



FINANCIAL RESULTS
Q3 & 9 MONTHS
ENDED SEPTEMBER 30, **2021**

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About this report

The interim condensed consolidated financial statements including notes (refer to section 2 from page 8 to 55) according to Korean International Financial Reporting Standards (K-IFRS) are reviewed and not audited by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report. The review is applicable to the three and nine months ended September 30, 2021 as well as the three and nine months ended September 30, 2020.

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

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

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

Forward-looking statements & information

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

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

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SECTION 1:

Business Development

Key financial data

	Q3 2021			Q3 2020			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	2021 Million KRW	2020 Million KRW	Δ%	2021 Million KRW	2020 Million KRW	Δ%
Sales	260,137	195,237	33.2%	714,715	603,925	18.3%	714,715	603,925	18.3%
Gross profit	68,507	40,622	68.6%	168,732	123,932	36.1%	168,732	123,932	36.1%
<i>Gross profit margin</i>	26.3%	20.8%		23.6%	20.5%		23.6%	20.5%	
Operating profit	30,050	15,822	89.9%	69,130	50,055	38.1%	69,130	50,055	38.1%
EBITDA	38,964	24,349	60.0%	95,305	76,049	25.3%	95,305	76,049	25.3%
<i>EBITDA margin</i>	15.0%	12.5%		13.3%	12.6%		13.3%	12.6%	
EBIT	30,468	15,796	92.9%	65,790	50,289	30.8%	65,790	50,289	30.8%
<i>EBIT margin</i>	11.7%	8.1%		9.2%	8.3%		9.2%	8.3%	
Profit for the period	20,972	8,746	139.8%	45,109	25,350	77.9%	45,109	25,350	77.9%
Total assets				1,040,302	906,960	14.7%	1,040,302	906,960	14.7%
Total equity				508,577	457,029	11.3%	508,577	457,029	11.3%
<i>Equity ratio</i>				48.9%	50.4%		48.9%	50.4%	
Headcounts				1,013	1,090	-7.1%	1,013	1,090	-7.1%

Sales development

Divisions*

	For the three months ended September 30,											
	2021			2020			2021			2020		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	Industrial Chemicals			Performance Chemicals								
Sales	193,345	145,300	33.1%	66,792	49,937	33.8%	260,137	195,237	33.2%			

	For the nine months ended September 30,											
	2021			2020			2021			2020		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
	Industrial Chemicals			Performance Chemicals								
Sales	533,043	460,438	15.8%	181,672	143,487	26.6%	714,715	603,925	18.3%			

*refer to note 2.2 for further details

Regions

	Q3 2021			Q3 2020			For the nine months ended September 30,		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	2021 Million KRW	2020 Million KRW	Δ%
Korea	53,323	40,383	32.0%				153,658	119,239	28.9%
Rest of Asia	72,058	57,686	24.9%				200,879	169,475	18.5%
Europe	60,316	45,210	33.4%				169,245	139,418	21.4%
North and South America	57,367	41,544	38.1%				150,563	133,522	12.8%
Australia	1,236	380	225.3%				3,037	1,590	91.0%
Middle East and Africa	15,837	10,034	57.8%				37,333	40,681	-8.2%
Total sales	260,137	195,237	33.2%				714,715	603,925	18.3%

Business development

In Q3/2021, Songwon Industrial Group recorded consolidated sales of 260,137 Million KRW corresponding to a 33.2% increase in revenue over Q3/2020. Gross profit increased in Q3/2021 to 68,507 Million KRW, resulting in a gross profit margin of 26.3% for the quarter, up 5.5%-points from Q3/2020 (20.8%). In Q3/2021, net profit was 20,972 Million KRW (Q3/2020: 8,746 Million KRW). For the nine months ended September 30, 2021, the Group achieved sales of 714,715 Million KRW (YTD September 2020: 603,925 Million KRW) and recorded a net profit of 45,109 Million KRW (YTD September 2020: 25,350 Million KRW).

SONGWON continued building on the positive momentum in 2021 delivering another strong quarter of higher profitability and increased revenues. Divisions continued to see high demand from customers and the markets on the back of economic recovery from the effects of the pandemic. However, global logistics issues and costs continued to impact demand. In Q3/2021, SONGWON's Division Industrial Chemicals achieved 193,345 Million KRW in consolidated sales marking a 33.1% increase over the same quarter in 2020 (Q3/2020: 145,300 Million KRW). Division Performance Chemicals also reported an increase in revenue of 33.8% (66,792 Million KRW) in Q3/2021 compared to Q3/2020 (49,937 Million KRW). YTD September 2021, Division Industrial Chemicals generated revenues totalling 533,043 Million KRW (YTD September 2020: 460,438 Million KRW) and Division Performance Chemicals revenues amount to 181,672 Million KRW (YTD September 2020: 143,487 Million KRW) corresponding to an increase of 15.8% and 26.6%, respectively.

In line with expectations, global demand continued to remain strong across all regions for Division Industrial Chemicals, with volumes sold in line with the previous quarter. The higher revenues were mainly driven by the price increases previously implemented across the product portfolio to offset the rising price of raw materials and escalating freight charges. For SONGWON's key business Polymer Stabilizers, demand from existing customers remained strong as expected and together with growth from new customers, higher sales and volumes were recorded. The demand was particularly robust in the EU and Americas and more sales would have been achievable if shipping delays had not negatively impacted SONGWON's capacity to deliver. Although the availability of certain raw materials posed challenges, SONGWON's increased stocks and multiple sourcing strategy prevented any major supply disruptions. Fuel and Lubricant Additives' formula driven price increase in the 3rd quarter led to higher revenues which were further enhanced by the ongoing recovery in demand following force majeure events in Q2/2021. Throughout Q3/2021, the overall positive trend in the coatings industry continued and SONGWON's Coatings business saw positive growth. Sales in the US and Europe were particularly high due to the new business generated and opportunities arising from the supply issues negatively impacting competitors. Some market contraction was observed in Asia, particularly in China.

For Division Performance Chemicals, the 3rd quarter of 2021 was also strong overall despite facing higher material and logistics costs as well as price competition. Throughout the quarter, all plants were running at full capacities. Tin Intermediates delivered a robust result in Q3/2021, due to higher pricing and growth in sales volumes. Sales of both Tin Intermediates and PVC were significantly above sales in 2020. However, during Q3/2021, Korea's PVC market weakened and logistical costs increased, which negatively impacted SONGWON's competitiveness outside Asia. For Solution Polyurethanes and Thermoplastic Polyurethanes, the 3rd quarter proved to be challenging. Intense price competition combined with lower demand, and COVID-19 related restrictions in some markets affecting customers, led to a decline in demand for these chemical products.

