

CREATIVITY INSPIRED

**HYOSUNG** CHEMICAL

## Table of Contents

01	Independent Auditor's Report
04	Separate Statements of Financial Position
05	Separate Statements of Profit or Loss
06	Separate Statements of Comprehensive Income
07	Separate Statements of Changes in Equity
08	Separate Statements of Cash Flows
09	Independent Auditor's Report
12	Consolidated Statements of Financial Position
13	Consolidated Statements of Profit or Loss
14	Consolidated Statements of Comprehensive Income
15	Consolidated Statements of Changes in Equity
16	Consolidated Statements of Cash Flows

# Independent Auditor's Report

## To the Board of Directors and Shareholders of Hyosung Chemical Corporation

### **Opinion**

We have audited the separate financial statements of Hyosung Chemical Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019 and 2018, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

### **Basis for Opinion**

We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

The accounting policies of the Company's litigation and contingent liabilities are described in Note 37 to the separate financial statements. The Company is pending a lawsuit for damages against UOP in connection with engineering contract violations. On December 24, 2019, the Supreme Court decided that the governing law of engineering contracts should be applied to the Illinois State Act of the United States. The judgment on the violation of the applied engineering contract was returned to the High Court for destruction. Considering the scale and likelihood of the lawsuit, management's significant judgment is involved. Therefore, we identified this matter as a significant risk

Meanwhile, we evaluated the design of controls related to provisions and tested operational efficiency. We reviewed data on litigation cases provided by management and communicated with the Company's legal team. We have obtained and reviewed a lawyer's inquiry from the Company's external legal counsel regarding the case. We tested the adequacy of the provision and reviewed whether the disclosure for the provision was appropriate.

### **Emphasis of Matters**

# Independent Auditor's Report

We draw attention to Note 38 to the separate financial statements. Our opinion is not modified in respect of these matters. As described in Note 38 to the separate financial statements, the Company made an additional investment of USD100 million to Hyosung Vina Chemicals Co., Ltd., 100% owned subsidiary, in order to grow as a Global PP Maker on February 25, 2020.

## ***Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements***

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## ***Auditor's Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates

and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jong-Hun Hong, Certified Public Accountant.

**March 9, 2020**  
**Seoul, Korea**

This report is effective as of March 9, 2020, the auditors' report date. Accordingly, certain subsequent events or circumstances may have occurred between the auditors' report date and the time this audit report is read. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

※ You can find the notes from Audit Report on HYOSUNG CHEMICAL website ([www.hyosungchemical.com](http://www.hyosungchemical.com)).

# Separate Statements of Financial Position

As of December 31, 2019 and 2018  
(Korean Won)

	2019	2018
<b>ASSETS</b>		
<b>Current assets :</b>		
Cash and cash equivalents	745,769,784	2,189,800,250
Trade and other receivables	148,241,912,548	175,144,873,934
Other financial assets	1,729,373,619	3,015,347,825
Other current assets	8,381,351,232	5,555,245,112
Inventories	127,510,171,001	125,294,525,119
<b>Total current assets</b>	<b>286,608,578,184</b>	<b>311,199,792,240</b>
<b>Non-current assets :</b>		
Long-term trade and other receivables	4,947,322,294	4,710,258,452
Property, plant and equipment	951,403,849,918	1,056,459,645,109
Intangible assets	14,187,371,471	14,230,039,913
Investments in subsidiaries and associates	283,575,638,205	201,325,571,495
Other non-current financial assets	8,579,983,713	2,648,654,952
Other non-current assets	1,990,886,026	877,899,278
Deferred tax assets	4,508,317,959	8,298,075,249
<b>Total non-current assets</b>	<b>1,269,193,369,586</b>	<b>1,288,550,144,448</b>
<b>Total assets</b>	<b>1,555,801,947,770</b>	<b>1,599,749,936,688</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities :</b>		
Trade and other payables	203,933,372,036	229,125,602,036
Borrowings	185,915,655,777	399,745,562,796
Other financial liabilities	1,193,029,121	-
Current tax liabilities	20,442,749,505	6,267,451,248
Other current liabilities	3,887,327,210	4,169,927,819
<b>Total current liabilities</b>	<b>415,372,133,649</b>	<b>639,308,543,899</b>
<b>Non-current liabilities :</b>		
Long-term trade and other payables	12,518,989,095	12,054,878,779
Long-term borrowings	675,363,180,753	582,939,999,868
Net defined benefit liabilities	-	1,510,207,937
Other non-current financial liabilities	4,668,452,728	-
Other non-current liabilities	1,582,362,810	1,864,255,744
<b>Total non-current liabilities</b>	<b>694,132,985,386</b>	<b>598,369,342,328</b>
<b>Total liabilities</b>	<b>1,109,505,119,035</b>	<b>1,237,677,886,227</b>
<b>Shareholders' equity :</b>		
Capital	15,950,630,000	15,950,630,000
Capital surplus	327,697,938,702	327,697,938,702
Retained earnings	104,491,701,238	20,266,922,964
Other components of equity	(1,843,441,205)	(1,843,441,205)
<b>Total shareholders' equity</b>	<b>446,296,828,735</b>	<b>362,072,050,461</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,555,801,947,770</b>	<b>1,599,749,936,688</b>

