SONGWON

50 years 1965 - 2015

ANNUAL FINANCIAL & SUSTAINABILITY REPORT

2015

'We are very proud of

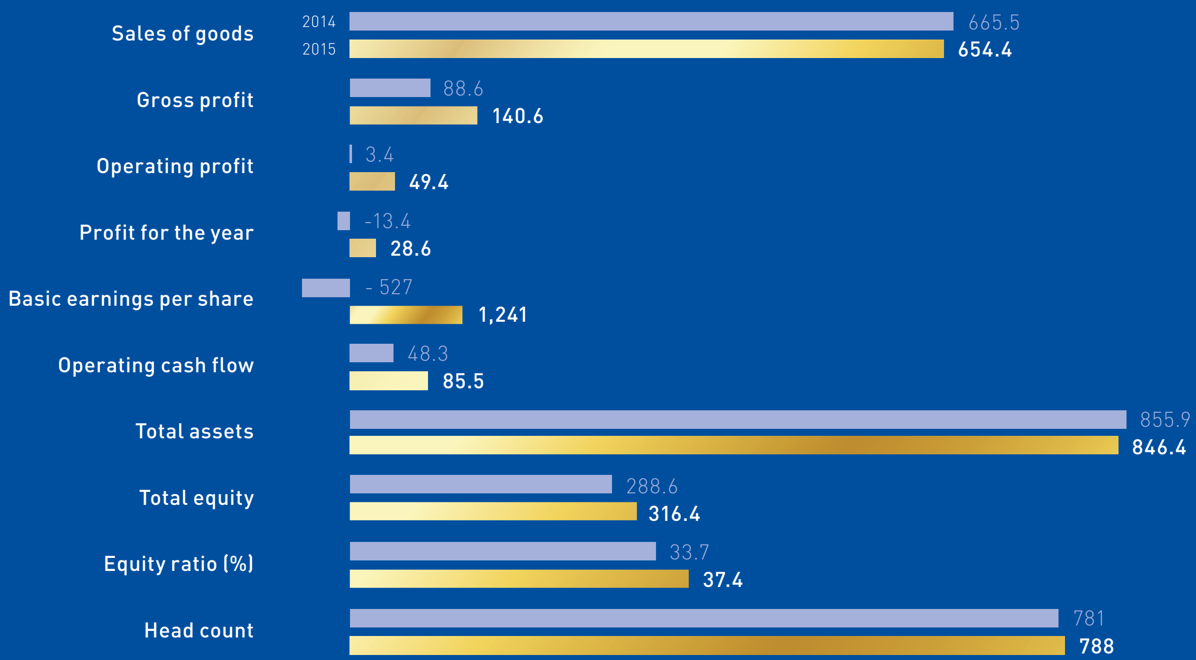
what we have achieved in 2015.

Songwon is entering the second 50 years of

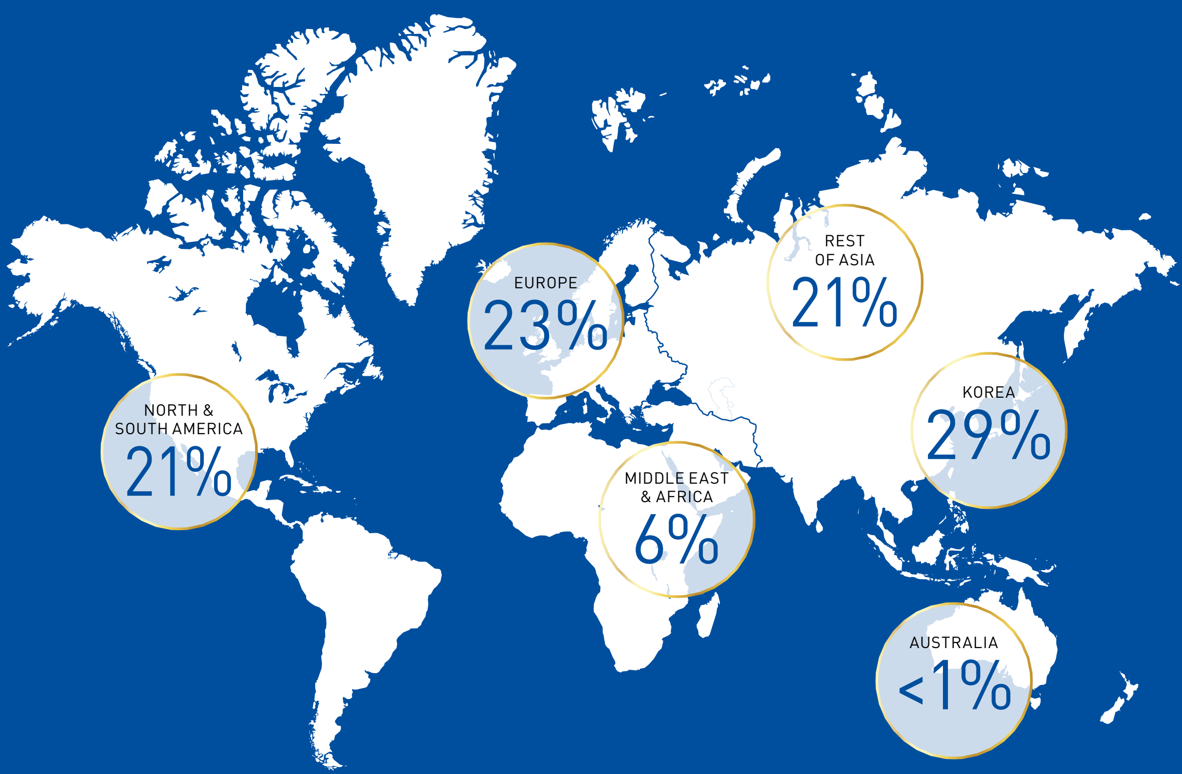
its journey stronger than ever before.'

Jongho Park, Chairman & Group CEO

KEY FINANCIAL DATA 2015 (Billion KRW)



SALES BY REGION IN 2015



SALES BY PRODUCT GROUP IN 2015

1. <1% Alkylphenols and Intermediates **2.** 1% Plasticizers **3.** 2% Polyester Diol **4.** 69% Polymer stabilizers (AOX and UVs) **5.** 7% Polyurethanes **6.** 7% PVC stabilizers **7.** 2% SAP and Flocculants **8.** 11% Tin Intermediates **9.** 1% Others

SONGWON GROUP 2015 AT A GLANCE

BASIS EARNINGS PER SHARE (KRW) 1,241	HEAD COUNT 788	FEMALE EMPLOYEES EUROPE 25	TOTAL FEMALE EMPLOYEES 86
OPERATING PROFIT (Billion KRW) 49.4	EQUITY RATIO (%) 37.4	SALES BY EUROPE (%) 23	SALES BY SAP & FLOCCULANTS (%) 2
PROFIT FOR THE YEAR (Billion KRW) 28.6	NOx (x 1000 kg) 27	SALES BY KOREA (%) 29	RAW MATERIALS USED TONS (x1000) 175
OPERATING CASH FLOW (Billion KRW) 85.5	SALES BY NORTH AND SOUTH AMERICA (%) 21	EMPLOYEES WORKING FOR SONGWON FOR MORE THAN 20 YEARS 132	SALES BY POLYMER STABILIZERS (AOX & UVs) (%) 69
TOTAL ASSETS (Billion KRW) 846	TOTAL GREENHOUSE GAS EMISSIONS TONS CO_2 (X1000) 142	SALES BY ASIA (EX. KOREA) (%) 21	SALES BY PVC STABILIZERS (%) 7
TOTAL EQUITY (Billion KRW) 316	LOST DAY RATE (LDR) TOTAL WORKED HOURS (%) 0.07	SALES BY TIN INTERMEDIATES (%) 11	TOTAL EMPLOYEES NORTH AND SOUTH AMERICA 18

1965

1965
***December* -** Songwon Industrial Co., Ltd. established with the Head Office and plant in Busan (Korea)

1968
***November* -** Office opened in Seoul (Korea)

1973
***December* -** Korean Ministry of Commerce and Industry granted Songwon its Trader's License

1977
***February* -** Start-up of Songwon's 2nd production site in Suwon (Korea)
***June* -** Songwon Industrial Co., Ltd. went public (Korea)

1979
***December* -** Songwon Moolsan Co., Ltd., Songwon's holding company, established in Seoul (Korea)

1983
***November* -** Songwon's R&D Center is established in Ulsan with the approval of the Ministry of Science and Technology (Korea)

1986
***May* -** Start-up of Songwon's plant in Ulsan (Korea)

1987
***April* -** Office opened in Tokyo (Japan)

1988
***March* -** Head Office and plant moved from Busan to Ulsan (Korea)

1992
***April* -** Company moved to its newly constructed Songwon Building in Seoul (Korea)

1995
***July* -** Songwon awarded ISO-9002 certification

2001
***March* -** Songwon Japan K.K. established in Tokyo (Japan)

2002

December **-** Office opened in Maeam (Korea)

2005

December **-** Songwon Brilliant Chemicals Co., Ltd. established in Shanghai (China)

2006

June **-** Songwon International AG established in Frauenfeld near Zurich (Switzerland)
August **-** Songwon International — Americas Inc. established in Friendswood, Texas (USA)

2007

June **-** Start-up of plant in Maeam (Korea) for main Antioxidants
December **-** ISO-14001 Environment Management System Certification awarded to the Ulsan plant (Korea)

2009

June **-** Start-up of IBL plant in Maeam (Korea)
July **-** ISO-14001 Environment Management System Certification awarded to Songwon's Maeam Plant (Korea)

2010

February **-** ChemService Asia Co., Ltd. established in Seoul (Korea)
April **-** Songwon China Ltd. established in Hong Kong (China SAR)
April **-** Songwon International-India Pvt. Ltd. established in Mumbai (India)
July **-** Songwon Trading Shanghai Ltd. established in Shanghai (China)

2011

January **-** Acquisition of Songwon Holdings AG - ex Mantenere Holding AG in Frauenfeld (Switzerland)
August **-** Start-up of the new Antioxidant 1076 production line at the Maeam plant (Korea)
October **-** Songwon Chemicals Co., Ltd. established in Shanghai (China)
November **-** Songwon Additive Technologies AG established in Frauenfeld (Switzerland)
December **-** Acquisition of ATG Additive Technology Greiz GmbH in Greiz (Germany)

2012

August **-** Songwon Baifu Chemicals (Tangshan) Co., Ltd established in Tangshan (China)
October **-** Songwon Additive Technologies-Americas, Inc. established to start production of One Pack Systems (OPS) products in Houston (USA)

2013

Q1 **-** Songwon Additive Technologies - Middle East FZE established in Dubai and Polysys Additive Technologies - Middle East LLC in Abu Dhabi (UAE)

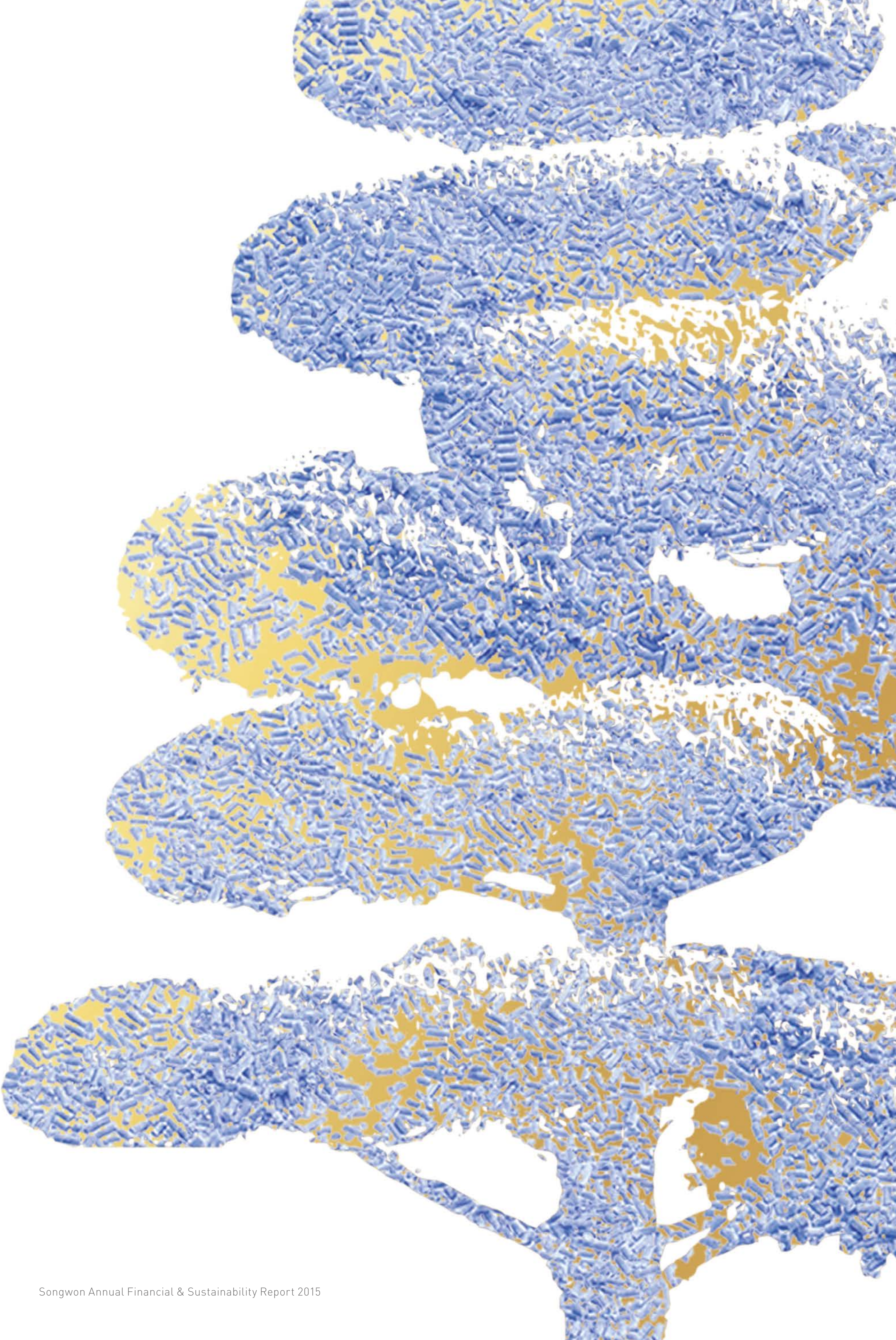
2014

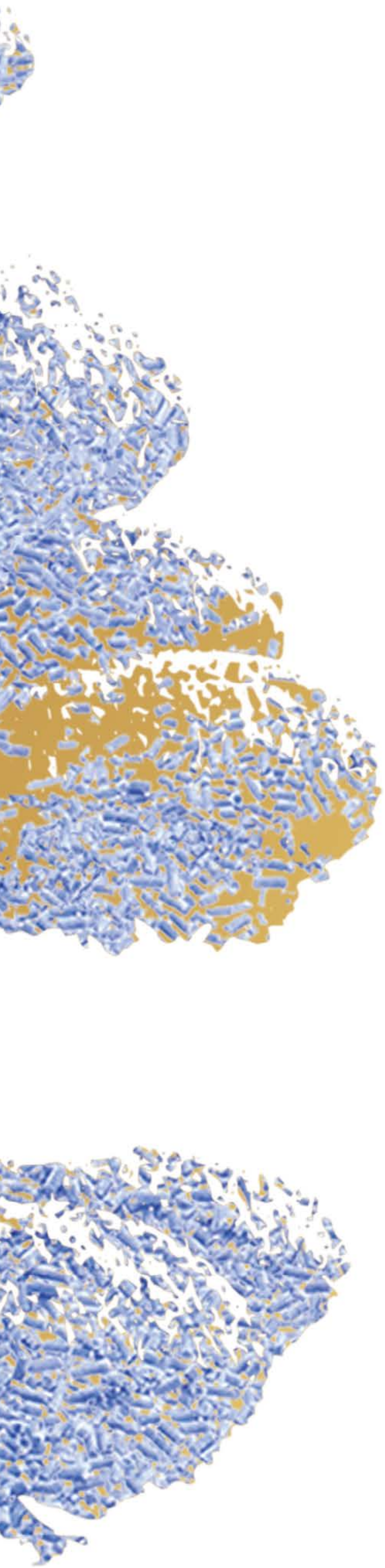
Q1 **-** Green field investment for OPS plants in Abu Dhabi (UAE)
August **-** Acquisition of Sequent Specialty Chemicals, Ltd. in Panoli (India)

2015

2015

August **-** Establishment of Joint Venture Qingdao Long Fortune Songwon Chemical Co., Ltd. (China)





1. TO OUR SHAREHOLDERS

2. BUSINESS REPORT

3. CORPORATE RESPONSIBILITY

4. CORPORATE GOVERNANCE

5. FINANCIAL STATEMENTS

6. FINAL OVERVIEW

1. TO OUR SHAREHOLDERS

Maurizio Butti, Chief Operating Officer

In 2015, Songwon turned 50 years old and the company marked this special anniversary with very good results.

Songwon delivered consolidated revenues of 654.4 Billion KRW with a 1.7% decrease year over year, but with a consolidated net profit of 28.6 Billion KRW versus a net loss of 13.4 Billion KRW in 2014. And we saw all of our key operational results greatly improve. Songwon achieved a gross profit of 21.5%, 8 percent points higher compared to the previous year. The operating profit was 49.4 Billion KRW, an improvement of 1,354% over last year and our EBITDA was around 14% of sales — more than 8 percent points higher than in 2014.

Dear Shareholders,

The company achieved all of this in spite of it being another challenging year for the world. In 2015, the overall economic situation remained uncertain and volatile, with a very high level of political instability and conflicts affecting several parts of the world.

We entered the year already showing positive, although modest results. Throughout 2015, Songwon's results improved gaining traction from three major factors:

1. We were able to maintain Songwon's sales prices while prices of raw materials showed a downward trend. These had already started to decline in Q4/2014 and continued a downward trend throughout 2015, mainly due to sinking oil prices, but also to the overall weak demand which affected both oil and non-oil based raw materials.

2. Our ongoing efforts and continuous investment in extending our global footprint and improving Songwon's manufacturing processes, that were initiated a few years ago, are starting to deliver beneficial results.

3. Songwon's focus on reducing fixed costs and increased efficiencies is proving successful.

In 2015, we also faced some negative situations, particularly due to currency developments in key regions – such as Europe, and especially Japan where profitability was significantly affected. In order to resolve the situation, Songwon successfully implemented several price increases which enabled us to reestablish acceptable profit levels in those regions towards the end of 2015.

During the course of 2015, all of Songwon's business lines performed well – with one notable exception, tin intermediates.

Polymer Stabilizers

Compared to 2014, polymer stabilizers sales grew slightly, in spite of the negative currency developments in key geographical areas, Europe and Japan. Polymer stabilizers delivered a great performance in terms of profitability. The business continues to be a key area of focus in Songwon's strategy, as well as an engine of growth for the future.

We continued to work on strengthening and consolidating Songwon's number 2 position in the world market by focusing on improving processes and cost position, as well as expanding our global manufacturing footprint. Since the 2014 acquisition of SeQuent Scientific Ltd.'s specialty chemicals business in India, our manufacturing plant located in Panoli has proven to be very valuable. It produces SONGNOX® PQ, an important high performance phosphite antioxidant for the polymer stabilizers portfolio. In 2015, we successfully extended and started the production of high value added new products. Furthermore, we are also using the facility for scaling up new manufacturing technology and have been taking advantage of the flexible production lines and strong manufacturing and R&D teams.

As part of our business strategy, we also identified one product group, One Pack Systems (OPS) and two key regions for expansion: the Middle East and China. In 2015, we extended our geographical coverage with Songwon's newest OPS plant in Abu Dhabi which was completed and ready for startup in January 2016. The new facility places Songwon in a stronger position to better meet the needs of current and future customers in the Middle East.

At Songwon, we have always considered local presence to be a precondition for playing a key role in local markets. China is currently (and will continue to be) the largest market in the world, even with a slowdown in economic growth. However, up until now Songwon's presence in China has been marginal. For this reason, we established a JV with the local polymer stabilizers manufacturer, Qingdao Long Fortune Chemical & Auxiliary Co., Ltd. (QLF) in 2015. It is a partnership that further strengthens Songwon's ambition to become a leading polymer stabilizer supplier in this important region. As part of this venture, we are currently building a state-of-art OPS plant which is expected to be in operation in the second half of 2016.

In addition, we focused again on innovation and expanding Songwon's product offering. In 2015, we commercialized some of our innovative solutions in the SONGXTEND™ range and also developed new products which we plan to present to the market towards the end of 2016.

Polyurethanes

In the polyurethanes business, Songwon has always faced very strong competition. For this reason, a decision was made in 2014 to reposition the business and move to more value-added solutions. Throughout 2015, the development of these new products continued successfully and the business began to display marked improvement. In future, we plan to stay on this path and expect our polyurethanes business to continue to show growth and profitability.

Tin Intermediates

Songwon's tin intermediates business encountered the most critical situations in 2015. Japan is the major market for tin intermediates. Subsequently, the continuous devaluation of the Japanese Yen had a very negative impact on the profitability of the business line. In response, we implemented several price increases and saw profitability improve during the second half of 2015. In December 2015, we implemented the latest price increase and are convinced that this should allow us to re-establish acceptable profitability for the future.

> *"We are very proud of what we have achieved in 2015. Songwon is entering the second 50 years of its journey stronger than ever before."*

Business Development

During the year, we continued to work at full speed on the development of the opportunities that were identified in 2014. By entering new, high-end growing businesses, Songwon Industrial Group will be able to establish a more balanced and optimized business portfolio. We are executing initiatives according to plan and have had the first positive commercial results in 2015. Looking forward, we anticipate 2016 to be a year during which we will see a significant contribution from these activities. Our first class R&D is at the forefront of these developments and we have also established a team of competent professionals dedicated to maximizing on these opportunities.

Operational Excellence

To increase Songwon's competitiveness by ensuring that we respond quickly to global challenges and shifting market conditions, we constantly review our business processes to attain operational excellence. Furthermore, reviewing our proprietary processes, uncovering areas of improvement and implementing the solutions we identify, also helps us to maintain Songwon's position as a best-in-class supplier delivering superior quality and service. During 2015, we introduced a number of new tools to further improve Songwon's ability to forecast, ensure product availability and manage stocks and we have been successful in achieving greater efficiencies, improving costs and increasing capacities. For example, we added further functionalities to our ERP system that enable us to provide detailed information on product availability to our customers.

Sustainability

Sustainability is one of Songwon's core values. It is infused in all of our activities and strongly influences the way we do business. The organization is committed to, and places great importance on governance, best-in-class EH&S performance, its employee obligations and being a responsible company within our communities. We live these values at Songwon with our irreproachable business conduct and dedication to making sure that all of our products and activities are 100% compliant with, or actually exceed international standards.

Once again in 2015, all of our efforts and focus on EH&S helped us to exceed the already excellent results of 2014. We consistently strive for sustainable development by carrying out detailed analysis on the environmental impact of our products. By controlling and reducing energy and water consumption, as well as increasing the use of renewable raw materials whenever possible, we aim to further reduce the environmental impact of our business.

As in previous years, we proactively reviewed the risk profile of our manufacturing facilities, and are investing considerable resources to improve the overall safety of our plants. Despite the fact that we have completed a major part of this effort, one of Songwon's key areas of focus in future will continue to be risk assessment and mitigation.

Human Resources & Organization

It is customary at Songwon to assess our organization and ensure that it is aligned with our strategic targets. After doing so this year, we decided to implement some changes to our operational structure, in order to achieve better alignment. The changes were successfully implemented in July and also serve to improve the flexibility and speed of decisions, as well as increase accountability. Although we continue to keep firmly focused on the development and reduction of fixed costs, we understand that the successful future of the Group lies in the hands of our most valuable asset, our people. Therefore, once again in 2015, we devoted our efforts to strengthening our team, building on competencies and helping our people to deliver their full potential. We also added key resources to areas that deliver growth and profitability, and which we consider crucial to ensuring Songwon's future success.

Jongho Park, Chairman of the Board and Group CEO

Looking Forward

At Songwon, we will continue to work hard towards building a company known for its deep and long-lasting customer relationships, for best-in-class products and services, and for the exceptional talent and commitment of its people. Thanks to the support of our employees, our customers, our Board members and above all the continued confidence and support from you, our shareholders, Songwon is looking at a great future. We are aware of our potential and are committed to continuing to deliver profitable growth and to playing an even more important role in our existing markets, as well as the new markets we are entering.

While short-term economic development remains unpredictable and volatile, and the global economy is not yet showing consistent and sustainable growth, we know that fundamental megatrends (population growth, demand for end-use products in emerging markets and inter-material competition) will remain unaffected. This is what will drive demand growth and we are confident that Songwon Industrial Group is in a leading position to benefit from these developments.

Our ongoing efforts to strengthen the position and foundation of Songwon Industrial Group's position, together with our determined approach in implementing our strategy are paying off. We can see that our commercial and manufacturing global footprints are taking shape. Songwon has proprietary technologies, excellent economics and offers best-in-class quality and reliability to customers. Our robust and growing product portfolio is also enabling customers to take advantage of new market opportunities.

At Songwon, we will continue to work hard towards building a company known for its deep and long-lasting customer relationships, for best-in-class products and services, and for the exceptional talent and above all the continued confidence and support from you, our shareholders, Songwon is looking at a great future.

Jongho Park
Chairman and Group CEO

Maurizio Butti
Group COO

THE SONGWON INDUSTRIAL GROUP EXECUTIVE COMMITTEE

A perfectly aligned team committed to a common goal

JONGHO PARK

Chairman & Group CEO, Head of the Songwon Industrial Group Executive Committee

Since: January 1, 2011 | Nationality: Korean

Jongho has been President of Songwon Industrial Co., Ltd. since 2006. He has a wealth of experience in the chemical industry having held leadership positions with Sumitomo Chemical Co., Ltd. with their Overseas & Marketing Department in Japan, as well as Shanghai Grace Fabric Co., Ltd.

MAURIZIO BUTTI

Chief Operating Officer

Since: January 1, 2011 | Nationality: Italian

Maurizio has been President and COO of Songwon International AG since July 2006. Before joining Songwon, he was EVP Polymer Stabilizers and a member of the Chief Executive Council of Great Lakes Chemical Corporation. Prior to that he held various marketing, business, strategic planning and corporate development management positions at Great Lakes, EniChem and SOL Industries.

HANS-PETER WÜEST

Chief Financial Officer

Since: January 1, 2011 | Nationality: Swiss

Hans-Peter gained his broad international experience in a wide variety of financial positions in the manufacturing and service industries. Before taking up his role at Songwon, he held finance leadership positions with DHL/Deutsche Post and Great Lakes Chemicals.

DIETER MORATH

Leader Strategy & Projects

Since: July 1, 2015 | Nationality: German

As Leader Strategy & Projects, Dieter is at the analytic and strategic core of Songwon's global growth initiatives. Before taking on this role, he held a number of commercial leadership positions at Great Lakes Chemical and GE Plastics (now SABIC).

PHILIPPE SCHLAEPFER

Leader Performance Chemicals

Since: July 1, 2015 | Nationality: Swiss

Before joining Songwon, Philippe spent more than 20 years as a key contributor to the Ciba Polymer Additives business. With 15 years of experience in the Asia Pacific region, he headed up Ciba's global antioxidant product portfolio to serve the polymer industry.

GIACOMO SASSELLI

Leader Operations

Since: June 1, 2011 | Nationality: Italian

Giacomo held a number of key technology positions with the EniChem Group. He then broadened his experience as site manager. Later, he joined the Great Lakes Chemical Corporation where he was responsible for the operation of a worldwide network of polymer additive production sites.

DOUG EXCELL

Leader QA, Regulatory & Best Practices / RM Americas

Since: July 1, 2015 | Nationality: American

Before joining Songwon Doug held various supply chain, business management, marketing, procurement and corporate development positions at Compass Minerals, Chemtura, Great Lakes Chemical and Amcol International.

THE BOARD OF DIRECTORS (BOD)

Songwon's Board of Directors comprises 4 members all nominated and elected by the company shareholders:

- **JONGHO PARK**
  Chairman, Group CEO & Member of the Executive Committee
- **CHONGSIK KIM**
  President & Representative Director
- **KISOO BYUN**
  Independent Director
- **OKKEUN KIM**
  Standing Auditor

SONGWON ON THE CAPITAL MARKET

Regained market confidence & strong earnings recovery

Songwon's market capitalization increased gradually throughout FY 2015 (from 194.4 Billion KRW based on a stock price of KRW 8,100 as of January 2, 2015) and was accompanied by a steady rise in stock price. From mid-November, Songwon's stock price began increasing very sharply and raised the Group's year-end market capitalization to 349.2 Billion KRW, with a stock price of KRW 14,550 as of December 31, 2015. The sudden stock price increase was the result of foreign investor buying and was subsequently followed by investments from major Korean institutional investors, such as pension funds.

Throughout 2015, the global stock market witnessed high stock price volatility, mainly due to slow growth in China. A further contributing factor was the expected US interest rate hike by the Federal Open Market Committee (FOMC). Despite global and domestic stock market uncertainty (see chart below), Songwon's share price performed well in 2015 and displayed strong earnings recovery.

In the first half of 2015, Songwon along with most chemical companies benefited from low raw material prices and saw improved earnings. However, the market remained cautious and did not gain sufficient confidence for a share price breakthrough. Thus both Songwon's sales and profit were affected and failed to meet the market's expectation until towards the end of November, as previously mentioned.

After releasing the Q2/2015 financial results, many believed that Songwon's earnings would not show further improvement, and so the share price remained below KRW 12,000. To emphasize that it was only a matter of time until Songwon's performance met expectations, we engaged in strong investor relations. Our efforts included non-deal roadshows to foreign asset managers in Hong Kong and Singapore throughout November 2015.

Following the release of the Q3/2015 financial results, Songwon's share price improved strongly on the back of domestic and foreign institution investor buying. This regained confidence in Songwon's earning and growth potential continued until the end of the year.

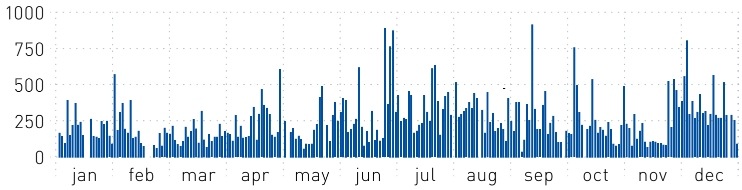
The outlook for 2016 appears promising for Songwon. We expect our existing businesses to continue to perform steadily, and our efforts to build an even broader business portfolio, especially for specialty chemical applications have already started to give the expected results. Looking ahead, we do, however, anticipate further economic uncertainties in medium and long term economic growth scenarios and forex instability to determine the dynamics for 2016. Although the growth outlook remains weak and unpredictable, we believe that the preparations we have made in 2014 and 2015 will form a sound basis for us to deliver our targets for the coming year.

