	<b>28,335</b>	<b>379,632</b>	<b>854</b>	<b>443,180</b>	<b>4,358</b>	<b>447,538</b>

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

For the three months ended March 31, 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	Accumulated OCI	Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
<b>As of January 1, 2019</b>	<b>9,801</b>	<b>19,897</b>	<b>22,535</b>	<b>288,236</b>	<b>-4,039</b>	<b>336,430</b>	<b>-583</b>	<b>335,847</b>
Profit for the period	-	-	-	7,123	-	7,123	46	7,169
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-28	-28	-	-28
Exchange differences on translation of foreign operations	-	-	-	-	1,291	1,291	83	1,374
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,123</b>	<b>1,263</b>	<b>8,386</b>	<b>129</b>	<b>8,515</b>
Dividends	-	-	-	-3,134	-	-3,134	-	-3,134
Appropriation to reserves	-	-	314	-314	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,635	-	-	-	-1,635	1,635	-
<b>As of March 31, 2019</b>	<b>9,801</b>	<b>18,262</b>	<b>22,849</b>	<b>291,911</b>	<b>-2,776</b>	<b>340,047</b>	<b>1,181</b>	<b>341,228</b>
<b>As of January 1, 2020</b>	<b>9,801</b>	<b>18,262</b>	<b>22,849</b>	<b>304,440</b>	<b>-2,845</b>	<b>352,507</b>	<b>3,256</b>	<b>355,763</b>
Profit for the period	-	-	-	9,005	-	9,005	127	9,132
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-295	-295	-	-295
Exchange differences on translation of foreign operations	-	-	-	-	3,838	3,838	176	4,014
Re-measurement losses on defined benefit plans, net of tax	-	-	-	-146	-	-146	-	-146
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,859</b>	<b>3,543</b>	<b>12,402</b>	<b>303</b>	<b>12,705</b>
Dividends	-	-	-	-2,940	-	-2,940	-	-2,940
Appropriation to reserves	-	-	294	-294	-	-	-	-
<b>As of March 31, 2020</b>	<b>9,801</b>	<b>18,262</b>	<b>23,143</b>	<b>310,065</b>	<b>698</b>	<b>361,969</b>	<b>3,559</b>	<b>365,528</b>

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

		For the three months ended March 31,	
		2020	2019
	Notes	Million KRW	Million KRW
<b>Profit for the period</b>		<b>11,182</b>	<b>8,777</b>
<b>Total adjustments</b>	<b>26</b>	<b>11,253</b>	<b>14,367</b>
<b>Changes in operating assets and liabilities</b>	<b>26</b>	<b>-1,753</b>	<b>-25,280</b>
Interest received		47	100
Payments of income tax		-6,370	-2,014
<b>Net cash flow from operating activities</b>		<b>14,359</b>	<b>-4,050</b>
Proceeds from sale of property, plant and equipment	6	111	66
Purchases of property, plant and equipment	6	-5,064	-4,599
Purchases of intangible assets	8	-30	-227
Increase in other financial assets, net		-1,716	-327
<b>Net cash flow from investing activities</b>		<b>-6,699</b>	<b>-5,087</b>
Proceeds from borrowings		159,269	173,762
Repayments of borrowings		-157,927	-169,943
Payment of lease liabilities	7	-909	-811
Decrease in other financial liabilities, net		-152	-1,931
Interest paid		-1,646	-2,334
<b>Net cash flow from financing activities</b>		<b>-1,365</b>	<b>-1,257</b>
Increase / (decrease) in cash and cash equivalents		6,295	-10,394
Net foreign exchange differences		2,356	378
Cash and cash equivalents as of January 1	11	63,132	63,306
<b>Cash and cash equivalents as of March 31</b>	<b>11</b>	<b>71,783</b>	<b>53,290</b>

