



FINANCIAL RESULTS Q3 & 9 MONTHS ENDING SEPTEMBER 30, 2016

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About this report

The condensed interim consolidated financial statements (see section 2 from page 7 to 46) according to K-IFRS are reviewed by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review opinion on the quarterly financial statements can be found at the end of this report.

The condensed interim financial statements for the three as well nine months ended September 30, 2016 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance K-IFRS, too. The annual financial statements for the year 2015 can be found on our website www.songwon.com.

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

Forward-looking statements & information

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

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

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SECTION 1:

Business Development

Key Financial Data

	Q3 2016	Q3 2015 (restated*)	Δ%	9 months ending Sept. 30,		
	2016	2015 (restated*)		2016	2015	Δ%
	Million KRW	Million KRW		Million KRW	Million KRW	
Sales	170,582	173,897	-1.9%	532,727	487,951	9.2%
Gross profit*	41,960	39,479	6.3%	141,133	95,568	47.7%
Gross profit margin*	24.6%	22.7%		26.5%	19.6%	
Operating profit	16,046	15,153	5.9%	66,422	31,058	113.9%
EBITDA	20,303	34,393	-41.0%	89,679	71,242	25.9%
EBITDA margin	11.9%	19.8%		16.8%	14.6%	
EBIT	11,614	25,935	-55.2%	63,452	45,545	39.3%
EBIT margin	6.8%	14.9%		11.9%	9.3%	
Profit before tax	16,613	17,739	-6.3%	56,201	28,020	100.6%
Profit for the period	10,357	12,244	-15.4%	38,150	18,155	110.1%
Total assets				840,817	855,300	-1.7%
Total equity				344,359	310,615	10.9%
Equity ratio				41.0%	36.3%	
Headcounts				848	793	

* See note 2.2 on page 19 for further details

Sales development

Products

	Q3 2016	Q3 2015	Δ%	9 months ending Sept. 2016	9 months ending Sept. 2015	Δ%
	Million KRW	Million KRW		Million KRW	Million KRW	
Alkyl - phenol & Intermediates	15	463	-96.8%	1,505	1,872	-19.6%
Plasticizers	2,041	1,818	12.3%	6,632	5,658	17.2%
Polyester Diols	2,122	2,697	-21.3%	7,960	9,437	-15.7%
Polymer Stabilizers (AOX & UVs)	119,815	126,195	-5.1%	372,066	335,818	10.8%
Polyurethanes	10,622	9,565	11.1%	30,792	32,612	-5.6%
PVC Stabilizers	10,603	11,588	-8.5%	34,118	33,723	1.2%
SAP & Flocculants	2,428	2,647	-8.3%	6,774	9,134	-25.8%
Tin Intermediates	20,699	17,752	16.6%	63,679	52,293	21.8%
Others	2,237	1,172	90.8%	9,201	7,404	24.3%
Total Sales	170,582	173,897	-1.9%	532,727	487,951	9.2%

Regions

	Q3 2016	Q3 2015	Δ%	9 months ending Sept. 2016	9 months ending Sept. 2015	Δ%
	Million KRW	Million KRW		Million KRW	Million KRW	
Korea	45,482	45,985	-1.1%	138,474	140,825	-1.7%
Rest of Asia	43,983	35,398	24.3%	130,214	101,249	28.6%
Europe	34,207	40,637	-15.8%	116,900	113,303	3.2%
North and South America	34,760	39,064	-11.0%	108,425	104,628	3.6%
Australia	400	605	-33.9%	1,442	2,215	-34.9%
Middle East and Africa	11,750	12,208	-3.7%	37,272	25,731	44.9%
Total Sales	170,582	173,897	-1.9%	532,727	487,951	9.2%

Business development

SONGWON Industrial Group achieved consolidated sales of 170,582 Mil. KRW during the third quarter of 2016, ending September 30, 2016. The Group recorded a net profit of 10,357 Mil. KRW and a gross profit margin at 24.6% in Q3/2016. Year-to-date the Group realized consolidated sales of 532,727 Mil. KRW and generated a net profit of 38,150 Mil. KRW.

In almost all of SONGWON's most significant product lines, the YTD results continued to show an important growth trend over the previous year. The company saw market demand at a good level throughout Q3/2016. However, some destocking on the customers' side led to comparably low sales in September. Due to price competition, selling prices of polymer stabilizers were also exposed to some pressure in the last quarter, but SONGWON's other product lines were able to maintain stable selling prices. Over the past three months, the strengthening of the KRW against the USD and EUR had a negative impact on SONGWON's consolidated sales, as well as on profitability.