SONGWON SHARE PRICE 2015

(x1000)

SONGWON SHARE VOLUME 2015

(x1000)



Ticker:	KOSE: A004430	Share price (31.12.2015):	14,550 KRW
Stock exchange:	Korea	52-week high:	14,800 KRW
Listed since:	1977	52-week low:	7,660 KRW
Shares outstanding:	24 million	Free float:	64.5%
Market capitalization: (million KRW)	349,200	Dividend per share (2015): (12% of nominal share value)	60 KRW

Headquarters in Ulsan, Korea

SONGWON INDUSTRIAL GROUP

Founded in December 1965, Songwon Industrial Co., Ltd. has grown from being the only plastic additives manufacturer in Korea to a key global player in specialty chemicals.

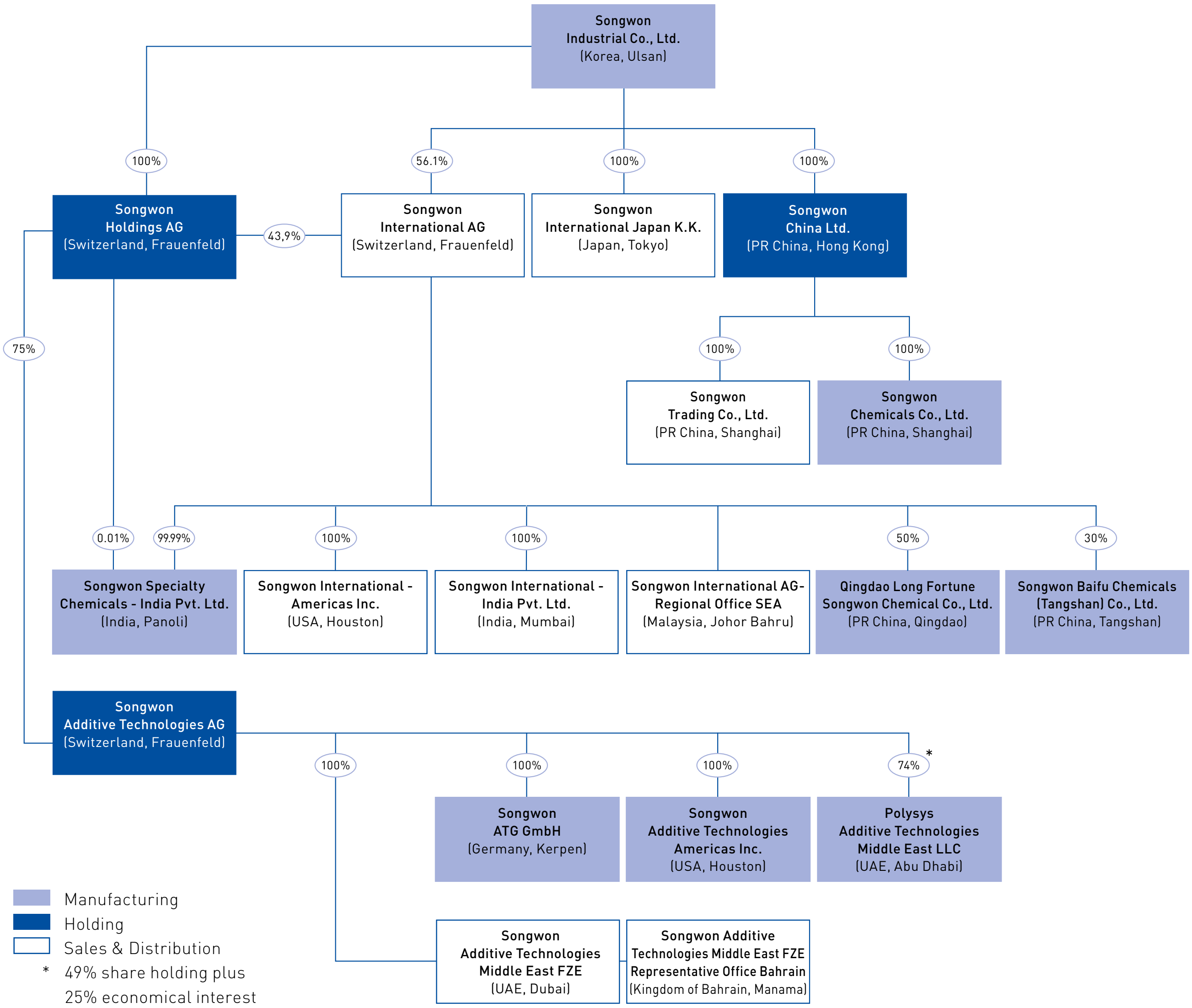
Translated, 'Songwon' means pine tree field. Just as the pine tree grows all over the planet, Songwon is expanding its global footprint and supplying to customers worldwide. With its geographical coverage and almost 800 employees, Songwon is able to meet customers' logistic and quality needs, as well as provide best-in-class service, documentation and regulatory support.

A combination of fully and partially owned subsidiaries and joint ventures ensures that Songwon has the right balance for continued international expansion. Holding companies facilitate joint ventures and enable the organization to manage risk. Where appropriate, Songwon's joint ventures also provide market access, shared risks and economies of scale.

Songwon's Industrial Group structure currently comprises:

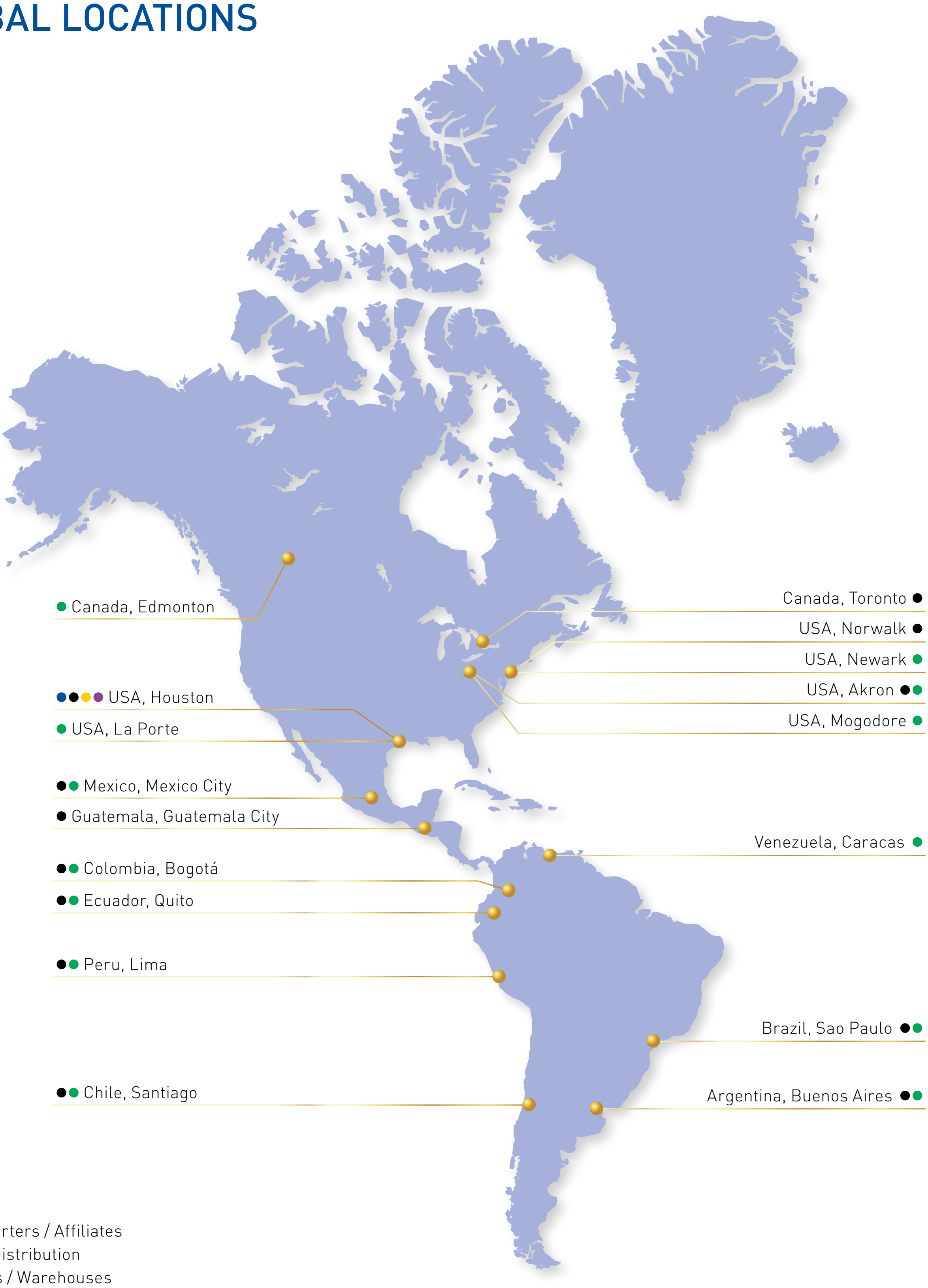
- headquarters in Ulsan, Korea
- 17 companies including 2 joint ventures, and 2 representative offices, located in 10 different countries, and on 3 continents
- 10 manufacturing facilities, 3 of which are located in Korea, and the others in Germany, China, USA, India, UAE as well as 2 manufacturing JV plants in China, one of which is currently under construction
- a worldwide network of sales offices, distributors, customer service and logistic hubs and warehouses

SONGWON INDUSTRIAL GROUP STRUCTURE

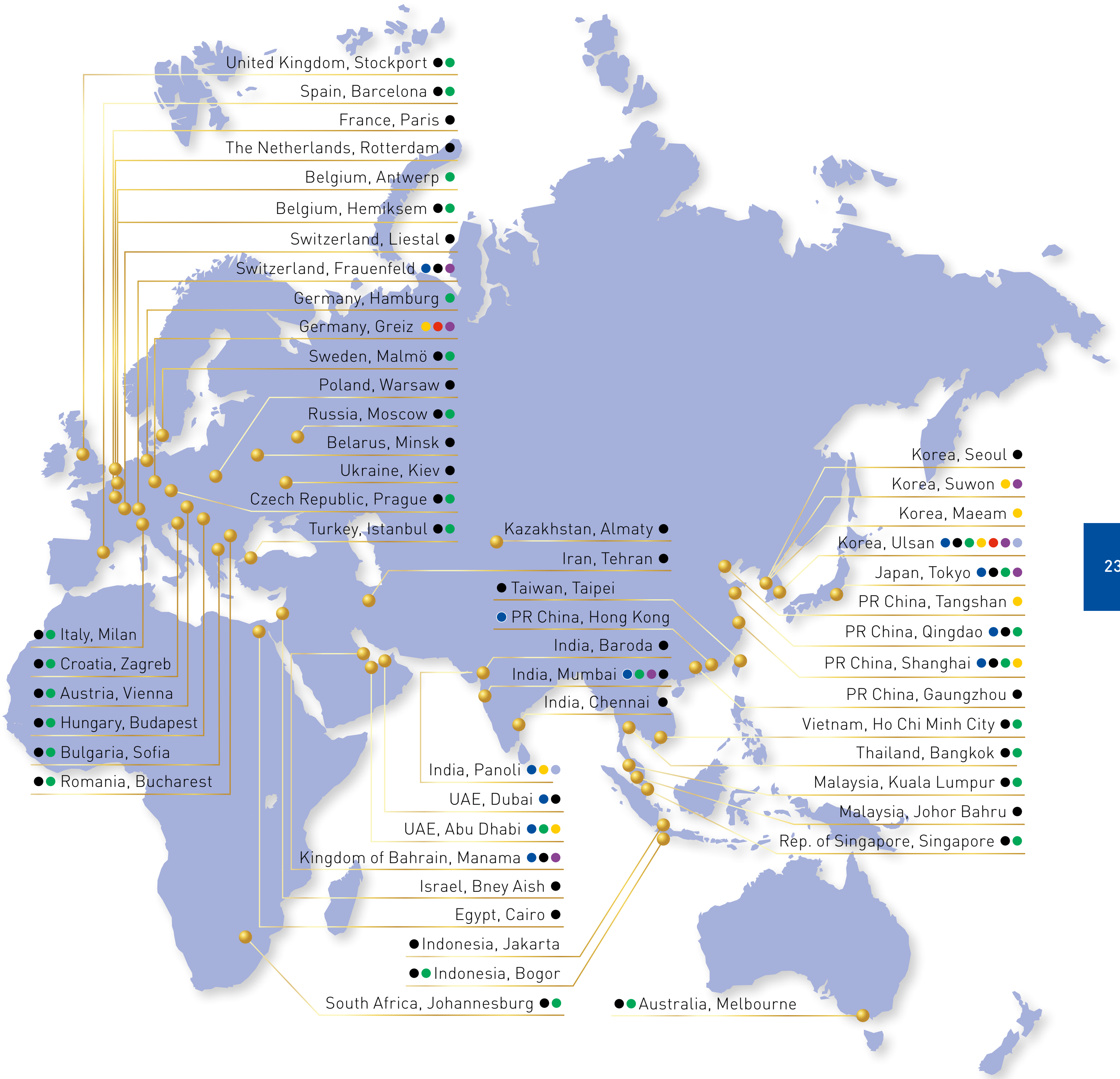


Manufacturing
Holding
Sales & Distribution
* 49% share holding plus 25% economical interest

GLOBAL LOCATIONS



- Headquarters / Affiliates
- Sales / Distribution
- Logistics / Warehouses
- Manufacturing
- Applications
- Technical service
- R & D


United Kingdom, Stockport
Spain, Barcelona
France, Paris
The Netherlands, Rotterdam
Belgium, Antwerp
Belgium, Hemiksem
Switzerland, Liestal
Switzerland, Frauenfeld
Germany, Hamburg
Germany, Greiz
Sweden, Malmö
Poland, Warsaw
Russia, Moscow
Belarus, Minsk
Ukraine, Kiev
Czech Republic, Prague
Turkey, Istanbul
Kazakhstan, Almaty
Iran, Tehran
Taiwan, Taipei
PR China, Hong Kong
India, Baroda
India, Mumbai
India, Chennai
Italy, Milan
Croatia, Zagreb
Austria, Vienna
Hungary, Budapest
Bulgaria, Sofia
Romania, Bucharest
India, Panoli
UAE, Dubai
UAE, Abu Dhabi
Kingdom of Bahrain, Manama
Israel, Bney Aish
Egypt, Cairo
Indonesia, Jakarta
Indonesia, Bogor
South Africa, Johannesburg
Australia, Melbourne
Korea, Seoul
Korea, Suwon
Korea, Maeam
Korea, Ulsan
Japan, Tokyo
PR China, Tangshan
PR China, Qingdao
PR China, Shanghai
PR China, Gaungzhou
Vietnam, Ho Chi Minh City
Thailand, Bangkok
Malaysia, Kuala Lumpur
Malaysia, Johor Bahru
Rep. of Singapore, Singapore

SONGWON PRODUCT PORTFOLIO

Adding value to our global industry

Songwon's extensive range of products are sold in more than 50 countries and used in a broad range of industries such as:

- Automotive
- Agriculture
- Construction
- Electronics
- Glass
- Inks
- Packaging
- Medical

and many more.

Among other features, our products help improve mechanical performance, durability, recyclability and extend life cycles.
They also make innovative new, environmentally friendly, design solutions possible with a focus on energy efficiency for a wide range of applications.

SONGWON Industrial Co. Receives Frost & Sullivan's 2015 European Product Line Strategy Leadership Award

Frost & Sullivan honors SONGWON Industrial Co. with the 2015 European Antioxidants for Plastic Applications Product Line Strategy Leadership Award.

Frost & Sullivan analysis confirms that the company's products provide a comprehensive range of features to its customers, improve the ease of use, and deliver improved performance. Understanding the demand pattern in Europe, where 70% of the demand for antioxidants arises from resin manufacturers and 30% from compounders, the company has developed standard antioxidants and specialty antioxidants respectively. Through its comprehensive range of standard and specialty products across all four antioxidant chemistries, the company is able to cater to a wide range of customers across the plastics industry value chain.

SONGWON

Learn more at www.songwon.com

FROST & SULLIVAN

2015 BEST PRACTICES AWARD

EUROPEAN ANTIOXIDANTS FOR PLASTIC APPLICATIONS PRODUCT LINE STRATEGY LEADERSHIP AWARD

offers customizations in product formulation, packaging, and nechanisms to ensure customer satisfaction. Its enhanced support and quality management have enabled it to provide ed, high-quality service to customers.

nkatesan | Research Analyst | Frost & Sullivan

This year, Songwon's dedication to providing customers with highly reliable solutions was recognized. Each year, Frost & Sullivan present an award to the company whose product line meets the demands of its customer base, as well as the overall impact it has in terms of customer value and market penetration. All of us at Songwon are proud to have received the **2015 Frost & Sullivan Best Practice Excellence Award** for leadership in product line strategy.

Maurizio Butti, COO and Philippe Schlaepfer, Leader Specialty Chemicals at the award ceremony in London

SONGWON PRODUCT GROUPS

A comprehensive portfolio

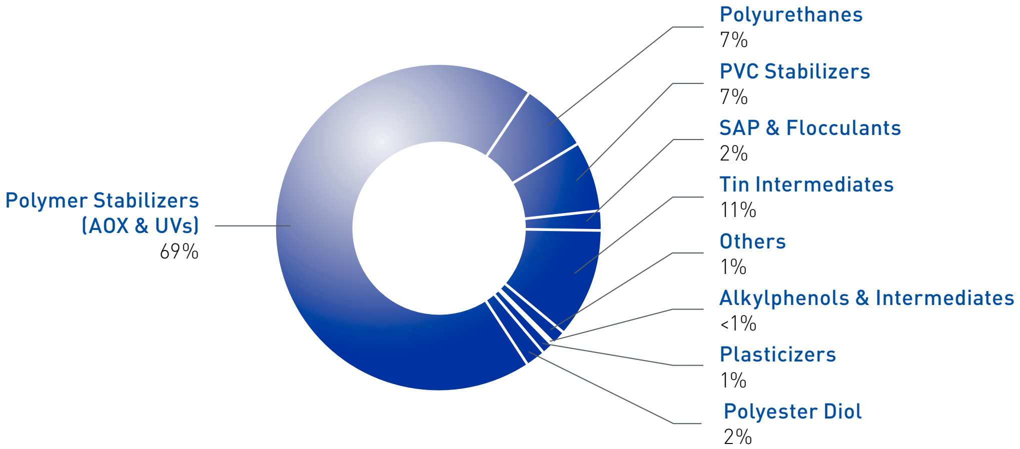
With our focus on innovation at Songwon, we offer customers a robust and growing product portfolio that enables them to take advantage of new market opportunities.

TO BEST MEET CUSTOMERS' DIVERSE NEEDS, SONGWON'S PRODUCTS ARE ORGANIZED INTO 9 MAIN GROUPS:

- Polymer Stabilizers
- Alkylphenols & Intermediates
- PVC Stabilizers
- Tin Intermediates
- Polyurethanes
- Polyester Diols
- Plasticizers
- Super Absorbent Polymers
- Flocculants

In addition to the above, we also offer lubricants, surface coatings agents, and other chemicals.

SALES BY PRODUCT GROUP



Total sales of goods in 2015 of 654.4 Billion KRW

POLYMER STABILIZERS

Songwon offers a complete range of polymer stabilizers to protect the polymer during processing and ensure physical property retention during the final product's lifetime.

The products are available in a variety of blends and physical forms to facilitate the handling of the materials.

Polymer stabilizer overview:
- SONGNOX® Antioxidants
- SONGNOX® Binary Blends
- SONGNOX® Thioesters
- SABO®STAB Hindered Amine Light Stabilizers - HALS
- SONGSORB® UV Absorbers & Hydroxybenzoates
- SONGNOX® OPS

- **Phenolic and Phosphite Antioxidants, Blends**
  Being fully backward integrated and with the second largest global capacity, Songwon is one of the few companies able to offer all three main AOs. Our antioxidants are used to provide protection during processing and against oxidation throughout the life of the finished article.

- **Specialty Antioxidants**
  Complementary to the more essential main AO range Songwon's differentiated specialty phenolic and phosphite antioxidants provide plastics and resins with enhanced performance and robustness for even the harshest conditions.

- **Thioesters**
  Thioesters are used to decompose and neutralize hydroperoxides formed by the oxidation of polymers. They provide heat aging protection and improve the color stability of polymers. Thioesters are produced by our JV Songwon Baifu Chemicals (Tangshan) Co., Ltd. in China and offered to customers through our global sales and support network.

- **HALS, UVAs & Hydroxybenzoates**
  Songwon has one of the largest product ranges of light stabilizers, including Hindered Amine Light Stabilizers (HALS).

  As a primary antioxidant with low color generation, HALS protect polymers from degradation due to UV exposure. UV Absorbers provide protection by absorbing the energy from the UV radiation and through a reversible process, dissipate the energy as heat. Optimal UV protection is achievable with combinations of HALS and UVAs.

Once a polymer has been damaged by UV light and free radicals are formed, hydroxybenzoates act as free radical scavengers to protect the polymer from degradation. Some hydroxybenzoates can also act as UV absorbers. By performing in synergy with HALS they provide superior performance.

We have a distribution arrangement in place with Sabo SpA, the global 'Number 2' manufacturer of monomeric and polymeric HALS.

- **One Pack Systems (OPS)**

  SONGNOX® OPS is the unique fusion of Songwon`s world class antioxidants, UV stabilizers and other products using a state-of-the-art technology. Offering unlimited flexibility and versatility, it is this combination that makes it possible to produce tailor-made blend compositions. Several additives are combined into an integrated dust free pellet form using a broad range of compaction technology. OPS can offer several key advantages in terms of productivity, quality, EH&S and cost reduction.

- **Songwon Stabilization Solutions**

  Our SONGXTEND™ range of innovative stabilization packages solve a number of well-known key issues encountered during processing, conversion and the end-use life cycle of polyolefins.

ALKYLPHENOLS

Songwon produces high purity isobutylene using a proprietary process in-house. This is then combined with phenol to generate the SONGNOX® line of alkylphenols, the building blocks for the phenolic and phosphite antioxidants. Songwon also produces alkylated cresols for producing specialty antioxidants.

TIN INTERMEDIATES

Songwon's Organo-Tin Intermediates are used as raw materials for Organo-Tin Stabilizers, polyurethane catalysts, car paints, esterification reactions and glass coatings. With excellent heat-stability, anti-weathering and transparency, our stabilizers are primarily used for PVC and styrenics.

Committed to security of supply, our Organo-Tin Intermediates business is backward integrated based on the Grignard process.

PVC STABILIZERS

Our business was started back in 1965 with PVC stabilizers, which are used to protect the polymer from dehydrochlorination during processing that leads to the 'unzipping' effect causing degradation.

In our PVC application lab in Ulsan, Korea, Songwon supports customers with expert formulation and performance evaluations. Our customers benefit from our broad range of PVC

stabilizers comprising of tin and mixed metal stabilizers, acid scavengers, lubricants, as well as liquid phosphites.

POLYESTER DIOLS

Songwon's Polyester Diols' business has set the standard in superior and stable quality combined with excellent service for our customers for nearly 5 decades. SONGSTAR™ Polyester Diols are used for Polyurethane adhesives, synthetic leather and thermoplastic polyurethane for extrusion and injection molding.

POLYURETHANES

Songwon started its polyurethane business in 1974 and offers both solution type polyurethanes & thermoplastic polyurethanes (TPU).

- Songwon's HI-THANE™ solution type polyurethane products are used in the production process of synthetic leather (wet & dry process), flexible packaging, and as ink binders on different plastic films.
- SONGSTOMER™, Songwon's TPU line, is most suitable for injection and extrusion molding. The products' physical properties are much better than the conventional cast type polyurethane elastomer.

PLASTICIZERS

Songwon has manufactured plasticizers since 1979. Today, we are specialized in DOA (dioctyl adipate), TOTM (trioctyl trimellitate), polymer type plasticizers based on adipic acid. Songwon's SONGCIZER™ plasticizers improve processing ability and physical properties, such as flexibility, low temperature resistance, volatility and electrical properties for products made with PVC, such as leather, chairs, films and electrical wires. Used as a base for PVC processing, they complement our broad range of PVC stabilizers for the PVC industry.

SUPER-ABSORBENT POLYMERS (SAP)

SAP materials can absorb over 100 times their weight in liquid and do not release the absorbed fluids easily even under pressure. Songwon's HI-SWELL™ super absorbent polymers are used for disposable diapers, incontinence underpads, water holding agents for agricultural/horticultural use, industrial dewatering agents etc. Songwon began producing SAP commercially in 1994. Since then, we have developed and patented a unique UV continuous production process.

FLOCCULANTS

Flocculants are highly efficient, water soluble polyelectrolytes (anionic, cationic, nonionic) based on acrylamides and its copolymers. They are mainly used in solid liquid separation processes such as precipitation, filtering, thickening and dewatering in waste water treatments. Although Songwon has produced flocculants since 1979, our continued progress of reassessing and adjusting the focus of our business portfolio led us to the decision in 2015 to phase out this product line.

MARKET, RISKS & OPPORTUNITIES

A glance at the geo-political situation

These days, the biggest risk facing Songwon Industrial Group and any other global company is economic and political volatility and instability. The world economy has never really recovered from the recurring, cyclical, global crises of 2008-2009 and 2011-2012. In addition, the global GDP has only shown modest development in recent years, while the growth rate year over year has remained very difficult to predict. From this standpoint, 2015 was an emblematic year.

Although official statistics set the GDP growth at 2.5%, a number of traumatic events occurred during the year. On several fronts in the Middle East and North Africa, wars started, or intensified and escalated following the involvement of most of the countries in the region and abroad. Furthermore, increased terrorist attacks in the region and the outbreaks of terrorism in other parts of the world continued to destabilize the situation. Consequently, Europe (including Central Europe) began to dramatically feel the effects of the increased ongoing influx of migrants into the region. Already facing a very difficult financial situation and unable to coherently approach the problem, the European Community (EC) is now confronted with the very real risk of de-segregation, as member states take measures which question the founding values of the EC.

The relations between Russia and the West continue to be tense. The sanctions imposed on Russia seem to echo the time period of the Cold War. And as if not sufficient enough, oil prices plummeted to below £30 per barrel – which directly and severely impacts certain industries (the oil industry in particular). For others, it may be positive. The country most affected is probably Russia, as it depends on its exports of oil and natural gas. However, the OPEC countries have also been severely hit which could question their ability to continue investing in the downstream industry.

In the US, the anticipated shale gas boom which predicted huge investments into new petrochemical facilities may lose traction, after the few plants now under construction are completed. On top of this, when the sanctions against Iran are lifted there will be another legitimate player in the oil arena playing a role in the politics of the Middle East.

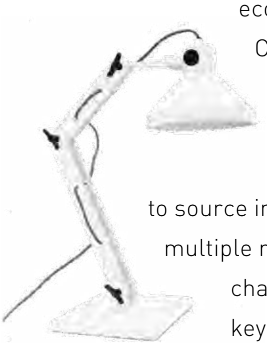
Great instability has also had an adverse effect on the stock exchanges, as well as the exchange rates. Amidst all of this uncertainty, it is very difficult to make any prediction about the future. Although the consensus is that 2016 will again show modest growth (global GDP up by 2.5-2.9%) and oil prices will remain low, it is nevertheless very difficult to really identify a sustained growth pattern for specific countries and regions.

"In the medium term, as the key megatrend will remain in place and unaffected by the shorter term economic forces, the chemical and polymer industry should continue to display healthy growth."

Maurizio Butti, Group COO

The outlook in our industries

Over the past few years, the prevailing crisis and instability has forced companies in the chemical and polymer sectors to restructure and consolidate. This industry trend is driving constant cost reduction and economy of scale initiatives. Consolidation has given purchasers greater power, with a few of the largest global players continuing to source increased volumes across multiple regions. As a result, in supply chains where additives are a key element, similar steps have also been taken.



The chemical and polymer industry was strong in industrialized countries. However, in recent years China's explosive growth, and to a lesser extent that of the other BRIC countries, together with globalization and the demand for competitively priced raw materials, has caused complete value chains to shift from West to East. Demand has been mainly driven by China and India. However, investments in new regional capacities were not sufficient enough to cope with such demand. This was compensated for by considerable new investments into the Middle East, resulting from the very favorable raw material (oil and natural gas) costs.

More recently, apart from India and China continuing to see significant growth (despite China's struggle to move from an export oriented to a domestic demand oriented economy), the economy in both Brazil and Russia moved into negative growth rates. The European economy has shown some sign of recovery and fueled by the shale gas opportunity, growth in the US seems to be sustained. Although now out of recession, Japan is still struggling. Production growth continued in the Middle East, with new opportunities beginning to emerge and Iran may start to play a significant role again when sanctions are lifted. The new global situation with declining oil prices can once again determine changes, but it depends on economic and political considerations as to what extent.

In recent years, the complexity of the current business situation has caused customers to behave cautiously towards a fragile economic recovery, and for this reason they are expected to continue to demand less expensive items. On the other hand, consumers have learned to expect improvements year on year which continues to put pressure on component prices and the speed that products are launched. In the medium term however, as the key megatrend will remain in place and unaffected by the shorter term economic forces, the chemical and polymer industry should continue to display healthy growth.

Looking forward

Due to the size of the issues affecting the world economy, together with the continuous shortening of economic cycles and the speed of the changes taking place, it is not clear yet what the global economy will do in the short term. Nevertheless, for the chemical and polymer industry the long-term outlook remains intact. Over the past two decades, the polymer industry in particular has consistently shown significant growth rates.

Traditionally, the demand for polymers has been a few percentage points (1-1.5%) higher than the growth of the global GDP, largely due to the key megatrends: population growth, developments in emerging economies, inter-material competition, new and demanding applications and climate change. The demand for Songwon's products has shown a similar trend. For this reason, there is no reason to believe that this trend will not be maintained over the medium to long term. However, recently due to the continuing volatile global economic situation, the growth rate year over year has been very difficult to predict.

In the chemical and polymers industry, consolidation has been driven by commoditization, while producers seek every opportunity to boost margins and profitability. The abundance of innovation we saw in the 1990s slowed down in the early 2000s. In the past few years, it has almost reached a standstill, and its focus has changed to process speed and cost.

Today, suppliers are faced with performance-based contracts, which can possibly result in severe production-related penalties. Nevertheless, key megatrends, such as inter-material competition, new, demanding applications and environmental issues, could restore the desire for both innovation and innovative solutions. As an industry leader, we know that opportunities are often embedded in business risks. Songwon is well-prepared and has the knowledge, as well as the necessary resources in place, to help the industry to capitalize on these new opportunities.

In the kind of environment that exists today, only the strongest can survive. And it is consumers wanting housing, mobility, healthcare and a wide range of other products that drive the global demand for polymers. Songwon's products are essential for boosting the properties and performance of polymers used in these applications.