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

	For the three months ended March 31, (refer to note 2.1)	
	2020	2019
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>9,132</b>	<b>7,169</b>
<b>Total adjustments</b>	<b>9,191</b>	<b>11,734</b>
<b>Changes in operating assets and liabilities</b>	<b>-1,432</b>	<b>-20,647</b>
Interest received	38	82
Payments of income tax	-5,203	-1,645
<b>Net cash flow from operating activities</b>	<b>11,726</b>	<b>-3,307</b>
Proceeds from sale of property, plant and equipment	91	54
Purchases of property, plant and equipment	-4,136	-3,756
Purchases of intangible assets	-25	-185
Increase in other financial assets, net	-1,402	-267
<b>Net cash flow from investing activities</b>	<b>-5,472</b>	<b>-4,155</b>
Proceeds from borrowings	130,083	141,920
Repayments of borrowings	-128,986	-138,801
Payment of lease liabilities	-742	(662)
Decrease in other financial liabilities, net	-124	-1,577
Interest paid	-1,344	-1,906
<b>Net cash flow from financing activities</b>	<b>-1,113</b>	<b>-1,027</b>
Increase / (decrease) in cash and cash equivalents	5,141	-8,489
Net foreign exchange differences	1,925	309
Cash and cash equivalents as of January 1	51,563	51,705
<b>Cash and cash equivalents as of March 31</b>	<b>58,629</b>	<b>43,525</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 March 31, 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 three months ended March 31, 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.

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



## 2. Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with K-IFRS 1034 – *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS") enacted by the *Act on External Audit of Stock Companies*.

The interim condensed 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 1,224.36 to USD 1, the exchange rate in effect on March 31, 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.

### 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 19.2).

##### **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.

#### 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.	3,032	12,386	8,835	1,591	1,853	104	115	19,253	5,776
<b>March 31, 2020</b>	<b>3,032</b>	<b>12,386</b>	<b>8,835</b>	<b>1,591</b>	<b>1,853</b>	<b>104</b>	<b>115</b>	<b>19,253</b>	<b>5,776</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,954	-32	-	-	1,006	-252	754	683	1,437
<b>March 31, 2019</b>	<b>5,954</b>	<b>-32</b>	<b>-</b>	<b>-</b>	<b>1,006</b>	<b>-252</b>	<b>754</b>	<b>683</b>	<b>1,437</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,890	-36	1	-2	913	-229	684	747	1,431
<b>March 31, 2020</b>	<b>4,890</b>	<b>-36</b>	<b>1</b>	<b>-2</b>	<b>913</b>	<b>-229</b>	<b>684</b>	<b>747</b>	<b>1,431</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 March 31, 2019
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,760	-	226	-	205	5,191
<b>Total</b>	<b>4,760</b>	<b>-</b>	<b>226</b>	<b>-</b>	<b>205</b>	<b>5,191</b>

  

	As of January 1, 2020	Dividends	Share of result from equity method revaluation	Change in scope of consolidation	Exchange rate effects	As of March 31, 2020
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,347	-	205	-	224	5,776
<b>Total</b>	<b>5,347</b>	<b>-</b>	<b>205</b>	<b>-</b>	<b>224</b>	<b>5,776</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					
	2020		2019		March 31,	
	2020		2019		2019	
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	156,019	140,891	54,524	49,526	210,543	190,417
Operating profit	18,525	14,734	-456	-972	18,069	13,762