Outlook

Looking towards the final quarter of the year, SONGWON is expecting both the supply and logistics situation as well as raw material costs and pricing to remain volatile. Consequently, SONGWON sees customers concerned about supply chain disruptions to continue and anticipates stable order volumes until the end of 2021. Although customers have indicated that demand will remain strong in the EU and Americas, a further weakening in demand in Q4/2021 is expected in Asia. China's recent decision to limit energy use between September and December 2021 has caused major concern across markets with regards to raw material availability. In response, SONGWON is taking all required steps to ensure continued supply and to counteract any negative impact. Furthermore, measures to increase the capacities have been implemented to ensure it can meet the current high demand. Going forward, SONGWON will closely monitor developments and is confident that by optimizing its organizational efficiency and pricing it can mitigate the current headwinds and offset the rising cost of material and logistics.

SECTION 2:

Interim Condensed Consolidated Financial Statements (unaudited)

Interim condensed consolidated statements of financial position (unaudited)

	Notes	As of	
		September 30, 2021	December 31, 2020
		Million KRW	Million KRW
ASSETS			
Non-current assets		473,902	478,975
Property, plant and equipment	6.3.2, 7, 26	419,506	426,212
Right-of-use assets	6.3.2, 8	17,047	19,757
Investment properties	6.3.2, 26	3,472	3,483
Intangible assets	6.3.2, 9	8,716	7,757
Investments accounted for using the equity method	4	6,160	5,912
Other non-current assets		167	245
Other non-current financial assets	13, 23, 24	10,812	9,889
Deferred tax assets		8,022	5,720
Current assets		566,400	412,167
Inventories	10	298,384	192,057
Trade and other receivables	11, 23, 24	173,536	133,691
Income tax receivables		30	446
Other current assets		20,586	9,172
Other current financial assets	13, 21, 23	866	4,017
Cash and cash equivalents	12, 23	72,998	72,784
Total assets		1,040,302	891,142
EQUITY AND LIABILITIES			
Equity		508,577	463,497
<i>Non-controlling interests</i>	1.1, 5	-	4,788
<i>Equity attributable to owners of the parent</i>		508,577	458,709
Issued capital		12,000	12,000
Capital surplus		20,482	22,359
Reserves	14.1	28,623	28,335
Retained earnings	14.1	447,535	405,105
Other components of equity	14.2	-63	-9,090
Non-current liabilities		140,183	134,523
Interest-bearing loans and borrowings	15, 23, 26, 27.3	60,916	59,647
Pension liability		19,943	13,865
Other long-term employee-related liabilities		8,440	7,431
Non-current lease liabilities	8, 23, 27.3	14,934	16,143
Other non-current financial liabilities	20, 21, 23, 27.3	1	940
Other non-current liabilities		434	446
Deferred tax liabilities		35,515	36,051
Current liabilities		391,542	293,122
Interest-bearing loans and borrowings	15, 23, 25, 26, 27.3	204,554	158,940
Trade and other payables	16, 23, 24, 27.3	156,927	114,614
Current lease liabilities	8, 23, 27.3	2,157	2,429
Other current financial liabilities	20, 21, 23, 27.3	1,269	2,521
Other current liabilities	22	10,073	3,064
Income tax payable		16,562	11,554
Total liabilities		531,725	427,645
Total equity and liabilities		1,040,302	891,142

Interim condensed consolidated statements of financial position (unaudited)

	As of (refer to note 2.1)	
	September 30, 2021	December 31, 2020
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	399,539	403,817
Property, plant and equipment	353,680	359,334
Right-of-use assets	14,372	16,657
Investment properties	2,927	2,936
Intangible assets	7,348	6,540
Investments accounted for using the equity method	5,193	4,984
Other non-current assets	141	207
Other non-current financial assets	9,115	8,337
Deferred tax assets	6,763	4,822
Current assets	477,525	347,493
Inventories	251,564	161,921
Trade and other receivables	146,306	112,713
Income tax receivables	25	376
Other current assets	17,356	7,733
Other current financial assets	730	3,387
Cash and cash equivalents	61,544	61,363
Total assets	877,064	751,310
EQUITY AND LIABILITIES		
Equity	428,774	390,769
<i>Non-controlling interests</i>	-	4,037
<i>Equity attributable to owners of the parent</i>	428,774	386,732
Issued capital	10,117	10,117
Capital surplus	17,268	18,851
Reserves	24,131	23,888
Retained earnings	377,311	341,539
Other components of equity	-53	-7,663
Non-current liabilities	118,187	113,415
Interest-bearing loans and borrowings	51,357	50,288
Pension liability	16,814	11,689
Other long-term employee-related liabilities	7,116	6,265
Non-current lease liabilities	12,591	13,610
Other non-current financial liabilities	1	793
Other non-current liabilities	366	376
Deferred tax liabilities	29,942	30,394
Current liabilities	330,103	247,126
Interest-bearing loans and borrowings	172,457	134,000
Trade and other payables	132,303	96,630
Current lease liabilities	1,819	2,048
Other current financial liabilities	1,069	2,124
Other current liabilities	8,492	2,583
Income tax payable	13,963	9,741
Total liabilities	448,290	360,541
Total equity and liabilities	877,064	751,310

Interim condensed consolidated statements of comprehensive income (unaudited)

	Notes	For the three months ended September 30,	
		2021	2020
		Million KRW	Million KRW
Sales	6, 24	260,137	195,237
Cost of sales	24	-191,630	-154,615
Gross profit		68,507	40,622
Selling and administration costs	17.1, 24	-38,457	-24,800
Operating profit		30,050	15,822
Other income		1,128	1,645
Other expenses	5, 7, 8, 10	-710	-1,671
Share of result from investments accounted for using the equity method	4	375	261
Finance income	17.2	9,615	3,153
Finance expenses	17.3	-11,590	-6,282
Profit before tax		28,868	12,928
Income tax expenses	18	-7,896	-4,182
Profit for the period		20,972	8,746
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		6,886	-921
Gains on valuation of interest rate swaps		535	100
Exchange differences on translation of foreign operations		6,351	-1,021
<i>Net other comprehensive income not to be reclassified to profit or loss</i>		-242	-83
Re-measurement losses on defined benefit plans		-242	-83
Total other comprehensive income, net of taxes		6,644	-1,004
Total comprehensive income		27,616	7,742
Profit for the period attributable to:			
Owners of the parent	19	20,972	8,539
Non-controlling interests		-	207
Profit for the period		20,972	8,746
Total comprehensive income attributable to:			
Owners of the parent		27,616	7,547
Non-controlling interests		-	195
Total comprehensive income		27,616	7,742
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	19	874	356

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the three months ended	
	September 30, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Sales	219,318	164,602
Cost of sales	-161,561	-130,354
Gross profit	57,757	34,248
Selling and administration costs	-32,422	-20,908
Operating profit	25,335	13,340
Other income	951	1,387
Other expenses	-599	-1,409
Share of result from investments accounted for using the equity method	316	220
Finance income	8,106	2,658
Finance expenses	-9,771	-5,296
Profit before tax	24,338	10,900
Income tax expenses	-6,657	-3,526
Profit for the period	17,681	7,374
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	5,805	-777
Gains on valuation of interest rate swaps	451	84
Exchange differences on translation of foreign operations	5,354	-861
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-204	-70
Re-measurement losses on defined benefit plans	-204	-70
Total other comprehensive income, net of taxes	5,601	-847
Total comprehensive income	23,282	6,527
Profit for the period attributable to:		
Owners of the parent	17,681	7,199
Non-controlling interests	-	175
Profit for the period	17,681	7,374
Total comprehensive income attributable to:		
Owners of the parent	23,282	6,363
Non-controlling interests	-	164
Total comprehensive income	23,282	6,527
Earnings per share		
	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.74	0.30