# Hyosung Chemical Corporation

## Separate Statements of Income

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	2019	2018
<b>Revenue</b>	<b>1,813,137,241,909</b>	<b>1,116,772,144,102</b>
<b>Cost of sales</b>	<b>1,569,551,815,873</b>	<b>1,003,310,624,048</b>
<b>Gross profit</b>	<b>243,585,426,036</b>	<b>113,461,520,054</b>
Selling, general and administrative expenses	64,415,546,578	36,041,843,460
Research and development expenses	20,993,052,234	13,566,269,569
<b>Operating income</b>	<b>158,176,827,224</b>	<b>63,853,407,025</b>
<b>Non-operating income and expense:</b>		
Other income	5,151,618,514	2,353,773,317
Other expenses	(6,238,371,226)	(4,468,894,442)
Financial income	42,971,943,230	20,780,592,153
Financial expenses	(88,422,630,362)	(49,620,942,898)
Impairment loss (reversal) from subsidiaries and associates	4,046,066,710	(4,046,066,710)
	<b>(42,491,373,134)</b>	<b>(35,001,538,580)</b>
Net income before income tax	115,685,454,090	28,851,868,445
Income tax expense	23,518,645,189	6,574,785,304
<b>Net income</b>	<b>92,166,808,901</b>	<b>22,277,083,141</b>
<b>Earnings per share:</b>		
<b>Basic earnings per share</b>	<b>29,003</b>	<b>7,004</b>

# Separate Statements of Comprehensive Income

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	2019	2018
<b>Net income for the period</b>	<b>92,166,808,901</b>	<b>22,277,083,141</b>
<b>Other comprehensive income (loss) for the period, net of income tax</b>		
<b>Items that will not be reclassified subsequently to profit or loss :</b>		
Remeasurements of net defined benefit liability	(4,764,235,627)	(2,010,160,177)
<b>Items that will be reclassified subsequently to profit or loss :</b>	-	-
<b>Total comprehensive income for the period</b>	<b>87,402,573,274</b>	<b>20,266,922,964</b>