During Q3/2016, raw material prices continued to be stable and at low levels. However, as key raw material prices are linked to the price of oil, they are expected to increase slowly in the coming months. Therefore, preserving margins will remain a challenging task for SONGWON.

Apart from the scheduled maintenance shut-down in Maeam, Korea early in the quarter, all of SONGWON's plants ran at a high capacity utilization rate. The construction of SONGWON's JV plant for OPS (One Pack Systems) in Qingdao, China was completed according to plan in September 2016.

In Q3/2016, the Group experienced some margin deteriorations as a result of the maintenance shut-down of the Korean plant, combined with a weakening market demand in September and a strengthening of the KRW versus USD and EUR. The EBITDA and EBIT margins for the quarter decreased to 11.9% and 6.8% respectively. However, as of the end of September 2016, they increased to 16.8% (EBITDA) and 11.9% (EBIT).

Outlook

Looking at the economy in general, it remained weak in the key European and Asian countries in Q3/2016. While governments are concerned about the slow recovery and are taking measures to improve the economic situation, it still remains unclear as to whether BREXIT (now scheduled in March 2017), will impact the global economy and if so, to what extent.

The generally volatile economic activity outlook is due to uncertainties in the medium and long term economic growth scenarios combined with continued political instability in some world areas, as well as instable forex situations. SONGWON anticipates that customers will soon begin reducing inventory levels in preparation for the year end 2016. The Group sees any decrease as a result, as only being short term and expects demand to continue to grow on a stable basis in the coming months and in 2017.

SONGWON expects to see a positive impact from the new product solutions it launched at K-Fair 2016 in Düsseldorf, and its latest world-class facility in Qingdao coming on-stream in November. The plant will serve to strengthen the Group's local presence, shorten supply routes and will further enable SONGWON to realize its potential in China. Looking towards the end of 2016 and beyond, the company is confident that it has the right business strategies in place, and the flexibility to meet the specific needs of its customers worldwide and to succeed in its markets. Moving forward, SONGWON says it will focus on continuing to leverage its innovative capability, expand its product offering and drive organic growth across all of its business areas.

SECTION 2:

Condensed Interim Consolidated Financial Statements

Interim consolidated statement of financial position

		As at	
		Sept. 30, 2016	Dec. 31, 2015
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		476,242	483,786
Property, plant and equipment	5.3, 6, 19	426,697	432,496
Investment properties	5.3	3,556	3,562
Intangible assets	5.3, 7	27,696	34,688
Investments accounted for using the equity method	4	6,379	4,662
Available-for-sale financial investments	16	1,473	1,473
Other non-current financial assets	16	5,895	2,121
Deferred tax assets		4,546	4,784
Current assets		364,575	362,595
Inventories	8	151,189	169,123
Trade and other receivables	9, 16	116,344	109,822
Income tax receivables		624	223
Other current assets		7,624	3,926
Other current financial assets	16	17,465	11,099
Cash and cash equivalents	10, 16	71,329	68,402
Total assets		840,817	846,381
EQUITY AND LIABILITIES			
Equity		344,359	316,413
<i>Non-controlling interests</i>		<i>-2,057</i>	<i>1,944</i>
<i>Equity attributable to owners of the parent</i>		<i>346,416</i>	<i>314,469</i>
Issued capital		12,000	12,000
Capital surplus		24,361	24,361
Reserves		26,919	26,751
Retained earnings		286,658	250,000
Accumulated other comprehensive income	11.2	-3,522	1,357
Non-current liabilities		174,769	94,128
Interest-bearing loans and borrowings	12, 16, 18.3, 20.3	112,703	29,551
Pension liability		13,010	19,252
Other long-term employee benefits		4,660	3,006
Other non-current financial liabilities	16, 20.3	1,884	484
Other non-current liabilities		45	42
Deferred tax liabilities		42,467	41,793
Current liabilities		321,689	435,840
Interest-bearing loans and borrowings	12, 16, 18, 20.3	216,080	332,773
Trade and other payables	16, 20.3	86,774	76,142
Other current financial liabilities	16, 20.3	1,146	4,877
Other current liabilities		8,650	1,576
Income tax payable		9,039	20,472
Total liabilities		496,458	529,968
Total equity and liabilities		840,817	846,381