In the next decade, as Western companies meet new challenges and value chains move eastwards, the polymer industry landscape is expected to change dramatically. However, for regions with access to the new cheap sources of natural gas (shale gas) this may not be true. At the present time, it is not yet clear how these trends will affect the global footprint of industries but they will definitely define how suppliers can, and must react in the future to support the industries they serve.

Consolidation defined by economics will create competitive risk; technology will be driven by costs with innovation focusing on the customers' system costs. Value, as always, will be driven by performance and cost parameters.

Making the most of the positives & minimizing the negatives

Songwon's ambition is to be the supplier of choice in all market segments in which it operates. Although confronted with such a volatile global economic and political situation, we are supported by the opportunity such a healthy and long term demand growth forecast provides. We understand that the best way of minimizing the risks is to continue to work to improve the essential basics.

At Songwon, we know that by developing a more balanced and extended business portfolio and diversifying, we can support the organization to minimize risks. In line with this, we have actively started to work on expanding Songwon's presence into new business areas. By leveraging our product range, combined with our ability to develop new products and chemistries, we expect our development efforts to bring the first positive and tangible results in 2016.

SONGWON'S EFFORTS ARE CENTERED ON:

1. **Competitiveness & reliability of supply**
By creating economic advantages through proprietary technology, economies of scale and backward integration, we maintain our competitive edge.

2. **Extensive product portfolio**
We already provide one of the broadest and most comprehensive and cost-effective ranges on the market. By developing and offering high-quality solutions for improved performance, we open the door to new markets and applications.

3. **Focusing on customers' existing & future needs**
Through listening closely to customers and consistently adding new products and solutions for high-end applications, Songwon is providing customers with products that improve processing efficiencies and the return on their investment, as well as supporting industry growth.

4. **Best-in-class & comprehensive customer support**
By covering all service areas, ranging from customer service to logistics, from technical service to regulatory support, our customers are well taken care of. Songwon also places great importance on regulatory issues and is using regulatory development to drive its innovation efforts.

5. Global reach, local execution

By having a global position supported by manufacturing facilities in all key areas of the world, Songwon is able to execute locally. It also enables our organization to minimize the risks of economic downturns, unfavorable currency developments in specific areas, and to capitalize on any existing growth opportunities at the same time.

We continued our development in 2015 with:

- the expansion of the production range in India (2014 acquisition)
- completion of our OPS manufacturing facility in Abu Dhabi, (operational in January 2016)
- the Songwon Qingdao Long Fortune JV in China (incl. construction of a new OPS facility, operational Q3/2016)

OPS manufacturing facility in Abu Dhabi

6. Global team of professionals

Our strong talented team of committed, ambitious and loyal people is the backbone of Songwon's success. We continuously strengthen our organization with new key talents. Our people know that we consider them to be the company's real asset, and that we are committed to creating the best working conditions for all of them. This includes paying particular attention to improving, our already outstanding EH&S performance year over year.

HIGHLIGHTS 2015

QINGDAO LONG FORTUNE
JV agreement to produce and sell OPS in China

PANOLI SITE
further expanded production range

PRODUCTION
new manufacturing plant in Abu Dhabi, UAE

REACH
provided 13 300 SDS in 15 languages, as well as TDS and RDS

HR
successfully integrated 56 new people into the organization

EH&S
total recycled water increased by 14% versus 2014

R&D
developed & tested > 20 new products to expand the portfolio & assure new business in the future

FROST & SULLIVAN
Best Practice Excellence Award for leadership in product line strategy

SALES

Customer-focused & solutions-oriented

Since the beginning, building strong relationships has been key to Songwon's success. A customer-focused approach, combined with our high-quality solutions and services, has driven our growth from a regional supplier to a global player today. In 2015, our commitment to this dynamic approach continued to deliver positive results.

Songwon may be a global company, with different operations and a diverse group of people, but we think and act locally. Comprising world-class professionals, our locally-based sales teams are experts in their regions. And once again, this was demonstrated in 2015 when solid customer relationships facilitated our entry into new markets and expansion in existing ones.

Exceeding market expectations

In a globalized world with increasingly standardized products, our sales organization prides itself in a customer-focused, solutions-oriented approach. We listen to and understand customers' current and future needs, while also 'speaking their language' to deliver the right solutions at the right time. Combined with in-depth knowledge about market challenges and trends, and a commitment to service excellence, this has set Songwon apart.

Best global and local practices guide all of our activities. We consistently benchmark our sales approach against key industry players, addressing weaknesses and building on our strengths – all with the aim of assisting customers in realizing their strategic objectives and remaining competitive in their segment.

A part of this is challenging the status quo, ensuring that we exceed market expectations and address customer concerns proactively.

Delivering on our promises

A year of milestones for Songwon, 2015 highlighted our history of operational excellence and best-in-class performance. By focusing on product quality, innovation and service excellence, Songwon gained greater flexibility to meet market needs.

Our sales organization's understanding of markets, technologies, industry players and business drivers has been key to further strengthening our market reach.

THROUGH OUR HIGHLY-COMMITTED, SOLUTIONS-ORIENTED SALES ORGANIZATION, SONGWON CUSTOMERS CAN RELY ON:

- high-quality products at an attractive price & performance ratio
- technical service & application support
- a commitment to long-term supply
- access to the latest Songwon & industry-related information & developments

In 2015, our growth was supported by:

- **Expanding distribution network**
  Driven by our entry into new markets, we actively grew our distribution network in the past year. Our distributors are selected based on their expertise, strategic local market knowledge and ability to reliably service our customers.

- **Ongoing training**
  Consistent, market-relevant training is a cornerstone of our sales organization. It exposes our teams to best practices in various regions, markets and cultures, ensuring that they are always prepared to assist customers. Moreover, in 2015, it provided the essential skills for developing business in new markets.

- **Our collaboration with customers (including our technical and business teams)**
  This kind of cooperation is integral to initiate and develop new opportunities and projects, particularly in new segments. Synergy between our Sales and Technical teams lies at the heart of our solutions and drives our projects effectively and efficiently.

- **Our reputation for understanding technical and economical industry and market trends (both local and global)**
  We share our view of the key technical and economic trends with customers. An example of this is our REACH newsletter and interactive information sessions help customers stay up-to-date on regulatory affairs.

We also maintained our visibility and respected profile at leading global industry conferences. These included:

- SPE International Polyolefin Conference, Houston, USA
- American Fuel & Petrochemical Manufacturers (AFPM) Meeting, Texas, USA
- European Petrochemicals Association (EPCA) Meeting, Berlin, Germany
- AMI Polyolefin Additives Conference, Cologne, Germany
- AMI Masterbatch Conference, Cologne, Germany
- ICMBA, Mumbai, India
- Gulf Petrochemicals and Chemicals Association (GPCA) Meeting, Dubai, UAE

A foundation for growth

During 2015, we continued to benefit from our customer-focused, solutions-oriented approach. Combining our commercial model with committed customer interactions and productivity initiatives achieved record results in 2015. Looking ahead, we will build on the solid foundation laid this year, enhancing customer relationships and delivering forward-thinking solutions for our mutual benefit.

CUSTOMER SERVICE

Creating value for customers

All of our Customer Service Centers effectively apply global and regional best practices to meet local needs.

SONGWON HAS CUSTOMER SERVICE CENTERS IN:

We know that today's customers do not just seek suppliers who sell products; instead they are looking for reliable partners with the capability of catering to their specific needs and offer them customized solutions, as well as provide all-round service without losing sight of costs.

At Songwon, listening to our customers and meeting their needs has always been a top priority. And we are very proud that many of our customers have been with us for decades – it is testimony to Songwon's commitment to outstanding quality and service. With customers in more than 50 countries, supporting them before, during and after they purchase our products contributes to their ongoing success in the market. It also ensures the continued success of our organization worldwide.

Over the years, we have learned that it is only possible to deliver best-in-class customer service through building strong relationships. For this reason, we are dedicated to working closely with our customers to fully understand their business so that we can provide the best solutions possible. Regardless of size, each of our customers is handled with a level of personal care that sets us apart from the competition. In addition, investing time in these relationships also offers us insight into other business opportunities, and helps us to uncover new ways to cater to the needs of our expanding customer segments.

Streamlining our supply chain & enhancing capability

Having a reliable supply chain is essential to our business. For Songwon's customers, product quality, reliable supply and on-time delivery is crucial to their manufacturing operations. Therefore, our comprehensive supply chain organization is set up to make sure that our products are close to our customers and available to supply when they are needed.

Equipped with state-of-the-art IT systems, careful planning and optimized processes, Songwon's supply chain is integrated all the way from sales forecasting, raw material purchases, production planning and finished product distribution. It has been designed to meet regional requirements and deliver local customer service through strategic regional distribution and best-in-class technical support.

SONGWON'S SUPPLY CHAIN ORGANIZATION IS:

- **based on a proven service model**
- **flexible and well-prepared to exceed customer expectations**
- **global in its reach but local in its execution**
- **focused on raw material supply security**
- **equipped with supply chain processes & tools**

In 2015, to enhance our supply chain management capability, as well as improve both efficiency and accuracy (including customer forecasting support), we actively introduced streamlining into our supply chain. It has already enabled us to skip unnecessary steps and cut down on the number of inevitable contingencies in our daily operations.

Songwon has always worked closely with logistics services suppliers to maintain and further develop our customer services. We regularly review their performance to ensure consistent delivery reliability. Our distribution partners are carefully selected, and we continually add to Songwon's extensive global network in order to increase product availability for our customers throughout the world. Regularly streamlining distribution, optimizing transportation and seeking relationships with sustainable suppliers that give us a competitive advantage is an ongoing process. This supply chain approach is key to our continued success. At Songwon, sustainability is important to us so we always make sure that suppliers working with us are aware of our sustainability targets and share in our principles.

Our dedicated purchasing team makes sure that we meet both our responsibilities and the purchasing criteria of Songwon's growing business. The team is an important contributor to Songwon's quality and profitability. They balance the needs for guaranteed raw material supply while clearly maintaining Songwon's target of cost competitive global sourcing. They also take advantage of regional inefficiencies, such as currency fluctuations, regional or supply/demand imbalances etc. In addition, the team continually strives to establish an enduring competitive advantage with respect to costs, quality, service and the social and environmental responsibility of our tactical and strategic sourcing chains.

GLOBAL APPLICATION COMMUNITY & TECHNICAL SERVICE

Dedicated development & expertise

Committed to acquiring an in-depth understanding of the daily challenges facing customers and seeking new ways of contributing to their success, Songwon further invested in its Global Application Community (GAC) and Global Technical Service in 2015.

With decades of experience and polymer industry knowledge, the GAC generates ideas, drives project efficiency, provides advice on process optimization, and combines creative innovation with technical competency to bring product development visions to reality. Using the information on the needs of customers or market segments, identified by Songwon's sales or technical service teams, the GAC experts select the most interesting prospects and develop new platform concepts to match the demand. After establishing the platform technology, individual products are commercialized.

Meeting market requirements

Songwon's global organization and flat structure makes it possible for the GAC team to better understand and anticipate market needs, assess global megatrends and react quickly to customer enquiries. The team also keeps an eye on new directions in the industry and develops suitable solutions. For example, in 2015 it focused its attention on the impact of the upcoming regulatory changes with respect to the ability to stabilize polymeric substrates, as well as strategies to avoid NIAS (Non-Intentionally Added Substances).

Working hand-in-hand with Global Technical Service and customers, GAC successfully implemented the following new solutions this year:

■ PVC chain stopper

SONGXTEND® 3501DW dispersion is a new solution which allows our customers to improve the initial color of the PVC resin and with only half the addition level it delivers the same performance as existing state-of-the-art stabilization packages.

■ BOPP film

SONGXTEND® 1102 solution is ideal for use in certain BOPP film segments where color is very critical. In 2015, it enabled one of our customers to improve the initial color of BOPP resin and maintain the color throughout the conversion process.

Candy wrapping is one of the biggest BOPP applications

■ PP Fiber

SONGXTEND® 1141 solution is ideal for PP fiber resins, which have similar requirements in terms of color preservation as BOPP film resins. This year, one of our customers had a special requirement with regard to gas fading resistance. SONGXTEND® 1141 met the requirement and the customer was able to implement the solution commercially in the market.

■ **Automotive compounding**

'Light weight' has become a key driver in the automotive industry and plastics play a major role in achieving this feature. Recently, we have seen an increased demand for glass-fiber re-enforced polypropylene (GF-PP) because it further reduces wall thickness and makes lighter designs possible. Ensuring long-term thermal stability (LTTS) of these new GF-PP compounds is challenging and the market requires LTTS levels of more than 1000 h at 150° C. Our new SONGXTEND® 2124 solution was especially designed to meet this demand and it has done so successfully. Songwon now has a proven track record in the market when it comes to this product's ability to meet requirements.

Ideal for interior automotive applications, such as dashboards and door panels, is our SABO®STAB UV 228 50PP light stabilizer which also gained momentum in the market in 2015. The stabilizer meets the automotive industry's even more stringent requirements on VOC, FOG and total carbon emission. In its concentrated form, it provides easy handling, low dust build up, and free flowing behavior for accurate dosing which are important in polymer processing operations.

■ **Polymeric flame retardant (XPS)**

This year, we also launched the SONGXTEND® 1301 stabilizer that was specially designed to protect new polymeric flame retardants (pFR) in extruded polystyrene (XPS) applications. As the 2nd generation stabilizer for this market, it maintains better molecular weight and color of XPS containing pFR, as well as offering a broader processing window compared to the current state-of-the-art stabilizers on the market.

In-depth support

Songwon's Global Technical Service acts as an important facilitator between our customers, our sales teams and our internal organization – Business Management, Manufacturing, R&D and Global Application Community. At Songwon, we don't just want our customers to purchase our products; we want them to get the most value out of them. That means ensuring that they choose exactly the right product for their application. The dedicated and experienced team is always on hand to offer customers in-depth support.

TO ENSURE THAT OUR EXPERTISE IS ALWAYS CLOSE AT HAND, SONGWON HAS DEDICATED SUPPORT CENTERS BASED IN 7 COUNTRIES:

- Germany, Greiz
- India, Mumbai
- Japan, Tokyo
- Kingdom of Bahrain, Manama
- Korea, Ulsan & Suwon
- Switzerland, Frauenfeld
- USA, Houston

R&D

Creating valuable solutions for customers

Research and development (R&D) is central to Songwon's business and one of the pillars on which we have built and continue to build our success. In our highly competitive and challenging industry, the ongoing improvement of existing products, and the introduction of new products and technologies to the market is essential to maintaining Songwon's leadership position.

Over the years, being a leading player in the chemical industry has become increasingly more challenging, as customers' needs become more specific and complex. To ensure that we keep up and stay ahead of their evolving requirements, investing in R&D at Songwon is a top priority. We make sure that all the necessary resources and conditions are in place so that R&D can continue providing strategic support, innovation and technology across all the functions within the organization.

FOCUSING ON IMPROVEMENT & DEVELOPMENT

In 2015, R&D concentrated on two main areas:

1. Supporting Songwon' existing product lines

By constantly reviewing existing production processes while keeping sustainability at the heart of all process development, R&D progressively strives to improve and develop more efficient processes. In 2015, this led to the development of 4 new processes for existing products. It is an important contribution by R&D and will lead to a substantial and sustainable cost reduction in manufacturing which will drive Songwon's competitiveness.

2. Developing new products to extend Songwon's product range

In 2015, R&D developed 4 new products to strengthen Songwon's presence in existing markets and support the extension of its activities in complimentary industrial segments.

R&D also continued the development of new innovative products and technological platforms that will allow Songwon to enter new, markets with high value add. We have determined the extension of Songwon's business portfolio to cater to new industries and applications as one of our key strategic targets.

These actions are ongoing and R&D is playing a vital role with its ability to synthesize new molecules and develop as well as scale up the production processes and technologies to an industrial level. As Songwon approaches new markets, this activity will continue to gain traction.

In 2015, in addition to the 4 new products reaching the commercialization stage, other 7 were produced at lab level and are in the scaling up phase, while more than 20 others have been synthetized and are now being tested.

OPTIMIZED SUPPORT

In July, 2015, Songwon further strengthened and focused its R&D activities. Organizational changes took place that enabled R&D to focus on its core activities by creating teams dedicated to the different existing and new product lines. The additional 9 resources which were added through the acquisition of the Panoli plant in India were fully integrated into the new structure while two R&D resources were transferred to Quality Control and Purchasing; R&D's regulatory role and the responsible employees also moved to the Quality Assurance team. Nevertheless, R&D continues to be strongly linked with these functions and there is close collaboration between the teams.

In addition, Songwon decided to invest into two new pilot plants to support R&D's product and process development. The first one was built in the Maeam facility and is fully operational, while the second one is under construction in Panoli and will become operational in 2016.

Patent strategy and investigation is another key R&D activity which is becoming more and more critical. In 2015, Songwon registered one new patent, and maintained 12 other patents and 23 applications. Further to this, patent investigations were carried out throughout the year in order to ensure that the FTO exists in relation to all the new products and technologies that Songwon's R&D team is developing.

MANUFACTURING

Ongoing commitment to supply reliability

In Songwon's drive to become the customers' supplier of choice, sustaining manufacturing excellence is critical.
To achieve this, we've centered our manufacturing strategy around the following dynamic factors:

- Providing our customers with the highest quality products in a timely manner in line with their evolving needs
- Ensuring safety and reliability at our manufacturing facilities and offering security of supply
- Implementing a more cost-effective approach to our manufacturing assets' locations to benefit both Songwon and customers
- Leveraging our existing know-how and assets to produce economies of scale, and building on the resulting efficiencies

Improving technology & reducing complexity

With our rigorous EH&S culture, a talented, committed workforce and our proven long-term productivity, we produce the highest quality products, while making sure that world-class operating standards, as well as our social and environmental responsibilities are met in a profitable manner. To guarantee the quality and supply reliability that customers have come to expect, we continuously upgrade Songwon's facilities. Technological innovations, improved automation and reduced complexities all contribute to streamlined, highly productive plants and sites.

"With our rigorous EH&S culture, a talented, committed workforce and our proven long-term productivity, we manufacture the highest quality products, while making sure that world-class operating standards, as well as our social and environmental responsibilities are met in a profitable manner."

Giacomo Sasselli, Leader Operations

In 2015, we successfully tested new filtration technology at our Ulsan plant, enabling us to eliminate manual operations, and create a healthier and more environmentally-responsible site. We also implemented a new drying technology, which boosted capacity with optimized steam consumption. In addition, Songwon initiated the upgrade of the existing

New state-of-the-art OPS plant in Abu Dhabi, UAE

Distributed Control System (DCS) at Ulsan (Korea) and all the main utilities in Panoli (India) to optimize safety and productivity at both sites.

At Songwon, we also place great strategic importance on backward integration and optimizing our large-scale plants, which have been key to ensuring reliability of our supply. With a 60.000 ton capacity, our Maeam plant in Korea is the world's largest fully back integrated site dedicated to antioxidants. It is also a world-class manufacturing facility in terms of design, automation and powder goods management.

Streamlining production

This year we completed the previously initiated rationalizing and optimizing our existing manufacturing lines which included a review of some of Songwon's more mature products, assessing their potential contributions to profitability levels in future. These reviews that were carried out in 2013 and 2014, led us to the decision to discontinue production of certain lines to make way for new, higher performance products and solutions developed by R&D. With our production flexibility and synergetic set-up, we are well-positioned to use our existing production lines for manufacturing these new products at elevated profitability levels.

Strategic growth & new opportunities

Since 2006, we have been increasing our production capacity to correspond to the needs of the markets we serve. Songwon's strategic approach to meeting emerging market requirements includes international expansion.

In 2015, we reached a fundamental milestone by completing the necessary preparations to ensure that our new Abu Dhabi facility is ready to become fully operational in January 2016. The plant, located in Khalifa Industrial Zone Abu Dhabi (Kizad), is dedicated to manufacturing One Pack Systems (OPS) – multicomponent, tailor-made blends of additives in a pelletized form and packaged in a clean, dust-free environment. With an initial capacity of 7'000 MT per annum, the manufacturing facility was specifically designed to allow for future expansion to meet the increasing demand for OPS products in the Middle East region and beyond.

In May this year, Songwon entered into a joint venture with Qingdao Long Fortune Chemical & Auxiliary Co., Ltd. (QLF) to produce and supply OPS and polymer stabilizers in China, one of the world's largest and fastest growing polymer markets. The agreement also included establishing a state-of-the-art OPS plant in Eastern China. The facility is now under construction and estimated to be fully operational by mid-2016. Once production starts, it will significantly increase the annual production capacity of our OPS range. The plant will also include the dispersion antioxidant production facility, which will be relocated from the Shanghai site.

Together with continuous plant and site upgrades and our optimized production lines, the additional regional production expansion enables us to continue providing the reliability and continuity of supply that Songwon is well-known for.

QUALITY ASSURANCE

Committed to quality

Maintaining the highest level of quality assurance possible is vital to our success. Therefore, at Songwon, we work closely with customers to ensure that the products we produce meet their stringent requirements. This process is supervised at the highest level of our organization.

Since our ISO certification in 1995, Songwon has had a rigorous set of operating procedures in place. Our knowledgeable professionals implement extensive, well-documented quality control measures throughout the organization. Songwon's strong commitment to continual improvement drives our efforts to maximize quality and service levels for all of our customers. We ensure that any complaint received is traced in a Non-Conformance Report with corrective actions and is addressed immediately. Senior representatives from Manufacturing, Sales, Supply Chain and Business Management attend a monthly Quality System meeting, where all relevant quality issues are discussed, analyzed and evaluated.

Throughout 2015, we significantly improved our post-production service level which includes transport and a timely, reliable supply. Optimizing the quality and reliability of service to our customers is just one of the factors that set us apart from several competitors.

Close-up photo of one of the production lines

OUR PEOPLE

Half a century of dedication & commitment

50th anniversary ceremony at Ulsan plant

Contributing high-quality products and solutions for 50 years is an achievement that we are proud of. We know that our history of success would not have been possible without the dedication of Songwon's 788 outstanding employees. It is thanks to their steadfast dedication over half a century that Songwon has grown to become the world's 2nd global leader in polymer additives.

As a global and united team, our employees are devoted to working together across the business to meet and exceed customers' expectations worldwide. Songwon's business strategy depends on every employee giving 100% to whatever they do and wherever they are. Therefore, fostering a safe, rewarding work environment where every person feels valued, respected and able to contribute fully is central to how we do business and critical to our success.

Acknowledging employee excellence

In line with this, Songwon's HR philosophy is built around acknowledging the essential role each individual plays within our organization and the way they add value to everything Songwon does. Most importantly, this involves ensuring that Songwon's employees in every function feel valued themselves.

TO ACHIEVE THIS, WE:

- encourage all of our people to express their ideas and opinions
- challenge each individual to develop their full potential
- support innovative thinking and entrepreneurial team spirit at all levels throughout the organization
- acknowledge the hard work and efforts of our employees to deliver on Songwon's strategic goals

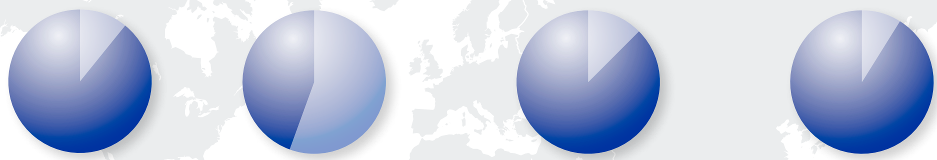
Our invaluable diversity

As a global leader, we have a multi-cultural workforce with different perspectives and experience. It is precisely this invaluable diversity throughout Songwon that enables us to understand regional challenges, as well as meet our customers' local needs.

In an industry as dynamic and competitive as ours, it is our global reach and personal approach that sets us apart from our competition.

to our business. And being open to these unique insights helps us to find new solutions to business challenges and to uncover new opportunities.

OUR PEOPLE BY REGION AND GENDER IN 2015



Total employees	**788**
Americas	18
EMEA	200
Asia	570

Americas	**18**
Women	10
Men	8

EMEA	**200**
Women	25
Men	175

Asia	**570**
Women	51
Men	519

None of the employees took parental leave.

For us, recognizing and valuing the many differences that make up Songwon is vital to our culture and success. The diversity of our global workforce comprises more than just nationality, culture, race and gender. It also encompasses aspects such as life experiences, religion and family situations etc.

At the heart of Songwon is an inclusive, forward-thinking culture where diversity is embraced. This, along with respecting human rights and supporting non-discrimination is reflected in all of our HR policies and implemented throughout the organizational structure.

In addition, our multi-cultural workforce brings both depth and a variety of ideas

Combining opportunities with excellence in compliance with regional and local laws and regulations, Songwon is committed to providing a working environment which encourages people of all backgrounds and beliefs to work well together in the pursuit of excellence.

As an equal opportunities employer, we place great importance on treating all of our employees fairly. In accordance with this, Songwon offers highly competitive compensation, as well as a wide range of employee benefits.

Songwon aims to retain, as well as attract and hire the most skilled and experienced talent available. Wherever possible,

Annual Athletics Day in Korea

we look locally first but also extend our search worldwide to ensure that we continue to have a rich diversity across the organization. Our main goal is to always find the best candidate for the job without discrimination. Songwon's recruitment policy focuses on hiring individuals based purely on their qualifications, experience and ability to carry out the required task at hand.

Our priority is to continue to build and maintain a multi-cultural and motivated workforce. As a global company, we offer challenging opportunities to self-motivated, customer-focused and talented individuals in all areas of our organization.

Songwon employees get the chance to:

- collaborate with committed, talented people throughout the world
- become the experts at what they do
- serve an increasingly diverse customer base
- shape the future of Songwon

In our experience, the best path to success is to enjoy creating and witnessing exceptional results. This has always been possible at Songwon.

Supporting development

We know that an integral part of employee satisfaction lies in personal and professional development. This is why it is deeply engrained in our culture and in our Performance Review System (PRS).

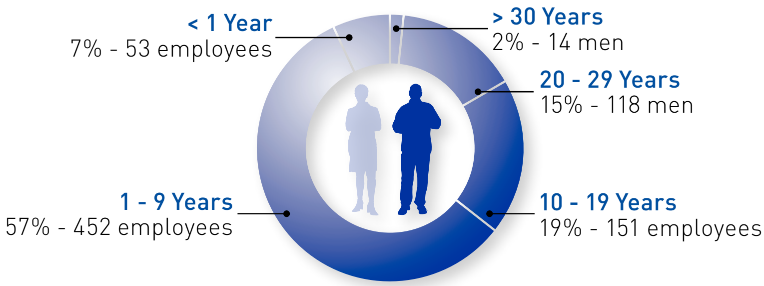
The PRS helps our employees to fulfill the company's strategic targets and identifies their developmental needs. At Songwon, we motivate and develop our people by aligning work with organizational goals and assessing their performance against a clear set of leadership expectations, targets and measures.

The process adds both context and purpose to the work each employee does and helps them clearly understand their contribution to the Songwon team.

"We constantly review our organization to ensure it remains aligned with our strategic targets. In 2015, to achieve further growth and efficiency we added key resources and talents across the business."

Beatrice Iuorno
Leader Global Human Resources & Administration

YEARS OF SERVICE



Our ultimate aim is that the PRS results and discussions provide two-way feedback that is fair, accurate, inspirational and developmental for both the manager and employee.

Songwon also offers employees excellent on-the-job training where they gain the hands-on experience they require to advance their skills, and the knowledge they need to perform at their best.

We supplement this on-the-job experience with targeted trainings, tailored to the requirements of the specific position. Development and training varies at Songwon's sites across the globe, according to an individual's role and responsibility.

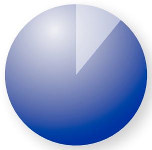
Shared values & principles

Being a successful company is not just about our performance and achievements, it's also about acting in a responsible, ethical and law-abiding way. Our Code of Conduct sets out our business principles and how every Songwon employee should apply them.

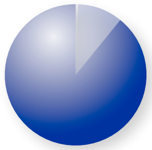
We want our people to be proud of working for a company that has the highest standards of integrity and passionately protects its staff, assets and reputation. Our culture of responsibility to each other, and to all of Songwon's stakeholders demonstrates our commitment to living the company's values every day. And it is the foundation upon which we can build a successful future.

EMPLOYEES	LEAVING	HIRING
By gender		
Total	45	56
Men	37	41
Women	8	15
By age		
Total	45	56
Over 50 years old	16	5
From 30 to 50 years old	24	27
Under 30 years old	5	24
By region		
Total	45	56
Asia	15	8
Europe, Middle East & India	22	41
North & South America	8	7

EMPLOYMENT RELATIONSHIP

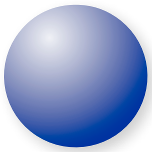


Total employees	788
Women	86
Men	702

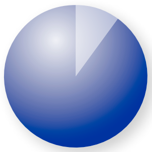


Type of employment	788
Women, hourly	0
Men, hourly	5
Women, salaried	86
Men, salaried	697

EXECUTIVE COMMITTEE & BOD



Total	10
Women	0
Men	10



Age	
30 to 50 years old	1
Over 50 years old	9

The winning team is presented the Songwon gold flag at the 2015 Athletics Day in Korea

CORPORATE SOCIAL RESPONSIBILITY

An integral part of our business

In 2015, Songwon supported Bluecross Medical Volunteers' missions to Cambodia to help low-income patients with general health and cancer problems

At Songwon, Corporate Social Responsibility (CSR) is an integral part of our business. CSR underpins our strategy and helps us to manage our impact on society, and it contributes towards a more sustainable way of doing business.

CSR means including economic, social and ecological considerations in the core activity areas of our company. It ensures that we consciously consider the direct and indirect impacts of our operations on all Songwon's stakeholders including our customers, suppliers, workforce and the local community. And it leads us to adopt ethical and socially-responsible management approaches to complement environmental considerations.

We continually work to improve our performance and the consistent quality of our products, as well as how we do business, how we treat our people, the communities we serve and the environment around us.

Beyond this, we have always believed that it is our duty to take an active interest in the community and the environment that our company is part of. This commitment is rooted in Songwon's culture and has been a common theme throughout our history. In short, we firmly believe that performance and responsibility should go hand in hand.

GRI INTERNATIONAL GUIDELINES

Reporting method

The Board members, the Executive Committee members and the Senior Management are all in agreement that the topic of sustainability needs to be communicated not only internally, but also externally.

We want to send a clear signal and make our contribution to sustainable development in our industry. For this reason, we have decided to publish a sustainability report annually in accordance with the standards of the international Global Reporting Initiative (GRI). For the first time, the current report follows the GRI's G4 Guidelines, 'in accordance' Core option. (Songwon's 2014 Annual Report followed G3.1 General & Specific Standard Disclosures). This will make it possible to compile comparable values and continuously improve upon them.

The GRI G4 Content Index lists information on GRI indicators and topics relevant for Songwon.