Hyosung Chemical Corporation

# Separate Statements of Changes in Equity

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	Capital	Capital surplus	Retained earnings	Other components of equity	Total equity
<b>Balance at June 1, 2018</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	-	-	<b>343,648,568,702</b>
<b>Total comprehensive income for the period</b>					
Net profit for the period	-	-	22,277,083,141	-	22,277,083,141
Remeasurements of net defined benefit liability	-	-	(2,010,160,177)	-	(2,010,160,177)
Treasury stocks	-	-	-	(1,843,441,205)	(1,843,441,205)
<b>Balance at December 31, 2018</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	<b>20,266,922,964</b>	<b>(1,843,441,205)</b>	<b>362,072,050,461</b>
<b>Balance at January 1, 2019</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	<b>20,266,922,964</b>	<b>(1,843,441,205)</b>	<b>362,072,050,461</b>
<b>Total comprehensive income for the year</b>					
Net profit for the year	-	-	92,166,808,901	-	92,166,808,901
Remeasurements of net defined benefit liability	-	-	(4,764,235,627)	-	(4,764,235,627)
Annual dividends	-	-	(3,177,795,000)	-	(3,177,795,000)
<b>Balance at December 31, 2019</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	<b>104,491,701,238</b>	<b>(1,843,441,205)</b>	<b>446,296,828,735</b>

# Hyosung Chemical Corporation

## Separate Statements of Cash Flows

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	2019	2018
<b>Cash flows from operating activities :</b>		
Cash generated from operations	295,466,227,766	105,011,820,892
Income tax paid	(5,553,589,642)	(4,790,669,894)
Interest paid	(36,099,832,847)	(20,689,961,633)
Interest received	177,022,199	73,257,257
<b>Net cash provided by operating activities</b>	<b>253,989,827,476</b>	<b>79,604,446,622</b>
<b>Cash Flows from Investing Activities :</b>		
Collection in long-term loans	140,719,996	49,053,332
Proceeds from sales of property, plant and equipment	7,322,219	9,000
Receipt of government grants	427,000,000	-
Purchase of long-term loans	(387,690,000)	(78,085,001)
Increase of long-term deposit	(27,684,832)	(992,969,700)
Acquisition of property, plant and equipment	(40,626,098,295)	(22,605,229,215)
Acquisition of intangible assets	(671,315,846)	(139,014,081)
Acquisition of long-term financial assets	(487,400,000)	(15,500,000)
Acquisition of investments in associates	(78,204,000,000)	-
<b>Net cash used in investing activities</b>	<b>(119,829,146,758)</b>	<b>(23,781,735,665)</b>
<b>Cash Flows from Financing Activities :</b>		
Proceeds of bonds	299,000,000,000	-
Proceeds of short-term borrowings	2,638,458,583,190	1,840,639,534,612
Proceeds of long-term borrowings	-	61,000,000,000
Repayments of bonds	(120,000,000,000)	(29,435,100,000)
Repayments of short-term borrowings	(2,852,046,518,060)	(1,972,770,285,768)
Repayments of long-term borrowings	(93,755,125,000)	(32,459,600,000)
Acquisition of treasury stocks	-	(1,843,441,205)
Repayments of lease liabilities	(4,083,856,314)	-
Payments of dividends	(3,177,795,000)	-
<b>Net cash used in financing activities</b>	<b>(135,604,711,184)</b>	<b>(134,868,892,361)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,444,030,466)</b>	<b>(79,046,181,404)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,189,800,250</b>	<b>81,235,981,654</b>
<b>Cash and cash equivalents at end of the period</b>	<b>745,769,784</b>	<b>2,189,800,250</b>

# Independent Auditor's Report

## To the Board of Directors and Shareholders of Hyosung Chemical Corporation

### **Opinion**

We have audited the consolidated financial statements of Hyosung Chemical Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

### **Basis for Opinion**

We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

The accounting policies of the Group's litigation and contingent liabilities are described in Note 36 to the consolidated financial statements. The Group is pending a lawsuit for damages against UOP in connection with engineering contract violations. On December 24, 2019, the Supreme Court decided that the governing law of engineering contracts should be applied to the Illinois State Act of the United States. The judgment on the violation of the applied engineering contract was returned to the High Court for destruction. Considering the scale and likelihood of the lawsuit, management's significant judgment is involved. Therefore, we identified this matter as a significant risk

Meanwhile, we evaluated the design of controls related to provisions and tested operational efficiency. We reviewed data on litigation cases provided by management and communicated with the Group's legal team. We have obtained and reviewed a lawyer's inquiry from the Group's external legal counsel regarding the case. We tested the adequacy of the provision and reviewed whether the disclosure for the provision was appropriate.