Interim condensed consolidated statements of comprehensive income (unaudited)

	Notes	For the nine months ended September 30,	
		2021	2020
		Million KRW	Million KRW
Sales	6, 24	714,715	603,925
Cost of sales	24	-545,983	-479,993
Gross profit		168,732	123,932
Selling and administration costs	17.1, 24	-99,602	-73,877
Operating profit		69,130	50,055
Other income		2,838	2,833
Other expenses	5, 7, 8, 10	-6,178	-2,599
Share of result from investments accounted for using the equity method	4	804	798
Finance income	17.2	21,950	16,793
Finance expenses	17.3	-25,266	-24,751
Profit before tax		63,278	43,129
Income tax expenses	18	-18,169	-17,779
Profit for the period		45,109	25,350
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains / (losses) on valuation of interest rate swaps	21.3	1,207	-446
Exchange differences on translation of foreign operations		7,924	1,722
<i>Net other comprehensive income not to be reclassified to profit or loss</i>			
Re-measurement losses on defined benefit plans		-575	-638
Total other comprehensive income, net of taxes		8,556	638
Total comprehensive income		53,665	25,988
Profit for the period attributable to:			
Owners of the parent	19	46,173	24,662
Non-controlling interests		-1,064	688
Profit for the period		45,109	25,350
Total comprehensive income attributable to:			
Owners of the parent		54,625	25,188
Non-controlling interests		-960	800
Total comprehensive income		53,665	25,988
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	19	1,924	1,028

Interim condensed consolidated statements of comprehensive income (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Sales	602,567	509,161
Cost of sales	-460,311	-404,676
Gross profit	142,256	104,485
Selling and administration costs	-83,973	-62,285
Operating profit	58,283	42,200
Other income	2,393	2,388
Other expenses	-5,210	-2,191
Share of result from investments accounted for using the equity method	678	673
Finance income	18,506	14,158
Finance expenses	-21,301	-20,867
Profit before tax	53,349	36,361
Income tax expenses	-15,318	-14,989
Profit for the period	38,031	21,372
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	7,698	1,076
Gains / (losses) on valuation of interest rate swaps	1,017	-376
Exchange differences on translation of foreign operations	6,681	1,452
<i>Net other comprehensive income not to be reclassified to profit or loss</i>	-485	-538
Re-measurement losses on defined benefit plans	-485	-538
Total other comprehensive income, net of taxes	7,213	538
Total comprehensive income	45,244	21,910
Profit for the period attributable to:		
Owners of the parent	38,928	20,792
Non-controlling interests	-897	580
Profit for the period	38,031	21,372
Total comprehensive income attributable to:		
Owners of the parent	46,053	21,236
Non-controlling interests	-809	674
Total comprehensive income	45,244	21,910
Earnings per share		
	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1.62	0.87

Interim condensed consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2020 and 2021

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity			Total		
					Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve			
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	
As of January 1, 2020	12,000	22,359	27,975	371,805	-997	-44	-2,443	430,655	3,986	434,641
Profit for the period	-	-	-	24,662	-	-	-	24,662	688	25,350
Other comprehensive income	-	-	-	-638	-446	-	1,610	526	112	638
Total comprehensive income	-	-	-	24,024	-446	-	1,610	25,188	800	25,988
Dividends	-	-	-	-3,600	-	-	-	-3,600	-	-3,600
Appropriation to reserves	-	-	360	-360	-	-	-	-	-	-
As of September 30, 2020	12,000	22,359	28,335	391,869	-1,443	-44	-833	452,243	4,786	457,029
As of January 1, 2021	12,000	22,359	28,335	405,105	-1,207	-362	-7,521	458,709	4,788	463,497
Profit for the period	-	-	-	46,173	-	-	-	46,173	-1,064	45,109
Other comprehensive income	-	-	-	-575	1,207	-	7,820	8,452	104	8,556
Total comprehensive income	-	-	-	45,598	1,207	-	7,820	54,625	-960	53,665
Dividends	-	-	-	-2,880	-	-	-	-2,880	-	-2,880
Appropriation to reserves	-	-	288	-288	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,877	-	-	-	-	-	-1,877	-1,230	-3,107
Change in non-controlling interest due to the disposal of a subsidiary*	-	-	-	-	-	-	-	-	-2,598	-2,598
As of September 30, 2021	12,000	20,482	28,623	447,535	-	-362	299	508,577	-	508,577

*refer to note 5. for further details

Interim condensed consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2020 and 2021 (refer to note 2.1)

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Other components of equity					
	TUSD	TUSD	TUSD	TUSD	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	TUSD	TUSD	TUSD
As of January 1, 2020	10,117	18,851	23,585	313,464	-842	-37	-2,058	363,080	3,360	366,440
Profit for the period	-	-	-	20,792	-	-	-	20,792	580	21,372
Other comprehensive income	-	-	-	-538	-376	-	1,357	443	95	538
Total comprehensive income	-	-	-	20,254	-376	-	1,357	21,235	675	21,910
Dividends	-	-	-	-3,036	-	-	-	-3,036	-	-3,036
Appropriation to reserves	-	-	304	-304	-	-	-	-	-	-
As of September 30, 2020	10,117	18,851	23,889	330,378	-1,218	-37	-701	381,279	4,035	385,314
As of January 1, 2021	10,117	18,851	23,888	341,539	-1,017	-305	-6,341	386,732	4,037	390,769
Profit for the period	-	-	-	38,928	-	-	-	38,928	-897	38,031
Other comprehensive income	-	-	-	-485	1,017	-	6,593	7,125	88	7,213
Total comprehensive income	-	-	-	38,443	1,017	-	6,593	46,053	-809	45,244
Dividends	-	-	-	-2,428	-	-	-	-2,428	-	-2,428
Appropriation to reserves	-	-	243	-243	-	-	-	-	-	-
Change in non-controlling interest due to interest increase	-	-1,583	-	-	-	-	-	-1,583	-1,038	-2,621
Change in non-controlling interest due to the disposal of a subsidiary*	-	-	-	-	-	-	-	-	-2,190	-2,190
As of September 30, 2021	10,117	17,268	24,131	377,311	-	-305	252	428,774	-	428,774

*refer to note 5. for further details

Interim condensed consolidated statements of cash flows (unaudited)