### 5.2. Revenue from contracts with customers

Description	For the three months ended					
	2020		2019		March 31,	
	2020		2019		2019	
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	153,855	138,963	53,925	49,120	207,780	188,083
Sales of services	2,164	1,928	599	406	2,763	2,334
<b>Total sales</b>	<b>156,019</b>	<b>140,891</b>	<b>54,524</b>	<b>49,526</b>	<b>210,543</b>	<b>190,417</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	
	March 31,	
	2020	2019
	Million KRW	Million KRW
Korea	44,071	43,241
Rest of Asia	56,891	49,195
Europe	50,350	47,209
North and South America	43,959	41,167
Australia	603	523
Middle East and Africa	14,669	9,082
<b>Total sales</b>	<b>210,543</b>	<b>190,417</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	
	March 31,	December 31,
	2020	2019
	Million KRW	Million KRW
Korea	397,381	398,389
Rest of Asia	32,313	29,916
Europe	16,784	16,537
North and South America	13,494	13,389
Middle East and Africa	21,372	20,153
<b>Total</b>	<b>481,344</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	430	353	5,447	6,360
Disposals	-	-73	-	-646	-36	-	-755
Reclassifications	42	53	34	2,108	9	-2,246	-
Net exchange differences	-	301	-	640	252	13	1,206
<b>As of March 31, 2019</b>	<b>149,550</b>	<b>87,178</b>	<b>66,635</b>	<b>492,133</b>	<b>47,768</b>	<b>6,712</b>	<b>849,976</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	-	50	-	196	56	7,390	7,692
Disposals	-	-	-29	-490	-106	-	-625
Reclassifications	-	3,491	2,186	10,265	33	-15,975	-
Net exchange differences	-	872	-	1,147	219	72	2,310
<b>As of March 31, 2020</b>	<b>149,550</b>	<b>92,775</b>	<b>65,962</b>	<b>505,167</b>	<b>47,602</b>	<b>5,738</b>	<b>866,794</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	-	-590	-764	-5,579	-583	-	-7,516
Disposals	-	-	-	646	36	-	682
Net exchange differences	-	-30	-	-299	-208	-	-537
<b>As of March 31, 2019</b>	-	<b>-24,024</b>	<b>-40,784</b>	<b>-309,024</b>	<b>-37,382</b>	-	<b>-411,214</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	-	-627	-743	-5,784	-607	-	-7,761
Disposals	-	-	29	465	23	-	517
Net exchange differences	-	-123	-	-456	-159	-	-738
<b>As of March 31, 2020</b>	-	<b>-26,335</b>	<b>-40,927</b>	<b>-320,808</b>	<b>-37,877</b>	-	<b>-425,947</b>
<b>Net book value</b>							
<b>As of March 31, 2020</b>	<b>149,550</b>	<b>66,440</b>	<b>25,035</b>	<b>184,359</b>	<b>9,725</b>	<b>5,738</b>	<b>440,847</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 March 31, 2019</b>	<b>149,550</b>	<b>63,154</b>	<b>25,851</b>	<b>183,109</b>	<b>10,386</b>	<b>6,712</b>	<b>438,762</b>

There was no impairment during the reported financial period (refer to note 27. for further details). Non-cash transactions amounting to 6,021 Million KRW (YTD March 31, 2019: 3,908 Million KRW) are included in the additions for the three months ended March 31, 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 - land	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Acquisition cost</b>						
<b>As of January 1, 2019</b>	-	20,612	803	241	681	22,337
Additions	-	-	-	-	30	30
Net exchange differences	-	312	-	5	4	321
<b>As of March 31, 2019</b>	-	20,924	803	246	715	22,688
<b>As of January 1, 2020</b>	-	21,273	1,144	84	977	23,478
Additions	-	84	-	1,067	32	1,183
Disposals	-	-22	-	-	-	-22
Modification of contract	-	-40	-	-	-	-40
Net exchange differences	-	1,175	1	-20	56	1,212
<b>As of March 31, 2020</b>	-	22,470	1,145	1,131	1,065	25,811
<b>Accumulated depreciation</b>						
<b>As of January 1, 2019</b>	-	-	-	-	-	-
Depreciation charge	-	-427	-196	-14	-80	-717
Net exchange differences	-	-4	-	-	-	-4
<b>As of March 31, 2019</b>	-	-431	-196	-14	-80	-721
<b>As of January 1, 2020</b>	-	-1,616	-658	-58	-346	-2,678
Depreciation charge	-	-436	-164	-32	-107	-739
Disposals	-	22	-	-	-	22
Net exchange differences	-	-104	-	-4	-23	-131
<b>As of March 31, 2020</b>	-	-2,134	-822	-94	-476	-3,526
<b>Net book value</b>						
<b>As of March 31, 2020</b>	-	20,336	323	1,037	589	22,285
<b>As of January 1, 2020</b>	-	19,657	486	26	631	20,800
<b>As of March 31, 2019</b>	-	20,493	607	232	635	21,967

For the three months ended March 31, 2020, no impairment of right-of-use assets has been recognized (refer to note 27. for further details). Further, the Group recorded rent expenses from short-term leases of 70 Million KRW (YTD March 31, 2019: 40 Million KRW), leases of low-value assets of 18 Million KRW (YTD March 31, 2019: 10 Million KRW) and variable lease payments of 114 Million KRW (YTD March 31, 2019: 57 Million KRW) in the interim condensed consolidated statements of comprehensive income during the first quarter ending March 31, 2020.