- **General standard disclosures**
  The general standard disclosures offer a general strategic overview of the organization's sustainability. They are divided up into seven parts: strategy and analysis, organizational profile, identified material aspects and boundaries, stakeholder engagement, report profile, governance, and ethics and integrity.

- **Specific standard disclosures**
  The guidelines organize specific standard disclosures into three categories: economic, environmental and social. Within the specific standard disclosures, each indicator is allocated to the material topics.

Prior to selecting the relevant indictors, we looked at Songwon's stakeholders, their requirements and their expectations of us as a globally operating company. In our selection of the relevant indicators, our assessment of the individual aspects was carried out from two separate perspectives. We divided the identified stakeholders into groups based on whether they were directly or indirectly influenced by Songwon's activities. We also raised questions in relation to our organization with respect to identifying the goals that promise Songwon sustainable success.

Our management discussed each GRI indicator individually and evaluated it using a point system. It was a process that included various stages, and which ultimately resulted in defining the aspects and indicators most relevant for Songwon as an organization and for all of our stakeholders.

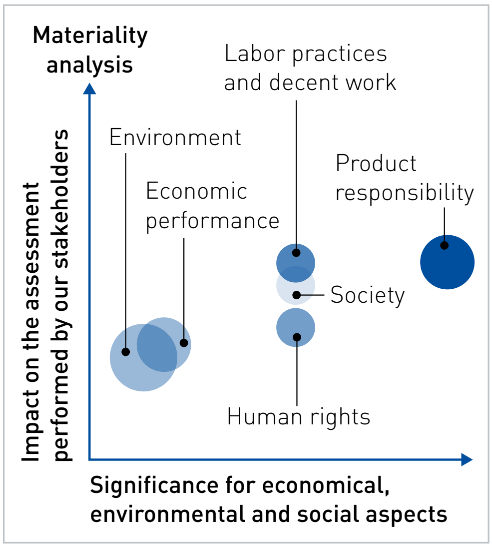
Fundamentally important for this step was the comprehensive expertise of our managing executives combined with Songwon's years of experience interacting with a wide spectrum of different stakeholder groups. An overview of all the GRI indicators (incl. the UN Global Compact principles) and the relevant text sections can be found in the GRI G4 Content Index.

Materiality analysis

This analysis shows a condensed summary of all of the individually assessed indicators. The number of indicators per category is reflected in the size of the circles. The x-axis shows the significance of the respective category in relation to its economic, environmental and social impacts, while the evaluated impact of this specific category on the assessment performed by our stakeholders is indicated by the y-axis. The average value for the individually assessed indicators in the categories determines the x and y values. From Songwon's perspective, the economic, environmental, social categories appear to be of particularly high relevance to our stakeholders.

At Songwon, we understand that our commitment to sustainability should not be restricted solely to our organization because true sustainability is only possible when all those involved work together. For this reason, we encourage our suppliers and partners to launch their own initiatives that highlight their commitment to the environment and resources protection, while upholding human rights and complying with labor laws just as we do.

Operating internationally, we see it as our utmost obligation to act sustainably at both a global and local level. This is the reason that this report covers the entire Songwon Industrial Group, unless indicated otherwise. The scope of application is indicated in the respective chapters. Furthermore, we would like to emphasize that we have used gender-neutral terms and pronouns wherever possible for the sake of simplicity, but these should be understood to refer to both males and females alike without discrimination.



SONGWON'S CATEGORIES / ASPECTS / INDICATORS:

CATEGORY: ECONOMIC

Through all of Songwon's operations, we aim to secure the organization's financial success and thus long-term value creation for our stakeholders. We know this can be achieved through implementing our long-term strategy, recognizing and managing risks and opportunities, as well as providing transparent information to our stakeholders. Our strategy has four key focus areas: business focus, growth, geographical focus, and innovation.

Songwon provides expertise and high-quality products to different industries, for a myriad of important applications. We are dedicated to creating long-term value, providing sustainable solutions, and strengthening the competitive position of our customers.
At Songwon, we are focused on building a balanced product portfolio in order to support targeted growth and we are continuing with our expansion strategy to strengthen our presence in emerging markets and consolidating our position in existing ones.

ASPECT: ECONOMIC PERFORMANCE

G4-EC1
Direct economic value generated and distributed

G4-EC2
Financial implications and other risks and opportunities for the organization's activities due to climate change

G4-EC3
Overage of the organization's defined benefit plan obligations

CATEGORY: ENVIRONMENTAL

Our sustainability strategy supports Songwon's business goals and enables us to continuously reduce our environmental footprint. At the same time we are working to ensure that we give something back to both our employees and society as a whole. Our global sustainability commitment is directly managed by our Executive Committee. The committee is also responsible for overseeing the execution of all activities relating to achieving our sustainability goals.

All of Songwon's initiatives are designed to ensure that we focus on those areas where we, as a company, have the greatest impact. They also provide us with a clear direction that enables us to strive for a better performance.

ASPECT: MATERIALS

G4-EN1
Materials used by weight or volume

G4-EN2
Percentage of materials used that are recycled input materials

ASPECT: ENERGY

G4-EN3
Energy consumption within the organization

G4-EN4
Energy consumption outside of the organization

G4-EN6
Reduction of energy consumption

ASPECT: WATER

G4-EN8
Total water withdrawal by source

G4-EN10
Percentage and total volume of water recycled and reused

ASPECT: BIODIVERSITY

G4-EN11
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

ASPECT: EMISSIONS

G4-EN15
Direct greenhouse gas (GHG) emissions (Scope 1)

G4-EN16
Energy indirect greenhouse gas (GHG) emissions (Scope 2)

G4-EN19
Reduction of greenhouse gas (GHG) emissions

G4-EN21
NOX, SOX, and other significant air emissions

ASPECT: EFFLUENTS AND WASTE

G4-EN22
Total water discharge by quality and destination

G4-EN23
Total weight of waste by type and disposal method

G4-EN24
Total number and volume of significant spills

ASPECT: COMPLIANCE

G4-EN29
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

CATEGORY: SOCIAL

At Songwon, we emphasize the importance of our people for the company's long-term success: they manage strong brands, develop innovative products and support our customers around the world. Building and sustaining long-term, trustful relationships with our employees and all those who work for or with Songwon is essential to our organizational success.

SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK

ASPECT: EMPLOYMENT

G4-LA1
Total number and rates of new employee hires and employee turnover by age group, gender and region

G4-LA3
Return to work and retention rates after parental leave, by gender

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

G4-LA6
Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

ASPECT: TRAINING AND EDUCATION

G4-LA10
Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

SUB-CATEGORY: HUMAN RIGHTS

ASPECT: NON-DISCRIMINATION

G4-HR3
Total number of incidents of discrimination and corrective actions taken

SUB-CATEGORY: SOCIETY

ASPECT: ANTI-CORRUPTION

G4-SO4
Communication and training on anti-corruption policies and procedures

G4-SO5
Confirmed incidents of corruption and actions taken

ASPECT: ANTI-COMPETITIVE BEHAVIOR

G4-SO7
Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

ASPECT: COMPLIANCE

G4-SO8
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

SUB-CATEGORY: PRODUCT RESPONSIBILITY

ASPECT: PRODUCT AND SERVICE LABELLING

G4-PR3
Type of product and service and service information is required by the organization's procedures for product and service information and labeling

ASPECT: COMPLIANCE

G4-PR9
Total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

REGULATORY AFFAIRS & REACH

Committed to compliance

As a market leader worldwide, we are committed to complying with all regional and country-specific laws and regulations. To ensure that our entire organization is always in full compliance, consistently monitoring all of our actions and activities is an integral part of our daily business. Operating in such a regulated industry, we also understand our responsibility to make sure that we operate our business in accordance with the highest ethical principles.

Compliance is at the very core of everything we do and our commitment to it is global. Everyone working at Songwon takes compliance seriously. Each one of us is highly aware of our responsibility to maintain compliance, and dedicated to ensuring that all of Songwon's business activities adhere to the required standards, laws and regulations.

At Songwon, our commitment includes offering our customers fully compliant, high-quality products that enable them to meet their EH&S goals. We also see it as our responsibility to provide expert support to our customers, and assist them in handling the complex aspects of regulatory compliance, registration and certification.

In line with this, we provide customers with extensive information on the REACH processes, requirements, deadline developments and achievements. Songwon's regular updates on the substances registration process allows our customers to remain confident, knowing that Songwon's products will be 100% compliant with REACH requirements.

In 2015, Songwon's regulatory team provided continuous registration support, global regulatory status and cost estimation for many of our products.

Although it is general practice in the industry to provide customers with essential product information such as the specification (CoA), a technical data sheet (TDS) and a safety data sheet (SDS), we go a step further. At Songwon, we provide our customers with an additional regulatory data sheet (RDS) that outlines critical global product regulatory approval information. The RDS also highlights to our customers that we care about their business. All of the regulatory support and information Songwon provides creates value for our customers and their businesses. We also anticipate future regulatory changes and working closely with customers, we adapt as quickly as possible, in order to ensure that Songwon remains fully compliant.

Supporting REACH objectives

Ensuring the safe use of our products and protecting the environment is one of Songwon's core goals. It is important that every organization operating in the industry assumes adequate responsibility through applying the right product stewardship measures.

Taking great care in how we produce chemicals is important to us, but also how we can use them safely. We are a responsible global manufacturer, and we care for the safety and health of people and the environment. In accordance with the very high emphasis that Songwon places on compliance, we support the intervention of regulators to develop new regulations, for example within REACH (EU Regulation on Registration, Evaluation Authorization and Restriction of Chemicals).

Songwon also fully supports REACH objectives. It is our policy to minimize the risks associated with our production activities and products, and to continuously improve their safety, health and environmental performance. Our organization cooperates with co-producers, suppliers and customers to help us achieve our REACH goals. We know that through REACH, we can make a positive contribution to our common future.

AN OVERVIEW OF THE MOST IMPORTANT INDUSTRY ORGANIZATIONS OF WHICH SONGWON HOLDS MEMBERSHIP

- **Society of Plastics Engineers Korea**
  (www.spekorea.org)
- **The Korean Chemical Society**
  (www.kcsnet.or.kr)
- **Korea Industrial Safety Association**
  (www.safety.or.kr)
- **European Light Stabilisers and Anti-Oxydants - ELiSANA**
  (www.cefic.org/About-us/How-Cefic-is-organised/Fine-Speciality-and-Consumer-Chemicals/European-Light-Stabilisers-and-Anti-Oxydants-ELiSANA/)
- **The European Chemical Industry Council - CEFIC**
  (www.cefic.org)
- **Light Stabilisers and Antioxidants LiSAO - REACH Consortium**
  (www.reachcentrum.eu/consortium/lisao-light-stabilizers-and-antioxidants-reach-consortium-132.html?sid=320)
- **OrganoTinREACH REACH Consortium**
  (www.reachcentrum.eu/consortium/organotin-reach-consortium-147.html?sid=421)
- **European Petrochemical Association - EPCA**
  (www.epca.eu)
- **Gulf Petrochemicals and Chemicals Association - GPCA**
  (www.gpca.org.ae)
- **American Fuel and Petrochemical Manufacturers - AFPM**
  (www.afpm.org)
- **Japan Hygienic PVC Association - JHPA**
  (www.jhpa.jp)
- **Japan Hygienic Olefin and Styrene Plastics Association - JHOSPA**
  (www.jhospa.gr.jp)
- **Korea Specialty Chemical Industry Association - KSCIA**
  (www.kscia.or.kr)
- **Korea Chemicals Management Association**
  (www.ksma.or.kr)

Songwon & REACH in 2015

Helping our customers remain compliant

Songwon provided 445 REACH Coverage Statements for the year 2015 and 575 Import Certificates for our customers for their 2014 imports. The 2015 import certificates are currently being compiled by our Only Representative*.

We provided 135 Regulatory Data Sheets (RDS), of which about 30 have been newly created and many have been updated in 2015.

In 2015, Songwon continued its ongoing dedication to risk communication throughout the supply chain. We also created approximately 1 825 new SDS (including translations) and the same number of SDS were updated. Overall in 2015, we maintained approximately 13 300 SDS**

Refining registration dossiers and risk assessments is an ongoing process at Songwon. If new data is available or usage must be revised, REACH requires dossier updates. We take great care in supplying the required chemicals use information and labeling. Songwon is a member of several REACH consortia and we are actively involved in the dossier updating process of substances, where Songwon is not the Lead Registrant. In 2015, Songwon processed 3 registrations (non phase-in substances) and 8 dossier updates.

Also this year, all toxicity studies were completed for a volume update of our SONGNOX® PQ. Prior to developing new substances for our Specialty Chemicals business portfolio, we check and review issues regarding toxicological properties or concerns in order to secure a safer and greener future. In 2015, Songwon generated SDSs and RDSs for the Specialty Chemicals Business Portfolio and successfully registered SONGSORB® CS 928 under REACH.

K-REACH

Korea's Act on the Registration and Evaluation of Chemicals (K-REACH) is similar to REACH and came into force in January 2015. K-REACH manages new chemical substances, existing chemical substances and downstream products by prescribing the process for chemical registration, evaluation, as well as the risk and hazard assessment of chemical substances and products containing hazardous chemical substances. Its main goal is to protect public health and the environment.

Product stewardship

Throughout 2015, several plastic additives underwent assessment by ECHA and the member states. Dossier evaluations, substance evaluations and proposals for a harmonized Classification and Labelling (CLH) were finalized or started. This is another continuous process and the authorities are assessing substances within different working programs, e.g. CoRAP, the Candidate List, CLH. It is crucial for those in the chemical industry to

be actively involved in an early stage of each process. After coming under the scrutiny of the regulators for 'persistent' properties (in the discussion on for e.g. Benzotriazoles or Organotin products), Songwon is working within industry associations to demonstrate that polymer additive uses are safe. As a member, Songwon is also supporting the work of ELiSANA, a Cefic sector group for Light Stabilizers, regarding NIAS (Non-Intentionally Added Substances).

HELPING OUR CUSTOMERS REMAIN COMPLIANT

- 445 REACH Coverage Statements
- 575 Import Certificates
- provided 135 Regulatory Data Sheets (RDS)
- created 1 825 new Safety Data Sheets (SDS)
- maintained approximately 13 300 SDS

* *ChemService*
** *In line with CLP (EU regulation on Classification, Labeling and Packaging) and GHS (Globally Harmonized System) requirements*

EH&S & SUSTAINABILITY

Our sustainability strategy

At Songwon, sustainability is an essential part of our corporate culture and we have rooted it firmly in our everyday business activities. We understand that how we conduct our business is of equal importance to our results and we aim to align our structures, processes and systems toward sustainability. Our overall strategic objective is to create lasting value by managing our innovation, operations and business practices to meet the changing demands of our markets, our shareholders and society.

We are committed to sharing our expertise and are working more closely with our customers to develop products, applications and solutions that meet their sustainability goals. Our product portfolio, combined with our technological expertise and innovation, give us the opportunity to develop sustainable products and solutions that can help our customers address a wide variety of environmental issues.

Through the continuous efforts and focus on optimizing our production processes and developing more applications that bring savings in energy and resources, we are adding value - value for our customers, value for our people, value for society and value for future generations.

Committed to EH&S

We know that sustainability begins within our own operations. Therefore, at Songwon we have established high performance standards for environment, health and safety at our facilities that extend beyond compliance with laws and regulations. Our proactive implementation of these standards demonstrates our commitment to sustainability leadership in our industry. Our organization is dedicated to the long-term health and safety of everyone at Songwon and protecting the environment in which we operate. We have driven tremendous improvement and heightened awareness of the importance of EH&S across our organization. Employees are engaged in identifying and managing risk and are active participants in continuously improving the environment, health and safety of our operations.

We recognize our obligation to provide safe and healthy work environments for all of our stakeholders (employees, contractors, neighbours) and we continue to make this a top priority. At every Songwon location, safety is taken very seriously and is not negotiable. This focus and priority are also implemented at the new manufacturing sites that became part of Songwon in 2015, either by acquisition (Panoli, India) or as a grass root plant (Abu Dhabi, UAE).

We place great importance on being trusted and seen by the public as an organization with a high level of safety awareness and clear safety processes.

All the EH&S indicators for 2015 are inclusive of the performances at the Panoli (India) site we acquired at the end of 2014 and are gradually being aligned to Songwon's EH&S level.

Achieving zero accidents

Incident-free production can only be achieved in safe plants with qualified, safety-aware employees. At Songwon, efficient production and preventing injuries go hand in hand. We know that a zero accident target is difficult to reach but we also know that it is achievable and that is our goal.

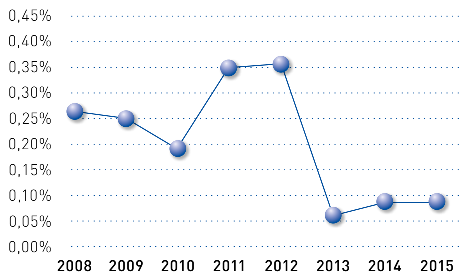
All accidents must be reported at Songwon and we compile this data in a global database. We classify any injuries that occur according to the local laws and record-keeping criteria. These data include all employees of Songwon Industrial Co., Ltd. and all contractors operating in our plants.

Due to our heightened focus on safe operations and raised awareness among our plant operators, the total recordable accidents steadily decreased over the past few years. Out of all the Songwon manufacturing sites we had, in 2015, 3 recordable accidents, including all the Songwon personnel and the contractors.

In 2015, we have started to investigate and test possible optimized technical solutions for reducing the manual operations that could still expose our operators to accidents or incidents. Filters discharge, manual bagging and solid material unloading are the operations we are focusing on and where we started tangible improvements.

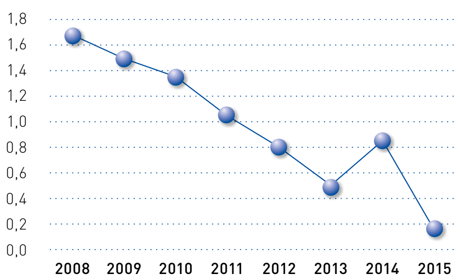
The Total Recordable Case Rate (TRCR) continued to significantly decrease, reaching 0.17 in 2015 and we registered a steady (0.07%) Total Lost Day Rate (LDR) showing a higher severity of the few recordable accidents that occurred.

LDR: Lost Day Rate
Total lost days / total worked hours



There were no fatalities and we achieved, for the third continuous year, a zero Occupational Diseases Rate (ODR) and zero Absentee Rate (AR). Even if these performances are aligned with the best-in-class chemical companies, we remain committed to the ongoing improvement of our Health and Safety performance.

TRCR: Total Recordable Case Rate
Recordable accidents *200.000 / total working hours



At Songwon, there are stringent procedures in place to continuously investigate and assess all possible risks, and to improve the existing operating procedures. In 2014 we focused on improving safety and environmental protection at our two main Korean plants and in 2015, by spending 10% of our annual capital investment, we introduced the same actions at the Suwon site in Korea and the recently acquired site in Panoli (India).

In 2015, we started to strongly focus on deep investigations and analysis of possible emergency scenarios with the aim to minimize the risk or at least minimize the impact. A fundamental tool for minimizing the risks are the ongoing monthly simulations carried out by our internal fire brigade, led by full-time dedicated fire marshals.

Environmental awareness

A long-standing commitment of Songwon's leadership team has been to make use of every opportunity to demonstrate the potential to contribute to a better world to our customers and to the chemical industry. As a global leader, developing processes that reduce our overall carbon footprint, saving energy and reducing emissions is a top priority.

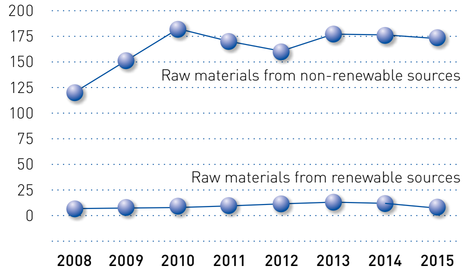
We have an aggressive program in place to improve processes that not only increase competitiveness through cost reductions, but also significantly reduce energy consumption, as well as waste production and CO_2 emissions. In addition, we are continually investing in renewable energy resources.

MATERIALS

Raw materials

At Songwon, we look for every opportunity to use raw materials from renewable sources. However, unfortunately only a few of the key raw materials we use are available from these sources. The majority is oil derivatives or metals. The only raw materials available from renewable sources are stearic acid and stearyl alcohol. Both are derived from palm kernel oil and represent approximately 7% of the total raw materials we use.

Raw materials used
Tons (x1000)



Recycled materials

We have consolidated the technology to recover, through a reverse reaction, the raw materials previously disposed as final product in organic waste. We have a double benefit to reduce the environmental impact and to recycle about 8%, corresponding to approx. 3500 t/y, of the raw material used in the production where this technology has been successful.

ENERGY

Energy regulatory policy and greenhouse gas regulatory policy is the same in Korea.
On 1 January 2015, Korea launched its national ETS (KETS, Korea Emission Trading System). KETS is a cap-and-trade program.

This type of ETS is mandatory (threshold: company → 125,000 tCO_2/year, installation → 25,000 tCO_2/Year) with voluntary opt in. It is mandatory for Songwon to participate.

Songwon initiatives

Here is an overview of the initiatives that have resulted in providing energy-efficient or renewable energy-based products and services, as well as reducing our energy needs.

Songwon is engaged in an energy consumption reduction program. One of the actions we have undertaken in the plants is to incinerate all the volatile organic compounds (VOC) produced. In doing this, we produce the steam we need in the production process. This action reduces overall energy consumption and contributes to a cleaner and safer environment. We have had 3 incinerators in operation since 2010. In 2013, we installed a new efficient steam generator based on LNG use in Maeam (Korea).

To improve the long term efficiency of our operations and products, we also have several energy consumption reduction initiatives in place:

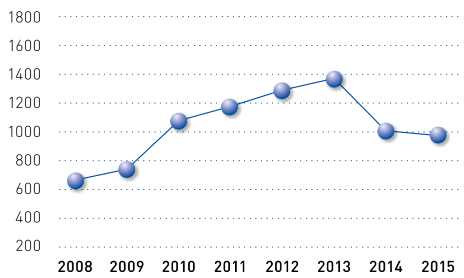
- optimizing the use of steam in the distillation step
- partial recycling of washing solvents and mother liquors after the crystallization step
- steam condensate reuse to boiler feeder water
- installation of solar panels on the warehouse roof
- using an inverter for saving electricity
- direct recycling in crystallization of the solvents recovered from the final product drying step

Thanks to the above initiatives in 2015 and compared to 2014, we have reduced the total annual energy consumption for power generation by 96 354 GJ (9%).

- **Direct energy consumption**

  Almost 100% of Songwon's direct energy consumption is in the form of natural gas and the majority is used for steam generation and the heating of hot oil. In 2015, we used 997469 GJ (gigajoules), in line with the previous year.

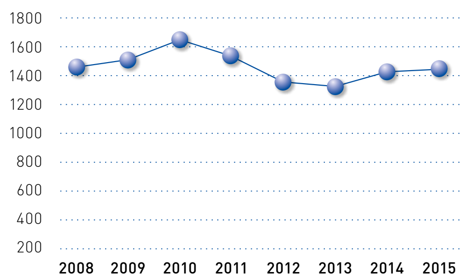
Direct energy consumption
GJ (x1000)



- **Indirect energy consumption**

  We also purchase electricity and steam for our facilities. More than 75% is attributable to steam purchases. We typically make these purchases from local utility companies using non-renewable energy sources.

Indirect energy consumption
GJ (x1000)

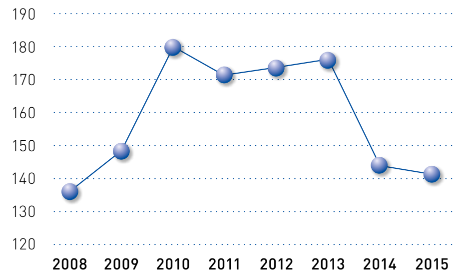


EMISSIONS

In Korea, activities measuring individual energy reduction are not calculated individually and separate from one another but as follows:

Emission reduction = Emission allowance – Actual Emission (Unit: tCO_2eq/year).

Total greenhouse gas emissions
Tons CO_2 (x1000)



Actual emission is measured according to 'Guideline for the Greenhouse Gas Target Management System' and 'The Allocation and Trade of Emission Allowance of Greenhouse Gas Act' in Korean law.

This is calculated as follows: Emission = Fuel consumption x NCV x EF x GWP, where:

- NCV = Net Calorific Value
- EF = Emission factor
- GVP = Global Warming Potential

Direct & indirect greenhouse gas emissions

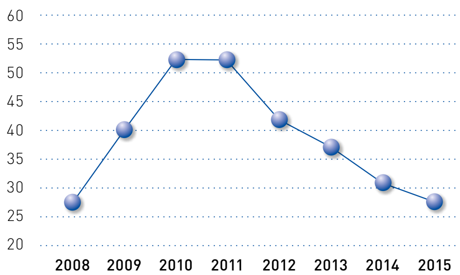
Our overall objective at Songwon is to work progressively towards a reduction in carbon emissions and in 2015 we have confirmed our commitment by reducing the general greenhouse gas (GHG) reduction by 2% compared to 2014. Once again, this is another good achievement especially since Songwon's plant in Panoli was not included in the 2014 reports.

The reported data do include the direct emissions and the indirect emissions from our electricity and steam purchasing. There are no other indirect emissions to be recorded.

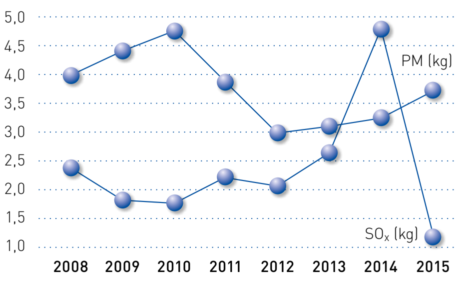
Significant air emissions

In Songwon's plants, nitrogen oxide (NOx), sulfur oxide (SOx) and particulate matter (PM) emissions are measured automatically by in-line analysers and the values are sent in real-time to government agencies.

NO_x (kg)
KG (x1000)



SO_x and particulate matter (kg)
KG (x1000)



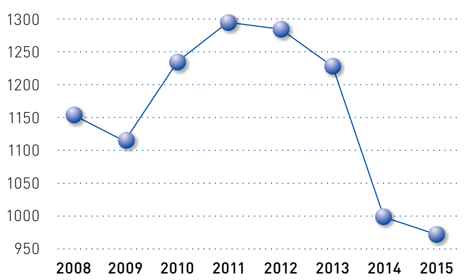
The increase of the SOx emissions in 2014 was due to the reduction of the neutralized chemical used in the vent scrubbers and occurred because of the need to reduce the salt content in the waste water discharged.
In 2015, we successfully implemented an SOx emission reduction plan and we have achieved an outstanding reduction of these emissions (76%).

WATER

Total withdrawal of water by source

Songwon purchases water from the local municipality and suppliers for the Ulsan, Maeam and Panoli plants. At the Suwon plant, water is sourced from underground.

Water withdrawn
m^3 (x1000)



According to direct measurements on site, Songwon has reduced its total water consumption in 2015 by about 3% compared to 2014. As above, this is a very good achievement because our Panoli plant was not included in the 2014 reports.
At the moment, the total volume of water recycled and reused at Songwon plants has increased from the 2 % in 2014 to more than 16% of the total water we used in 2015 (103 547 tons of water).

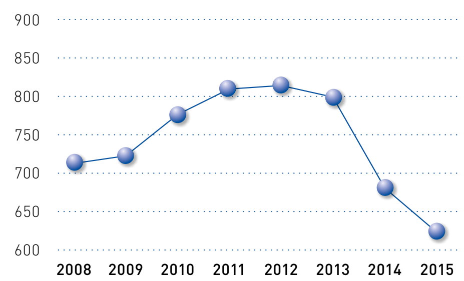
We were able to achieve this very positive result because the Ulsan plant incinerators produced 172 879 tons of steam in 2015 and 103 547 tons of water was supplied from high pressure steam condensate from the pumping trap of both the DiAlkylPhenol and the Maeam plants.

EFFLUENTS & WASTES

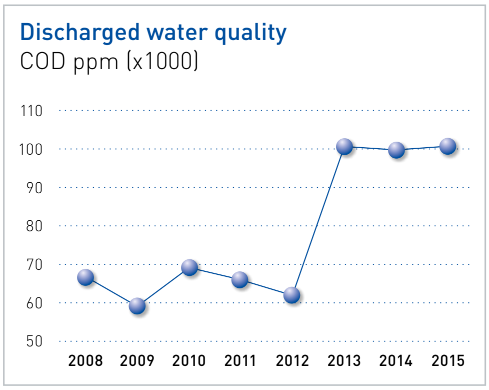
Total water discharged

After being internally treated, all the water discharged by Songwon's plants is conveyed to the municipality's central water treatment plant to have the organic content reduced further and then discharged to the sea or to a regional water treatment like in India.
As already mentioned, specific water reduction projects were implemented during 2014 and progressed in 2015 resulting in further reducing our total water consumption by 8% compared to 2014.

Total water discharged
m^3 (x1000)

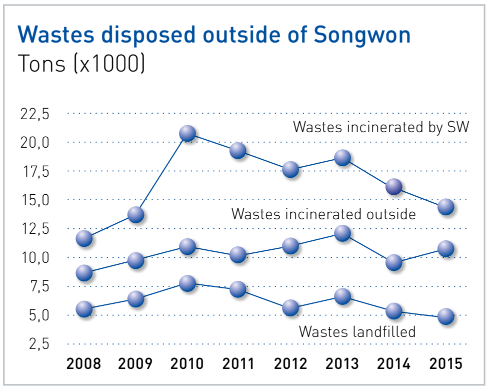


In 2015, we have largely improved the quality of the water discharged reducing the average COD (chemical oxygen demand) of the Korean sites from 100 to 60 ppm; this decrease has been nullified by the average quality of the discharged water from our Indian site where we comply with the local rules but are implementing several improvements to align the COD with our Korean sites.



OTHER WASTES

There are no hazardous wastes created by Songwon's operations. Currently, approximately half of the liquid organic wastes are incinerated on site, while half are disposed offsite by incineration. All the solid wastes are disposed of outside via landfilling.



SIGNIFICANT SPILLS

We have had no spills recorded or reported since 2008 or during 2015.

BIODIVERSITY

Songwon does not own, lease or manage property or equipment that is in or near protected areas or areas of high biodiversity. To our knowledge, none of our activities, products or services have any significant impact on biodiversity.

NON-COMPLIANCE

We have been in full compliance with all environmental rules and regulations and we received no fines in 2015.

Maeam plant, Korea

SONGWON GRI G4 Content Index - 'in accordance' Core

This GRI G4 Content Index provides an overview of the G4 Standard Disclosures based on the selections made.