	Notes	For the nine months ended September 30,	
		2021 Million KRW	2020 Million KRW
Profit for the period		45,109	25,350
Total adjustments	28	51,603	46,920
Changes in operating assets and liabilities	28	-101,724	8,721
Interest received		196	182
Payments of income tax		-16,083	-20,724
Net cash flow from operating activities		-20,899	60,449
Proceeds from sale of property, plant and equipment	7	424	138
Purchases of property, plant and equipment	7	-14,993	-16,478
Purchases of intangible assets	9	-1,171	-342
Dividends received from investments using equity method	4	519	519
Disposal of a subsidiary, net of cash disposed	5	5,584	-
(Increase) / decrease in other financial assets, net		2,422	-2,332
Net cash flow from investing activities		-7,215	-18,495
Proceeds from borrowings		462,706	285,253
Repayments of borrowings		-417,149	-301,896
Payment of lease liabilities	8	-2,650	-2,702
Decrease in other financial liabilities, net		-1,123	-1,925
Interest paid		-4,065	-4,553
Acquisition of additional interest in a subsidiary	1.1	-3,107	-
Dividends paid	14	-2,880	-3,600
Net cash flow from financing activities		31,732	-29,423
Increase in cash and cash equivalents		3,618	12,531
Net foreign exchange differences		-3,404	1,426
Cash and cash equivalents as of January 1	12	72,784	63,132
Cash and cash equivalents as of September 30	12	72,998	77,089

Interim condensed consolidated statements of cash flows (unaudited)

	For the nine months ended September 30, (refer to note 2.1)	
	2021	2020
	Thousand USD	Thousand USD
Profit for the period	38,031	21,372
Total adjustments	43,506	39,558
Changes in operating assets and liabilities	-85,762	7,353
Interest received	165	153
Payments of income tax	-13,559	-17,472
Net cash flow from operating activities	-17,619	50,964
Proceeds from sale of property, plant and equipment	357	116
Purchases of property, plant and equipment	-12,640	-13,892
Purchases of intangible assets	-987	-288
Dividends received from investments using equity method	438	438
Disposal of a subsidiary, net of cash disposed	4,708	-
(Increase) / decrease in other financial assets, net	2,042	-1,966
Net cash flow from investing activities	-6,082	-15,592
Proceeds from borrowings	390,101	240,493
Repayments of borrowings	-351,693	-254,525
Payment of lease liabilities	-2,234	-2,278
Decrease in other financial liabilities, net	-947	-1,623
Interest paid	-3,427	-3,839
Acquisition of additional interest in a subsidiary	-2,619	-
Dividends paid	-2,428	-3,035
Net cash flow from financing activities	26,753	-24,807
Increase in cash and cash equivalents	3,052	10,565
Net foreign exchange differences	-2,871	1,203
Cash and cash equivalents as of January 1	61,363	53,226
Cash and cash equivalents as of September 30	61,544	64,994

Notes to the interim condensed consolidated financial statements

1. Corporate information

1.1. The Group

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

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

Scope of consolidation

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

During the nine months of 2021, the following changes in the legal structure of the Group and in scope of consolidation took place:

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

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

Name	Location	September 30, 2021		December 31, 2020	
		Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Trading GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon International-Qingdao Co., Ltd.	China	Subsidiary	100%	-	-
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	China		-	Subsidiary	72%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	100%	Subsidiary	81.5%
Entity accounted for using the equity method (joint venture)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%

*refer to note 5. for further details

2. Basis of preparation

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

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

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

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

2.1. Convenience translation into United States Dollar

The Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,186.12 to USD 1, the exchange rate in effect on September 30, 2021. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2. Changes in disclosure

In the 2nd quarter of 2021, a decision was made to change the structure of SONGWON's internal organization in a manner which has caused the composition of the reportable segments to change. Chemicals used in the coatings industry have been reclassified from Division Performance Chemicals to Division Industrial Chemicals. As a result of this reclassification, the segment information for the three and nine months ended September 30, 2020 (comparable period), have been restated. For the three and nine months ended September 30, 2020, the sales for Division Industrial Chemicals increased by 7,732 Million KRW and 21,308 Million KRW, respectively (Division Performance Chemicals: sales decreased by 7,732 Million KRW and 21,308 Million KRW, respectively). The operating profit of Division Industrial Chemicals for the three and nine months ended September 30, 2020, decreased by 609 Million KRW and 2,323 Million KRW, respectively (Division Performance Chemicals: operating profit increased by 609 Million KRW and 2,323 Million KRW, respectively). The changes in disclosure have had no impact on the consolidated statements of financial position and the consolidated statements of comprehensive income.

3. Accounting policies

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

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

New and amended standards adopted by the Group

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

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

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

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

4. Investment accounted for using the equity method

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

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
December 31, 2020	2,987	12,062	9,003	908	1,264	76	94	19,707	5,912
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,501	11,332	11,705	1,408	2,388	87	115	20,534	6,160
September 30, 2021	3,501	11,332	11,705	1,408	2,388	87	115	20,534	6,160

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.	5,814	-34	2	-3	1,158	-288	870	197	1,067
For the three months ended September 30, 2020	5,814	-34	2	-3	1,158	-288	870	197	1,067
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	8,771	-40	1	-1	1,668	-417	1,251	17	1,268
For the three months ended September 30, 2021	8,771	-40	1	-1	1,668	-417	1,251	17	1,268

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.	16,646	-106	4	-7	3,545	-886	2,659	617	3,276
For the nine months ended September 30, 2020	16,646	-106	4	-7	3,545	-886	2,659	617	3,276
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	22,500	-121	11	-4	3,574	-894	2,680	-123	2,557
For the nine months ended September 30, 2021	22,500	-121	11	-4	3,574	-894	2,680	-123	2,557

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

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

	As of January 1, 2021	Dividends	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2021
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,912	-519	804	-37	6,160
Total	5,912	-519	804	-37	6,160

5. Sale of a subsidiary

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

5.1. Financial performance and cash flow information

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

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

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

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

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

5.2. Details on sale of subsidiary

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

**For the nine months ended
September 30, 2021**

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

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

	As of April 30, 2021
	Million KRW
Property, plant and equipment	70
Right-of-use assets	588
Inventories	928
Trade and other receivables	8,512
Cash and cash equivalents	1,524
Other non-current and current assets	201
<i>Total assets</i>	<i>11,823</i>
Non-current lease liabilities	-734
Trade and other payables	-907
Other non-current and current liabilities	-476
<i>Total Liabilities</i>	<i>-2,117</i>
Net assets of subsidiary	9,706
<i>Non-controlling interests of 28%</i>	<i>-2,598</i>
Total consideration received from sale of 72% interest	7,108

6. Segment information

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

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

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

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

6.1. Reported key figures

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

Description	For the three months ended					
	September 30,					
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	193,345	145,300	66,792	49,937	260,137	195,237
Operating profit	27,623	14,414	2,427	1,408	30,050	15,822

Description	For the nine months ended					
	September 30,					
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales	533,043	460,438	181,672	143,487	714,715	603,925
Operating profit	65,755	49,908	3,375	147	69,130	50,055

6.2. Revenue from contracts with customers

Description	For the three months ended September 30,					
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	190,929	143,039	66,067	49,349	256,996	192,388
Sales of services	2,416	2,261	725	588	3,141	2,849
Total sales	193,345	145,300	66,792	49,937	260,137	195,237

Description	For the nine months ended September 30,					
	2021	2020	2021	2020	2021	2020
	Industrial Chemicals		Performance Chemicals		Total	
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sales of goods	525,449	453,903	179,522	141,890	704,971	595,793
Sales of services	7,594	6,535	2,150	1,597	9,744	8,132
Total sales	533,043	460,438	181,672	143,487	714,715	603,925