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

	2020	2019
Description	KRW	KRW
<b>As of January 1</b>	<b>19,523</b>	<b>20,910</b>
Additions	1,183	30
Modifications	-40	-
Net exchange differences	997	265
Accretion of interest	223	200
Payments	-909	-811
<b>As of March 31</b>	<b>20,977</b>	<b>20,594</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	-	-	-	-	199	227
Disposals	-	-82	-	-	-	-	-	-82
Reclassifications	217	-	-	-	-	-	-217	-
Net exchange differences	-	14	-	621	89	548	-	1,272
<b>As of March 31, 2019</b>	<b>5,756</b>	<b>2,669</b>	<b>831</b>	<b>29,306</b>	<b>3,383</b>	<b>42,477</b>	<b>178</b>	<b>84,600</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	-	11	-	-	-	-	19	30
Disposals	-3	-	-	-	-	-	-	-3
Impairment	-22	-	-	-	-	-	-1	-23
Reclassifications	91	-	-	-	-	-	-91	-
Net exchange differences	-	66	-	-	-	1,996	-	2,062
<b>As of March 31, 2020</b>	<b>6,047</b>	<b>2,923</b>	<b>831</b>	<b>29,821</b>	<b>3,457</b>	<b>45,071</b>	<b>25</b>	<b>88,175</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	-136	-23	-	-826	-118	-	-	-1,103
Disposals	-	82	-	-	-	-	-	82
Net exchange differences	-	-13	-	-617	-88	-508	-	-1,226
<b>As of March 31, 2019</b>	<b>-2,239</b>	<b>-2,500</b>	<b>-</b>	<b>-27,325</b>	<b>-3,098</b>	<b>-32,442</b>	<b>-</b>	<b>-67,604</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	-145	-31	-	-	-	-	-	-176
Disposals	3	-	-	-	-	-	-	3
Net exchange differences	-	-51	-	-	-	-1,760	-	-1,811
<b>As of March 31, 2020</b>	<b>-2,774</b>	<b>-2,668</b>	<b>-</b>	<b>-29,821</b>	<b>-3,457</b>	<b>-34,743</b>	<b>-</b>	<b>-73,463</b>
<b>Net book value</b>								
<b>As of March 31, 2020</b>	<b>3,273</b>	<b>255</b>	<b>831</b>	<b>-</b>	<b>-</b>	<b>10,328</b>	<b>25</b>	<b>14,712</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 March 31, 2019</b>	<b>3,517</b>	<b>169</b>	<b>831</b>	<b>1,981</b>	<b>285</b>	<b>10,035</b>	<b>178</b>	<b>16,996</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 three months ended March 31, 2020, the Group recognized an impairment loss on industrial rights of 23 Million KRW (three months ended March 31, 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 three months ended March 31, 2020 and 2019 (refer to note 27. for further details).

## 9. Inventories

Description	March 31,	December 31,
	2020	2019
	Million KRW	Million KRW
Raw materials and supplies	33,753	39,219
Construction in progress	1,032	494
Finished and semi-finished goods	114,194	123,283
Goods in transit	51,270	32,981
Consignment stocks	1,363	1,019
<b>Total inventories at the lower of cost and net realizable value</b>	<b>201,612</b>	<b>196,996</b>

As of March 31, 2020, inventory write-off amounted to 4,683 Million KRW for raw materials and finished goods (December 31, 2019: 4,489 Million KRW).

## 10. Trade and other receivables

Description	March 31,	December 31,
	2020	2019
	Million KRW	Million KRW
Trade and notes receivables	142,759	124,229
Allowances for trade and notes receivables	-1,777	-1,482
Trade and notes receivables (related parties)	-	106
Other accounts receivables	4,917	4,960
Allowances for other accounts receivables	-54	-9
Accrued income	73	362
<b>Total</b>	<b>145,918</b>	<b>128,166</b>

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

## 11. Cash and cash equivalents

Description	March 31,	December 31,
	2020	2019
	Million KRW	Million KRW
Cash on hand	79	76
Bank accounts	68,332	59,067
Time deposits (< 3 months)	3,372	3,989
<b>Total</b>	<b>71,783</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	March 31, 2020		December 31, 2019	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	753	1	740	1
Financial instruments at FVtPL	7,620	480	6,000	794
Derivative assets at FVtPL	-	-	-	61
Equity Instruments at FVOCI	842	-	842	-
Guarantee deposits at amortized cost	372	618	355	547
<b>Total</b>	<b>9,587</b>	<b>1,099</b>	<b>7,937</b>	<b>1,403</b>