GRI Empowering Sustainable Decisions
Content Index
SONGWON Industrial Co., Ltd.
Feb 2016
Service

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page
STRATEGY AND ANALYSIS	
G4-1	10 - 13, 39, 56, 66
ORGANIZATIONAL PROFILE	
G4-3	20
G4-4	26 - 29
G4-5	20
G4-6	20 - 23
G4-7	21
G4-8	22 - 24, 36, 38
G4-9	2
G4-10	48 - 53
G4-11	53
G4-12	39
G4-13	10 - 13, 21, 39, 46, 121
G4-14	10 - 13, 30 - 33, 44 - 45, 81 - 83
G4-15	53, 56 - 58, 81 - 82
G4-16	63
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	
G4-17	21, 168
G4-18	57 - 58
G4-19	59 - 61
G4-20	58 - 61
G4-21	58 - 61
G4-22	168
G4-23	168

STAKEHOLDER ENGAGEMENT	
G4-24	83
G4-25	83
G4-26	57 - 58, 83
G4-27	57 - 58, 83
REPORT PROFILE	
G4-28	168
G4-29	168
G4-30	168
G4-31	168
G4-32	168
G4-33	81, 168
GOVERNANCE	
G4-34	80 - 83
ETHICS AND INTEGRITY	
G4-56	53, 81

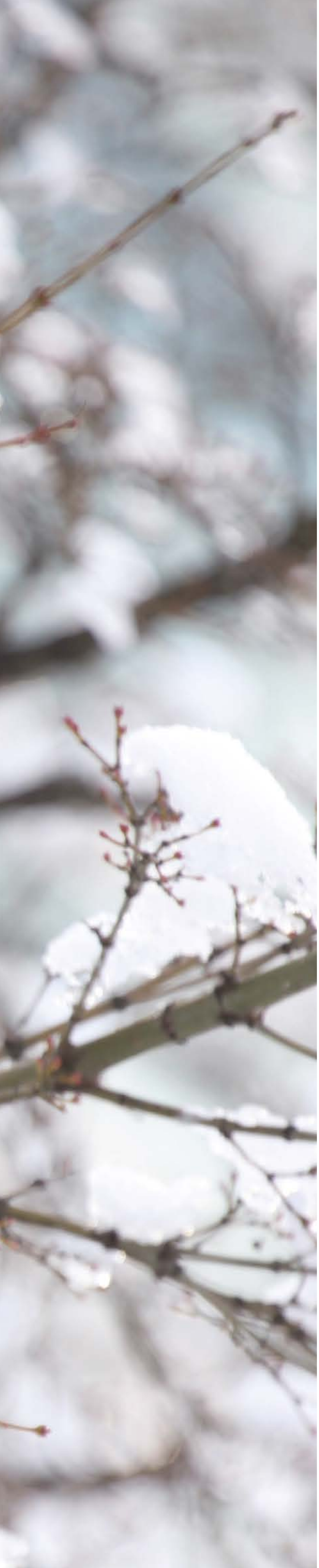
SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page	Omissions
CATEGORY: ECONOMIC		
MATERIAL ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	58	
G4-EC1	2	
G4-EC2	32	
G4-EC3	138 - 143	
CATEGORY: ENVIRONMENTAL		
MATERIAL ASPECT: MATERIALS		
G4-DMA	59, 68	
G4-EN1	68	
G4-EN2	68	

MATERIAL ASPECT: ENERGY		
G4-DMA	59, 68, 69	
G4-EN3	69	
G4-EN4	69	
G4-EN6	69	
MATERIAL ASPECT: WATER		
G4-DMA	59, 71	
G4-EN8	71	
G4-EN10	71	
MATERIAL ASPECT: BIODIVERSITY		
G4-DMA	59 - 60, 66	
G4-EN11	72	
MATERIAL ASPECT: EMISSIONS		
G4-DMA	59 - 60, 68, 70	
G4-EN15	70	
G4-EN16	70	
G4-EN19	70	
G4-EN21	70	
MATERIAL ASPECT: EFFLUENTS AND WASTE		
G4-DMA	59 - 60, 68, 71 - 72	
G4-EN22	71 - 72	
G4-EN23	72	
G4-EN24	72	
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	66	
G4-EN29	72	
CATEGORY: SOCIAL SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK		
MATERIAL ASPECT: EMPLOYMENT		
G4-DMA	48 - 53, 60	
G4-LA1	53	
G4-LA3	49	
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	60, 66 - 68	
G4-LA6	67	
MATERIAL ASPECT: TRAINING AND EDUCATION		
G4-DMA	51 - 52, 60 - 61	
G4-LA10	52	

MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	49, 60 - 61	
G4-LA12	49, 52 - 53	
SUB-CATEGORY: HUMAN RIGHTS		
MATERIAL ASPECT: NON-DISCRIMINATION		
G4-DMA	49 - 50, 58, 60 - 61, 82	
G4-HR3	82	
SUB-CATEGORY: SOCIETY		
MATERIAL ASPECT: ANTI-CORRUPTION		
G4-DMA	60 - 61, 81 - 82	
G4-SO4	81 - 82	
G4-SO5	82	
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR		
G4-DMA	60 - 61, 81 - 82	
G4-SO7	82	
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	60 - 62, 81 - 82	
G4-SO8	82	
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING		
G4-DMA	60 - 61, 64 - 65	
G4-PR3	64	
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	60 - 61, 64 - 65	
G4-PR9	82	

Magnolia tree at the Suwon plant.



4. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Governing with integrity, accountability & transparency

Songwon marked the 50th anniversary of its foundation in December 2015. Looking back, all these years of success and sustained value creation have been based on Songwon's ability to build the trust of its customers, investors and all stakeholders. This was achieved by our strict adherence to the highest standard of transparency, integrity and accountability.

At Songwon, we have always strived to go beyond a mere and formal adherence to statutory obligations to embrace the spirit at the core of corporate governance.
In our daily work, we place the highest priority on transparent and responsible corporate governance and this enables us to meet the ever-increasing demand for information from national and international stakeholders. In addition, Songwon's Executive Committee and Board of Directors (BOD) align management and supervision with nationally and internationally recognized benchmarks of good corporate governance.

Annual General Meeting

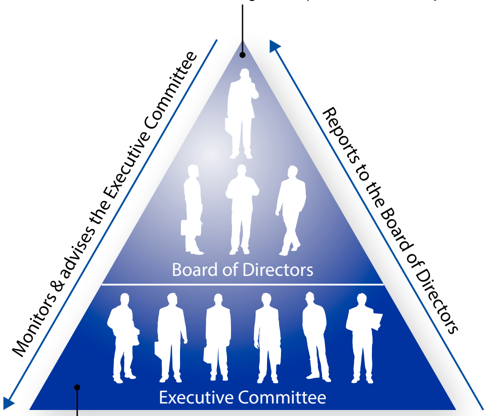
An Annual General Meeting is held at Songwon each year and all shareholders are invited to attend. At the meeting, decisions on matters concerning Songwon Industrial Co., Ltd. and the Group are made. Shareholders are also invited to ask questions relating to the agenda of the meeting, which customarily deals with the annual report and accounts.

In addition, Korean law provides mechanisms for shareholders that require directors of companies to hold a shareholders' meeting and to propose resolutions submitted by the shareholders.

In 2015 the Annual General Meeting was held on March 20. At the meeting, the Annual Report for the 2014 financial year was adopted together with the proposal for distributing profits.

THE BOARD OF DIRECTORS (BOD) AND THE EXECUTIVE COMMITTEE

4 members (including the Chairman) elected at the annual Shareholders' Meeting for a period of three years.



6 members appointed by the Board of Directors
CEO is elected at the Shareholders' Meeting

The BOD comprises 4 members, two of which are executive directors and two are non-executive directors. The Board supervises the decisions of Songwon's Executive Committee which is responsible for decision making on economic, environmental and social impacts.

The Executive Committee's role is to manage all aspects of Songwon's business, create policies and make key decisions concerning the organization's strategy, investments

G4-34

and people. However, with the exception of decisions reserved for the Board of Directors according to the Korean Company Act.

In these instances, the Committee prepares its proposals and passes them to the BOD for final approval. The Committee members meet in person once every quarter and hold regular teleconferences.

In the middle of 2015 with the aim of optimizing decision making processes and improving transparency and accountability, the Executive Committee (previously comprising 12 members) was reduced to 6 members, plus the CEO.

CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER (CEO) & EXECUTIVE MANAGEMENT

The Chairman of the Board is elected at the Annual Shareholders' Meeting. He is both an Executive Director and the CEO of the Songwon Group. The CEO manages according to the BOD's instructions, and in line with the division of responsibilities between the CEO and BOD as approved by the BOD. The CEO exercises ongoing control of the Group and is the Chair of the Executive Committee. The CEO nominates the Chief Operating Officer (COO), who reports directly to him. All of Songwon's executive managers report to the COO.

The remuneration for members of our highest governance body, senior managers, and executives (including departure arrangements) is in line with the overall performance of the company including the social, economic and environmental results.

External auditors

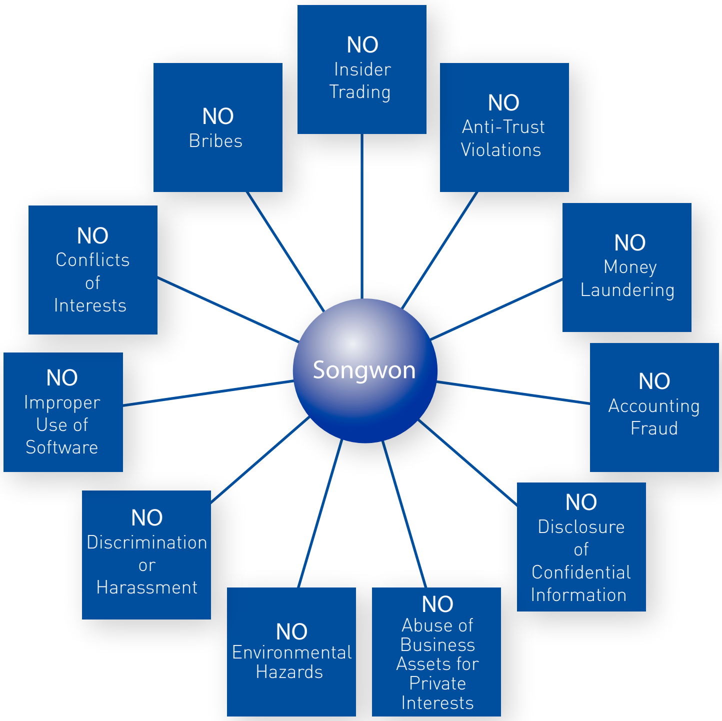
Auditors for Songwon are elected at the Annual General Meeting for a period of 3 years. As for the previous 10 years, the current auditors are Ernst & Young. The Board and the Executive Committee aim to foster a close relationship with the auditors in order that they remain well informed about relevant issues concerning the accounts, reporting procedures and management of the Group's assets.

Songwon's commitment

The company's Vision and Mission statements are the roadmap that drives Songwon's approach to business. The Vision and Mission statements have been communicated to all employees and released publicly to all of our stakeholders globally.

We also have a complete set of policies at Songwon that cover all aspects of doing business which are accessible to all employees. They outline our commitment to high ethical standards and our compliance with the applicable laws wherever we operate.

Songwon's Code of Conduct is given to all employees when hired and is available on our website. The code guides Songwon's workforce on how to apply basic principles in line with Songwon's core values and 'safe, honest, trustworthy, professional, customer focused' culture. It also provides practical advice on how to comply with laws and regulations and how to relate to our customers, communities and colleagues. Songwon has endeavored to ensure that our Code of Conduct is in line with internationally agreed standards. All of our policies are applied across the organization in all the regions and strictly enforced.



In 2015, there were no incidents against our principles, as e.g. corruption, anti-trust or discrimination. We also do not have any significant monetary or non-monetary fines for non-compliance with laws and regulations to report.

Internal control

Internal control is fundamental to Songwon's company culture. It involves implementing a control system and follow up of the Group's activities. It also ensures that Songwon's rules of business engagement are followed diligently with regard to external legislation and regulations, as well as internal guidelines and control documentation.

An important element of internal control is identifying risks and then ensuring that they are managed effectively. Our aim is to minimize the exposure to risk as far as possible, while ensuring that desired opportunities are capitalized upon at the same time.

The Group is organized to meet the requirements for effective internal control. Our working methods are characterized by organizational transparency and a clear division of responsibilities. The Group also has the necessary financial and business reporting systems in place. These are important control instruments that enable us to achieve reliable consolidation and financial reporting.

Using well established procedures, internal group reports are compiled once a month and then presented in a document which includes extensive analysis. A number of people from the Group, department and company level work on the quarterly and annual accounts. The summarized results are reviewed and approved by the management team, the Executive Committee and the BOD.

To ensure the highest levels of corporate governance, should a conflict of interest arise, the member concerned will abstain from voting on the issues involving a conflict of interest. Songwon is not aware of any conflicts of interest that arose or could have arisen in 2015.

Clear communication

At Songwon, we believe that effective internal communication is essential to achieving Songwon's business and strategic objectives. Therefore, we encourage all employees to promote and contribute to an effective, transparent and open atmosphere of communication.

Songwon's communication and consultation with stakeholders may take place as face-to-face meetings, group meetings, team briefings, meetings with union representatives, announcements, emails, letters, memos, notices and telephone calls.

The appropriate method of communication and/or consultation is decided depending on the nature of the topic involved.

Identifying stakeholders

Stakeholders are identified by each individual site and business operation as part of the communication process.

The content of this document has been put together taking into consideration the feedback and recommendations of all our stakeholders relating to the reported topics and their importance.

5. FINANCIAL STATEMENTS

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

On the following pages (92 - 163), consolidated financial statements for the year 2015 are presented. The financial statements disclosed are prepared according to the Korean International Financial Reporting Standards ("K-IFRS") and represent the documents as submitted for approval to the annual general shareholders' meeting that took place on March 18, 2016 in Ulsan, Korea.

While the management of the Group is responsible for the preparation and presentation of the financial statements, the independent Group auditor is responsible for expressing an opinion on these financial statements. The report on the consolidated financial statements – issued by our Group auditor, Ernst & Young Han Young – can be found on pages (90 – 91).

Jongho Park
Chairman, CEO & Member of the Executive Committee

Kisoo Byun
Independent Director

Chongsik Kim
President & Representative Director

Okkeun Kim
Standing Auditor

Hans-Peter Wüest
CFO & Member of the Executive Committee

Ernst & Young Advisory
Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Independent auditors' report

To the shareholders and board of directors of
SONGWON INDUSTRIAL CO., LTD. and its subsidiaries

We have audited the accompanying consolidated financial statements of SONGWON INDUSTRIAL CO., LTD. (the Company) and its subsidiaries (collectively referred to as the Group), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Ernst & Young Advisory
Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SONGWON INDUSTRIAL CO., LTD. and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Ernst & Young Han Young

February 22, 2016

This audit report is effective as at February 22, 2016, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December

	Notes	2015 Million KRW	2014 Million KRW
ASSETS			
Non-current assets		**483,786**	**517,944**
Property, plant and equipment	7, 25, 26	432,496	434,604
Investment properties	8, 26	3,562	31,281
Intangible assets	9, 10	34,688	41,452
Investments accounted for using the equity method	11	4,662	3,100
Available-for-sale financial investments	12	1,473	1,473
Other non-current financial assets	13	2,121	2,675
Deferred tax assets	28	4,784	3,359
Current assets		**362,595**	**337,913**
Inventories	14	169,123	169,014
Trade and other receivables	15	109,822	111,423
Income tax receivables		223	954
Other current assets	16	3,926	3,921
Other current financial assets	13	11,099	7,209
Cash and cash equivalents	17	68,402	45,392
Total assets		**846,381**	**855,857**
EQUITY AND LIABILITIES			
Equity		**316,413**	**288,627**
Non-controlling interests		*1,944*	*3,110*
Equity attributable to owners of the parent		*314,469*	*285,517*
Share capital	18	12,000	12,000
Capital surplus	18	24,361	24,361
Reserves	18	26,751	26,607
Retained earnings		250,000	225,280
Accumulated other comprehensive income	18	1,357	-2,731
Non-current liabilities		**94,128**	**145,482**
Interest-bearing loans and borrowings	19, 25, 26	29,551	76,014
Pension liability	20	19,252	18,707
Other long-term employee-related liabilities	21	3,006	2,009
Other non-current financial liabilities	22	484	2,447
Other non-current liabilities		42	38
Deferred tax liabilities	28	41,793	46,267
Current liabilities		**435,840**	**421,748**
Interest-bearing loans and borrowings	19, 25, 26	332,773	344,163
Trade and other payables	23	76,142	74,202
Other current financial liabilities	22	4,877	778
Other current liabilities		1,576	2,005
Income tax payable		20,472	600
Total liabilities		**529,968**	**567,230**
Total equity and liabilities		**846,381**	**855,857**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December (see Note 2.3)

	2015 Thousand USD	2014 Thousand USD
ASSETS		
Non-current assets	**410,881**	**439,891**
Property, plant and equipment	367,320	369,110
Investment properties	3,026	26,567
Intangible assets	29,461	35,205
Investments accounted for using the equity method	3,959	2,633
Available-for-sale financial investments	1,251	1,251
Other non-current financial assets	1,801	2,272
Deferred tax assets	4,063	2,853
Current assets	**307,953**	**286,991**
Inventories	143,638	143,545
Trade and other receivables	93,272	94,632
Income tax receivables	189	810
Other current assets	3,334	3,330
Other current financial assets	9,426	6,123
Cash and cash equivalents	58,094	38,551
Total assets	**718,834**	**726,882**
EQUITY AND LIABILITIES		
Equity	**268,732**	**245,133**
Non-controlling interests	*1,652*	*2,642*
Equity attributable to owners of the parent	*267,080*	*242,491*
Share capital	10,192	10,192
Capital surplus	20,690	20,690
Reserves	22,719	22,597
Retained earnings	212,325	191,330
Accumulated other comprehensive income	1,154	-2,318
Non-current liabilities	**79,943**	**123,558**
Interest-bearing loans and borrowings	25,098	64,559
Pension liability	16,351	15,888
Other long-term employee-related liabilities	2,553	1,706
Other non-current financial liabilities	411	2,078
Other non-current liabilities	36	32
Deferred tax liabilities	35,494	39,295
Current liabilities	**370,159**	**358,191**
Interest-bearing loans and borrowings	282,624	292,298
Trade and other payables	64,668	63,020
Other current financial liabilities	4,142	661
Other current liabilities	1,338	1,703
Income tax payable	17,387	509
Total liabilities	**450,102**	**481,749**
Total equity and liabilities	**718,834**	**726,882**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2015 Million KRW	2014 Million KRW
Sales of goods	6	654,421	665,498
Cost of sales		-513,841	-576,914
Gross profit		**140,580**	**88,584**
Selling and administration costs	27.2	-91,190	-85,186
Operating profit		**49,390**	**3,398**
Other income	27.3	41,638	22,404
Other expenses	27.4	-33,198	-19,924
Revaluation loss due to step acquisition		-	-32
Share of result from investments accounted for using the equity method	11	653	676
Finance income	27.7	42,780	24,433
Finance costs	27.6	-56,424	-39,671
Profit / (loss) before tax		**44,839**	**-8,716**
Income tax expense	28	-16,194	-4,675
Profit / (loss) for the year		**28,645**	**-13,391**
Other comprehensive income, net of taxes			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		*4,060*	*1,048*
Gain / (loss) on valuation of available-for-sale financial investments	18.4	-	-4
Gain / (loss) on valuation of interest rate swap	18.4	86	-88
Exchange differences on translation of foreign operations	18.4	3,974	1,140
Net other comprehensive income not to be reclassified to profit or loss		*-3,479*	*-7,387*
Re-measurements losses on defined benefit plans	18.4	-3,479	-7,387
Total other comprehensive income, net of taxes		**581**	**-6,339**
Total comprehensive income		**29,226**	**-19,730**
Profit / (loss) of the year attributable to:			
Owners of the parent		29,783	-12,660
Non-controlling interests		-1,138	-731
Profit / (loss) for the year		**28,645**	**-13,391**
Total comprehensive income attributable to:			
Owners of the parent		30,392	-18,955
Non-controlling interests		-1,166	-775
Total comprehensive income		**29,226**	**-19,730**
Earnings per share		KRW	KRW
Basic / diluted, profit / (loss) for the year attributable to ordinary equity holders of the parent	29	1,241	-527

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December (see Note 2.3)

	2015 Thousand USD	2014 Thousand USD
Sales of goods	555,800	565,207
Cost of sales	-436,405	-489,973
Gross profit	**119,395**	**75,234**
Selling and administration costs	-77,448	-72,348
Operating profit	**41,947**	**2,886**
Other income	35,363	19,028
Other expenses	-28,195	-16,921
Revaluation loss due to step acquisition	-	-27
Share of result from investments accounted for using the equity method	555	574
Finance income	36,333	20,751
Finance costs	-47,921	-33,694
Profit / (loss) before tax	**38,082**	**-7,403**
Income tax expense	-13,754	-3,970
Profit / (loss) for the year	**24,328**	**-11,373**
Other comprehensive income, net of taxes		
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	*3,449*	*892*
Gain / (loss) on valuation of available-for-sale financial investments	-	-3
Gain / (loss) on valuation of interest rate swap	73	-75
Exchange differences on translation of foreign operations	3,376	970
Net other comprehensive income not to be reclassified to profit or loss	*-2,955*	*-6,274*
Re-measurements losses on defined benefit plans	-2,955	-6,274
Total other comprehensive income, net of taxes	**494**	**-5,382**
Total comprehensive income	**24,822**	**-16,755**
Profit / (loss) of the year attributable to:		
Owners of the parent	25,295	-10,752
Non-controlling interests	-967	-621
Profit / (loss) for the year	**24,328**	**-11,373**
Total comprehensive income attributable to:		
Owners of the parent	25,812	-16,097
Non-controlling interests	-990	-658
Total comprehensive income	**24,822**	**-16,755**
Earnings per share	USD	USD
Basic / diluted, profit / (loss) for the year attributable to ordinary equity holders of the parent	1,054	-448

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014 and 31 December 2015

	Attributable to owners of the parent							
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumu-lated OCI	Total	Non-controlling interests	Total equity
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Notes	18	18	18	18, 20	18		1.2.4	
As at January 1, 2014	**12,000**	**24,361**	**26,439**	**247,175**	**-3,823**	**306,152**	**271**	**306,423**
Loss for the period	-	-	-	-12,660	-	-12,660	-731	-13,391
Loss on available-for-sale financial instruments, net of tax	-	-	-	-	-4	-4	-	-4
Loss on valuation of interest rate swap, net of tax	-	-	-	-	-88	-88	-	-88
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	1,184	1,184	-44	1,140
Re-measurement loss on defined benefit plans, net of tax	-	-	-	-7,387	-	-7,387	-	-7,387
Total comprehensive income	**-**	**-**	**-**	**-20,047**	**1,092**	**-18,955**	**-775**	**-19,730**
Change in non-controlling interests due to step acquisition	-	-	-	-	-	-	832	832
Change in non-controlling interests due to capital increase	-	-	-	-	-	-	2,782	2,782
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at December 31, 2014	**12,000**	**24,361**	**26,607**	**225,280**	**-2,731**	**285,517**	**3,110**	**288,627**

	Attributable to owners of the parent							
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumu-lated OCI	Total	Non-controlling interests	Total equity
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Notes	18	18	18	18, 20	18		1.2.4	
As at January 1, 2015	**12,000**	**24,361**	**26,607**	**225,280**	**-2,731**	**285,517**	**3,110**	**288,627**
Profit for the period	-	-	-	29,783	-	29,783	-1,138	28,645
Gain on valuation of interest rate swap, net of tax	-	-	-	-	86	86	-	86
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	4,002	4,002	-28	3,974
Re-measurement loss on defined benefit plans, net of tax	-	-	-	-3,479	-	-3,479	-	-3,479
Total comprehensive income	**-**	**-**	**-**	**26,304**	**4,088**	**30,392**	**-1,166**	**29,226**
Dividends	-	-	-	-1,440	-	-1,440	-	-1,440
Appropriation to reserves	-	-	144	-144	-	-	-	-
As at December 31, 2015	**12,000**	**24,361**	**26,751**	**250,000**	**1,357**	**314,469**	**1,944**	**316,413**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014 and 31 December 2015 (see Note 2.3)

	Attributable to owners of the parent							
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumu-lated OCI	Total	Non-controlling interests	Total equity
	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD
As at January 1, 2014	**10,192**	**20,690**	**22,454**	**209,926**	**-3,247**	**260,015**	**230**	**260,245**
Loss for the period	-	-	-	-10,752	-	-10,752	-621	-11,373
Loss on available-for-sale financial instruments, net of tax	-	-	-	-	-3	-3	-	-3
Loss on valuation of interest rate swap, net of tax	-	-	-	-	-75	-75	-	-75
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	1,007	1,007	-37	970
Re-measurement loss on defined benefit plans, net of tax	-	-	-	-6,274	-	-6,274	-	-6,274
Total comprehensive income	**-**	**-**	**-**	**17,026**	**929**	**-16,097**	**-658**	**-16,755**
Change in non-controlling interests due to step acquisition	-	-	-	-	-	-	707	707
Change in non-controlling interests due to capital increase	-	-	-	-	-	-	2,363	2,363
Dividends	-	-	-	-1,427	-	-1,427	-	-1,427
Appropriation to reserves	-	-	143	-143	-	-	-	-
As at December 31, 2014	**10,192**	**20,690**	**22,597**	**191,330**	**-2,318**	**242,491**	**2,642**	**245,133**

	Attributable to owners of the parent							
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumu-lated OCI	Total	Non-controlling interests	Total equity
	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD
As at January 1, 2015	**10,192**	**20,690**	**22,597**	**191,330**	**-2,318**	**242,491**	**2,642**	**245,133**
Profit for the period	-	-	-	25,295	-	25,295	-967	24,328
Gain on valuation of interest rate swap, net of tax	-	-	-	-	73	73	-	73
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	3,399	3,399	-23	3,376
Re-measurement loss on defined benefit plans, net of tax	-	-	-	-2,955	-	-2,955	-	-2,955
Total comprehensive income	**-**	**-**	**-**	**22,340**	**3,472**	**25,812**	**-990**	**24,822**
Dividends	-	-	-	-1,223	-	-1,223	-	-1,223
Appropriation to reserves	-	-	122	-122	-	-	-	-
As at December 31, 2015	**10,192**	**20,690**	**22,719**	**212,325**	**1,154**	**267,080**	**1,652**	**268,732**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 December

	Notes	2015 Million KRW	2014 Million KRW
Profit / (loss) for the year		**28,645**	**-13,391**
Adjustments of non-cash items	30	**46,804**	**49,227**
Changes in operating assets and liabilities	30	**10,344**	**21,295**
Interest received		427	528
Receipt of dividends		25	7
Payment of income tax		-706	-9,351
Net cash flow from operating activities		**85,539**	**48,315**
Proceeds from sale of property, plant and equipment	7, 30	674	82
Proceeds from sale of investment property	8, 30	34,409	-
Proceeds from sale of intangible assets	9, 30	223	819
Proceeds from sale of available-for-sale financial instruments		-	500
Proceeds from sale of investments using equity method	11, 30	32	-
Purchase of property, plant and equipment	7	-24,700	-36,250
Purchase of intangible assets	9	-260	-290
Purchase of available-for-sale financial instruments		-	-123
Investment in a joint-venture	11	-1,377	-
Acquisition of a subsidiary, net of cash acquired		-	200
Acquisition of a business, net of cash acquired	5	-	-19,746
Increase of other financial assets		-3,430	-761
Dividends received from investments using equity method	11	545	-
Net cash flow from investing activities		**6,116**	**-55,569**
Proceeds from borrowings (current)		684,949	738,154
Repayment of borrowings (current)		-752,666	-786,059
Proceeds from interest-bearing borrowings (non-current)		9,179	52,458
Repayment of interest-bearing borrowings (non-current)		-72	-
Increase in other financial liabilities		1,690	366
Interest paid		-14,404	-16,833
Proceeds from issue of share capital of a subsidiary		-	2,782
Dividends paid	18	-1,440	-1,680
Net cash flow from financing activities		**-72,764**	**-10,812**
Increase / (decrease) in cash and cash equivalents		18,891	-18,066
Net foreign exchange difference		4,119	-219
Cash and cash equivalents at January 1	17	45,392	63,677
Cash and cash equivalents at December 31	17	**68,402**	**45,392**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 December (see Note 2.3)

	2015 Thousand USD	2014 Thousand USD
Profit / (loss) for the year	**24,328**	**-11,373**
Adjustments of non-cash items	**39,751**	**41,809**
Changes in operating assets and liabilities	**8,785**	**18,086**
Interest received	363	448
Receipt of dividends	21	6
Payment of income tax	-600	-7,942
Net cash flow from operating activities	**72,648**	**41,034**
Proceeds from sale of property, plant and equipment	571	70
Proceeds from sale of investment property	29,224	-
Proceeds from sale of intangible assets	189	696
Proceeds from sale of available-for-sale financial instruments	-	424
Proceeds from sale of investments using equity method	27	-
Purchase of property, plant and equipment	-20,978	-30,787
Purchase of intangible assets	-221	-246
Purchase of available-for-sale financial instruments	-	-104
Investment in a joint-venture	-1,169	-
Acquisition of a subsidiary, net of cash acquired	-	168
Acquisition of a business, net of cash acquired	-	-16,770
Increase of other financial assets	-2,912	-646
Dividends received from investments using equity method	463	-
Net cash flow from investing activities	**5,194**	**-47,195**
Proceeds from borrowings (current)	581,727	626,913
Repayment of borrowings (current)	-639,239	-667,600
Proceeds from interest-bearing borrowings (non-current)	7,796	44,553
Repayment of interest-bearing borrowings (non-current)	-61	-
Increase in other financial liabilities	1,435	311
Interest paid	-12,233	-14,296
Proceeds from issue of share capital of a subsidiary	-	2,363
Dividends paid	-1,223	-1,427
Net cash flow from financing activities	**-61,798**	**-9,183**
Increase / (decrease) in cash and cash equivalents	16,044	-15,344
Net foreign exchange difference	3,499	-186
Cash and cash equivalents at January 1	38,551	54,081
Cash and cash equivalents at December 31	**58,094**	**38,551**

1 CORPORATE INFORMATION

1.1 THE COMPANY

Songwon Industrial Group (the "Group") consists of parent company Songwon Industrial Co., Ltd. (the 'Company') and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965 under the law of the Republic of Korea to engage in the manufacture and commercial sale of antioxidants, stabilizers and polyurethane. The Company's main manufacturing plants are located in Ulsan and Suwon, Korea. The address of the registered office (Songwon Industrial Co., Ltd.) can be found at the end of the annual report.

The Company listed its common shares on the Korea Exchange in June 1977 pursuant to the provisions of the Korean Securities and Exchange Act.