Interim consolidated statement of financial position

	As at (see note 2.1)	
	Sept. 30, 2016	Dec. 31, 2015
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	431,809	438,650
Property, plant and equipment	386,886	392,144
Investment properties	3,224	3,230
Intangible assets	25,112	31,452
Investments accounted for using the equity method	5,784	4,227
Available-for-sale financial investments	1,336	1,336
Other non-current financial assets	5,345	1,923
Deferred tax assets	4,122	4,338
Current assets	330,561	328,764
Inventories	137,083	153,343
Trade and other receivables	105,489	99,576
Income tax receivables	566	202
Other current assets	6,913	3,560
Other current financial assets	15,836	10,063
Cash and cash equivalents	64,674	62,020
Total assets	762,370	767,414
EQUITY AND LIABILITIES		
Equity	312,231	286,891
<i>Non-controlling interests</i>	<i>-1,865</i>	<i>1,763</i>
<i>Equity attributable to owners of the parent</i>	<i>314,096</i>	<i>285,128</i>
Issued capital	10,880	10,880
Capital surplus	22,088	22,088
Reserves	24,407	24,255
Retained earnings	259,914	226,675
Accumulated other comprehensive income	-3,193	1,230
Non-current liabilities	158,463	85,347
Interest-bearing loans and borrowings	102,188	26,794
Pension liability	11,796	17,456
Other long-term employee benefits	4,225	2,726
Other non-current financial liabilities	1,708	439
Other non-current liabilities	41	38
Deferred tax liabilities	38,505	37,894
Current liabilities	291,676	395,176
Interest-bearing loans and borrowings	195,920	301,725
Trade and other payables	78,678	69,038
Other current financial liabilities	1,039	4,422
Other current liabilities	7,843	1,429
Income taxes payable	8,196	18,562
Total liabilities	450,139	480,523
Total equity and liabilities	762,370	767,414

Interim consolidated statement of comprehensive income

		For the three months ended September 30,	
		2016	2015 (restated*)
	Notes	Million KRW	Million KRW
Sales of goods	5	170,582	173,897
Cost of sales*		-128,622	-134,418
Gross profit		41,960	39,479
Selling and administration costs*		-25,914	-24,326
Operating profit		16,046	15,153
Other income*		-8,721	13,137
Other expenses*		4,289	-2,355
Share of result from investments accounted for using the equity method	4	133	174
Finance income*		-1,299	2,497
Finance expenses*		6,165	-10,867
Profit before taxes		16,613	17,739
Income tax expenses	13	-6,256	-5,495
Profit for the period		10,357	12,244
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-3,218	4,425
Gain / (Loss) on valuation of interest rate swaps	11.2	123	28
Exchange differences on translation of foreign operations	11.2	-3,341	4,397
Total other comprehensive income, net of taxes		-3,218	4,425
Total comprehensive income		7,139	16,669
Profit for the period attributable to:			
Owners of the parent		10,591	12,452
Non-controlling interests		-234	-208
Profit for the period		10,357	12,244
Total comprehensive income attributable to:			
Owners of the parent		7,876	16,675
Non-controlling interests		-737	-6
Total comprehensive income		7,139	16,669
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	14	441	519

* See note 2.2 on page 19 for further details

Interim consolidated statement of comprehensive income

	For the three months ended September 30, (see note 2.1)	
	2016	2015
	Thousand USD	Thousand USD
Sales of goods	154,667	157,672
Cost of sales	-116,622	-121,877
Gross profit	38,045	35,795
Selling and administration costs	-23,496	-22,056
Operating profit	14,549	13,739
Other income	-7,907	11,911
Other expenses	3,889	-2,135
Share of result from investments accounted for using the equity method	121	158
Finance income	-1,178	2,264
Finance expenses	5,590	-9,853
Profit before taxes	15,064	16,084
Income tax expenses	-5,672	-4,983
Profit for the period	9,392	11,101
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-2,918	4,012
Gain / (Loss) on valuation of interest rate swaps	112	25
Exchange differences on translation of foreign operations	-3,030	3,987
Total other comprehensive income, net of taxes	-2,918	4,012
Total comprehensive income	6,474	15,113
Profit for the period attributable to:		
Owners of the parent	9,603	11,290
Non-controlling interests	-211	-189
Profit for the period	9,392	11,101
Total comprehensive income attributable to:		
Owners of the parent	7,144	15,119
Non-controlling interests	-670	-6
Total comprehensive income	6,474	15,113
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	400	471