6.3. Geographic information

6.3.1. Sales

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

	For the three months ended September 30,	
	2021	2020
	Million KRW	Million KRW
Korea	53,323	40,383
Rest of Asia	72,058	57,686
Europe	60,316	45,210
North and South America	57,367	41,544
Australia	1,236	380
Middle East and Africa	15,837	10,034
Total sales	260,137	195,237

	For the nine months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Korea	153,658	119,239
Rest of Asia	200,879	169,475
Europe	169,245	139,418
North and South America	150,563	133,522
Australia	3,037	1,590
Middle East and Africa	37,333	40,681
Total sales	714,715	603,925

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

6.3.2. Non-current assets

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

	As of	
	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Korea	383,465	389,584
Rest of Asia	27,319	28,988
Europe	7,343	8,869
North and South America	11,174	11,193
Middle East and Africa	19,440	18,575
Total	448,741	457,209

7. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost							
As of January 1, 2020	149,550	88,362	63,805	494,049	47,400	14,251	857,417
Additions	-	100	111	668	562	15,428	16,869
Disposals	-	-17	-541	-18,902	-1,444	-	-20,904
Reclassifications	-	4,064	2,579	15,830	420	-22,893	-
Net exchange differences	-	-25	-	142	67	36	220
As of September 30, 2020	149,550	92,484	65,954	491,787	47,005	6,822	853,602
As of January 1, 2021	149,550	91,280	65,989	489,289	46,278	10,640	853,026
Additions	-	1	49	982	182	14,034	15,248
Disposals	-43	-158	-143	-6,213	-1,556	-	-8,113
Reclassifications	150	349	1,080	10,066	215	-11,860	-
Disposal of a subsidiary*	-	-	-	-464	-75	-48	-587
Net exchange differences	-	1,755	-	2,720	368	52	4,895
As of September 30, 2021	149,657	93,227	66,975	496,380	45,412	12,818	864,469
Accumulated depreciation and impairment							
As of January 1, 2020	-	-25,585	-40,213	-315,033	-37,134	-	-417,965
Depreciation charge	-	-1,903	-2,248	-17,407	-1,822	-	-23,380
Disposals	-	8	537	17,293	1,308	-	19,146
Impairment	-	-1	-	-51	-5	-	-57
Net exchange differences	-	-2	-	-240	-64	-	-306
As of September 30, 2020	-	-27,483	-41,924	-315,438	-37,717	-	-422,562
As of January 1, 2021	-	-27,904	-42,663	-318,670	-37,577	-	-426,814
Depreciation charge	-	-1,903	-2,242	-16,892	-1,717	-	-22,754
Disposals	-	60	129	4,834	1,512	-	6,535
Impairment	-	-	-	-931	-62	-49	-1,042
Disposal of a subsidiary*	-	-	-	395	74	48	517
Net exchange differences	-	-279	-	-905	-222	1	-1,405
As of September 30, 2021	-	-30,026	-44,776	-332,169	-37,992	-	-444,963
Net book value							
As of September 30, 2021	149,657	63,201	22,199	164,211	7,420	12,818	419,506
As of January 1, 2021	149,550	63,376	23,326	170,619	8,701	10,640	426,212
As of September 30, 2020	149,550	65,001	24,030	176,349	9,288	6,822	431,040

*refer to note 5. for further details

For the nine months ended September 30, 2021, there were impairment losses of property, plant and equipment within Qingdao Long Fortune Songwon Chemical Co., Ltd., occurred during the ordinary course of business (828 Million KRW, not related to the COVID-19 pandemic) and impairment losses related to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. of 175 Million KRW totaling 1,003 Million KRW. Additional impairment losses of 39 Million KRW have been recognized within Songwon International-Americas Inc., occurred during the ordinary course of business and not related to the COVID-19 pandemic (nine months ended September 30, 2020: impairment losses of fixed assets of 57 Million KRW within Songwon Specialty Chemicals-India Pvt. Ltd. occurred in the ordinary course of business).

Non-cash acquisition of property, plant and equipment during the nine months ended September 30, 2021 increased by 255 Million KRW (for the nine months ended September 30, 2020: increase of 391 Million KRW) and accounts payables relating to non-cash transactions amounted to 5,333 Million KRW as of September 30, 2021 (September 30, 2020: 3,784 Million KRW).

8. Right-of-use assets and leases

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

	Right-of-use assets - buildings	Right-of-use assets - structures	Right-of-use assets - machinery	Right-of-use assets - other	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost					
As of January 1, 2020	21,273	1,144	84	977	23,478
Additions	84	-	1,067	306	1,457
Disposals	-28	-144	-	-180	-352
Modification of contract	313	526	89	-15	913
Net exchange differences	570	-	-54	36	552
As of September 30, 2020	22,212	1,526	1,186	1,124	26,048
As of January 1, 2021	21,174	1,525	1,103	1,014	24,816
Additions	44	-	-	97	141
Disposals	-262	-	-	-157	-419
Modification of contract	-279	237	-	67	25
Disposal of a subsidiary*	-2,293	-	-	-	-2,293
Net exchange differences	1,310	1	86	51	1,448
As of September 30, 2021	19,694	1,763	1,189	1,072	23,718
Accumulated depreciation and impairment					
As of January 1, 2020	-1,616	-658	-58	-346	-2,678
Depreciation charge	-1,329	-494	-113	-314	-2,250
Disposals	28	144	-	180	352
Modification of contract	-	-	-	19	19
Net exchange differences	-30	-	2	-16	-44
As of September 30, 2020	-2,947	-1,008	-169	-477	-4,601
As of January 1, 2021	-3,216	-1,152	-195	-496	-5,059
Depreciation charge	-1,229	-433	-109	-254	-2,025
Disposals	262	-	-	157	419
Impairment	-1,454	-	-	-	-1,454
Disposal of a subsidiary*	1,705	-	-	-	1,705
Net exchange differences	-207	-1	-21	-28	-257
As of September 30, 2021	-4,139	-1,586	-325	-621	-6,671
Net book value					
As of September 30, 2021	15,555	177	864	451	17,047
As of January 1, 2021	17,958	373	908	518	19,757
As of September 30, 2020	19,265	518	1,017	647	21,447

*refer to note 5. for further details

For the nine months ended September 30, 2021, impairment losses of 1,454 Million KRW have been recognized in relation to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (for the nine months ended September 30, 2020: no impairment). Further, the Group recognized rent expenses from short-term leases of 73 Million KRW (September 30, 2020: 218 Million KRW), leases of low-value assets of 61 Million KRW (September 30, 2020: 51 Million KRW) and variable lease payments of 315 Million KRW (September 30, 2020: 511 Million KRW) in the interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2021.