1.2 SCOPE OF CONSOLIDATION

1.2.1 CHANGES IN THE SCOPE OF CONSOLIDATION

In 2015, the scope of consolidation for the consolidated financial statements encompasses 15 entities (2014: 15 entities). Additionally, two entities are classified as joint ventures (2014: 2 entities) and accounted for using the equity method.

Changes in the scope of consolidation in 2015 comprised:
- Disposal of interest in joint venture Chemservice Asia Co., Ltd., Korea as per August 3, 2015.
- Establishment of the joint venture Qingdao Long Fortune Songwon Chemical Co., Ltd., located in Qingdao, China. 50% of the newly established entity belongs to the Group and its equity is consolidated as per August 1, 2015.

Changes in the scope of consolidation in 2014 comprised:
- Songwon Specialty Chemicals – India Pvt. Ltd. (India), which was established during the second quarter of 2014 and runs a production facility for the polymer stabilizer business.
- Polysys Additive Technologies – Middle East LLC (Abu Dhabi), a partnership with Polysys Industries LLC to build up an additional production facility for the OPS business. The entity was fully consolidated for the first time on April 1, 2014. Until April 2014, this entity was categorized as a joint operation and proportionally consolidated.

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

		December 31, 2015		December 31, 2014	
Name	Location	Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International - Japan KK	Japan	Subsidiary	100%	Subsidiary	100%
Songwon China Ltd.	Hong Kong	Subsidiary	100%	Subsidiary	100%
Songwon Trading Co., Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals Co., Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon International - India Pvt. Ltd.	India	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 Holdings AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Additive Technologies AG	Switzerland	Subsidiary	75%	Subsidiary	75%
Songwon ATG GmbH	Germany	Subsidiary	75%	Subsidiary	75%
Songwon Additive Technologies - Americas Inc.	USA	Subsidiary	75%	Subsidiary	75%
Songwon Additive Technologies - Middle East FZE	Dubai (UAE)	Subsidiary	75%	Subsidiary	75%
Polysys Additive Technologies - Middle East LLC	Abu Dhabi (UAE)	Subsidiary	55.5%	Subsidiary	55.5%
Entities accounted for using the equity method (joint ventures)					
Chemservice Asia Co., Ltd.	Korea	-	-	Joint venture	50%
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%
Qingdao Long Fortune Songwon Chemical Co., Ltd.	China	Joint venture	50%	-	-

1.2.2 SUMMARIZED STATEMENTS OF FINANCIAL POSITION AND COMPREHENSIVE INCOME OF SUBSIDIARIES

The summarized statements of financial position and comprehensive income of subsidiaries are as follows:

	Total assets	Total liabilities	Total equity	Sales revenue	Net income	Total comprehensive income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
as at December 31, 2015						
Songwon Industrial Co., Ltd.	797,433	465,650	331,783	548,661	43,249	40,221
Songwon International - Japan KK	23,682	19,814	3,868	67,836	779	779
Songwon China Ltd.	5,143	1,882	3,261	9,696	1,964	1,964
Songwon Trading Co., Ltd.	1,696	598	1,098	8,859	5	5
Songwon Chemicals Co., Ltd.	2,475	226	2,249	2,797	546	546
Songwon International - India Pvt. Ltd.	1,646	153	1,493	3,610	105	105
Songwon Specialty Chemicals - India Pvt. Ltd.	35,796	32,414	3,382	13,756	-1,268	-1,248
Songwon International - Americas Inc.	61,456	59,088	2,368	146,591	-1,380	-1,380
Songwon Holdings AG	43,686	2	43,684	-	-260	-260
Songwon International AG	105,901	75,631	30,270	191,191	-3,699	-4,085
Songwon Additive Technologies AG	34,461	19,349	15,112	-	8	8
Songwon ATG GmbH	6,938	1,502	5,436	6,837	1,035	1,035
Songwon Additive Technologies - Americas Inc.	5,345	4,126	1,219	2,352	-248	-248
Songwon Additive Technologies - Middle East FZE	12,608	12,492	116	30,923	753	753
Polysys Additive Technologies - Middle East LLC	21,966	22,583	-617	9	-2,989	-2,989
as at December 31, 2014						
Songwon Industrial Co., Ltd.	810,847	517,845	293,002	569,720	-4,729	-9,498
Songwon International - Japan KK	23,331	20,473	2,858	71,505	340	340
Songwon China Ltd.	5,377	3,939	1,438	8,390	1,054	1,054
Songwon Trading Co., Ltd.	3,325	2,248	1,077	8,822	220	220
Songwon Chemicals Co., Ltd.	1,936	257	1,679	1,507	78	78
Songwon International - India Pvt. Ltd.	1,866	523	1,343	3,351	452	452
Songwon Specialty Chemicals - India Pvt. Ltd.	27,586	23,086	4,500	3,134	-2,051	-2,051
Songwon International - Americas Inc.	59,434	55,951	3,483	137,152	-8	-8
Songwon Holdings AG	39,470	21	39,449	-	-900	-900
Songwon International AG	116,618	83,995	32,623	225,734	2,078	-642
Songwon Additive Technologies AG	33,180	18,440	14,740	-	1,259	1,259
Songwon ATG GmbH	7,400	2,844	4,556	6,222	-152	-152
Songwon Additive Technologies - Americas Inc.	5,240	4,325	915	1,641	-1,065	-1,065
Songwon Additive Technologies - Middle East FZE	14,607	15,191	-584	21,525	-792	-792
Polysys Additive Technologies - Middle East LLC	18,392	16,083	2,309	-	-1,013	-1,013

1.2.3 INTEREST IN JOINT VENTURES

In August 2015, the Group disposed of its interest in joint venture Chemservice Asia Co., Ltd., Korea. In the same month the Group established the joint venture Qingdao Long Fortune Songwon Chemical Co., Ltd., located in Qingdao, China. The Group owns 50% of the newly established entity, which is involved in the production of One Pack System blends. In addition, the Group has a 30% interest in Songwon Baifu Chemicals (Tangshan) Co., Ltd., a jointly controlled entity involved in the production of thioesters. Determination was driven by contractually agreed sharing of control with regard to relevant activities, which require unanimous consent of the control-sharing parties.

The summarized statement of financial position and summarized statement of comprehensive income of joint ventures (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
Chemservice Asia Co., Ltd.	35	55	-	8	8	-	16	30	15
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	926	7,770	5,914	3,243	3,401	-	-	10,283	3,085
December 31, 2014	**961**	**7,825**	**5,914**	**3,251**	**3,409**	**-**	**16**	**10,313**	**3,100**
Chemservice Asia Co., Ltd.	-	-	-	-	-	-	-	-	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,518	8,026	6,558	3,336	3,665	-	-	10,919	3,276
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,740	5,313	773	3,305	3,314	-	-	2,772	1,386
December 31, 2015	**4,258**	**13,339**	**7,331**	**6,641**	**6,979**	**-**	**-**	**13,691**	**4,662**

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the year	Other comprehensive income	Total comprehensive income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	-	-	-	-	-	-	-2	-	-2
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	19,992	-50	2	-145	3,028	-771	2,257	380	2,637
December 31, 2014	**19,992**	**-50**	**2**	**-145**	**3,028**	**-771**	**2,255**	**380**	**2,635**
Chemservice Asia Co., Ltd.	-	-	-	-	12	-1	11	-	11
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	18,846	-69	3	-103	2,831	-711	2,120	333	2,453
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,320	-4	2	-	30	-8	22	-4	18
December 31, 2015	**20,166**	**-73**	**5**	**-103**	**2,873**	**-720**	**2,153**	**329**	**2,482**

All joint ventures are measured using the equity method. All operations are continuing. The financial statements of all joint ventures have the same reporting dates as the Group. In 2015 dividends of 545 Million KRW were received from Songwon Baifu Chemicals (Tangshan) Co., Ltd. (2014: none) (see Note 11).

1.2.4 NON-CONTROLLING INTERESTS

1.2.4.1 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

No transactions with non-controlling interest with regards to acquisitions or disposals took place during the reporting period 2015.

Purchase of economic interests in Polysys Additive Technologies – Middle East LLC, Abu Dhabi, UAE:

On April 1, 2014, Songwon Industrial Group – through its subsidiary Songwon Additive Technologies AG – acquired an additional 25% of the economic interest in Polysys Additive Technologies – Middle East LLC (PATME-UAE), an unlisted company based in Abu Dhabi, UAE.

After the acquisition of the additional 25% economic interest, the assessment of the Group's power to control PATME-UAE led to the decision that the Group will control the entity going forward. Accordingly, PATME-UAE became a subsidiary of the parent company. It was accounted for as a joint operation until March 31, 2014.

See Note 5.1 –. Business combinations in 2015 – for further details.

1.2.4.2 INTEREST OF NON-CONTROLLING INTERESTS

The Group has one subsidiary (Songwon Additive Technologies AG, Switzerland) with non-controlling interests representing ownership of 25% as of December 31, 2015 (25% as of December 31, 2014). Within the Additive Technologies subgroup, there are non-controlling interests of 26% in Polysys Additive Technologies-Middle East LLC, UAE. The net loss attributable to the non-controlling interests for the year 2015 is -1,138 Million KRW (2014: net loss of -731 Million KRW). Summarized cash flow information of the partly-owned subsidiaries is as follows:

	2015	2014
	Million KRW	Million KRW
Operating cash flow	209	4,145
Investing cash flow	-4,218	-9,721
Financing cash flow	1,032	13,720
Net cash flow	**-2,977**	**8,144**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with the established Korean International Financial Reporting Standards ('K-IFRS') adopting International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in accordance with Item 1 of the 1st Clause of Article 13 of External Audit Law.

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

The Group maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with K-IFRS. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date that the Group gains control until the date that it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if the results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 CONVENIENCE TRANSLATION INTO UNITED STATES DOLLAR AMOUNTS

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All won amounts are expressed in US dollars at the rate of KRW 1,177.44 to USD 1, the exchange rate in effect on December 31, 2015. Such a presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.4 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree – either at fair value, or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

In business combinations achieved in stages, any previously held equity interest in the acquiree is re-measured to its acquisition date fair value.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.5 INTEREST IN JOINT ARRANGEMENTS

Joint ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture and is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of a joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss in a joint venture is shown on the face of the statement of profit or loss outside operating profit, and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to align the accounting policies with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value. It then recognizes the loss as 'Share of profit of a joint venture' in the statement of profit.

Upon loss of significant influence over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture – upon loss of significant influence or joint control – and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Joint operations
A joint operation is defined as an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

2.6 FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Korean won, which is the parent company's functional currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group companies at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets, including goodwill and liabilities of foreign subsidiaries, where the functional currency is other than the Korean won, are translated using the exchange rate at the end of the reporting period, while the statements of income are translated using average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized.

2.7 PROPERTY, PLANT AND EQUIPMENT

'Property, plant and equipment' is valued at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. Other repair and maintenance costs are recognized in the income statement as incurred. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately.

Depreciation expense is recognized using the straight-line method. The following useful lives are assumed:

Land	No depreciation
Buildings	18 to 54 years
Structures	6 to 39 years
Machinery	10 to 20 years
Other	1 to 10 years

Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly.

The gain or loss arising from derecognition of a property, plant or equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset. It shall be recognized in the income statement when the asset is derecognized.

2.8 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with useful finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the least at the end of each reporting period. Changes in the expected useful life or the expected consumption pattern of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement under cost of sales, and selling and administration costs in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives (such as goodwill and memberships) are not amortized, but are tested for impairment annually – either individually, or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the income statement when the asset is derecognized.

Intangible assets with finite useful lives are amortized using the straight-line method with the following useful lives:

Software	3 to 10 years
Industrial rights	10 years
Useful lives of items recognized in business combinations	over its useful life between 5 to 9 years
Customer relationships	5 to 9 years
Non-compete agreements	6 years
Process technologies	5 to 6 years

The useful lives of customer relationships and process technologies were adjusted in 2014 based on the effective useful lives of the intangible assets acquired in the prior period.

2.9 INVESTMENT PROPERTY

The Group classifies property for earning rentals or capital appreciation, or both, as investment properties. As investment properties are accounted for using a cost model, the same accounting policies applied to property, plant and equipment are used for their accounting treatment, except for their classification and presentation.

2.10 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement depends on the use of a specific asset or assets, and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases, which transfer substantially to the Group all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor
Leases, in which the Group does not substantially transfer all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. The Group has not entered into finance lease agreements as a lessor.

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group reviews non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication exists, or when annual impairment testing for assets, such as membership is required, the Group estimates the asset's recoverable amount. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level, but at the level of the cash-generating unit (CGU) to which the asset belongs.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited, so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the income statement.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is tested for impairment annually as of December 31, as well as whenever there are events or changes in circumstances (triggering events), which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the (groups of) CGU(s) that is expected to benefit from the synergies of the business combination. If the carrying amount of the CGU(s), to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill is recognized. The recoverable amount is the higher of the CGU(s) fair value less costs to sell and its value in use. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually, or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.12 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset, which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective assets.

2.13 INVENTORIES

Inventory is valued at the lower of the acquisition or production cost and net realizable value; cost being generally determined on the basis of a weighted average. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks, as well as on-hand and short-term deposits with a maturity of three months or less.

2.15 PROVISIONS

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

2.16 PENSIONS AND OTHER LONG-TERM EMPLOYMENT BENEFITS

Pensions
The Group operates three defined benefit pension plans: one in Korea, one in Switzerland and one in India.
The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.
Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The pension expenses are recognized in the income statement under cost of sales, and selling and administration costs.

Other long-term employment benefits
The parent company also implements a bonus plan designed to present a prescribed quantity of gold to long-term service employees and to entitle them to compensated vacation. The bonus plan’s accounting policies are mostly the same as the defined benefit plan, except that re-measurements are recognized immediately in profit or loss.

2.17 TAXES

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction, either in other comprehensive income, or directly in equity.

Deferred tax assets and deferred tax liabilities are offset – if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.18 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income
For all financial instruments, measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). This is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

Dividends
Revenue is recognized when the Group's right to receive the payment is established.

2.19 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
All financial assets are recognized initially at fair value plus; in the case of investments not at fair value through profit or loss, directly attributable transaction costs apply. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification:
- At fair value through profit or loss
- Held to maturity
- Loans and receivables
- All other financial assets are classified as 'available-for-sale'

The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by K-IFRS 1039. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.
The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.
As for loans and receivables above the EIR, amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading, nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity, or to changes in market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized. At this time the cumulative gain or loss is recognized in other income, or determined to be impaired, and the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

Derecognition of financial assets
A financial asset (or where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred, nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred, nor retained substantially all of the risks and rewards of the asset, nor transferred its control of the asset, it is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset, and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Note 3: Disclosures for significant assumptions
- Note 15: Trade Receivables

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists for those that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Available-for-sale financial investments
In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost – a 'significant decline' is evaluated against the original cost of the investment and a 'prolonged decline' against the period in which the fair value has been below its original cost.
In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Financial liabilities
All financial liabilities are recognized initially at fair value, and in the case of loans and borrowings, including directly attributable transaction costs.
The measurement of financial liabilities depends on their classification:
- Financial liabilities at fair value through profit or loss
- Loans and borrowings

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognized in the income statement.
The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency, interest rate and commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash flow hedges
Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income. Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group applies cash flow hedge accounting for interest rate swap contracts.

2.20 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to K-IFRS effective as of January 1, 2015 and as adopted by the Group:

Amendments to K-IFRS 1019 Defined Benefit Plans: Employee Contributions
K-IFRS 1019 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is relevant to the Group, since some of its entities have defined benefit plans with contributions from employees. The standard was applied for the annual actuarial calculation as per December 31, 2014.

The Group has assessed that the aforementioned standard's impact on its consolidated financial statements will not be significant for the year in which it applies this standard for the first time.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Note	Description	Nature of estimation
7, 8, 9, 10	**Impairment of non-financial assets / goodwill**	Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. The 'fair value less costs to sell' calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The 'value in use' calculation is based on a discounted cash flow model. The cash flows are derived from the expectations for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount based on the value in use is most sensitive to the discount rate used for the discounted cash flow model (WACC), as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The recoverable amount based on the fair value less cost to sell is most sensitive to the market prices, premiums and the estimate of cost to sell. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately, the amount of any goodwill impairment.
9	**Customer relations**	Customer relations are depreciated over their estimated useful life. The estimated useful life is based on estimates of the time period during which this intangible asset generates cash flows, as well as historic empirical data concerning customer loyalty. Calculation of the present value of estimated future cash flows includes essential assumptions, especially of future sales. In addition, discounting is based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on national risks and additional risks resulting from the volatility of the respective business.
20, 21	**Pension and other employment benefits**	The cost of defined benefit pension plans and other similar long-term employee benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.
28.2	**Deferred tax assets**	Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.
24	**Fair value of financial instruments**	Where the fair value of financial assets and liabilities is recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. Inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

K-IFRS 1109 Financial Instruments
The Korean Accounting Standards Board (KASB) issued the final version of K-IFRS 1109 Financial Instruments that replaces K-IFRS 1039 Financial Instruments: Recognition and Measurement and all previous versions. K-IFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

K-IFRS 1115 Revenue from Contracts with Customers
K-IFRS 1115 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under K-IFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under K-IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group performed a preliminary assessment of K-IFRS 1115 which is subject to changes arising from a more detailed ongoing analysis. The Group plans to adopt the new standard on the required effective date.

Amendments to K-IFRS 1110 and K-IFRS 1028: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between K-IFRS 1110 and K-IFRS 1028 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in K-IFRS 1103, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to K-IFRS 1111 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to K-IFRS 1111 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant K-IFRS 1103 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation, while joint control is retained. In addition, scope exclusion has been added to K-IFRS 1111 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation, and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to K-IFRS 1016 and K-IFRS 1038: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in K-IFRS 1016 and K-IFRS 1038 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part), rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment, and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group as it has not used a revenue-based method to depreciate its non-current assets.

Amendments to K-IFRS 1027: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying K-IFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1001 Disclosure Initiative

The amendments to K-IFRS 1001 Presentation of Financial Statements clarify, rather than significantly change, existing K-IFRS 1001 requirements.
The amendments clarify:

- The materiality requirements in K-IFRS 1001
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to K-IFRS 1110, IFRS 12 and K-IFRS 1028 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under K-IFRS 1110. The amendments to K-IFRS 1110 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to K-IFRS 1110 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to K-IFRS 1028 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after January 1, 2016. They include:
- K-IFRS 1105 Non-Current Assets Held for Sale and Discontinued Operations
- K-IFRS 1107 Financial Instruments: Disclosures
- K-IFRS 1019 Employee Benefits
- K-IFRS 1034 Interim Financial Reporting

These amendments are not expected to have any impact on the Group.

5 BUSINESS COMBINATIONS

5.1 BUSINESS COMBINATIONS IN 2015

During the reporting period 2015 no business combinations took place within the Songwon Group.

5.2 BUSINESS COMBINATIONS IN 2014

5.2.1 ACQUISITION OF POLYSYS ADDITIVE TECHNOLOGIES-MIDDLE EAST LLC, UAE

On April 1, 2014, Songwon Industrial Group – through its subsidiary Songwon Additive Technologies AG – acquired an additional 25% economic interest in Polysys Additive Technologies – Middle East LLC (PATME-UAE), an unlisted company based in Abu Dhabi, UAE.

After this acquisition, an assessment of the Group's power to control PATME-UAE led to the decision that the Group will control the entity going forward. Accordingly, PATME-UAE became a subsidiary of the parent company, while it was accounted for as a joint operation until March 31, 2014.

The assets, liabilities and contingent liabilities of the acquired company are valued at fair value on the date of acquisition. If the cost exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the balance is reported as goodwill.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of the acquired business at the date of acquisition were (figures represent a 100% interest):

Fair value recognized on acquisition	Million KRW
Assets	
Property, plant and equipment	3,641
Other current financial assets	2
Other current assets	46
Cash and cash equivalent	2,221
Total assets	**5,910**
Liabilities	
Other long-term employee benefits	9
Long-term loans and borrowings	2,573
Other non-current financial liabilities	44
Trade and other payables	64
Other current financial liabilities	19
Total liabilities	**2,709**
Identifiable net assets at fair value	3,201
Goodwill arising on acquisition	**115**
Fair value of net assets acquired and goodwill arising	**3,316**
Consideration satisfied by:	
Cash paid on acquisition of 25% of economic interest	915
Cash consideration	915
Fair value of 49% economic interest in PATME-UAE	1,569
Fair value of non-controlling economic interest of 26% in PATME-UAE	832
Total cost of acquisition	**3,316**

The goodwill of 115 Million KRW comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the parent company and the acquired entity. None of the goodwill recognized is expected to be deductible for income tax purposes.

Revaluation of previously held interest

The Group held an equity interest of 49% immediately before the acquisition date of Polysys Additive Technologies – Middle East LLC. In this business acquisition, which was achieved in stages, the Group re-measured its previously held interest in the acquired entity. The resulting loss of 32 Million KRW is included in the statement of comprehensive income in 2014.

5.2.2 ACQUISITION OF POLYMER STABILIZER BUSINESS FROM SEQUENT SCIENTIFIC LIMITED, INDIA

On August 1, 2014, the Group acquired the specialty chemicals business from SeQuent Scientific Limited, a publicly listed Indian company. The acquisition includes SeQuent's entire polymer stabilizer business, including one production site in Panoli, India.

The assets, liabilities and contingent liabilities of the acquired business are valued at fair value on the date of acquisition. If the cost exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the balance is reported as goodwill.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired business at the date of acquisition were:

Fair value recognized on acquisition	Million KRW
Assets	
Property, plant and equipment	7,399
Intangible assets	8,343
Inventory	870
Other current assets	359
Total assets	**16,971**
Liabilities	
Pension liability	184
Deferred tax liability	424
Trade and other payables	80
Total liabilities	**688**
Identifiable net assets at fair value	16,283
Goodwill arising on acquisition	**3,463**
Fair value of net assets acquired and goodwill arising = cost of acquisition	**19,746**

The goodwill of 3,463 Million KRW comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the acquiring entity, Songwon Specialty Chemicals – India Pvt. Ltd., Panoli, India.

None of the goodwill recognized is expected to be deductible for income tax purposes.

6 SEGMENT INFORMATION

For management purposes Songwon Industrial Group is organized into one main operating segment. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The results from this operating segment are equivalent to the financial statements of the Group as a whole.

The Group is acting worldwide and therefore, discloses geographic segments.

6.1 PRODUCT INFORMATION

	2015	2014
	Million KRW	Million KRW
Alkylphenols and Intermediates	1,872	4,228
Plasticizers	7,977	8,275
Polyester diols	12,001	13,459
Polymer stabilizers (AOX and UVs)	450,643	445,367
Polyurethanes	44,592	48,139
PVC stabilizers	46,381	48,919
SAP and flocculants	12,316	17,959
Tin Intermediates	71,235	76,022
Others	7,404	3,130
Total revenue per consolidated income statement	**654,421**	**665,498**

6.2 GEOGRAPHIC INFORMATION

Revenue from external customers

	2015	2014
	Million KRW	Million KRW
Korea	189,784	198,546
Rest of Asia	139,759	149,015
Europe	149,167	157,860
North and South America	136,693	125,781
Australia	2,855	2,302
Middle East and Africa	36,163	31,994
Total revenue per consolidated income statement	**654,421**	**665,498**

The revenue information above is based on the location of the customer. Despite the material Korean home market, all other countries have been summarized within regions. Therefore, no country revenues are disclosed separately.
The Group is not recognizing more revenue than 10% of total revenue from one customer during the reporting periods.

Non-current assets

	2015	2014
	Million KRW	Million KRW
Korea	397,411	434,152
Rest of Asia	23,581	23,155
Europe	25,675	30,469
North and South America	5,072	5,769
Middle East and Africa	19,007	13,792
Total	**470,746**	**507,337**

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets.

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
COST							
At January 1, 2014	**151,195**	**61,326**	**63,897**	**424,253**	**14,564**	**3,882**	**719,117**
Additions	-	200	7	515	1,123	27,124	28,969
Disposals	-	-333	-52	-6,252	-280	-	-6,917
Reclassifications	-3,261	2,444	103	9,526	677	-12,690	-3,201
Other changes in carrying amount	-	-	-	-41	-	-	-41
Business acquisitions	-	1,821	-	4,096	1,308	2,031	9,256
Net exchange differences	-	35	-	-402	34	500	167
At December 31, 2014	**147,934**	**65,493**	**63,955**	**431,695**	**17,426**	**20,847**	**747,350**
Additions	-	20	-	83	902	22,313	23,318
Disposals	-30	-42	-49	-3,612	-1,521	-109	-5,363
Reclassifications	-	2,838	89	17,268	364	-20,559	-
Net exchange differences	-	65	-	233	129	1,227	1,654
At December 31, 2015	**147,904**	**68,374**	**63,995**	**445,667**	**17,300**	**23,719**	**766,959**
DEPRECIATION AND IMPAIRMENT							
At January 1, 2014	**-**	**-14,694**	**-25,024**	**-242,339**	**-10,783**	**-**	**-292,840**
Depreciation charge for the year	-	-1,466	-3,127	-19,424	-1,161	-	-25,178
Impairment charge for the year	-	-204	-14	-686	-	-	-904
Reclassifications	-	154	21	-	-	-	175
Disposals	-	123	38	5,493	243	-	5,897
Net exchange differences	-	1	-	122	-19	-	104
At December 31, 2014	**-**	**-16,086**	**-28,106**	**-256,834**	**-11,720**	**-**	**-312,746**
Depreciation charge for the year	-	-1,746	-3,136	-20,219	-1,305	-	-26,406
Disposals	-	17	41	3,168	1,506	-	4,732
Net exchange differences	-	-	-	6	-49	-	-43
At December 31, 2015	**-**	**-17,815**	**-31,201**	**-273,879**	**-11,568**	**-**	**-334,463**
NET BOOK VALUE							
At December 31, 2015	**147,904**	**50,559**	**32,794**	**171,788**	**5,732**	**23,719**	**432,496**
At December 31, 2014	**147,934**	**49,407**	**35,849**	**174,861**	**5,706**	**20,847**	**434,604**

No impairment of fixed assets has been performed in 2015. In 2014, however, fixed assets amounting to 904 Million KRW were impaired due to a production stop at the Ulsan plant, South Korea.
Non-cash transactions amounting to 2,388 Million KRW are included in the additions for the year ending 2015.

Capitalized borrowing costs

Borrowing costs, which are directly attributable to the acquisition or production of a qualified asset, are capitalized as part of the cost of that asset. No borrowing costs have been capitalized during the 2015 and 2014 financial years.

Finance leases

There are no assets held under leasing agreements, which may be considered as an asset purchase in economic terms (finance lease), in the Group. Payment on leased assets defined as 'operating lease' and having a rental character are expensed over the lease period.

Contractual commitments and pledged assets

A pledged asset is an asset that is transferred to a lender for the purpose of securing debt. The lender of the debt maintains possession of the pledged asset, but does not have ownership unless a default occurs (see Note 26). For contractual commitments to purchase property, plant and equipment, refer to Note 25.3.

8 INVESTMENT PROPERTIES

	Land	Buildings	Structures	Total
	Million KRW	Million KRW	Million KRW	Million KRW
COST				
At January 1, 2014	**21,312**	**8,847**	**349**	**30,508**
Additions	-	-	-	-
Reclassifications	3,261	413	32	3,706
Net exchange differences	-3	-7	-	-11
At December 31, 2014	**24,570**	**9,253**	**381**	**34,204**
Additions	-	-	-	-
Disposals	-21,294	-8,760	-349	-30,403
Net exchange differences	1	6	-	7
At December 31, 2015	**3,277**	**499**	**32**	**3,808**
DEPRECIATION				
At January 1, 2014	**-**	**-2,441**	**-132**	**-2,573**
Depreciation charge for the year	-	-170	-11	-181
Reclassifications	-	-154	-21	-175
Net exchange differences	-	6	-	6
At December 31, 2014	**-**	**-2,759**	**-164**	**-2,923**
Depreciation charge for the year	-	-95	-6	-101
Disposals	-	2,635	148	2,783
Net exchange differences	-	-5	-	-5
At December 31, 2015	**-**	**-224**	**-22**	**-246**
NET BOOK VALUE				
At December 31, 2015	**3,277**	**275**	**10**	**3,562**
At December 31, 2014	**24,570**	**6,494**	**217**	**31,281**

Investment properties are stated at cost less any accumulated depreciation and impairment losses, if any. The same useful lives have been used as for property, plant and equipment.

	2015	2014
	Million KRW	Million KRW
Rental income	1,111	1,980
Operational expenses	614	1,008

Songwon Industrial Co., Ltd. disposed investment properties which consisted of land (book value: 21,294 Million KRW), buildings (net book value: 6,125 Million KRW) and structures (net book value: 201 Million KRW) in July 2015. Furthermore, Songwon Industrial Co., Ltd owns an office building in Busan which is subleased with a fair value of 5,000 Million KRW. Songwon Japan KK owns an object which is subleased. The fair value of the building is 47 Million KRW.

Disclosure of pledged assets can be found in Note 26.

9 INTANGIBLE ASSETS

	Industrial rights	Software	Memberships	Customer relationships	Non-compete contracts	Capitalization process technologies	Goodwill	Construction-in-progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
COST									
At January 1, 2014	**3,090**	**2,508**	**1,895**	**24,093**	**13,300**	**652**	**35,104**	**1,268**	**81,910**
Additions	-	127	-	-	-	-	-	163	290
Disposals	-	-15	-818	-	-	-	-	-	-833
Reclassifications	-450	-	-	-	-	-	-	-62	-512
Business acquisitions	-	-	-	4,315	-	4,028	3,578	-	11,921
Net exchange differences	-	19	-	1,029	513	113	774	-	2,448
At December 31, 2014	**2,640**	**2,639**	**1,077**	**29,437**	**13,813**	**4,793**	**39,456**	**1,369**	**95,224**
Additions	64	71	-	-	-	-	-	125	260
Disposals	-64	-230	-225	-	-	-	-	-8	-527
Reclassifications	32	-	-	-	-	-	-	-	32
Net exchange differences	-	45	-	1,954	999	144	2,168	-	5,310
At December 31, 2015	**2,672**	**2,525**	**852**	**31,391**	**14,812**	**4,937**	**41,624**	**1,486**	**100,299**
AMORTIZATION AND IMPAIRMENT									
At January 1, 2014	**-628**	**-1,786**	**-**	**-8,812**	**-6,330**	**-228**	**-27,683**	**-**	**-45,467**
Amortization charge for the year	-247	-333	-	-3,191	-2,209	-455	-	-	-6,435
Disposals	-	15	-	-	-	-	-	-	15
Net exchange differences	-	-7	-	-447	-351	-11	-1,069	-	-1,885
At December 31, 2014	**-875**	**-2,111**	**-**	**-12,450**	**-8,890**	**-694**	**-28,752**	**-**	**-53,772**
Amortization charge for the year	-260	-261	-	-3,937	-2,377	-949	-	-	-7,784
Impairment for the year	-	-	-	-	-	-224	-	-	-224
Disposals	31	232	-	-	-	-	-	-	263
Net exchange differences	-	-21	-	-986	-758	-22	-2,307	-	-4,094
At December 31, 2015	**-1,104**	**-2,161**	**-**	**-17,373**	**-12,025**	**-1,889**	**-31,059**	**-**	**-65,611**
NET BOOK VALUE									
At December 31, 2015	**1,568**	**364**	**852**	**14,018**	**2,787**	**3,048**	**10,565**	**1,486**	**34,688**
At December 31, 2014	**1,765**	**528**	**1,077**	**16,987**	**4,923**	**4,099**	**10,704**	**1,369**	**41,452**

The intangible assets (except for goodwill and memberships) are amortized over a finite useful life. The goodwill items consist of items acquired in a business combination. In the 2015 financial year, no business combination took place that led to a capitalization of intangible assets.