## 13. Other current assets

Description	March 31, 2020	December 31, 2019
	Million KRW	Million KRW
Advance payments	451	688
Prepaid expenses	4,196	5,327
VAT refundables	3,548	1,541
<b>Total</b>	<b>8,195</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 March 31, 2020 and December 31, 2019 is composed of the following:

Description	March 31, 2020	December 31, 2019
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	2,254	-2,444
Losses on valuation of interest rate swaps	-1,356	-996
Losses on valuation of financial assets at FVOCI	-44	-44
<b>Total</b>	<b>854</b>	<b>-3,484</b>

## 15. Interest-bearing loans and borrowings

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

Description	March 31, 2020	December 31, 2019
	Million KRW	Million KRW
Long-term borrowings	66,414	73,094
<b>Non-current interest-bearing loans and borrowings</b>	<b>66,414</b>	<b>73,094</b>
Current portion of long-term borrowings	10,447	11,280
Short-term borrowings	171,379	159,920
<b>Current interest-bearing loans and borrowings</b>	<b>181,826</b>	<b>171,200</b>
<b>Total</b>	<b>248,240</b>	<b>244,294</b>

## 16. 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	
	March 31, 2020	2019
	Million KRW	Million KRW
Current income tax charges	-4,070	-3,609
Deferred taxes related to origination and reversal of deferred taxes	616	1,151
Income tax recognized in other comprehensive income	-81	-10
<b>Income tax expenses</b>	<b>-3,535</b>	<b>-2,468</b>

## 17. 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 March 31, 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	
	March 31, 2020	2019
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	11,026,198,538	8,721,235,271
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>459</b>	<b>363</b>

## 18. Other financial liabilities

Description	March 31, 2020		December 31, 2019	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 19)	1,239	3,648	979	425
Deposits	1,544	1,528	1,506	1,447
Accrued interest expenses	-	387	-	510
Unpaid dividends	-	3,603	-	3
<b>Total</b>	<b>2,783</b>	<b>9,166</b>	<b>2,485</b>	<b>2,385</b>

## 19. Derivative financial instruments

Description	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	3,126	61	113
Interest rate swaps (current portion)	-	522	-	312
Interest rate swaps (non-current portion)	-	1,239	-	979
<b>Total</b>	<b>-</b>	<b>4,887</b>	<b>61</b>	<b>1,404</b>

### 19.1. 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 March 31, 2020 and December 31, 2019 are as follows:

#### As of March 31, 2020

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 22,300,000	29.04.2020 – 26.02.2021	1,321.00 – 1,358.20
	Sell	JPY 1,298,000,000	29.04.2020 – 26.02.2021	11.1680 – 11.3350
Hana Bank	Sell	JPY 165,000,000	29.04.2020 – 30.06.2020	10.8565 – 10.8701
Woori Bank	Sell	EUR 34,440,000	28.04.2020 – 26.02.2021	1,326.10 – 1,359.20
	Sell	JPY 649,000,000	28.04.2020 – 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

## 19.2. Interest rate swaps

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

### As of March 31, 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 -1,356 Million KRW (expenses) as of March 31, 2020 and -996 Million KRW (expenses) as of December 31, 2019, respectively (refer to note 14.2) net of income tax.

## 20. Emission rights and emission liabilities

Details of annual quantity of allocated emission allowances as of March 31, 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>	-	-	-
Allocation	122,199	-	122,199	-	122,199	-
Allocation cancel	-706	-	-321	-	-	-
Additional allocation	5,834	-	16,224	-	-	-
Delivery to government	-149,065	-	-152,485	-	-	-
Carryforward	-5,444	-	-	-	-	-
<b>Ending</b>	-	-	<b>8,939</b>	<b>512</b>	-	<b>409</b>

There are no emission rights provided as collateral as of March 31, 2020.

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

	2020	2019
As of January 1	512	-
Increase	409	286
Decrease	-	-
As of March 31	921	286

Allocated greenhouse gas emissions free of charge in the three months ended March 31, 2020 were 30,550 KAU.

Estimated greenhouse gas emissions in the three months ended March 31, 2020 were 40,697 KAU.