Interim consolidated statement of comprehensive income

		For the nine months ended September 30,	
		2016	2015 (restated*)
	Notes	Million KRW	Million KRW
Sales of goods	5	532,727	487,951
Cost of sales*		-391,594	-392,383
Gross profit		141,133	95,568
Selling and administration costs*		-74,711	-64,510
Operating profit		66,422	31,058
Other income*		9,630	22,774
Other expenses*		-12,600	-8,287
Share of result from investments accounted for using the equity method	4	400	421
Finance income*		14,305	16,932
Finance expenses*		-21,956	-34,878
Profit before taxes		56,201	28,020
Income tax expenses	13	-18,051	-9,865
Profit for the period		38,150	18,155
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-5,167	5,273
Gain / (Loss) on valuation of interest rate swaps	11.2	-832	42
Exchange differences on translation of foreign operations	11.2	-4,335	5,231
Total other comprehensive income, net of taxes		-5,167	5,273
Total comprehensive income		32,983	23,428
Profit for the period attributable to:			
Owners of the parent		38,823	18,809
Non-controlling interests		-673	-654
Profit for the period		38,150	18,155
Total comprehensive income attributable to:			
Owners of the parent		33,944	24,009
Non-controlling interests		-961	-581
Total comprehensive income		32,983	23,428
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	15	1,618	784

* See note 2.2 on page 19 for further details

Interim consolidated statement of comprehensive income

	For the nine months ended September 30, (see note 2.1)	
	2016	2015
	Thousand USD	Thousand USD
Sales of goods	483,024	442,425
Cost of sales	-355,058	-355,774
Gross profit	127,966	86,651
Selling and administration costs	-67,741	-58,491
Operating profit	60,225	28,160
Other income	8,731	20,649
Other expenses	-11,424	-7,514
Share of result from investments accounted for using the equity method	363	382
Finance income	12,971	15,352
Finance expenses	-19,908	-31,624
Profit before tax	50,958	25,405
Income taxes expenses	-16,367	-8,944
Profit for the period	34,591	16,461
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-4,684	4,781
Gain / (Loss) on valuation of interest rate swaps	-754	38
Exchange differences on translation of foreign operations	-3,930	4,743
Total other comprehensive income, net of taxes	-4,684	4,781
Total comprehensive income	29,907	21,242
Profit for the period attributable to:		
Owners of the parent	35,201	17,054
Non-controlling interests	-610	-593
Profit for the period	34,591	16,461
Total comprehensive income attributable to:		
Owners of the parent	30,778	21,769
Non-controlling interests	-871	-527
Total comprehensive income	29,907	21,242
Earnings per share	USD	USD
<i>Basic / diluted, profit for the period attributable to ordinary equity holders of the parent</i>	1,467	711

Interim consolidated statement of changes in equity

For the nine months ended Sept. 30, 2015 and Sept. 30, 2016

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
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	-	-	-	18,809	-	18,809	-654	18,155
Gain / (loss) on valuation of interest rate swaps, net of tax	-	-	-	-	42	42	-	42
Foreign currency translation, net of tax	-	-	-	-	5,158	5,158	73	5,231
Total comprehensive income	-	-	-	18,809	5,200	24,009	-581	23,428
Dividends	-	-	-	-1,440	-	-1,440	-	-1,440
Appropriation to reserves	-	-	144	-144	-	-	-	-
As at September 30, 2015	12,000	24,361	26,751	242,505	2,469	308,086	2,529	310,615
As at January 1, 2016	12,000	24,361	26,751	250,000	1,357	314,469	1,944	316,413
Profit for the period	-	-	-	38,823	-	38,823	-673	38,150
(Loss) / gain on valuation of interest rate swaps, net of tax	-	-	-	-	-832	-832	-	-832
Foreign currency translation, net of tax	-	-	-	-	-4,047	-4,047	-288	-4,335
Total comprehensive income	-	-	-	38,823	-4,879	33,944	-961	32,983
Acquisition of non-controlling interests	-	-	-	-317	-	-317	-3,785	-4,102
Disposal of non-controlling interests	-	-	-	-	-	-	745	745
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at September 30, 2016	12,000	24,361	26,919	286,658	-3,522	346,416	-2,057	344,359