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

Description	2021	2020
	Million KRW	Million KRW
As of January 1	18,572	19,523
Additions	141	1,457
Modifications	25	913
Net exchange differences	513	480
Accretion of interest	490	581
Payments	-2,650	-2,702
As of September 30	17,091	20,252

9. Intangible assets

	Industrial rights	Software	Memberships	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Acquisition cost						
As of January 1, 2020	6,036	2,846	831	43,075	98	52,886
Additions	-	107	-	-	235	342
Disposals	-148	-161	-	-	-	-309
Reclassifications	161	-	-	-	-161	-
Net exchange differences	-	30	-	496	-	526
As of September 30, 2020	6,049	2,822	831	43,571	172	53,445
As of January 1, 2021	6,032	2,771	831	41,116	670	51,420
Additions	-	18	-	-	1,153	1,171
Reclassifications	139	-	-	-	-139	-
Net exchange differences	-	70	-	2,986	-	3,056
As of September 30, 2021	6,171	2,859	831	44,102	1,684	55,647
Accumulated amortization and impairment						
As of January 1, 2020	-2,687	-2,586	-	-32,983	-	-38,256
Amortization charge	-437	-89	-	-	-	-526
Disposals	148	161	-	-	-	309
Impairment	-22	-	-	-	-1	-23
Reclassifications	-1	-	-	-	1	-
Net exchange differences	-	-17	-	-304	-	-321
As of September 30, 2020	-2,999	-2,531	-	-33,287	-	-38,817
As of January 1, 2021	-3,103	-2,494	-	-38,066	-	-43,663
Amortization charge	-369	-78	-	-	-	-447
Net exchange differences	-	-65	-	-2,756	-	-2,821
As of September 30, 2021	-3,472	-2,637	-	-40,822	-	-46,931
Net book value						
As of September 30, 2021	2,699	222	831	3,280	1,684	8,716
As of January 1, 2021	2,929	277	831	3,050	670	7,757
As of September 30, 2020	3,050	291	831	10,284	172	14,628

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

10. Inventories

Description	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Raw materials and supplies	59,541	34,532
Work in progress	1,848	1,171
Finished and semi-finished goods	149,264	114,625
Goods in transit	85,442	39,758
Consignment stocks	2,289	1,971
Total inventories at the lower of cost and net realizable value	298,384	192,057

For the nine months ended September 30, 2021, impairment losses of 749 Million KRW have been recognized in relation to the sale of 72% interest in Qingdao Long Fortune Songwon Chemical Co., Ltd. (for the nine months ended September 30, 2020: no impairment recognized). As of September 30, 2021, inventory allowance balance amounted to 5,302 Million KRW for raw materials, work in progress, finished and semi-finished goods (December 31, 2020: 3,991 Million KRW). The Group recognized inventory allowance expenses of 1,960 Million KRW during the nine months ended September 30, 2021 (for the nine months ended September 30, 2020: 1,464 Million KRW).

11. Trade and other receivables

Description	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Trade and notes receivables	173,321	133,057
Allowances for trade and notes receivables	-1,363	-1,249
Trade and notes receivables (related parties)	-	49
Other accounts receivables	1,440	1,827
Other receivables (related parties)	136	-
Allowances for other accounts receivables	-29	-34
Accrued income	31	41
Total	173,536	133,691

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

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

	Total	Current	Days past due			
			≤ 90	91-120	121-180	> 180
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
September 30, 2021	174,928	166,532	7,819	-	11	566
December 31, 2020	134,974	126,727	7,058	167	8	1,014

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

12. Cash and cash equivalents

Description	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Cash on hand	67	53
Bank accounts	68,465	69,627
Time deposits (< 3 months)	4,466	3,104
Total	72,998	72,784

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

13. Other financial assets

Description	September 30, 2021		December 31, 2020	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Financial instruments at amortized cost (bank deposit)	297	273	420	1,913
Financial instruments at FVtPL	8,255	-	8,210	1,570
Derivative assets at FVtPL	278	-	-	33
Equity instruments at FVOCI	429	-	429	-
Guarantee and other deposits at amortized cost	1,520	593	806	501
Guarantee and other deposits at amortized cost (related parties)	33	-	24	-
Total	10,812	866	9,889	4,017

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

14. Equity

14.1. Reserves and dividends paid

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

14.2. Accumulated other comprehensive income

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

Description	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Re-measurement of defined benefit plans	-27,032	-26,457
OCI recognized within retained earnings	-27,032	-26,457
Cash flow hedge reserve	-	-1,207
Fair value reserve of financial assets at FVOCI	-362	-362
Foreign currency translation reserve	299	-7,662
Share of foreign currency translation reserve associated with non-controlling interests	-	141
OCI recognized within other components of equity	-63	-9,090

15. Interest-bearing loans and borrowings

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

Description	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Corporate bonds	54,801	-
Long-term borrowings	6,115	59,647
Non-current interest-bearing loans and borrowings	60,916	59,647
Current portion of long-term borrowings	1,780	8,780
Short-term borrowings	202,774	150,160
Current interest-bearing loans and borrowings	204,554	158,940
Total	265,470	218,587

Details of corporate bonds which the Group entered in the form of a private placement bond and floating rate note (FRN) as of September 30, 2021 are as follows (December 31, 2020: none):

As of September 30, 2021

Contractual party	Form	Contract amount	Carrying amount (in Million KRW)	Maturity dates	Interest rate
Hana Bank	Private placement bond	26,000 Million KRW	26,000	24.09.2021 – 24.09.2024	2.09% (fixed rate)
Woori Bank	Private placement bond (FRN)	24,500 Thousand USD	28,801	17.09.2021 – 13.09.2024	3M Libor +0.8%
Total			54,801		

16. Trade and other payables

Description	September 30,	December 31,
	2021	2020
	Million KRW	Million KRW
Trade payables	104,045	71,279
Trade payables (related parties)	1,709	917
Other accounts payables	22,682	19,542
Other accounts payables (related parties)	7	6
Withholdings	959	1,857
Accrued expenses	27,518	20,996
Guarantee deposits	7	17
Total	156,927	114,614

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

17. Operating profit and finance income / expenses

17.1. Selling and administration expenses

Description	For the three months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Sales-related costs	-20,912	-5,618
Personnel expenses	-12,995	-14,090
Travelling and entertainment	-581	-618
Depreciation and amortization	-591	-683
Administration expenses	-1,942	-2,385
Others	-1,436	-1,406
Total	-38,457	-24,800

Description	For the nine months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Sales-related costs	-46,518	-18,942
Personnel expenses	-39,059	-39,147
Travelling and entertainment	-1,786	-2,357
Depreciation and amortization	-1,790	-2,033
Administration expenses	-6,301	-6,728
Others	-4,148	-4,670
Total	-99,602	-73,877

17.2. Finance income

Description	For the three months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Gains on foreign exchange transactions	3,565	3,791
Gains on foreign exchange translations	5,821	-798
Gains on derivative transactions	208	91
Gains on valuation of derivatives	-33	-
Gains on valuation of financial assets at FVtPL	-	12
Interest on loans and receivables	54	57
Total finance income	9,615	3,153

Description	For the nine months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Gains on foreign exchange transactions	10,977	13,500
Gains on foreign exchange translations	9,903	2,813
Gains on derivative transactions	881	300
Gains on valuation of derivatives	3	-
Gains on valuation of financial assets at FVtPL	-	12
Interest on loans and receivables	186	168
Total finance income	21,950	16,793