# Independent Auditor's Report

## ***Emphasis of Matters***

We draw attention to Note 37 to the consolidated financial statements. Our opinion is not modified in respect of these matters. As described in Note 37 to the consolidated financial statements, the Company made an additional investment of USD100 million to Hyosung Vina Chemicals Co., Ltd., 100% owned subsidiary, in order to grow as a Global PP Maker on February 25, 2020.

## ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates

and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jong-Hun Hong, Certified Public Accountant.

**March 9, 2020**  
**Seoul, Korea**

This report is effective as of March 9, 2020, the auditors' report date. Accordingly, certain subsequent events or circumstances may have occurred between the auditors' report date and the time this audit report is read. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

※ You can find the notes from Audit Report on HYOSUNG CHEMICAL website ([www.hyosungchemical.com](http://www.hyosungchemical.com)).

# Hyosung Chemical Corporation and Subsidiaries

## Consolidated Statements of Financial Position

As of December 31, 2019 and 2018  
(Korean Won)

	2019	2018
<b>ASSETS</b>		
<b>Current assets :</b>		
Cash and cash equivalents	46,059,080,773	79,257,821,592
Trade and other receivables	150,972,646,883	184,669,279,665
Other financial assets	5,726,939,782	3,015,347,825
Other current assets	115,789,568,296	46,085,921,955
Inventories	127,510,171,001	125,294,525,119
<b>Total current assets</b>	<b>446,058,406,735</b>	<b>438,322,896,156</b>
<b>Non-current assets :</b>		
Long-term trade and other receivables	4,947,322,294	4,710,258,452
Property, plant and equipment	1,448,333,094,443	1,117,555,202,137
Intangible assets	73,072,331,903	74,144,821,677
Investments in associates	10,737,638,205	6,691,571,371
Other non-current financial assets	73,868,500,669	2,648,654,952
Other non-current assets	1,990,886,026	877,899,278
Deferred tax assets	4,508,317,959	8,298,075,249
<b>Total non-current assets</b>	<b>1,617,458,091,499</b>	<b>1,214,926,483,116</b>
<b>Total assets</b>	<b>2,063,516,498,234</b>	<b>1,653,249,379,272</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities :</b>		
Trade and other payables	219,881,693,604	275,675,409,413
Borrowings	185,915,655,777	399,745,562,796
Other financial liabilities	1,193,029,121	-
Current tax liabilities	20,442,749,505	6,388,339,437
Other current liabilities	3,887,327,210	4,169,927,819
<b>Total current liabilities</b>	<b>431,320,455,217</b>	<b>685,979,239,465</b>
<b>Non-current liabilities :</b>		
Long-term trade and other payables	12,518,989,095	12,054,878,779
Long-term borrowings	1,155,850,180,753	582,939,999,868
Net defined benefit liabilities	-	1,510,207,937
Deferred tax liabilities	2,867,617,709	1,652,556,809
Other non-current financial liabilities	4,668,452,728	-
Other non-current liabilities	1,582,362,810	1,864,255,744
<b>Total non-current liabilities</b>	<b>1,177,487,603,095</b>	<b>600,021,899,137</b>
<b>Total liabilities</b>	<b>1,608,808,058,312</b>	<b>1,286,001,138,602</b>
<b>Shareholders' equity :</b>		
<b>Equity attributable to owners of the Parent Company</b>		
Capital	15,950,630,000	15,950,630,000
Capital surplus	327,697,938,702	327,697,938,702
Retained earnings	98,174,854,969	18,284,191,681
Other components of equity	12,885,016,251	5,315,480,287
<b>Non-controlling interest</b>	-	-
<b>Total shareholders' equity</b>	<b>454,708,439,922</b>	<b>367,248,240,670</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,063,516,498,234</b>	<b>1,653,249,379,272</b>