## 21. 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 March 31, 2020

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,125	619	1,125	619
	Trade and other receivables	-	145,918	-	145,918
	Cash and cash equivalents	-	71,783	-	71,783
	<i>Total financial assets at amortized cost</i>	<i>1,125</i>	<i>218,320</i>	<i>1,125</i>	<i>218,320</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	7,620	480	7,620	480
	<i>Total financial assets at FVtPL</i>	<i>7,620</i>	<i>480</i>	<i>7,620</i>	<i>480</i>
<b>Total financial assets</b>		<b>9,587</b>	<b>218,800</b>	<b>9,587</b>	<b>218,800</b>
Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	1,544	5,518	1,544	5,518
	Lease liabilities	18,562	2,415	18,562	2,415
	Trade and other payables	-	108,651	-	108,651
	Interest-bearing loans and borrowings	66,414	181,826	66,414	181,826
	<i>Total financial liabilities at amortized cost</i>	<i>86,520</i>	<i>298,410</i>	<i>86,520</i>	<i>298,410</i>
	<b>Financial liabilities at FVOCI</b>				
	Interest rate swaps	1,239	522	1,239	522
	<i>Total financial liabilities at FVOCI</i>	<i>1,239</i>	<i>522</i>	<i>1,239</i>	<i>522</i>
	<b>Financial liabilities at FVtPL</b>				
	Forward exchange contracts	-	3,126	-	3,126
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>3,126</i>	<i>-</i>	<i>3,126</i>
<b>Total financial liabilities</b>		<b>87,759</b>	<b>302,058</b>	<b>87,759</b>	<b>302,058</b>



As of December 31, 2019

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

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

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

- Cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of equity instruments at FVOCI is derived from quoted market prices in active markets, if available.
- Fair value of unquoted equity instruments at FVOCI is estimated using appropriate valuation techniques (refer to note 21.1).

## 21.1. 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 March 31, 2020 and December 31, 2019, the Group held the following financial instruments carried at fair value on the statement of financial position:

		March 31, 2020	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Debt instruments</b>				
	Exchange traded funds at FVtPL	480	480	-	-
	<i>Total</i>	<i>480</i>	<i>480</i>	<i>-</i>	<i>-</i>
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	842	-	-	842
	<i>Total</i>	<i>842</i>	<i>-</i>	<i>-</i>	<i>842</i>
<b>Total</b>		<b>1,322</b>	<b>480</b>	<b>-</b>	<b>842</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	3,126	-	3,126	-
	Interest Rate Swaps	1,761	-	1,761	-
	<i>Total</i>	<i>4,887</i>	<i>-</i>	<i>4,887</i>	<i>-</i>
<b>Total</b>		<b>4,887</b>	<b>-</b>	<b>4,887</b>	<b>-</b>
		December 31, 2019	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Forward exchange contracts	61	-	61	-
	<i>Total</i>	<i>61</i>	<i>-</i>	<i>61</i>	<i>-</i>
	<b>Debt instruments</b>				
	Exchange traded funds at FVtPL	794	794	-	-
	<i>Total</i>	<i>794</i>	<i>794</i>	<i>-</i>	<i>-</i>
	<b>Equity instruments</b>				
	Equity instruments at FVOCI	842	-	-	842
	<i>Total</i>	<i>842</i>	<i>-</i>	<i>-</i>	<i>842</i>
<b>Total</b>		<b>1,697</b>	<b>794</b>	<b>61</b>	<b>842</b>
<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	113	-	113	-
	Interest Rate Swaps	1,291	-	1,291	-
	<i>Total</i>	<i>1,404</i>	<i>-</i>	<i>1,404</i>	<i>-</i>
<b>Total</b>		<b>1,404</b>	<b>-</b>	<b>1,404</b>	<b>-</b>

During the reporting periods ended March 31, 2020 and 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.

## 22. Related party disclosures

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

		For the three months ended	
		March 31,	
Related party	Description	2020	2019
		Million KRW	Million KRW
Maurizio Butti (refer to note 22.3 for further details)	Finance income	-	1
Songwon Moolsan Co., Ltd.	Selling and administration costs	-16	-16
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	54	64
	Cost of sales	-3,087	-3,409
Total	Sales	54	64
	Cost of sales	-3,087	-3,409
	Selling and administration costs	-16	-16
	Finance income	-	1

		As of	
		March 31, 2020	December 31, 2019
Related party	Description	Million KRW	Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	24	24
	Trade and other payables	6	6
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	-	106
	Trade and other payables	1,541	1,535
Total	Other non-current financial assets	24	24
	Trade and other receivables	-	106
	Trade and other payables	1,547	1,541

### 22.1. The ultimate parent

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

### 22.2. 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 March 31, 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 months ended March 31, 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.

