



**FINANCIAL RESULTS**  
*Preliminary, unaudited*

**Q3 & 9 MONTHS  
ENDED SEPTEMBER 30**

**2019**

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## About this report

This report contains Songwon Industrial Group's preliminary, unaudited financial results for the three months (Q3/2019) and nine months ended September 30, 2019.

All the disclosed figures are preliminary and may be subject to change during the review of the condensed interim financial statements by the Group's auditor, Ernst & Young Han Young. Songwon Industrial Group will publish condensed interim financial statements for the three and nine months ended September 30, 2019 prepared in accordance with K-IFRS 1034. These will be reviewed by the Group auditor by mid-November 2019.

The financial information in this interim report reflects the consolidated figures in Mil. KRW unless otherwise stated.

For further information about Songwon Industrial Group, please visit: [www.songwon.com](http://www.songwon.com) or write to us at: [ir@songwon.com](mailto:ir@songwon.com).

## Disclosure of sales by division

As of January 1, 2019, the segment structure of the Group was adjusted and separated into two reportable segments "Industrial Chemicals" and "Performance Chemicals" based on the Group's product portfolio and its product families. Therefore, the presentation of sales development has been aligned with the new segment reporting so that sales by product was replaced by divisional disclosure of sales as per September 30, 2019, inclusive comparative numbers as per September 30, 2018.

## Forward-looking statements & information

This preliminary 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.

## Key Financial Data

	For the nine months ended			September 30,		
	Q3 2019	Q3 2018		2019	2018	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	208,388	204,403	1.9%	617,272	592,716	4.1%
Gross profit	41,000	42,974	-4.6%	132,573	119,116	11.3%
Gross profit margin	19.7%	21.0%		21.5%	20.1%	
Operating profit	14,039	17,400	-19.3%	51,075	44,109	15.8%
EBITDA	22,694	25,721	-11.8%	78,582	70,117	12.1%
EBITDA margin	10.9%	12.6%		12.7%	11.8%	
EBIT	13,532	17,159	-21.1%	51,017	44,933	13.5%
EBIT margin	6.5%	8.4%		8.3%	7.6%	
Profit for the period	7,302	13,115	-44.3%	28,905	32,831	-12.0%
Total assets				937,767	915,087	2.5%
Total equity				444,757	408,648	8.8%
Equity ratio				47.4%	44.7%	
Headcounts				1,073	1,030	4.2%

## Sales development

### Divisions\*

	For the three months ended								
	September 30,			September 30,			September 30,		
	2019	2018		2019	2018		2019	2018	
	Industrial Chemicals			Performance Chemicals			Total		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	155,077	153,134	1.3%	53,311	51,269	4.0%	208,388	204,403	1.9%

  

	For the nine months ended								
	September 30,			September 30,			September 30,		
	2019	2018		2019	2018		2019	2018	
	Industrial Chemicals			Performance Chemicals			Total		
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Sales	457,688	437,450	4.6%	159,584	155,266	2.8%	617,272	592,716	4.1%

\* Please refer to "Disclosure of sales by division" on page 2.

### Regions

	For the nine months ended			September 30,		
	Q3 2019	Q3 2018		2019	2018	
	Million KRW	Million KRW	Δ%	Million KRW	Million KRW	Δ%
Korea	42,420	42,814	-0.9%	130,296	133,389	-2.3%
Rest of Asia	57,401	55,811	2.8%	169,833	162,829	4.3%
Europe	48,702	47,287	3.0%	147,662	136,798	7.9%
North and South America	44,131	44,855	-1.6%	131,604	122,705	7.3%
Australia	528	886	-40.4%	1,728	1,908	-9.4%
Middle East and Africa	15,206	12,750	19.3%	36,149	35,087	3.0%
<b>Total sales</b>	<b>208,388</b>	<b>204,403</b>	<b>1.9%</b>	<b>617,272</b>	<b>592,716</b>	<b>4.1%</b>

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## Business development

Songwon Industrial Group achieved consolidated sales of 208,388 Mil. KRW and a net profit of 7,302 Mil. KRW during the third quarter of 2019, ending September 30, 2019. This marks a 1.9% increase in revenue when compared to sales for Q3/2018 (204,403 Mil. KRW). When also compared to Q3/2018, the gross profit margin in Q3 decreased to 19.7%. Year-to-date, the Group realized consolidated sales of 617,272 Mil. KRW, marking a 4.1% increase over YTD September 2018 (592,716 Mil. KRW) and a 12.0% decrease in net profit of 28,905 Mil. KRW.

In Q3/2019, overall demand for SONGWON's Division Industrial Chemicals continued to be stable in line with expectations. Industrial Chemicals business remained particularly strong for the first two months of the quarter, but declined throughout the final month of Q3. SONGWON had anticipated a weaker Q3 with lower margins driven by the raw material pricing formula in the lube business within Industrial Chemicals. The coming together of long Korean holidays, the weakening of the KRW, raw materials needing to be sourced outside Korea and fierce competition putting pressure on prices made the market environment challenging also for SONGWON's Division Performance Chemicals in Q3/2019.

Over the course of the third quarter, the entire Asian region continued to experience lower market demand linked to the ongoing trade war between China and the U.S. which has resulted in Chinese competitors aggressively seeking new markets to compensate for China's lower internal demand and reduced export to North America. In Q3, the Group, like the rest of the industry also felt the impact from the downward turn in the business-to-consumer market as well as the automotive market with, for example, India reporting a 40% decrease in Q2/Q3 2019. China and Europe are estimated to be experiencing a slow down of probably up to 30%. The weaker demand also determined an adjustment in overall supply and demand leading to increased pressure to reduce prices.

Throughout Q3/2019, SONGWON's production sites ran smoothly and continued to operate at a level that meets customers' demands. Raw materials remained in good supply during the quarter and the Group continued its efforts to effectively manage all elements of the supply and inventory situation for the business. The establishment of a strong distributor network in the U.S. for its coatings business and the partnership with the largest PVC stabilizer producer, Uniwel in Q3 will support the organization to accelerate market penetration and expansion going forward. SONGWON began supplying PVC Stabilizers from Uniwel's Chinese plant towards the end of Q3 and added several new stabilizers to its portfolio from Uniwel's product lines. The Groups innovation labs also operated at high levels over the quarter and continued to support customer requirements as well as supplying performance information on new products for the business.

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## Outlook

Looking ahead, SONGWON expects to see the noticeable slowdown observed in the final month of Q3/2019 continuing as customers begin their traditional year-end de-stocking. In general, the industry is preparing for tougher, more challenging market conditions due to the ongoing volatility of the global business environment caused by the impact of the U.S. - China trade war together with other factors such as the unclear nature of Brexit and political uncertainties in several countries. Amid the uncertainty in the medium and long-term economic growth scenarios, the Group anticipates the demand for its offering to still remain steady, although slightly weaker in Q4. SONGWON also expects to see sustained market growth over the next periods especially in its Performance Chemicals business on the back of its partnership with Uniwel and accelerated sales.

In the next months, the Group intends to continue pursuing its strategy of focusing on expanding its market coverage into South East Asia, Europe and the Americas. Although SONGWON does not see any short-term improvement in the underlying macroeconomic conditions, it is confident that its industry experience combined with the company's global reach and the diversity of its high-performance product portfolio will offset the current and emerging challenges. By focusing on the development of more environment friendly solutions, the company also plans to enhance its sustainability approach to support the industry make the transition to a circular economy. Going forward, SONGWON will continue leveraging its innovation-driven growth model, while cautiously keeping a close eye on global trends and developments as it continues to implement prudent cost management and drive productivity.