# Hyosung Chemical Corporation and Subsidiaries

## Consolidated Statements of Income

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	2019	2018
<b>Revenue</b>	<b>1,812,470,395,896</b>	<b>1,116,772,144,102</b>
<b>Cost of sales</b>	<b>1,568,884,840,997</b>	<b>1,002,169,250,785</b>
<b>Gross profit</b>	<b>243,585,554,899</b>	<b>114,602,893,317</b>
Selling, general and administrative expenses	68,705,193,390	36,041,843,460
Research and development expenses	20,993,052,234	13,566,269,569
<b>Operating income</b>	<b>153,887,309,275</b>	<b>64,994,780,288</b>
<b>Non-operating income and expense:</b>		
Other income	3,973,011,293	2,963,332,933
Other expenses	(6,312,312,023)	(4,468,896,853)
Financial income	43,762,300,670	20,903,537,062
Financial expenses	(89,349,315,217)	(50,024,107,392)
Share of gain (loss) of associates accounted for using the equity method, net	4,052,766,909	(6,950,682,719)
	<b>(43,873,548,368)</b>	<b>(37,576,816,969)</b>
Net income before income tax	110,013,760,907	27,417,963,319
Income tax expense	22,190,312,628	7,023,102,648
<b>Net income</b>	<b>87,823,448,279</b>	<b>20,394,860,671</b>
<b>Profit is attributable to:</b>		
Owners of the Parent Company	87,823,448,279	20,394,860,671
Non-controlling interests	-	-
<b>Earnings per share:</b>		
<b>Basic earnings per share</b>	<b>27,637</b>	<b>6,412</b>

# Hyosung Chemical Corporation and Subsidiaries

## Consolidated Statements of Comprehensive Income

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	2019	2018
<b>Net profit for the period</b>	<b>87,823,448,279</b>	<b>20,394,860,671</b>
<b>Other comprehensive income (loss) for the period, net of income tax</b>		
<b>Items that will not be reclassified subsequently to profit or loss :</b>		
Remeasurements of net defined benefit liability	(4,764,235,627)	(2,010,160,177)
Share of remeasurements of net defined benefit liabilities of associates	9,245,635	(100,508,813)
<b>Items that will be reclassified subsequently to profit or loss :</b>		
Share of other comprehensive income of associates	(15,945,710)	(17,413,866)
Overseas operations translation gain (loss)	7,585,481,674	5,018,957,728
<b>Total comprehensive income for the period</b>	<b>90,637,994,251</b>	<b>23,285,735,543</b>
<b>Total comprehensive income for the period is attributable to:</b>		
Owners of the Parent Company	90,637,994,251	23,285,735,543
Non-controlling interest	-	-

## Hyosung Chemical Corporation and Subsidiaries

# Consolidated Statements of Changes in Equity

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	Capital	Capital surplus	Retained earnings	Other components of equity	Total	Non-controlling interest	Total equity
<b>Balance at June 1, 2018</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	-	<b>2,157,377,630</b>	<b>345,805,946,332</b>	-	<b>345,805,946,332</b>
<b>Total comprehensive income for the period</b>							
Net income for the period	-	-	20,394,860,671	-	20,394,860,671	-	20,394,860,671
Remeasurements of net defined benefit liability	-	-	(2,010,160,177)	-	(2,010,160,177)	-	(2,010,160,177)
Share of remeasurements of net defined benefit liabilities of associates	-	-	(100,508,813)	-	(100,508,813)	-	(100,508,813)
Valuation of available-for-sale financial assets	-	-	-	-	-	-	-
Investment valuation of associates	-	-	-	(17,413,866)	(17,413,866)	-	(17,413,866)
Treasury stocks	-	-	-	(1,843,441,205)	(1,843,441,205)	-	(1,843,441,205)
Overseas operations translation gain	-	-	-	5,018,957,728	5,018,957,728	-	5,018,957,728
<b>Balance at December 31, 2018</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	<b>18,284,191,681</b>	<b>5,315,480,287</b>	<b>367,248,240,670</b>	-	<b>367,248,240,670</b>
<b>Balance at January 1, 2019</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	<b>18,284,191,681</b>	<b>5,315,480,287</b>	<b>367,248,240,670</b>	-	<b>367,248,240,670</b>
<b>Total comprehensive income for the period</b>							
Net income for the period	-	-	87,823,448,279	-	87,823,448,279	-	87,823,448,279
Remeasurements of net defined benefit liability	-	-	(4,764,235,627)	-	(4,764,235,627)	-	(4,764,235,627)
Share of remeasurements of net defined benefit liabilities of associates	-	-	9,245,635	-	9,245,635	-	9,245,635
Investment valuation of associates	-	-	-	(15,945,710)	(15,945,710)	-	(15,945,710)
Annual dividends	-	-	(3,177,795,000)	-	(3,177,795,000)	-	(3,177,795,000)
Overseas operations translation gain	-	-	-	7,585,481,674	7,585,481,674	-	7,585,481,674
<b>Balance at December 31, 2019</b>	<b>15,950,630,000</b>	<b>327,697,938,702</b>	<b>98,174,854,969</b>	<b>12,885,016,251</b>	<b>454,708,439,922</b>	-	<b>454,708,439,922</b>