Interim consolidated statement of changes in equity

For the nine months ended Sept. 30, 2015 and Sept. 30, 2016 (see note 2.1)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital Surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
As at January 1, 2015	10,880	22,088	24,124	204,261	-2,476	258,877	2,820	261,697
Profit for the period	-	-	-	17,054	-	17,054	-593	16,461
Gain / (loss) on valuation of interest rate swaps, net of tax	-	-	-	-	38	38	-	38
Foreign currency translation, net of tax	-	-	-	-	4,677	4,677	66	4,743
Total comprehensive income	-	-	-	17,054	4,715	21,769	-527	21,242
Dividends	-	-	-	-1,306	-	-1,306	-	-1,306
Appropriation to reserves	-	-	131	-131	-	-	-	-
As at September 30, 2015	10,880	22,088	24,255	219,878	2,239	279,340	2,293	281,633
As at January 1, 2016	10,880	22,088	24,255	226,675	1,230	285,128	1,763	286,891
Profit for the period	-	-	-	35,201	-	35,201	-610	34,591
(Loss) / gain on valuation of interest rate swaps, net of tax	-	-	-	-	-754	-754	-	-754
Foreign currency translation, net of tax	-	-	-	-	-3,669	-3,669	-261	-3,930
Total comprehensive income	-	-	-	35,201	-4,423	30,778	-871	29,907
Acquisition of non-controlling interests	-	-	-	-287	-	-287	-3,432	-3,719
Disposal of non-controlling interests	-	-	-	-	-	-	675	675
Dividends	-	-	-	-1,523	-	-1,523	-	-1,523
Appropriation to reserves	-	-	152	-152	-	-	-	-
As at September 30, 2016	10,880	22,088	24,407	259,914	-3,193	314,096	-1,865	312,231

Interim consolidated statement of cash flows

		For the nine months ended September 30,	
		2016	2015
	Notes	Million KRW	Million KRW
Profit for the period		38,150	18,155
Adjustments total	21	55,430	27,706
Changes in operating assets and liabilities	21	12,724	17,136
Interest received		482	297
Dividends received from 3rd		7	25
Income taxes paid		-28,702	-448
Net cash flow from operating activities		78,091	62,871
Proceeds from sale of property, plant and equipment		47	151
Proceeds from sale of investment property		-	34,520
Proceeds from sale of intangible assets		-	222
Proceeds from sale of investments using equity method		-	32
Purchase of property, plant and equipment		-18,276	-18,902
Purchase of intangible assets	7	-274	-217
Investment in a joint venture		-1,579	-1,377
Increase of other financial assets, net		-10,002	-3,330
Dividends received from investments using equity method		-	545
Net cash flow from investing activities		-30,084	11,644
Proceeds from borrowings (current)		349,687	519,609
Repayment of borrowings (current)		-499,543	-576,082
Proceeds from borrowings (non-current)		122,005	9,179
Repayment of borrowings (non-current)		-	-36
Decrease in other financial liabilities, net		-2,759	-1,586
Interest paid		-8,373	-11,178
Dividends paid		-1,680	-1,440
Cash payments to non-controlling interests		-3,630	-
Net cash flow from financing activities		-44,293	-61,534
Increase in cash and cash equivalents		3,714	12,981
Net foreign exchange difference		-787	4,358
Cash and cash equivalents at January 1,	10	68,402	45,392
Cash and cash equivalents at September 30,	10	71,329	62,731

Interim consolidated statement of cash flows

	For the nine months ended September 30, (see note 2.1)	
	2016	2015
	Thousands USD	Thousands USD
Profit for the period	34,591	16,461
Adjustments total	50,258	25,121
Changes in operating assets and liabilities	11,537	15,537
Interest received	437	269
Dividends received from 3rd	6	23
Income tax paid	-26,024	-406
Net cash flow from operating activities	70,805	57,005
Proceeds from sale of property, plant and equipment	43	137
Proceeds from sale of investment property	-	31,299
Proceeds from sale of intangible assets	-	201
Proceeds from sale of investments using equity method	-	29
Purchase of property, plant and equipment	-16,571	-17,138
Purchase of intangible assets	-248	-197
Investment in a joint venture	-1,432	-1,249
Increase of other financial assets, net	-9,069	-3,019
Dividends received from investments using equity method	-	494
Net cash flow from investing activities	-27,277	10,557
Proceeds from borrowings (current)	317,061	471,130
Repayment of borrowings (current)	-452,936	-522,334
Proceeds from borrowings (non-current)	110,622	8,323
Repayment of borrowings (non-current)	-	-33
Decrease in other financial liabilities, net	-2,502	-1,438
Interest paid	-7,592	-10,135
Dividends paid	-1,523	-1,306
Cash payments to non-controlling interests	-3,291	-
Net cash flow from financing activities	-40,161	-55,793
Increase in cash and cash equivalents	3,367	11,769
Net foreign exchange difference	-713	3,951
Cash and cash equivalents at January 1,	62,020	41,157
Cash and cash equivalents at September 30,	64,674	56,877