17.3. Finance expenses

Description	For the three months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Interest on borrowings	-1,439	-1,640
Total interest expenses	-1,439	-1,640
Losses on foreign exchange transactions	-4,107	-4,809
Losses on foreign exchange translations	-4,764	480
Losses on derivative transactions	-547	-736
Losses on valuation of derivatives	-673	359
Losses on valuation of financial assets at FVtPL	-	129
Bank charges	-60	-65
Total finance expenses	-11,590	-6,282

Description	For the nine months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Interest on borrowings	-4,382	-5,131
Total interest expenses	-4,382	-5,131
Losses on foreign exchange transactions	-10,087	-13,892
Losses on foreign exchange translations	-9,328	-2,854
Losses on derivative transactions	-617	-1,736
Losses on valuation of derivatives	-705	-867
Bank charges	-147	-271
Total finance expenses	-25,266	-24,751

18. Income tax expenses

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

Income taxes	For the three months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Current income tax charges	-9,013	-6,164
Deferred taxes related to origination and reversal of deferred taxes	1,204	1,990
Income tax recognized in other comprehensive income	-87	-8
Income tax expenses	-7,896	-4,182

Income taxes	For the nine months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Current income tax charge	-21,352	-25,048
Deferred taxes related to origination and reversal of deferred taxes	3,371	7,179
Income tax recognized in other comprehensive income	-188	90
Income tax expenses	-18,169	-17,779

19. Earnings per share

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

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

Description	For the three months ended	
	September 30,	
	2021	2020
	KRW	
Net profit attributable to ordinary equity holders of the parent	20,971,945,126	8,538,737,562
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	874	356

Description	For the nine months ended	
	September 30,	
	2021	2020
	KRW	
Net profit attributable to ordinary equity holders of the parent	46,172,547,024	24,661,968,311
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,924	1,028

20. Other financial liabilities

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

Description	September 30, 2021		December 31, 2020	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 21)	-	981	901	741
Deposits	1	-	39	1,360
Accrued interest expenses	-	288	-	420
Total	1	1,269	940	2,521

21. Derivative financial instruments

Description	September 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	-	705	33	75
Interest rate swaps (current portion)	-	-	-	666
Interest rate swaps (non-current portion)	-	-	-	901
Currency and interest rate swaps (current portion)	-	276	-	-
Currency and interest rate swaps (non-current portion)	278	-	-	-
Total	278	981	33	1,642

21.1. Forward exchange contracts

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

As of September 30, 2021

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citibank Korea	Sell	EUR 10,800,000	29.10.2021 – 30.06.2022	1,371.00 – 1,390.50
	Sell	JPY 2,596,000,000	29.10.2021 – 30.06.2022	10.6350 – 10.8870
Woori Bank	Sell	EUR 19,800,000	29.10.2021 – 30.06.2022	1,371.00 – 1,390.50

As of December 31, 2020

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

21.2. Currency and interest rate swaps

The Group is exposed to exchange rate and interest rate risks due to the corporate bond issuance in the form of a floating rate note (refer to note 15). To hedge these risks, the Group has entered into the following currency and interest rate swaps (CRS) as of September 30, 2021 and the details are as follows (December 31, 2020: none):

As of September 30, 2021

Contractual party	Target	Contract amount	Interest exchange condition	Contract date	Maturity date
Hongkong Woori Investment	Corporate bond (foreign currency FRN)	Receipt: 24,500 TUSD	3M Libor +0.8%	17.09.2021	13.09.2024
		Payment: 28,643 MKRW	Fixed 1.96%		

21.3. Interest rate swaps

The Group applied cash flow hedge accounting on interest rate swaps until August 2021. Due to the early repayment of the hedged long-term interest-bearing loans and borrowings in September 2021, the Group discontinued hedge accounting and terminated the interest rate swaps. The termination of the interest rate swaps resulted in a recycling of accumulated net losses of 527 Million KRW from OCI to P&L and a gain on derivative transactions of 58 Million KRW.

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

As of December 31, 2020

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

22. Emission rights and emission liabilities

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

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

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

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

*Emission rights 2020 approved by government

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

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

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

	2021	2020
As of January 1	725	512
Increase	224	488
Decrease	-725	-455
As of September 30	224	545

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

Estimated greenhouse gas emissions in 2021 are 172,396 KAU.

23. Fair values

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

As of September 30, 2021

	Carrying amount		Fair value		
	Non-current	Current	Non-current	Current	
	Million KRW	Million KRW	Million KRW	Million KRW	
Financial assets	Financial assets at amortized cost				
	Other financial assets	1,850	866	1,850	866
	Trade and other receivables	-	173,536	-	173,536
	Cash and cash equivalents	-	72,998	-	72,998
	<i>Total financial assets at amortized cost</i>	<i>1,850</i>	<i>247,400</i>	<i>1,850</i>	<i>247,400</i>
	Financial assets at FVOCI				
	Other financial assets	429	-	429	-
	<i>Total financial assets at FVOCI</i>	<i>429</i>	<i>-</i>	<i>429</i>	<i>-</i>
	Financial assets at FVtPL				
	Currency and interest rate swaps	278	-	278	-
	Other financial assets	8,255	-	8,255	-
	<i>Total financial assets at FVtPL</i>	<i>8,533</i>	<i>-</i>	<i>8,533</i>	<i>-</i>
	Total financial assets	10,812	247,400	10,812	247,400
Financial liabilities	Financial liabilities at amortized cost				
	Other financial liabilities	1	288	1	288
	Lease liabilities	14,934	2,157	14,934	2,157
	Trade and other payables	-	156,927	-	156,927
	Interest-bearing loans and borrowings	60,916	204,554	60,916	204,554
	<i>Total financial liabilities at amortized cost</i>	<i>75,851</i>	<i>363,926</i>	<i>75,851</i>	<i>363,926</i>
	Financial liabilities at FVtPL				
	Forward exchange contracts	-	705	-	705
	Currency and interest rate swaps	-	276	-	276
	<i>Total financial liabilities at FVtPL</i>	<i>-</i>	<i>981</i>	<i>-</i>	<i>981</i>
Total financial liabilities	75,851	364,907	75,851	364,907	

As of December 31, 2020

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

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

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

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

23.1. Fair value hierarchy

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

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

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

		September 30, 2021	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Currency and interest rate swaps	278	-	278	-
	<i>Total</i>	278	-	278	-
	Debt instruments				
	Other debt instruments at FVtPL	8,255	-	8,255	-
	<i>Total</i>	8,255	-	8,255	-
	Equity instruments				
Equity instruments at FVOCI	429	-	-	429	
<i>Total</i>	429	-	-	429	
Total		8,962	-	8,533	429
Financial liabilities	Derivatives				
	Forward exchange contracts	705	-	705	-
	Currency and interest rate swaps	276	-	276	-
	<i>Total</i>	981	-	981	-
	Total	981	-	981	-
		December 31, 2020	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	Derivatives				
	Forward exchange contracts	33	-	33	-
	<i>Total</i>	33	-	33	-
	Debt instruments				
	Other debt instruments at FVtPL	9,780	-	9,780	-
	<i>Total</i>	9,780	-	9,780	-
	Equity instruments				
Equity instruments at FVOCI	429	-	-	429	
<i>Total</i>	429	-	-	429	
Total		10,242	-	9,813	429
Financial liabilities	Derivatives				
	Forward exchange contracts	75	-	75	-
	Interest rate swaps	1,567	-	1,567	-
	<i>Total</i>	1,642	-	1,642	-
Total		1,642	-	1,642	-