# Hyosung Chemical Corporation and Subsidiaries

## Consolidated Statements of Cash Flows

For the Year ended December 31, 2019 and the Period from June 1, 2018 to December 31, 2018  
(Korean Won)

	2019	2018
<b>Cash flows from operating activities :</b>		
Cash generated from operations	204,725,208,267	102,175,350,412
Income tax paid	(5,553,589,642)	(4,790,669,894)
Interest paid	(36,099,832,842)	(20,689,961,633)
Interest received	177,410,350	73,345,204
<b>Net cash provided by operating activities</b>	<b>163,249,196,133</b>	<b>76,768,064,089</b>
<b>Cash Flows from Investing Activities :</b>		
Collection in other long-term receivables	140,719,996	49,053,332
Proceeds from sales of property, plant and equipment	7,322,219	9,000
Receipt of government grants	427,000,000	-
Proceeds from sales of intangible assets	654,819,821	-
Acquisition of other receivables	(362,409,142)	(100,251,063)
Acquisition of other financial assets	(3,554,923,904)	-
Acquisition of other long-term receivables	(415,374,832)	(1,071,054,701)
Acquisition of other long-term financial assets	(67,741,851,786)	(15,500,000)
Acquisition of property, plant and equipment	(480,888,745,165)	(83,569,095,371)
Acquisition of intangible assets	(671,315,846)	(60,472,506,370)
<b>Net cash used in investing activities</b>	<b>(552,404,758,639)</b>	<b>(145,179,345,173)</b>
<b>Cash Flows from Financing Activities :</b>		
Proceeds of short-term borrowings	2,638,458,583,190	1,840,639,534,612
Proceeds of long-term borrowings and bonds	786,289,094,300	61,000,000,000
Repayments of short-term borrowings	(2,852,046,518,060)	(1,972,770,285,768)
Repayments of long-term borrowings and bonds	(213,755,125,000)	(61,894,700,000)
Payments of dividends	(3,177,795,000)	-
Repayments of lease liabilities	(4,083,856,314)	-
Acquisition of treasury stocks	-	(1,843,441,205)
<b>Net cash provided by (used in) financing activities</b>	<b>351,684,383,116</b>	<b>(134,868,892,361)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>4,272,438,571</b>	<b>6,668,013,383</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(33,198,740,819)</b>	<b>(196,612,160,062)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>79,257,821,592</b>	<b>275,869,981,654</b>
<b>Cash and cash equivalents at end of the period</b>	<b>46,059,080,773</b>	<b>79,257,821,592</b>

**HYOSUNG** CHEMICAL

**HYOSUNG** CHEMICAL

[www.hyosungchemical.com](http://www.hyosungchemical.com)

235 Banpo-daero, Seocho-gu,  
Seoul, Republic of Korea

TEL 82-2-2146-5500

FAX 82-2-707-7799