### 22.3. Transactions with key management personnel

In the three months ended March 31, 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.

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

Description	For the three months ended	
	March 31,	
	2020	2019
	Million KRW	Million KRW
Short-term employee benefits	3,112	4,476
Post-employment benefits	176	201
Other long-term benefits	163	613
Share based payments	-346	-9
<b>Total compensation paid to key management personnel</b>	<b>3,105</b>	<b>5,281</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.

### 22.5. 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.

## 23. Contingencies and commitments

### 23.1. 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.

### 23.2. 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 March 31, 2020 are as follows:

Description	March 31, 2020	December 31, 2019
		Million KRW
<b>Short-term lease commitments</b>		
Within one year	-39	-68
<i>Total short-term lease commitments</i>	-39	-68
<b>Low-value lease commitments</b>		
Within one year	-56	-33
After one year but not more than five years	-19	-11
<i>Total low-value lease commitments</i>	-75	-44
<b>Total</b>	<b>-114</b>	<b>-112</b>

### 23.3. 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 March 31, 2020, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 3,869 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 March 31, 2020, due to bankruptcy declared by the customer.

Details of the Group's available short-term credit line facilities (excluding general loans) as of March 31, 2020 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	21,000	7,688	13,312
D/A and D/P	Thousand USD	112,400	52,909	59,491
	Million KRW	22,000	9,852	12,148
Trade loans	Million KRW	15,000	1,288	13,712
Secured loan of credit sales	Million KRW	9,000	3,553	5,447
Other foreign currency guarantees	Thousand USD	17,020	8,145	8,875
	<b>Total Million KRW</b>	<b>46,000</b>	<b>14,693</b>	<b>31,307</b>
	<b>Total Thousand USD</b>	<b>150,420</b>	<b>68,742</b>	<b>81,678</b>

## 24. Assets pledged as collateral and guarantees

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

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

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

The Group has received payment guarantees amounting to 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 March 31, 2020.

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

## 25. 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.

### 25.1. 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 March 31, 2020 and 2019 as well as December 31, 2019.

### 25.1.1. Interest rate risk

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

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

#### Interest rate sensitivity

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

	<b>Increase / (decrease)</b>	<b>Effect on profit before tax</b>
	in %	Million KRW
<b>March 31, 2020</b>	1.00	-247
	-1.00	247
<b>March 31, 2019</b>	1.00	-282
	-1.00	282

### 25.1.2. 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 period ended on March 31, 2020 and December 31, 2019 are as follows:

Currency	March 31, 2020		December 31, 2019	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	2,635	-2,635	1,903	-1,903
EUR	628	-628	728	-728
JPY	153	-153	240	-240
CHF	75	-75	206	-206
AED	-211	211	-186	186
INR	999	-999	973	-973
<b>Total</b>	<b>4,279</b>	<b>-4,279</b>	<b>3,864</b>	<b>-3,864</b>

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

## 25.2. 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 21.

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.

## 25.3. 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 March 31, 2020 and December 31, 2019 are as follows:

As of March 31, 2020	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	5,875	38,482	137,469	66,414	-	248,240
Trade and other payables	88,271	15,757	4,623	-	-	108,651
Lease liabilities	300	593	2,270	8,783	14,751	26,697
Other financial liabilities	5,474	2	42	1,544	-	7,062
<b>Total</b>	<b>99,920</b>	<b>54,834</b>	<b>144,404</b>	<b>76,741</b>	<b>14,751</b>	<b>390,650</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>

## 25.4. 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 March 31, 2020 and December 31, 2019 is 108% and 105%, respectively.