As a result of the business acquisition of SeQuent Scientific Limited, Panoli, India by the Group, intangible assets such as customer relationships (4,315 Million KRW), process technologies (4,028 Million KRW), as well as goodwill (3,463 Million KRW) were capitalized in the prior period. From the acquisition of PATME-UAE, Abu Dhabi, UAE, goodwill of 115 Million KRW was capitalized in 2014.

Intangible assets with indefinite useful lives are tested for impairment annually. An impairment test was carried out for goodwill and membership items based on calculated value in use. For further details of the impairment test, see Note 10.

9.1 DETAILS OF INDIVIDUALLY SIGNIFICANT INTANGIBLE ASSETS

		December 31, 2015	December 31, 2014	Remaining life
Description	Remark	Million KRW	Million KRW	
Industrial rights	REACH	1,531	1,637	6 years
Memberships	New Seoul Country	778	778	Indefinite
Goodwill	Acquisition of Songwon Holdings AG	2,023	1,887	Indefinite
Goodwill	Acquisition of Songwon Chemicals Co., Ltd.	-	222	Indefinite
Goodwill	Acquisition of ATG Additive Technology Greiz GmbH	4,756	4,942	Indefinite
Goodwill	Acquisition of Polysys Additive Technologies-Middle East LLC	130	121	Indefinite
Goodwill	Acquisition of Business SeQuent Scientific Ltd.	3,656	3,532	Indefinite
Intangible assets acquired in a business combination	Customer relatonships	14,018	16,987	3.6 years 4.0 years
Intangible assets acquired in a business combination	Non-compete contracts	2,787	4,923	1.0 years
Intangible assets acquired in a business combination	Capitalization process technologies	3,048	4,099	1.8 years 3.6 years
Construction-in-progress	REACH	1,486	1,370	-
Significant intangible assets total		**34,213**	**40,498**	

10 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

10.1 IMPAIRMENT TEST ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill acquired through business combinations and memberships with indefinite useful lives have been allocated to the cash-generating units (CGUs) according to their business activities. Goodwill acquired in a business combination is allocated to each CGU expected to benefit from the synergies of the business combination. The goodwill acquired during the acquisition of Songwon Holdings AG, Songwon ATG GmbH, Polysys Additive Technologies, as well as memberships are allocated to the CGU comprising the acquired entities and the parent company, which correspond almost to the entire Group. The goodwill resulting from the business acquisition of SeQuent Scientific Limited was allocated to the distinct CGU of Songwon Specialty Chemicals – India Pvt. Ltd., India (SWCI-IN).

The allocation of the goodwill and intangible assets with indefinite useful life to the CGUs is as follows:

	December 31, 2015 Million KRW	December 31, 2014 Million KRW
Goodwill of Songwon Specialty Chemicals – India Pvt. Ltd., India (SWCI-IN)	3,656	3,532
Goodwill of the rest of the Group (main CGU)	6,909	6,950
Memberships with indefinite useful lives of the rest of the Group (main CGU)	778	778
Total tested goodwill and intangible assets with indefinite useful lives	**11,343**	**11,260**

The Group performed its annual impairment test in December 2015 and 2014. The recoverable amount of the CGUs – to which goodwill and intangible assets with indefinite lives are allocated – has been determined based on its value in use, calculated using the discounted cash flow (DCF) model.

As of December 31, 2015, the recoverable amount of the main CGU (rest of the Group) equals 900,157 Million KRW (2014: 834,795 Million KRW). The recoverable amount of the CGU of Songwon Specialty Chemicals – India Pvt. Ltd., India amounts to 33,644 Million KRW or 1,889 Million INR (2014: 24,138 Million KRW or 1,400 Million INR).

There is no impairment loss recognized during 2015 according to the impairment test on goodwill and memberships. As of the measurement date, the recoverable amount based on the value in use in 2015 exceeded the carrying amount of the relevant CGUs.

10.2 KEY ASSUMPTIONS USED IN CALCULATION OF VALUE IN USE

The calculation of the CGU value in use reflects the future cash flows for the next three years for the main CGU and for the next five years for SWCI-IN discounted to the present value at the weighted average cost of capital (WACC) and at an estimated residual value. The projected cash flows are estimated based on the 2016 Budget and 2016-2020 Business Plan, as approved by management, and mid-term assumptions. For the free cash flows extending beyond the detailed planning period, a terminal value was computed by capitalizing the normalized cash flows using a constant growth rate. The long-term growth rate is aligned to blended long-term inflation expectations for relevant countries.

In addition, a market risk premium of 6.00% (2014: 5.00%) and a small cap premium of 3.74% (2014: 3.84%) were applied for the calculation of the WACC.

The key assumptions underlying the calculation are as follows:

Parameters for the determination of the recoverable amount of the CGU	Description
Average annual growth	Average annual growth is calculated on the basis of mid-term assumptions.
WACC	WACC is calculated using the Capital Asset Pricing Model (CAPM). The latter comprises the weighted cost of own equity and of external borrowing costs. The application of WACC pre-tax and WACC post-tax results in the same value in use.
Long-term growth rate	Long-term growth rate is calculated based on the expected inflation rates for currencies of relevant countries.

Parameters for the determination of the recoverable amount of the CGU	2015	2014
Average annual growth	2.50%	3.00%
Pre-tax WACC	13.15%	12.12%
Post-tax WACC	10.86%	9.92%
Long-term growth rate	2.58%	2.23%

Parameters for the determination of the recoverable amount of the CGU of SWCI-IN	2015	2014
Average annual growth	4.39%	15.70%
Pre-tax WACC	18.84%	19.25%
Post-tax WACC	15.55%	15.14%
Long-term growth rate	4.54%	6.00%

The following changes in material assumptions led to a situation where the value in use equals the carrying amount:

Parameters for the determination of the recoverable amount of the CGU	Sensitivity analysis main CGU (rest of the Group)	Sensitivity analysis SWCI-IN
Average annual growth	0.00%	2.65%
Pre-tax WACC	16.74%	22.70%
Post-tax WACC	13.67%	19.00%
Long-term growth rate	0.00%	0.00%

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The changes in the interest in joint ventures are summarized as follows:

	As of January 1, 2015	Additions	Share of result from equity method revaluation	Dividends	Disposals	Exchange rate effect	As of December 31, 2015
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	15	-	6	-	-21	-	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,085	-	636	-545	-	100	3,276
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	1,377	11	-	-	-2	1,386
Total	**3,100**	**1,377**	**653**	**-545**	**-21**	**98**	**4,662**

	As of January 1, 2014	Additions	Share of result from equity method revaluation	Dividends	Disposals	Exchange rate effect	As of December 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	16	-	-1	-	-	-	15
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,294	-	677	-	-	114	3,085
Total	**2,310**	**-**	**676**	**-**	**-**	**114**	**3,100**

12 AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

	As per December 31, 2015				As per December 31, 2014			
	Number of shares	% to equity	Cost	Book value	Number of shares	% to equity	Cost	Book value
Description			Million KRW	Million KRW			Million KRW	Million KRW
Ulsan Broadcasting Corp.	180,000	3.00%	900	900	180,000	3.00%	900	900
Jin Yang Development	900	-	450	450	900	-	450	450
Chemtura Corporation	4,527	-	123	123	4,527	-	123	123
Total			**1,473**	**1,473**			**1,473**	**1,473**

Investments in equity instruments that do not have a quoted market price in an active market, and of which the fair value cannot be reliably measured, are measured at cost.

Impairment on available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Based on these criteria, the Group did not identify any impairment on available-for-sale investments as of December 31, 2015 and 2014.

13 OTHER FINANCIAL ASSETS

	December 31, 2015		December 31, 2014	
	Non-current	Current	Non-current	Current
Description	Million KRW	Million KRW	Million KRW	Million KRW
Bank deposits (> 3 months)	1,851	3,741	2,478	1,814
Loans	-	7,000	-	5,000
Derivative financial assets (Note 24)	-	214	-	320
Guarantee deposits	270	144	197	75
Total	**2,121**	**11,099**	**2,675**	**7,209**

13.1 LOANS

Details of loans as of December 31, 2015 and 2014 are as follows:

Description	Annual interest rate (%)	December 31, 2015 Million KRW	Annual interest rate (%)	December 31, 2014 Million KRW
Loans to related party (see Note 31)	3.5	7,000	3.5	5,000
Total		**7,000**		**5,000**

13.2 OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL

The bank deposits pledged as collateral in connection with interest-bearing loans and borrowings as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Bank deposits - Current (in Thousand USD)	2,485	1,213

14 INVENTORIES

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Raw materials and supplies	21,383	17,747
Work-in-progress	193	152
Finished goods	122,187	128,011
Goods in transit	25,030	22,611
Consignment stocks	330	493
Total inventories at the lower of cost and net realizable value	**169,123**	**169,014**

As of December 31, 2015, inventory write-off amounted to 2,455 Million KRW for raw material and finished goods (December 31, 2014: 3,506 Million KRW).

15 TRADE AND OTHER RECEIVABLES

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Trade and notes receivable (net) – third parties	102,845	108,370
Trade and notes receivable (net) – related parties	2,657	31
Other receivable (net) – third parties	3,401	2,988
Other receivable (net) – related parties	373	-
Accrued income – third parties	310	33
Accrued income – related parties	236	1
Total	**109,822**	**111,423**

Other receivable third parties include customs, rental income receivables and others.

The movements of the allowance for doubtful receivables are as follows:

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2014	**-240**	**-21**	**-261**
Charge for the year	-878	-31	-909
Unused amounts reversed	710	-	710
December 31, 2014	**-408**	**-52**	**-460**
Charge for the year	-736	-1	-737
Utilized	200	-	200
Unused amounts reversed	601	11	612
December 31, 2015	**-343**	**-42**	**-385**

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

	Total	Neither past due, nor impaired	Past due, but not impaired				
			< 30 days	30–90 days	90-120 days	120-180 days	> 180 days
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
December 31, 2015	109,822	101,105	7,376	965	223	101	52
December 31, 2014	111,423	97,937	10,057	2,997	172	231	29

See Note 24.3.2 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due, nor impaired.

16 OTHER CURRENT ASSETS

Other current assets as of December 31, 2015 and 2014 consist of the following:

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Advance payments	993	397
Prepaid expenses	2,854	3,407
VAT refundables	79	117
Total	**3,926**	**3,921**

17 CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Cash on hand	66	83
Bank accounts	63,152	43,352
Time deposit (< 3 months)	5,184	1,957
Total	**68,402**	**45,392**

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

18 ISSUED CAPITAL AND RESERVES

18.1 SHARE CAPITAL

In accordance with the Articles of Incorporation, the Company is authorized to issue 100,000,000 shares of common stock with a par value of 500 per share. As of December 31, 2015 and 2014, the Company issued 24,000,000 shares of common stock with a carrying value of 12,000 Million KRW.

18.2 CAPITAL SURPLUS

As of December 31, 2015 and 2014, the Company's capital surplus amounts to 24,361 Million KRW. It comprises paid-in capital in excess of par value of 20,065 Million KRW and gain on disposal of treasury stock of 4,296 Million KRW.

18.3 RESERVES

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Legal reserve	936	792
Asset revaluation surplus	25,815	25,815
Total	**26,751**	**26,607**

Legal reserves
In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends, and may only be used to offset a deficit, if any, or be transferred to capital. Appropriation to the legal reserve from retained earnings, pursuant to the approval of the General Meeting of Shareholders during 2015 and 2014, amounted to 144 Million KRW and 168 Million KRW, respectively.

Asset revaluation reserve
The Group revalued certain parts of its property, plant and equipment in accordance with the Korean Asset Revaluation Act on January 1, 1984 and January 1, 1999, resulting in a revaluation surplus of 2,884 Million KRW and 64,277 Million KRW, respectively. An asset revaluation surplus amounting to 62,343 Million KRW, net of related revaluation tax, was credited to capital surplus. As of December 31, 2015 and 2014, the asset revaluation surplus is 25,815 Million KRW – the asset revaluation surplus of 23,312 Million KRW and 13,216 Million KRW were utilized in disposition of accumulated deficit pursuant to the approval of the stockholders on March 6, 2009 and March 7, 2008, respectively. The asset revaluation surplus may not be utilized for cash dividends, and may only be used to offset a deficit, if any, or be transferred to capital.

Dividends
Dividends approved by the shareholders are as follows:

Description	December 31, 2015	December 31, 2014
Subject to the year	2014	2013
Dividends on ordinary shares in KRW	1,440,000,000	1,680,000,000
Number of shares	24,000,000	24,000,000
Dividends per share in KRW	60	70

18.4 ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income, net of tax, as of December 31, 2015 and 2014 is composed of the following:

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Exchange differences on translation of foreign operations	1,405	-2,598
Interest rate swap	-48	-133
Total	**1,357**	**-2,731**

Details of other comprehensive income for the year ended December 31, 2015 and 2014 are as follows:

	2015	2014
Description	Million KRW	Million KRW
Pretax amounts:		
Gain / (loss) on valuation of available-for-sale financial assets	-	-4
Gain / (loss) on valuation of interest rate swap	86	-88
Exchange differences on translation of foreign operations	3,974	1,140
Re-measurement gains / (losses)	-4,432	-9,064
Pretax amounts total	**-372**	**-8,016**
Tax effects:		
Re-measurement gains / (losses)	953	1,677
Tax effects total	**953**	**1,677**
Net amounts:		
Gain / (loss) on valuation of available-for-sale financial assets	-	-4
Gain / (loss) on valuation of interest rate swap	86	-88
Exchange differences on translation of foreign operations	3,974	1,140
Re-measurement gains / (losses)	-3,479	-7,387
Net amounts total	**581**	**-6,339**

19 INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Long-term privately placed corporate bonds	-	10,000
Long-term borrowings	29,551	66,014
Non-current bank loans and bonds	**29,551**	**76,014**
Current portion of long-term borrowings	115,211	128,849
Current portion of privately placed corporate bonds	10,000	-
Short-term borrowings	207,562	215,314
Current loans and borrowings	**332,773**	**344,163**
Total	**362,324**	**420,177**

Details of **long-term borrowings** as of December 31, 2015 and 2014 are as follows:

		Annual interest rate	December 31, 2015	December 31, 2014
Banks	Description	(%)	Million KRW	Million KRW
Woori Bank	General Loan	3.98; 10.45	35,215	54,075
Korea Development Bank	General Loan	1.75-3.94	54,175	50,697
Busan Bank	General Loan	3.98	9,018	14,909
KEB Hana Bank (ex. Hana Bank)	General Loan	3.98	7,527	14,909
KEB Hana Bank (ex. Korean Exchange Bank)	General Loan	3.98; 10.80	21,634	37,273
Polysys Industries LLC	General Loan	6.50	4,286	3,997
Korea Standard Chartered Bank	General Loan	3.98	9,018	14,909
NRW Bank	General Loan	-	-	153
Pan Gulf Holding Company W.L.L.	General Loan	2.25 - 6.52	3,889	3,941
Sub-total			**144,762**	**194,863**
Less current portion			**-115,211**	**-128,849**
Non-current portion			**29,551**	**66,014**

Details of **privately placed bonds** as of December 31, 2015 and 2014 are as follows:

	Issuance date	Maturity date	Annual interest rate	December 31, 2015	December 31, 2014
Banks			(%)	Million KRW	Million KRW
Gyeong Nam Bank (see Note 24.1.2)	04.04.2013	04.04.2016	3MCD+2.27	10,000	10,000
Sub-total				**10,000**	**10,000**
Less short-term bonds				**-**	**-**
Less current portion				**10,000**	**-**
Non-current portion				**-**	**10,000**

Details for **short-term borrowings** are as follows:

Banks	Description	Annual interest rate (%)	December 31, 2015 Million KRW	December 31, 2014 Million KRW
Woori Bank	General & trade loans	Libor+0.8-1.46; 10.45	44,971	49,318
KEB Hana Bank (ex. Hana Bank)	General & trade loans	Libor+0.55-1.50	7,090	11,159
KEB Hana Bank (ex. Korean Exchange Bank)	General & trade loans	Libor+0.30-1.50	40,147	40,783
Korea Development Bank	General & trade loans	Libor+0.55-1.19	51,772	69,815
Busan Bank	Trade loans	Libor+0.55-1.50	6,985	3,619
Gyeong Nam Bank	Trade loans	Libor+0.55-1.37	44,758	29,354
NRW Bank	General loan	6.03	73	-
NH Bank	General loan	4.31	10,000	-
KEB Abu Dhabi	General loan	2.00	1,766	-
Citibank	General & trade loans	-	-	6,545
Korea Standard Chartered Bank	Trade loans	-	-	4,721
Total			**207,562**	**215,314**

20 PENSIONS LIABILITY

	2015 Million KRW	2014 Million KRW
Korean pension plan	12,691	13,342
Swiss pension plan	6,541	5,200
Indian pension plan	20	165
Total	**19,252**	**18,707**

The Group has three defined benefit pension plans: one pension plan in Korea, one in Switzerland and one in India.

As a result of the Group's business acquisition of SeQuent Scientific Limited, India, an immaterial defined net benefit obligation of 184 Million KRW was taken over in the financial year 2014. After the revaluation as per December 31, 2014, the defined net benefit obligation amounted to 165 Million KRW. For materiality reasons, the Indian plan was not disclosed in the prior year's reporting period.

The following tables summarize the components of net benefit expense recognized in the income statement and the funded status and amounts recognized in the statement of financial position for the respective plans.

20.1 DEFINED BENEFIT OBLIGATION

Changes in the defined benefit obligation:

	Korean plan	Swiss plan	Indian plan	Total
	Million KRW	Million KRW	Million KRW	Million KRW
Defined benefit obligation as of January 1, 2014	**33,732**	**21,115**	-	**54,847**
Pension cost charged to profit or loss				
- Service cost	*2,949*	*936*	-	*3,885*
- Interest	*1,594*	*413*	-	*2,007*
Sub-total included in profit or loss	4,543	1,349	-	5,892
Benefits (paid) / received	-1,648	1,196	-	-452
Re-measurement gains in OCI				
- Actuarial changes arising from changes in demographic assumptions	*315*	-	-	*315*
- Actuarial changes arising from changes in financial assumptions	*3,676*	*3,008*	-	*6,684*
- Experience adjustments	*1,560*	*35*	-	*1,595*
Sub-total included in OCI	5,551	3,043	-	8,594
Employee contributions	-	589	-	589
Exchange differences	-	-1,724	-	-1,724
Business acquisitions	-	-	203	203
Defined benefit obligation as of December 31, 2014	**42,178**	**25,568**	**203**	**67,949**
Pension cost charged to profit or loss				
- Service cost	*3,587*	*1,280*	*21*	*4,888*
- Interest	*1,614*	*275*	*16*	*1,905*
Sub-total included in profit or loss	5,201	1,555	37	6,793
Benefits (paid) / received	-1,495	1,841	-26	320
Re-measurement gains / (losses) in OCI				
- Actuarial changes arising from changes in demographic assumptions	*1*	-	-	*1*
- Actuarial changes arising from changes in financial assumptions	*2,512*	*10*	*-19*	*2,503*
- Experience adjustments	*953*	*674*	*-3*	*1,624*
Sub-total included in OCI	3,466	684	-22	4,128
Employee contributions	-	571	-	571
Plan amendment	-	84	-	84
Exchange differences	-	1,767	7	1,774
Defined benefit obligation as of December 31, 2015	**49,350**	**32,070**	**199**	**81,619**
Weighted average duration 2014 (years)	10.53	11.0	-	
Weighted average duration 2015 (years)	10.65	16.8	8.9	

20.2 PLAN ASSETS

Changes in the fair value of plan assets:

	Korean plan Million KRW	Swiss plan Million KRW	Indian plan Million KRW	Total Million KRW
Fair value of plan assets as of January 1, 2014	**24,113**	**18,632**	**-**	**42,745**
Pension cost charged to profit or loss				
- Interest	*1,109*	*365*	-	*1,474*
- Administration expenses	-	*-48*	-	*-48*
Sub-total included in profit or loss	1,109	317	-	1,426
Benefits (paid) / received	-1,375	1,196	-	-179
Re-measurement gains / (losses) in OCI				
- Return on plan assets (excluding amounts included in interest expense)	*-511*	*41*	-	*-470*
- Actuarial changes arising from changes in financial assumptions	-	-	-	-
- Experience adjustments	-	-	-	-
Sub-total included in OCI	-511	41	-	-470
Employer contributions	5,500	924	-	6,424
Employee contributions	-	589	-	589
Exchange differences	-	-1,332	-	-1,332
Business acquisitions	-	-	38	38
Fair value of plan assets as December 31, 2014	**28,836**	**20,367**	**38**	**49,241**
Pension cost charged to profit or loss				
- Interest	*1,094*	*219*	*3*	*1,316*
- Administration expenses	-	*-39*	-	*-39*
Sub-total included in profit or loss	1,094	180	3	1,277
Benefits (paid) / received	-1,502	1,841	-26	313
Re-measurement gains / (losses) in OCI				
- Return on plan assets (excluding amounts included in interest expense)	*-569*	*256*	*9*	*-304*
- Actuarial changes arising from changes in financial assumptions	-	-	-	-
- Experience adjustments	-	-	-	-
Sub-total included in OCI	-569	256	9	-304
Employer contributions	8,800	894	153	9,847
Employee contributions	-	571	-	571
Exchange differences	-	1,420	2	1,422
Fair value of plan assets as December 31, 2015	**36,659**	**25,529**	**179**	**62,367**

The Group expects to contribute a comparable amount as in 2015 to its defined benefit pension plan in 2016.

20.3 NET PENSION LIABILITY

Changes in the net defined benefit liability are as follows:

	Korean plan	Swiss plan	Indian plan	Total
	Million KRW	Million KRW	Million KRW	Million KRW
Defined net benefit obligation as of January 1, 2014	**-9,619**	**-2,483**	**-**	**-12,102**
Pension cost charged to profit or loss				
- Service cost	*-2,949*	*-936*	*-*	*-3,885*
- Administration expenses	*-*	*-48*	*-*	*-48*
- Net interest	*-485*	*-48*	*-*	*-533*
Sub-total included in profit or loss	-3,434	-1,032	-	-4,466
Benefits (paid) / received	273	-	-	273
Re-measurement losses in OCI				
- Actuarial changes arising from changes in financial assumptions	*-3,676*	*-3,008*	*-*	*-6,684*
- Actuarial changes arising from changes in demographic assumptions	*-315*	*-*	*-*	*-315*
- Return on plan assets (excluding amounts included in interest expense)	*-511*	*41*	*-*	*-470*
- Experience adjustments	*-1,560*	*-35*	*-*	*-1,595*
Sub-total included in OCI	-6,062	-3,002	-	-9,064
Employee contributions	-	-	-	-
Employer contributions	5,500	924	-	6,424
Exchange differences	-	393	-	393
Business acquisitions	-	-	-165	-165
Total defined net benefit obligation as of December 31, 2014	**-13,342**	**-5,200**	**-165**	**-18,707**
Pension cost charged to profit or loss				
- Service cost	*-3,587*	*-1,280*	*-21*	*-4,888*
- Administration expenses	*-*	*-39*	*-*	*-39*
- Net interest	*-520*	*-56*	*-13*	*-589*
Sub-total included in profit or loss	-4,107	-1,375	-34	-5,516
Benefits (paid) / received	-7	-	-	-7
Re-measurement gains / (losses) in OCI				
- Actuarial changes arising from changes in financial assumptions	*-2,512*	*-10*	*19*	*-2,503*
- Actuarial changes arising from changes in demographic assumptions	*-1*	*-*	*-*	*-1*
- Return on plan assets (excluding amounts included in interest expense)	*-569*	*256*	*9*	*-304*
- Experience adjustments	*-953*	*-674*	*3*	*-1,624*
Sub-total included in OCI	-4,035	-428	31	-4,432
Employee contributions	-	-	-	-
Employer contributions	8,800	894	153	9,847
Plan amendment	-	-84	-	-84
Exchange differences	-	-348	-5	-353
Defined net benefit obligation as of December 31, 2015	**-12,691**	**-6,541**	**-20**	**-19,252**

The re-measurement losses recognized in the statement of comprehensive income were losses of -3,479 Million KRW (2014: losses of -7,387 Million KRW), net of tax. The total amount at December 31, 2015 of accumulated losses included in retained earnings is -21,324 Million KRW (2014: accumulated losses of -17,845 Million KRW), net of tax.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	Determining net expense		Determining pension benefit obligation	
	2015	2014	December 31, 2015	December 31, 2014
	%	%	%	%
Discount rate:				
Korean plan	3.90%	4.90%	3.40%	3.90%
Swiss plan	0.80%	1.00%	0.80%	1.00%
Indian plan	7.80%	-	7.80%	-
Future salary increases:				
Korean plan	5.00%	5.00%	5.00%	5.00%
Swiss plan	2.00%	2.00%	2.00%	2.00%
Indian plan	10.00%	-	10.00%	-

A quantitative sensitivity analysis for significant assumptions as of December 31, 2015 is as follows:

	Sensitivity level	Impact on net defined benefit obligation
	Change	Million KRW
Discount rate:		
Korean plan	+1.00%	-4,831
	-1.00%	5,680
Swiss plan	+0.25%	-934
	-0.25%	956
Indian plan	+1.00%	-185
	-1.00%	213
Salary increase:		
Korean plan	+1.00%	5,529
	-1.00%	-4,805
Swiss plan	+0.25%	139
	-0.25%	-135
Indian plan	+1.00%	209
	-1.00%	-188

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

21 OTHER LONG-TERM EMPLOYEE-RELATED LIABILITIES

Other long-term employee-related liabilities consist of the following:

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Other long-term employee benefits – Korea	1,779	1,737
Other long-term employee benefits – Others	125	52
Share-based payment-related liability	1,102	220
Total other long-term employee-related liabilities	**3,006**	**2,009**

21.1 OTHER LONG-TERM EMPLOYEE BENEFITS – KOREA

The parent company also implements a bonus plan designed to present a prescribed quantity of gold to long-term service employees and to entitle them to compensated vacation. Accounting policies of the bonus plan are mostly the same as that of the defined benefit plan, except that all the past service cost and actuarial variances are recognized immediately in profit or loss.

Description	Million KRW
As of January 1, 2014	**1,160**
Current service cost	148
Interest cost	55
Re-measurement gains / (losses)	476
Total payment	-102
As of December 31, 2014	**1,737**
Current service cost	198
Interest cost	65
Re-measurement losses	-78
Total payment	-143
As of December 31, 2015	**1,779**

	December 31, 2015	December 31, 2014
Discount rate	3.10%	3.90%
Compensation increase	5.00%	5.00%
Compensation per day for vacation	KRW 63,360 - 173,600	KRW 40,640 - 168,500
Rate of increase in gold price	5.20%	5.90%
Gold price per 3.75 gram	KRW 159,000	KRW 165,000

21.2. OTHER LONG-TERM EMPLOYEE BENEFITS – OTHERS

The remaining other long-term employee benefits refer to legally established termination benefits of Group companies located in UAE of 82 Million KRW and to expenses for the defined contribution plan of Songwon Specialty Chemicals India Pvt. Ltd. of 43 Million KRW.

21.3 SHARE-BASED PAYMENT RELATED LIABILITY

On March 31, 2013, the Group granted virtual stock options to eligible employees of subsidiaries according to the Virtual Stock Option and Long-term Incentive Plan ("LTIP"). The virtual stock options granted are an entitlement in money, and are neither a stock, nor any other listed or unlisted security and do not grant any right to physically acquire stocks. Settlement of options exercised is in cash only. Upon exercise, Songwon shall pay the receiver the greater of the difference between the fair market value at the exercise date (listed stock price of Songwon Industrial Co., Ltd.) minus the strike price or 0 (zero). The virtual stock options, granted under the LTIP, are subject to a vesting period of two to four years during which the receiver of the options must be continuously employed by the Group.

The fair value of options, granted as of December 31, 2015, was estimated using the following assumptions:

	2015	2014
Dividend yield	0.41%	0.86%
Expected volatility	45.00%	45.00%
Risk-free interest rate	2.16%	2.59%
Weighted average expected life of share options (years)	5.2	6.3
Model used	Binomial tree	Binomial tree

The carrying amount of the liability relating to the LTIP at December 31, 2015 was 1,164 Million KRW whereas 1,102 Million KRW were disclosed under other long-term employee-related liabilities (at December 31, 2014: 220 Million KRW) and 62 Million KRW referred to other current payables. No share options had vested at December 31, 2015 and 2014. The expense for employee services received during the year 2015, recognized in the statement of comprehensive income, amounted to 944 Million KRW (2014: 136 Million KRW). There were no cancellations and modifications to the awards during the years 2015 and 2014.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the reporting period:

	December 31, 2015		December 31, 2014	
	Number	KRW	Number	KRW
Outstanding at January 1	215,800	10,349	85,500	11,900
Granted during the year	129,000	8,120	136,800	10,022
Forfeited during the year	-21,500	9,924	-6,500	10,694
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at December 31	323,300	9,738	215,800	10,349
Exercisable at December 31	19,875	11,900	-	-

The weighted average remaining contractual life for the share options, outstanding as at December 31, 2015, was 8.4 years (at December 31, 2014: 8.9 years).

The weighted average fair value of options granted during the reporting period was 570 KRW (prior period: 0 KRW). The exercise price for options outstanding at the end of the reporting period was 11,900 KRW, 9,940 KRW, and 8,120 KRW (prior period: 11,900 KRW and 9,940 KRW).