Notes to the condensed interim consolidated financial statements

1. Corporate information

1.1. The Company

SONGWON Industrial Group (the "Group") consists of the parent company Songwon Industrial Co. Ltd. (the "Company") and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965 under the law of the Republic of Korea to engage in the manufacture and commercial sale of antioxidants, stabilizers and polyester diols. The Company's main manufacturing plants are located in Ulsan, Maeam and Suwon, all in Korea. 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

As per September 30, 2016, the scope of consolidation for the consolidated financial statements encompasses 13 entities (2015: 15 entities). Additionally, two entities are classified as joint ventures.

Since December 31, 2015, Songwon International-India Pvt. Ltd. has merged with Songwon Specialty Chemicals-India Pvt. Ltd. Also, the three Chinese fully consolidated entities are in liquidation and an asset transfer to the joint venture firm Qingdao Long Fortune Songwon Chemical Co., Ltd. took place.

As per April 30, 2016 the exit of the joint venture partner of Songwon Holdings AG took place. In the course of exit, Songwon Holdings AG bought the remaining 25% of shareholdings in Songwon Additive Technologies AG from PanGulf Holding Company W.L.L. and now owns 100% of shareholdings in the entity. Songwon Additive Technologies AG also sold 18.5% shareholdings in Polysys Additive Technologies – Middle East LLC to PanGulf Holding Company W.L.L. and now owns 55.5% of shareholdings. From the Group perspective, the share interest in Polysys Additive Technologies – Middle East LLC did not change (55.5%) and the Group still controls the entity. However, the interests in Songwon ATG GmbH, Songwon Additive Technologies-Americas Inc. and Songwon Additive Technologies – Middle East FZE increased from 75% to 100%.

Effective as per September 8, 2016, in course of the legal restructuring, Songwon Holdings AG merged with Songwon Additive Technologies AG. Songwon Holdings AG now holds all shareholdings, owned by Songwon Additive Technologies AG before the merger.

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

		September 30, 2016		December 31, 2015	
Name	Location	Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan K.K.	Japan	Subsidiary	100%	Subsidiary	100%
Songwon China Ltd. <i>(in liquidation)</i>	Hong Kong	Subsidiary	100%	Subsidiary	100%
Songwon Trading Co., Ltd. <i>(in liquidation)</i>	China	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals Co., Ltd. <i>(in liquidation)</i>	China	Subsidiary	100%	Subsidiary	100%
Songwon International-India Pvt. Ltd.	India	-	-	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%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	75%
Songwon Additive Technologies- Americas Inc.	USA	Subsidiary	100%	Subsidiary	75%
Songwon Additive Technologies – Middle East FZE	Dubai (UAE)	Subsidiary	100%	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)

Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	30%	Joint Venture	30%
Qingdao Long Fortune Songwon Chemical Co., Ltd.	China	Joint Venture	50%	Joint Venture	50%

2. Basis of preparation

The interim condensed financial statements for the three and nine months ended September 30, 2016 have been prepared in accordance with K-IFRS 1034 – Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS").

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

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

2.1. Convenience translation into United States Dollar

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of KRW 1,102.90 to US \$1, the exchange rate in effect on September 30, 2016. Such 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 U.S. dollars at this or at any other rate.

2.2. Restatement of the prior year figures in the Statement of comprehensive income

In order to harmonize the accounting treatment of taxes and duties on sales across the Group, the decision was taken in the first half-year 2016 to reclassify the accumulated taxes and duties of 299 Million KRW (for the third quarter 2016) and 1,035 Million KRW (for nine months 2016) from SG&A into COGS. The amounts of taxes and duties for the same periods in 2015 are 419 Million KRW and 1,228 Million KRW respectively. This leads to higher COGS and lower gross profit as well as lower SG&A in the prior year. Operating profit and other positions in the Statement of comprehensive income are not impacted, net profit and earnings per share remain unchanged.