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

24. Related party disclosures

The companies listed below have been identified as related parties:

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

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

Related party	Description	For the nine months ended September 30,	
		2021 Million KRW	2020 Million KRW
Songwon Moolsan Co., Ltd.	Selling and administration costs	-60	-49
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales	-	163
	Cost of sales	-12,932	-9,371
Total	Sales	-	163
	Cost of sales	-12,932	-9,371
	Selling and administration costs	-60	-49

Related party	Description	As of	
		September 30, 2021 Million KRW	December 31, 2020 Million KRW
Songwon Moolsan Co., Ltd.	Other non-current financial assets	33	24
	Trade and other payables	7	6
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other receivables	136	49
	Trade and other payables	1,709	917
Total	Other non-current financial assets	33	24
	Trade and other receivables	136	49
	Trade and other payables	1,716	923

24.1. The ultimate parent

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

24.2. Terms and conditions of transactions with related parties

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

24.3. Transactions with key management personnel

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

24.4. Compensation of key management personnel of the Group

Description	For the nine months ended	
	September 30,	
	2021	2020
	Million KRW	Million KRW
Short-term employee benefits	-7,490	-9,927
Post-employment benefits	-574	-533
Other long-term benefits	-398	-506
Share based payments	-229	122
Termination benefits	-528	-
Total compensation paid to key management personnel	-9,219	-10,844

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

24.5. Other related parties

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

25. Contingencies and commitments

25.1. Contingent liability

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

25.2. Other lease commitments

The Group has entered into short-term and low-value leases on certain buildings, vehicles, furniture and fixture. The lease periods for low-value leases are below 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum short-term and low-value lease payments as of September 30, 2021 and December 31, 2020 are as follows:

Description	September 30, 2021	December 31, 2020
	Million KRW	Million KRW
Short-term lease commitments		
Within one year	-4	-80
<i>Total short-term lease commitments</i>	-4	-80
Low-value lease commitments		
Within one year	-59	-63
After one year but not more than five years	-113	-141
<i>Total low-value lease commitments</i>	-172	-204
Total	-176	-284

25.3. Other commitments

As part of the ordinary business activities, the Group enters into various contractual commitments for the purchase of inventories, property, plant and equipment, intangible assets and investment properties. As of September 30, 2021, the Group entered into commitments to purchase property, plant and equipment, as well as raw materials amounting to 5,092 Million KRW (December 31, 2020: 1,624 Million KRW).

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

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

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

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	20,400	7,841	12,559
D/A and D/P	Thousand USD	98,900	43,199	55,701
	Million KRW	22,000	3,526	18,474
Secured loan of credit sales	Million KRW	9,000	3,693	5,307
Other foreign currency guarantees	Thousand USD	40,400	30,740	9,660
Bond issuance payment guarantee	Million KRW	26,000	26,000	-
	Total Million KRW	57,000	33,219	23,781
	Total Thousand USD	159,700	81,780	77,920

26. Assets pledged as collateral and guarantees

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

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

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

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

27. Financial risk management objectives and policies

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

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

27.1. Market risk

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

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

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

27.1.1. Interest rate risk

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

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

Interest rate sensitivity

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

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
September 30, 2021	1.00	-743
	-1.00	743
September 30, 2020	1.00	-737
	-1.00	737

27.1.2. Foreign currency risk

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

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

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

Foreign currency sensitivity

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

Currency	September 30, 2021		December 31, 2020	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	604	-604	4,365	-4,365
EUR	1,522	-1,522	198	-198
JPY	2,417	-2,417	762	-762
CHF	187	-187	174	-174
AED	-197	197	-221	221
INR	238	-238	261	-261
Total	4,771	-4,771	5,539	-5,539

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

27.2. Credit risk

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

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

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

27.3. Liquidity risk

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

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

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

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

As of September 30, 2021	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	21,387	32,432	150,735	60,916	-	265,470
Trade and other payables	132,860	14,547	9,520	-	-	156,927
Lease liabilities	276	474	1,960	8,032	9,480	20,222
Other financial liabilities	189	-	99	1	-	289
Total	154,712	47,453	162,314	68,949	9,480	442,908

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

27.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statements of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of September 30, 2021 and December 31, 2020 is 105% and 92%, respectively.

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

28. Cash flow statement

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

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

Adjustments	Notes	For the nine months ended	
		September 30,	
		2021	2020
		Million KRW	Million KRW
Depreciation of property, plant and equipment	7	22,754	23,380
Depreciation of right-of-use assets	8	2,025	2,250
Depreciation of investment properties		11	11
Amortization of intangible assets	9	447	526
Impairment of property, plant and equipment	7	1,042	57
Impairment of right-of-use assets	8	1,454	-
Impairment of intangible assets	9	-	23
Impairment of non-current financial assets		7	5
Impairment of other non-current assets		49	-
Impairment of inventories	10	749	-
Losses on disposals of property, plant and equipment, net	7	1,154	1,620
Share of result from investments accounted using the equity method	4	-804	-798
Finance income		-6,305	-4,305
Finance expenses		10,851	6,372
Income tax expenses	18	18,169	17,779
Total		51,603	46,920
Changes in operating assets and liabilities			
Trade receivables		-40,551	-63
Other receivables		-250	1,401
Other current assets		-11,193	-3,889
Other current financial assets		33	61
Inventories		-102,348	4,322
Trade payables		31,264	3,524
Other payables		8,361	-8,746
Other current financial liabilities		-463	251
Other current liabilities		7,278	5,289
Pension liabilities		5,286	6,624
Other long-term employment benefits		859	-53
Total		-101,724	8,721

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

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

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

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

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

In order to determine the impact of the global economic situation on the ECL model in accordance with K-IFRS 1109, the Group reassessed past events, current conditions and forecasts of future economic conditions. For the nine months ended September 30, 2021, the Group identified the changes in risk indicators considering the nature of risk such as geographical location of debtors which has been reflected in the ECL model for the recognition of allowance on expected credit risks. Such parameter adjustments resulted in an increase in the allowance on ECL by 41 Million KRW in the interim condensed consolidated financial statements for the nine months ended September 30, 2021.

30. Events after the reporting period

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



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Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as of September 30, 2021, and the related interim consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and 2020, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the nine-month periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim consolidated financial statements

Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with Korean International Financial Reporting Standards ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim 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 consolidated financial statements based on our review.

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

Conclusion

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

Other matters

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



November 10, 2021

This review report is effective as of November 10, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim consolidated financial statements and may result in modification to this review report.

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