22 OTHER FINANCIAL LIABILITIES

Other financial liabilities as of December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Non-current	Current	Non-current	Current
Description	Million KRW	Million KRW	Million KRW	Million KRW
Other specific payables	483	-	768	-
Long-term deposits received	1	-	1,546	-
Derivative liabilities (see Note 24)	-	276	133	5
Accrued interest expenses	-	4,599	-	771
Unpaid dividends	-	2	-	2
Total	**484**	**4,877**	**2,447**	**778**

23 TRADE AND OTHER PAYABLES

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Trade payables	40,207	39,777
Trade payables (related parties)	1,519	1,676
Other accounts payables	17,951	15,554
Other accounts payables (related parties)	-	7
Other accounts payables (share-based payment related)	62	-
Withholdings	1,101	681
Accrued expenses	15,281	16,455
Guarantee deposits	21	52
Total	**76,142**	**74,202**

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

24 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

24.1 DERIVATIVES FINANCIAL INSTRUMENTS

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Description	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	214	228	320	5
Interest rate swaps (current portion)	-	48	-	-
Interest rate swaps (non-current portion)	-	-	-	133
Total	**214**	**276**	**320**	**138**

24.1.1 CURRENCY FORWARDS

Currency forward contracts, which the Group has entered into, to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies, as of December 31, 2015 and 2014 are as follows:

As per December 31, 2015

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Gyeong Nam Bank	Sell	EUR 10,500,000	15.01.2016 – 15.12.2016	1,302.30 – 1,319.50
Woori Bank	Sell	JPY 1,524,000,000	15.01.2016 – 16.12.2016	9.5835 – 9.7138

As per December 31, 2014

Contractual party		Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Gyeong Nam Bank	Sell	EUR 3,300,000	25.02.2015	1,389.00
Korea Standard Chartered Bank	Sell	EUR 6,600,000	02.02.15 – 24.03.2015	1,345.90 – 1,350.00
Korea Standard Chartered Bank	Sell	JPY 540,000,000	02.02.15 – 24.03.2015	9.2105 – 9.5770

24.1.2 INTEREST RATE SWAP

As of December 31, 2015 and as of December 31, 2014 the Group has entered into the following interest rate swap contracts:

As per December 31, 2015

Description	Bonds contract	Interest rate swap contract
Contract date	04.04.2013	23.06.2013
Maturity date	04.04.2016	04.04.2016
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	-	5.35%
Floating interest rate	3MCD+2.27%	3MCD+2.27%

The Group applies cash flow hedge accounting on interest rate swaps; in 2015, there is an interest rate swap designated as cash flow hedge. The balances included in accumulated other comprehensive loss are 48 Million KRW as of December 31, 2015 and 133 Million KRW as of December 31, 2014, net of income tax (see Note 18.4).

24.2 FAIR VALUES

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

	Carrying amount		Fair value	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	**214**	**320**	**214**	**320**
Other financial assets (Derivatives)	214	320	214	320
Thereof current	214	320	214	320
Thereof non-current	-	-	-	-
Loans and receivables	**191,230**	**166,379**	**191,230**	**166,379**
Other financial assets	13,006	9,564	13,006	9,564
Thereof current	10,885	6,889	10,885	6,889
Thereof non-current	2,121	2,675	2,121	2,675
Trade and other receivables	109,822	111,423	109,822	111,423
Thereof current	109,822	111,423	109,822	111,423
Thereof non-current	-	-	-	-
Cash and cash equivalents	68,402	45,392	68,402	45,392
Thereof current	68,402	45,392	68,402	45,392
Thereof non-current	-	-	-	-
Available-for-sale financial assets	**1,473**	**1,473**	**1,473**	**1,473**
Thereof current	-	-	-	-
Thereof non-current	1,473	1,473	1,473	1,473
Total	**192,917**	**168,172**	**192,917**	**168,172**

	Carrying amount		Fair value	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	**228**	**5**	**228**	**5**
Other financial liabilities (Derivatives)	228	5	228	5
Thereof current	228	5	228	5
Thereof non-current	-	-	-	-
Financial liabilities at fair value through OCI	**48**	**133**	**48**	**133**
Other financial liabilities (Derivatives)	48	133	48	133
Thereof current	48	-	48	-
Thereof non-current	-	133	-	133
Financial liabilities measured at amortized costs	**443,551**	**497,466**	**443,551**	**497,466**
Interest-bearing loans and borrowings	362,324	420,177	362,324	420,177
Thereof current	332,773	344,163	332,773	344,163
Thereof non-current	29,551	76,014	29,551	76,014
Other financial liabilities	5,085	3,087	5,085	3,087
Thereof current	4,601	773	4,601	773
Thereof non-current	484	2,314	484	2,314
Trade and other payables	76,142	74,202	76,142	74,202
Thereof current	76,142	74,202	76,142	74,202
Thereof non-current	-	-	-	-
Total	**443,827**	**497,604**	**443,827**	**497,604**

The fair value of the financial assets and liabilities is 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 receivables, 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 available-for-sale financial assets is derived from quoted market prices in active markets, if available.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques (see Note 24.2.1).

24.2.1 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 December 31, 2015 and December 31, 2014 the Group held the following financial instruments carried at fair value on the statement of financial position:

Description	December 31, 2015 Million KRW	Level 1 Million KRW	Level 2 Million KRW	Level 3 Million KRW
Assets measured at fair value				
Financial assets at fair value through profit or loss	**214**	**-**	**214**	**-**
Derivatives	214	-	214	-
Available-for-sale financial assets	**123**	**123**	**-**	**-**
Chemtura Corporation	123	123	-	-
Financial liabilities at fair value through profit or loss	**228**	**-**	**228**	**-**
Derivatives	228	-	228	-
Financial liabilities at fair value through OCI	**48**	**-**	**48**	**-**
Derivatives	48	-	48	-

Description	December 31, 2014 Million KRW	Level 1 Million KRW	Level 2 Million KRW	Level 3 Million KRW
Assets measured at fair value				
Financial assets at fair value through profit or loss	**320**	**-**	**320**	**-**
Derivatives	320	-	320	-
Available-for-sale financial assets	**123**	**123**	**-**	**-**
Chemtura Corporation	123	123	-	-
Financial liabilities at fair value through profit or loss	**5**	**-**	**5**	**-**
Derivatives	5	-	5	-
Financial liabilities at fair value through OCI	**133**	**-**	**133**	**-**
Derivatives	133	-	133	-

During the reporting periods ending December 31, 2015 and December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

For the financial assets and financial liabilities for which the fair value is disclosed (see Note 24.2), the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalents.

24.3 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, as well as other financial assets that arrive directly from its operations. The Group also holds available-for-sale investments, 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.

24.3.1 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
- Foreign currency risk

Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The sensitivity analyses in the following sections relate to the positions at December 31, 2015 and 2014.

Interest rate risk
Interest rate risk is the risk that the fair value of 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 its interest-bearing loans and borrowings, as well as bank deposits with floating interest rates.

The Group's exposure to the risk of changes in market interest rates relates substantially to its interest-bearing loans and borrowings with floating interest rates, which makes the Group exposed to cash flows risk. Responsively, the Group is minimizing the risk partially through interest rate swap contracts, or choosing the most 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 by the impact on floating rate borrowings as follows:

	Increase / (decrease) in %	Effect on profit before tax
		Million KRW
2015	1.00	-1,787
	-1.00	1,787
2014	1.00	-2,071
	-1.00	2,071

Foreign currency risk
The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities. The risk of foreign exchange primarily relates to the US Dollar (USD), Euro (EUR), Swiss Franc (CHF), Japanese Yen (JPY), UAE Dirham (AED) and 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 managing foreign currency risk is to maximize the value of the firm through minimizing the fluctuation of net profit and uncertainty arising from foreign currency fluctuation. 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. With 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: the US Dollar (USD), Euro (EUR), Swiss Franc (CHF), Japanese Yen (JPY), UAE Dirham (AED) and Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. 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, but only the foreign exchange rate changes by 10%, the impacts on net profit for the years ended on December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
Currency	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	276	-276	-272	272
EUR	-2,236	2,236	-1,687	1,687
JPY	121	-121	-669	669
CHF	277	-277	-11	11
AED	-269	269	162	-162
INR	1,148	-1,148	1,078	-1,078
Total	**-683**	**683**	**-1,399**	**1,399**

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

24.3.2 CREDIT RISK

Credit risk is the risk that a 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 receivables) and investing activities.

The Group maintains a policy to only keep trade relationships with customers with a high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If a customer's credit rating worsens, the Group sets an individual credit limit on that customer and intensively manages the credit risk. In addition, the Group minimizes the credit risk by maintaining its exposure at an insignificant level through ongoing management, including periodical reviews of all customers.

The Group is also exposed to 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 financial institutions with high credit ratings.

24.3.3 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 market.

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 a policy to map out the maturity of financial assets and liabilities.

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

The details of the maturity profile of the Group's financial liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of December 31, 2015 and 2014 are as follows (based on contractual undiscounted payments):

As of December 31, 2015	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	10,696	180,308	141,769	29,551	-	362,324
Other financial liabilities	683	802	3,116	484	-	5,085
Trade and other payables	54,387	18,256	3,499	-	-	76,142
Total	**65,766**	**199,366**	**148,384**	**30,035**	**-**	**443,551**

As of December 31, 2014	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	28,191	119,993	195,979	67,943	8,071	420,177
Other financial liabilities	723	50	-	2,314	-	3,087
Trade and other payables	62,646	11,053	503	-	-	74,202
Total	**91,560**	**131,096**	**196,482**	**70,257**	**8,071**	**497,466**

24.3.4 CAPITAL MANAGEMENT

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statement of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. To achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and 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 December 31, 2015 and 2014 is 167% and 197%, respectively.

All subsidiaries have to report key performance indicators, which also include capital management information, monthly.

25 COMMITMENTS AND CONTINGENCIES

25.1 CONTINGENT LIABILITY

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

25.2 OPERATING LEASE COMMITMENTS

The Group has entered into commercial leases on certain motor vehicles, items of machinery and offices. The duration of these leases is between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Within one year	-1,573	-1,129
After one year, but not more than five years	-3,430	-2,386
More than five years	-894	-886
Total	**-5,897**	**-4,401**

25.3 OTHER COMMITMENTS

As part of its ordinary business, the Group can enter into various contractual commitments for the purchase of tangible fixed assets and intangible assets, as well as investment and promotion properties. As of December 31, 2015, commitments to purchase property, plant and equipment, as well as raw materials amounting to 1,543 Million KRW (December 31, 2014: 7,086 Million KRW) were entered.

The Group has provided two checks amounting to 22 Million KRW to Lotte Chemical Co., Ltd. and one blank promissory note to Hanwha Chemical Co., Ltd. as security on supply contracts.
One check and one promissory note, which the Group received from KEB Hana Bank (ex. Korea Exchange Bank), are outstanding as of December 31, 2015 due to bankruptcy declared by the check's issuers.

Details of the Group's available short-term credit line facilities (excluding general loans) as of December 31, 2015 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L / C for import	Thousand USD	23,000	11,315	11,685
	Million KRW	5,000	-	5,000
D / A and D / P trade loans	Thousand USD	122,400	77,891	44,509
	Million KRW	68,000	44,758	23,242
Syndicated short-term loans	Million KRW	50,000	27,000	23,000
L / G for import	Thousand USD	1,000	-	1,000
Other foreign currency guarantees	Thousand USD	14,727	14,727	-
	Thousand INR	250,000	250,000	-
Total	**Million KRW**	**123,000**	**71,758**	**51,242**
Total	**Thousand USD**	**161,127**	**103,933**	**57,194**
Total	**Thousand INR**	**250,000**	**250,000**	**-**

On February 18, 2013, the Group signed a syndicated loan facility of 220,000 Million KRW, comprising 170,000 Million KRW of a three-year term loan and 50,000 Million KRW of a Revolving Credit Facility (RCF) that revolves every year. Replacing the existing loans, the Group has withdrawn the long-term facility amounting to 69,200 Million KRW and the RCF amounting to 27,000 Million KRW. The syndicated loan facility was organized by Korea Exchange Bank and Woori Bank as leading banks and Standard Chartered Bank, KEB Hana Bank (ex. Korean Exchange Bank) and Busan Bank as the three participating banks.

In connection with the syndicated loan agreement entered into on February 18, 2013, the parent company must maintain the following financial ratios:

Financial measure	Required ratio	December 31, 2015
Debt / EBITDA	8 or less than 8	3.75
EBITDA / Interest	2.5 or more than 2.5	6.72
Debt / Equity	250% or less than 250%	140.30%

Songwon provided collaterals to the banks, which provided the syndicated loan, and also committed to meet the above-mentioned covenants described throughout the period. As per December 31, 2015, all three covenants have been met.

26 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Details of property, plant and equipment, and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of December 31, 2015 and 2014, expressed in the maximum value registered to the Korean court, are as follows:

		December 31, 2015	December 31, 2014
Pledged to	Pledged assets	Million KRW	Million KRW
Property, plant and equipment and investment properties (Joint collateral in connection with the syndicated loan)			
Woori Bank	Land, buildings, investment properties and machinery	242,000	242,000
KEB Hana Bank (ex. Korean Exchange Bank and Hana Bank)	Land, buildings, investment properties and machinery		
Busan Bank	Land, buildings, investment properties and machinery		
Korean Standard Chartered Bank	Land, buildings, investment properties and machinery		
Property, plant and equipment (Collateral for loans and borrowings other than the syndicated loan)			
Korea Development Bank	Land, buildings and machinery	57,000	57,000
Total		**299,000**	**299,000**

Additionally, items of property, plant and equipment belonging to Songwon ATG GmbH (Germany) with a total value of 74 Million KRW are pledged as a collateral for interest-bearing loans and borrowings as of December 31, 2015 (December 31, 2014: 153 Million KRW).

No investment properties were pledged by the Group as collateral in connection with repayment of leasehold deposits received as of December 31, 2015 (2014: 300 Million KRW).

The Group has received payment guarantees amounting to 352,275 Million KRW and 80,960 Thousand USD provided by Jongho Park, CEO of the Group, in connection with the Group's borrowings from banks as of December 31, 2015.

Also, the Company has pledged the insurance claims as collateral in relation to syndicated loan and borrowings from the Korean Development Bank borrowings as of December 31, 2015 and 2014.

For further details regarding other financial assets pledged as collateral, see Note 13.2.

27 OPERATING PROFIT AND OTHER INCOME/EXPENSES

27.1 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of 3,025 Million KRW (2014: 2,301 Million KRW) are recorded in the income statement. Development expenses are not capitalized because the conditions for capitalization have not been met.

27.2 SELLING AND ADMINISTRATION COST

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Sales-related costs	-32,693	-33,697
Personnel expenses	-34,364	-28,090
Traveling and entertainment	-5,053	-4,575
Depreciation and amortization	-7,892	-6,949
Impairment of intangible assets	-224	-
Administration expenses	-6,568	-9,063
Bad debt loss	-125	-199
Others	-4,271	-2,613
Total	**-91,190**	**85,186**

27.3 OTHER INCOME

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Fee income	95	275
Miscellaneous income	2,135	1,405
Gains on foreign exchange transaction	6,880	6,645
Gains on foreign exchange translation	23,751	11,948
Gain on disposal of property, plant and equipment, and investment property	7,666	151
Rental income (third parties)	1,111	1,980
Total	**41,638**	**22,404**

27.4 OTHER EXPENSES

Description	December 31, 2015 Million KRW	December 31, 2014 Million KRW
Miscellaneous expenses	-1,694	-2,046
Loss on disposal of property, plant and equipment, and investment property	-834	-1,088
Loss on foreign exchange transaction	-7,347	-5,612
Loss on foreign exchange translation	-23,323	-11,178
Total other expenses	**-33,198**	**-19,924**

27.5 EXPENSES CLASSIFIED BY NATURE

Description	December 31, 2015 Million KRW	December 31, 2014 Million KRW
Purchased material	-369,554	-426,688
Freight and logistic costs	-28,497	-28,117
Energy costs	-38,296	-44,291
Personnel expenses	-82,790	-76,028
Depreciation, amortization and impairment	-34,515	-32,699
Changes in inventories of finished goods and supplies	-1,081	-3,317
Foreign exchange losses	-30,670	-16,790
Other expenses	-52,826	-54,093
Total	**-638,229**	**-682,024**
Thereof recorded in cost of sales	-513,841	-576,914
Thereof recorded in selling and administration costs	-91,190	-85,186
Thereof recorded in other expenses	-33,198	-19,924
Total	**-638,229**	**-682,024**

27.6 FINANCE COSTS

Description	December 31, 2015 Million KRW	December 31, 2014 Million KRW
Interest on borrowings	-15,518	-17,883
Total interest cost	**-15,518**	**-17,883**
Loss on foreign exchange	-38,737	-21,010
Loss on derivative transaction	-1,706	-510
Loss on valuation of derivatives	-228	-5
Bank charges	-235	-263
Total finance costs	**-56,424**	**-39,671**

27.7 FINANCE INCOME

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Gain on foreign exchange	39,882	21,459
Gain on derivative transaction	1,937	2,113
Gains on valuation of derivatives	214	320
Gain on disposal of available for sale securities in investment	11	-
Interest on loans and receivables (third parties)	711	519
Interest on loans and receivables (related parties)	-	16
Other	25	6
Total finance income	**42,780**	**24,433**

27.8 NET GAINS AND LOSSES OF THE CLASSES OF FINANCIAL INSTRUMENTS

Net gains or losses (excluding bank charges) on the classes of the financial instruments for the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Financial assets measured at fair value through profit or loss	218	1,910
Loans and receivables	2,311	3,688
Available-for-sale financial assets	47	6
Financial liabilities measured at amortized cost	-15,985	-20,579
Total	**-13,409**	**-14,975**
Finance costs	-56,424	-39,671
Finance income	42,780	24,433
Bank charges	235	263
Total	**-13,409**	**-14,975**

28 INCOME TAX

The major components of income tax expense for the years ended December 31, 2015 and 2014 are as follows:

28.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Current income tax charge	-21,334	-5,160
Adjustments in respect of current income tax of previous year	64	-79
Deferred income taxes relating to changes of temporary differences, net	3,951	651
Deferred income taxes relating to tax loss carry forwards	178	258
Deferred income taxes from tax credits	-	-2,022
Deferred income taxes related to changes in tax rate	-6	-
Deferred income taxes recognized directly in other comprehensive income	953	1,677
Income tax expense reported in the income statement	**-16,194**	**-4,675**

	December 31, 2015	December 31, 2014
Description	Million KRW	Million KRW
Accounting (loss) / profit before income tax	**44,839**	**-8,716**
At parent company's statutory income tax rate of 23.41% (2014: 21.75%)	-10,497	1,896
Increase / (decrease) in income taxes resulting from:		
Adjustments in respect to current income tax of previous years	64	-79
Non-temporary differences	-431	-161
Tax credits	79	393
Non-deductible expenses	-580	-555
Tax audit	-	-4,646
Effect of different tax rates in tax jurisdiction	-1,763	-770
Other (reassessment of impaired deferred tax assets etc.)	-3,066	-753
At the effective income tax rate 36.12% (2014: -53.64%)	**-16,194**	**-4,675**

28.2 DEFERRED TAX

Deferred tax relates to the following:

	Consolidated statements of financial position		Consolidated statements of comprehensive income	
	December 31, 2015	December 31, 2014	2015	2014
Description	Million KRW	Million KRW	Million KRW	Million KRW
Pension obligation	2,077	2,067	-813	-543
Other long-term employment benefits	448	407	41	141
Trade receivables	36	-	36	-1
Inventories	2,814	2,126	688	1,220
Fixed assets	-20,564	-21,697	1,133	658
Loss / gain on revaluation of land	-21,699	-24,911	3,212	-
Impairment loss on available-for-sale investments	-	-	-	-3
Other current financial assets	52	-	52	-
Other current assets	50	-5	55	-5
Accrued income	-56	-6	-50	4
Prepaid expenses	-	92	-92	27
Other current financial liabilities	186	169	17	164
Other current provisions	94	87	7	-2
Other non-current provisions	-	-	-	-10
Gain on valuation of available-for-sale investments	-	-	-	1
Intangible assets	-1,201	-1,817	616	564
Gain / loss on interest rate swap	109	113	-4	113
Losses available for offsetting against future taxable income	645	467	178	258
Tax credits carry forwards	-	-	-	-2,022
Deferred tax income / (expense)			**5,076**	**564**
Net deferred tax assets / (liabilities)	**-37,009**	**-42,908**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	**4,784**	**3,359**		
Deferred tax liabilities	**-41,793**	**-46,267**		

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to do so, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Reconciliation of deferred tax liabilities, net:

	2015	2014
Description	Million KRW	Million KRW
Opening balance as of January 1	**-42,908**	**-44,655**
Tax income during the period recognized in total comprehensive income	6,030	2,261
Deferred taxes acquired in business combination	-	-424
Exchange differences	-131	-90
Closing balance as of December 31	**-37,009**	**-42,908**

Expecting sufficient taxable income, the Group recognized deferred income tax assets to the extent of future taxable income. For the following deductible temporary differences, no deferred tax assets as of December 31, 2015 and 2014 were recognized:

	2015	2014
Description	Million KRW	Million KRW
Temporary differences related to investments in subsidiaries	1,742	1,701
Total	**1,742**	**1,701**

Expected timing of expiration of recognized, tax loss carry forwards and tax credit carry forwards as of December 31, 2015 and 2014 are as follows:

	Recognized deferred tax assets	
	Tax loss carry forwards	Tax credit carry forwards
December 31, 2015	Million KRW	Million KRW
less 1 year	-	-
1-5 years	-	-
5 years and later	645	-
Total	**645**	**-**
December 31, 2014	Million KRW	Million KRW
less 1 year	-	-
1-5 years	-	-
5 years and later	467	-
Total	**467**	**-**

29 EARNINGS PER SHARE

Basic earnings per share amounts 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 in 2015 and 2014.

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

	2015	2014
Description	KRW	KRW
Net profit / (loss) attributable to ordinary equity holders of the parent	29,782,964,616	-12,659,584,141
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	**1,241**	**-527**

30 CASH FLOW STATEMENT

Cash and cash equivalents in the statement of cash flow are equal to those in the statement of financial position.

The Group's statement of cash flow 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 years ended December 31, 2015 and 2014 are as follows:

		2015	2014
Description	Notes	Million KRW	Million KRW
Adjustments of non-cash items			
Depreciation and impairment of property, plant and equipment	7	26,406	26,082
Depreciation of investment properties	8	101	181
Amortization and impairment of intangible assets	9	8,008	6,435
Depreciation and impairment of non-current financial assets		-	4
Revaluation loss due to step acquisition		-	32
(Gain) / loss on disposal of property, plant and equipment, net		-43	937
(Gain) / loss on disposal of investment property, net		-6,789	-
Loss / (gain) on disposal of intangible assets, net		41	-
(Gain) / loss on disposal of investment accounted using the equity method, net		-11	-
Share of result from investments accounted for using the equity method	11	-653	-676
Finance costs		14,649	16,829
Finance income		-11,099	-5,272
Income tax expense	28	16,194	4,675
Total		**46,804**	**49,227**

	2015	2014
Description	Million KRW	Million KRW
Changes in operating assets and liabilities		
Trade receivables	7,856	619
Other receivables	-1,258	462
Other current assets	232	378
Other current financial assets	105	-26
Inventories	5,158	17,017
Trade payables	-422	2,610
Other payables	2,327	1,466
Other current financial liabilities	342	102
Other current liabilities	-650	600
Pension liabilities	-4,301	-2,697
Other long-term employment benefits	955	764
Total	**10,344**	**21,295**

31 RELATED PARTY DISCLOSURES

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

		For the year ending on December 31,	
		2015	2014
Related party	Description	Million KRW	Million KRW
Jongho Park, Group CEO	Finance income	235	1
Songwon Baifu Chemicals	Sales	-	29
(Tangshan) Co., Ltd.	Purchase	-12,866	-14,219
(Joint Venture)	Finance income	-	15
Chemservice Asia Co., Ltd.	Other operating income	36	-
(Joint Venture)	Selling and administration costs	-36	-73
Qingdao Long Fortune Songwon Chemical Co., Ltd.	Sales	2,428	-
Total	**Sales**	**2,428**	**29**
	Purchase	**-12,866**	**-14,219**
	Selling and administration costs	**-36**	**-73**
	Other operating income	**36**	**-**
	Finance income	**235**	**16**

		December 31, 2015	December 31, 2014
Related party	Description	Million KRW	Million KRW
Jongho Park, Group CEO	Accrued income	236	1
	Other current financial assets	7,000	5,000
	Trade receivables	-	31
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade payables	1,519	1,676
Chemservice Asia Co., Ltd. (Joint venture)	Other payables	-	7
Qingdao Long Fortune Songwon	Trade receivables	2,657	-
Chemical Co., Ltd.	Other receivables	373	-
Total	**Trade receivables**	**2,657**	**31**
	Other receivables	**373**	**1**
	Accrued income	**236**	**-**
	Other current financial assets	**7,000**	**5,000**
	Trade payables	**1,519**	**1,676**
	Other payables	**-**	**7**

31.1 THE ULTIMATE PARENT

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

31.2 TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Outstanding balances at year-end 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 year ended December 31, 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: none). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

31.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In the 2015 reporting period, the Group granted a loan of 7,000 Million KRW to the Group CEO, Jongho Park at usual market conditions.

31.4 COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2015	2014
Description	Million KRW	Million KRW
Short-term employee benefits	11,332	8,688
Post-employment benefits	816	775
Other long-term benefits	917	741
Share-based payments	401	54
Total compensation paid to key management personnel	**13,466**	**10,258**

The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel during the reporting period. 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.

31.5 OTHER RELATED PARTIES

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

32 EVENTS AFTER THE REPORTING PERIOD

During the year 2015 the decision was taken to reorganize the business activities of Songwon Industrial Group in China. As a consequence of this reorganization, Songwon China Ltd., Hong Kong, Songwon Trading Co., Ltd. and Songwon Chemicals Co., Ltd., China will be closed. The completion of the liquidation of these entities is expected to happen in the year 2016.

The consolidated financial statements for the year ended December 31, 2015 were approved by the Board of Directors of the parent company on January 29, 2016.

Maeam plant logistic area.

6. FINAL OVERVIEW

BRANDS

SONGNOX® OPS
One Pack Systems

SONGNOX®
Basic & Specialty Antioxidants

SABO®STAB
Hindered Amine Light Stabilizers

SONGSORB®
UV Light Absorbers

SONGXTEND®
Stabilizations Solutions

SONGSTOMER™
TPU line

SONGSTAB™
Acid Scavengers & PVC Stabilizers

SONGCAT™
Tin Intermediates

SONGCIZER™
Plasticizers

SONGFLOC™
Flocculants

HI-SWELL™
Super Absorbent Polymers

HI-THANE™
Polyurethanes

SONGSTAR™
Polyester Diols

ABOUT THIS REPORT

This is the most recent annual report of the Songwon Industrial Group, giving all of our stakeholders a comprehensive overview of Songwon's economic, environmental and social performance in 2015 (FY January-December 2015). It succeeds the previous Songwon Annual Report 2014, published in March 2015.

Songwon`s Corporate Sustainability Report includes updates to the previous report that reflect data through end-of-year 2015 unless otherwise specified. Data for this report has been measured according to industry standard measurement methods unless otherwise stated. There are no significant changes in the scope, boundary or measurement methods applied in the report.

Restatements of information provided in earlier reports are disclosed separately.

Songwon Industrial Group Structure and its countries of operations define the boundary for this report within the reporting period unless otherwise stated.

This Report follows the GRI's G4 Guidelines, 'in accordance' Core option. Songwon does not currently engage an external agency or organization to audit its GRI responses. Our Financial Statements are audited by a third party, the Group auditor, Ernst & Young.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements concerning the future plans, strategies and performance of the Songwon Group. These statements reflect the views, expectations and assumptions of the Songwon Group management based on the current information available at the date of publication. Such statements are subject to various known and unknown factors, risks and uncertainties that may cause the actual future results, financial situation, development or performance of the company to differ from the expectations expressed in the annual report. The company assumes no liability whatsoever to update these statements or to confirm them to future events or developments.

For more information about this report, please contact:
Songwon International AG
Phone: +41 52 635 00 00
Fax: +41 52 635 00 01
E-mail: marketing@songwon.com

SONGWON CONTACTS

Songwon Industrial Co., Ltd.
83, Jangsaengpo-ro
Nam-Gu 680-090
Ulsan, Korea

Songwon Holdings AG
Walzmühlestrasse 48
CH-8500 Frauenfeld,
Switzerland

Songwon International AG
Walzmühlestrasse 48
CH-8500 Frauenfeld,
Switzerland

Songwon International-Americas, Inc.
1311 W Parkwood Ave
Friendswood, TX 77546
USA

Songwon International - India Pvt. Ltd.
701 - Purva Plaza
Shimpoli Road, Borivali (West)
Mumbai 400092, India

Songwon International - Japan K.K.
Nishi-Shinbashi 1chome Kawate building 8F
room 801 Nishi-Shinbashi 1-5-8
Minato-ku, 105-0003 Tokyo, Japan

Songwon China Ltd.
Unit 02, 21st Floor, Tower II
Admiralty Centre,
No.18 Harcourt Road
Hong Kong, PR China

Songwon Trading Co., Ltd.
3rd Floor, Unit 2,
159 Tianzhou Road
Shanghai 200233, PR China

Songwon Chemicals Co., Ltd.
No. 680 Shenfu Road, Jiuting
Songjiang District
Shanghai 201615, PR China

Songwon Baifu Chemicals (Tangshan) Co., Ltd.
Tangshan Nanpu Development Zone
South to Ronghua Road
Tangshan, PR China

Songwon Additive Technologies AG
Walzmühlestrasse 48
CH-8500 Frauenfeld,
Switzerland

Songwon-ATG GmbH
Heinrich-Hertz-Strasse 10
DE-50170 Kerpen,
Germany

Songwon Additive Technologies - Americas Inc.
1311 W Parkwood Ave
Friendswood, TX 77546
USA

Songwon Additive Technologies – Middle East FZE
Dubai Airport Free Zone
Building 6EB, Office No. 250
P.O. Box 371467, Dubai, UAE

Polysys Additive Technologies – Middle East LLC
KHIA8-32B
Kizad (Khalifa Industrial Zone Abu Dhabi)
P.O. Box 137134, Abu Dhabi, UAE

Songwon Specialty Chemicals - India Pvt. Ltd.
Plot No. 26 & 268
GIDC Industrial Estate, Panoli
Ankleshwar, Bharuch
Gujarat - 394116, India

Qingdao Long Fortune Songwon Chemical Co., Ltd.
No.3 Haiwan Road, Xinhe Eco-Chemical Science
and Technology Industry Base,
Shandong Province
Qingdao City 266000, PR China

www.songwon.com

MISSION

PEOPLE

Build a great place to work, **inspiring** our people to excel in a culture of **creativity**, collaboration and consistency.

PRODUCTS

Provide a portfolio of **quality** products through the **innovative** application of sustainable chemistry.

PARTNERS

Create **mutual**, enduring value by constructing a **winning** network of customers and suppliers.

PERFORMANCE

Fulfill our **responsibilities** while maximizing **long-term** return to our shareholders.

PRODUCTIVITY

Develop and nurture a **lean**, highly effective and **fast moving** organization.

VISION

SONGWON

Achieves sustainable and profitable growth by **understanding**, **anticipating**, and **satisfying** the needs and desires of all our customers.

Online Annual Report