There has been a change in the booking method of foreign currency translation gains and losses within the operational income and expense and financial income and expense beginning with Q2/2016. The prior-year reclassification within the operational income and expense amounts to 3,951 Million KRW for the third quarter and to 11,211 Million KRW for the nine months 2015. The prior year reclassification within the financial income and expense amounts to 2,981 Million KRW for the third quarter and to 9,881 Million KRW for the nine months 2015. The reclassifications have no impact on EBIT and other positions in the Statement of comprehensive income, net profit and earnings per share remain unchanged.

3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015, except for the adoption of the new standards as of January 1, 2016, listed below:

New and amended standards adopted by the Group

K-IFRS 1114 Regulatory Deferral Accounts

K-IFRS 1114 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of K-IFRS. Entities that adopt K-IFRS 1114 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. K-IFRS 1114 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing K-IFRS 1114 preparer and is not involved in any rate-regulated activities, this standard does not apply.

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 Business Combinations principles for business combination 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 if joint control is retained. In addition, a 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 do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

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 do not 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 1016 and K-IFRS 1041 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of K-IFRS 1041 Agriculture. Instead, K-IFRS 1016 will apply. After initial recognition, bearer plants will be measured under K-IFRS 1016 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of K-IFRS 1041 measured at fair value less costs to sell. For government grants related to bearer plants, K-IFRS 1020

Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

These amendments do not have any impact to the Group as the Group does not have any bearer plants.

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

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in K-IFRS 1105. This amendment must be applied prospectively.

K-IFRS 1107 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in K-IFRS 1107 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the amendments to K-IFRS 1107 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

K-IFRS 1019 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

K-IFRS 1034 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

Amendments to K-IFRS 1001 Disclosure Initiative

The amendments to K-IFRS 1001 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 do not have any impact on the Group.

Amendments to K-IFRS 1110, K-IFRS 1112 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 Consolidated Financial Statements. 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 Investments in Associates and Joint Ventures 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 do not have any impact on the Group as the Group does not apply the consolidation exception.

4. Interest in joint arrangements

Summarized statement of financial position and summarized statement of comprehensive income of entities 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.	-	-	-	-	-	-	-	-	-
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
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,024	10,738	5,992	3,194	3,470	-	-	13,260	3,978
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,200	9,185	2,822	3,898	3,898	3,307	3,307	4,802	2,401
September 30, 2016	6,224	19,923	8,814	7,092	7,368	3,307	3,307	18,062	6,379

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expenses	Profit before tax	Income tax expenses	Profit for the year	Other comp. income	Total comp. 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	-	-2
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,099	-20	1	-33	815	-204	611	183	794
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	-	1	-	-16	-	-16	20	4
For the three months ended Sept. 30, 2015	5,099	-20	2	-33	797	-204	593	203	796
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,118	-14	1	-3	936	-234	702	-150	552
Qingdao Long Fortune Songwon Chemical Co., Ltd.	3,602	-25	2	-56	-155	-	-155	-224	-379
For the three months ended Sept. 30, 2016	8,720	-39	3	-59	781	-234	547	-374	173

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expenses	Profit before tax	Income tax expenses	Profit for the year	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	-	-	-	-	12	-1	11	-	11
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,443	-55	2	-71	1,885	-471	1,414	486	1,900
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	-	1	-	-16	-	-16	20	4
For the nine months ended Sept. 30, 2015	13,443	-55	3	-71	1,881	-472	1,409	506	1,915
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	15,380	-45	2	-46	3,408	-852	2,556	-217	2,339
Qingdao Long Fortune Songwon Chemical Co., Ltd.	11,419	-56	5	-56	-732	-1	-733	-394	-1,127
For the nine months ended Sept. 30, 2016	26,799	-101	7	-102	2,676	-853	1,823	-611	1,212

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

	As at Jan. 1, 2015	Addition	Share of result from equity method	Dividends	Disposal	Exchange rate effect	As at Sept. 30, 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	-	423	-545	-	146	3,109
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	1,377	-8	-	-	10	1,379
Total	3,100	1,377	421	-545	-21	156	4,488

* Disposal of interest in the joint venture Chemservice Asia Co., Ltd., Korea in 2015.

	As at Jan. 1, 2016	Addition	Share of result from equity method	Dividends	Disposal	Exchange rate effect	As at Sept. 30, 2016
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,276	-	767	-	-	-65	3,978
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,386	1,579	-367	-	-	-197	2,401
Total	4,662	1,579	400	-	-	-262	6,379

5. 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 equivalents to the financial statements of the Group as a whole. The Group is active in particular as a manufacturer of polyurethane resins and additives including stabilizers, plasticizers and lubricants.

The Group is acting worldwide and therefore discloses geographic segment.