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

## 26. 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 three months ended March 31, 2020 and 2019 are as follows:

		For the three months ended	
		March 31,	
		2020	2019
Adjustments	Notes	Million KRW	Million KRW
Depreciation of property, plant and equipment	6	7,761	7,516
Depreciation of right-of-use assets	7	739	717
Depreciation of investment properties		3	3
Amortization of intangible assets	8	176	1,103
Impairment of intangible assets	8	23	-
Impairment of non-current financial assets		2	-
(Gains) / losses on disposals of property, plant and equipment, net	6	-3	7
Share of result from investments accounted using the equity method	4	-205	-226
Finance income		-2,890	-201
Finance expenses		2,112	2,980
Income tax expenses	16	3,535	2,468
<b>Total</b>		<b>11,253</b>	<b>14,367</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-10,198	-15,665
Other receivables		464	-2,381
Other current assets		-405	-2,033
Other current financial assets		61	31
Inventories		-593	-10,166
Trade payables		17,004	11,395
Other payables		-12,066	-10,178
Other current financial liabilities		89	-35
Other current liabilities		2,597	1,118
Pension liabilities		2,392	2,576
Other long-term employment benefits		-1,098	58
<b>Total</b>		<b>-1,753</b>	<b>-25,280</b>

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

In the first quarter of 2020, the global economic situation was greatly marked by the COVID-19 pandemic: Countries imposed travel bans, people have been placed with quarantine measures and global supply chains were disrupted due to factory shutdowns. The change in the global economic situation also had an impact on the Group's interim condensed consolidated financial statements for the three months ended March 31, 2020. The rapidly growing global concern relating to the COVID-19 pandemic and its potential impact on supply chains, resulted in an advantage situation with higher customer demand caused in part by inventory buildups to avoid supply deficits relating to the COVID-19 outbreak. As a result, both divisions, Industrial Chemicals and Performance Chemicals, recorded higher sales revenues compared to the same period in 2019. Furthermore, the net profit of 11,182 Mil. KRW increased by 27.4% compared to the first quarter of 2019.

In this challenging environment, 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 first quarter ending March 31, 2020, the following assessments have to be highlighted:

### **Impairment triggering events for tangible and intangible assets**

The Group assessed whether there were any internal and external indicators of impairment of tangible and intangible assets. During the first quarter of 2020, SONGWON's manufacturing facilities continued to run steadily at high utilization rates. This was mainly caused by customers increasing their stocking up activities beyond the usual seasonal inventory buildup due to concern for potential supply disruptions caused by the COVID-19 pandemic. Moreover, some of SONGWON's businesses were exposed to the short-term positive impact due to stoppage of competitor's lines in Europe and were able to gain new clients. Consequently, in the first quarter of 2020, better results were delivered due to the increased sales revenues and the higher net profit compared to the same period in 2019. Therefore, for the first quarter ending March 31, 2020, no triggering events have been identified and thus, 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**

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. As of March 31, 2020, the Group detected, in particular, changes in risk indicators considering risk characteristics such as geographical location of debtors which has been implemented in the updated ECL model for recognition of allowance on doubtful accounts. The parameter adjustments led to an increase of the expected credit loss by 265 Million KRW in the interim condensed consolidated financial statements due to the COVID-19 impact on the global economic situation.

### **Uncertainty of COVID-19 impact**

Due to the COVID-19 outbreak, various of preventive and control measures are being implemented worldwide in order to stop the spread of COVID-19, which includes travel and movement restrictions. Accordingly, such restrictions are expected to have an extensive impact on the chemical industry as well as the global economy.

As of the end of the reporting period, it was not possible to reasonably estimate the impact of COVID-19 and the government support policy on future impairment of investment accounted for using the equity method, impairment of property, plant and equipment, investment properties, and intangible assets as well as the feasibility of deferred tax assets. The impact was not reflected in the interim condensed consolidated financial statements.

## 28. Events after the reporting period

In April 2020, some of SONGWON's subsidiaries (Switzerland, USA, the UAE) implemented contingency plans with home office working which proved to be a reliable option to successfully continue their business operations. Only Songwon Specialty Chemicals-India Pvt. Ltd. was exposed to a partial lockdown and resumed production and delivery in accordance with local authorities' approval to its major clients. The end of the lockdown period is expected to be in the beginning of May 2020 with subsequent full production capacity to return in order to satisfy customer demand.

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



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## Independent Auditor's Review Report

To the Shareholders and Board of Directors  
SONGWON Industrial Co., Ltd. and its subsidiaries

### Report on review of interim condensed consolidated financial statements

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 March 31, 2020, and the related interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2020 and 2019 and the notes to the accompanying interim condensed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

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

### Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with the review standard for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

**Other matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2019, and the related consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea, and our report dated February 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.



May 13, 2020

This review report is effective as of May 13, 2020, the auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the 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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