5.1. Product information

Revenue from external customers

	For the three months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	15	463
Plasticizers	2,041	1,818
Polyester Diol	2,122	2,697
Polymer Stabilizers (AOX and UVs)	119,815	126,195
Polyurethanes	10,622	9,565
PVC Stabilizers	10,603	11,588
SAP and Flocculants	2,428	2,647
Tin Intermediates	20,699	17,752
Others	2,237	1,172
Total	170,582	173,897

	For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	1,505	1,872
Plasticizers	6,632	5,658
Polyester Diol	7,960	9,437
Polymer Stabilizers (AOX and UVs)	372,066	335,818
Polyurethanes	30,792	32,612
PVC Stabilizers	34,118	33,723
SAP and Flocculants	6,774	9,134
Tin Intermediates	63,679	52,293
Others	9,201	7,404
Total	532,727	487,951

5.2. Geographic information

Revenue from external customers

	For the three months ended Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Korea	45,482	45,985
Rest of Asia	43,983	35,398
Europe	34,207	40,637
North and South America	34,760	39,064
Australia	400	605
Middle East and Africa	11,750	12,208
Total	170,582	173,897

	For the nine months ended Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Korea	138,474	140,825
Rest of Asia	130,214	101,249
Europe	116,900	113,303
North and South America	108,425	104,628
Australia	1,442	2,215
Middle East and Africa	37,272	25,731
Total	532,727	487,951

The revenue information above is based on the location of the customer. Korea is disclosed separately due to size of the material Korean home market whereas all other countries have been summarized to regions. Therefore, no country revenues are disclosed separately.

The Group is not recognizing more revenue than 10% of its total revenue with one client during the reporting periods.

5.3. Non-current assets

	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Korea	395,060	397,411
Rest of Asia	20,796	23,581
Europe	20,467	25,675
North and South America	4,134	5,072
Middle East and Africa	17,492	19,007
Total	457,949	470,746

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

6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
At January 1, 2015	147,934	65,493	63,955	431,695	17,426	20,847	747,350
Additions	-	13	-	44	302	17,996	18,355
Disposals	-30	-42	-	-37	-508	-90	-707
Reclassification	-	2,264	65	11,949	115	-14,393	-
Net exchange diff.	-	107	-	675	208	1,448	2,438
At September 30, 2015	147,904	67,835	64,020	444,326	17,543	25,808	767,436
At January 1, 2016	147,904	68,374	63,995	445,667	17,300	23,719	766,959
Additions	-	225	-	57	819	16,314	17,415
Disposals	-	-	-	-64	-375	-	-439
Reclassification	-	16,656	1,553	16,022	321	-34,552	-
Net exchange diff.	-	-1,548	-	-1,582	-296	484	-2,942
At September 30, 2016	147,904	83,707	65,548	460,100	17,769	5,965	780,993
Depreciation and impairment							
At January 1, 2015	-	-16,086	-28,106	-256,834	-11,720	-	-312,746
Depreciation charge	-	-1,307	-2,352	-15,151	-970	-	-19,780
Disposals	-	17	-	37	508	-	562
Net exchange diff.	-	-2	-	-96	-66	-	-164
At September 30, 2015	-	-17,378	-30,458	-272,044	-12,248	-	-332,128
At January 1, 2016	-	-17,815	-31,201	-273,879	-11,568	-	-334,463
Depreciation charge	-	-1,722	-2,327	-15,324	-1,109	-	-20,482
Disposals	-	-	-	18	350	-	368
Net exchange diff.	-	28	-	202	51	-	281
At September 30, 2016	-	-19,509	-33,528	-288,983	-12,276	-	-354,296
Net book value							
At September 30, 2015	147,904	50,457	33,562	172,282	5,295	25,808	435,308
At January 1, 2016	147,904	50,559	32,794	171,788	5,732	23,719	432,496
At September 30, 2016	147,904	64,198	32,020	171,117	5,493	5,965	426,697

There was no impairment during the reported financial period in 2016. Non-cash transactions amounting to 1,528 Million KRW are included in the additions for the nine months ended September 30, 2016.

7. Intangible assets

	Industrial rights	Software	Memberships	Customer relationships	Non-compete contracts	Capitalization process technology	Goodwill	Construction-in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
At January 1, 2015	2,640	2,639	1,077	29,437	13,813	4,793	39,456	1,369	95,224
Additions	64	60	1	-	-	-	-	92	217
Disposals	-64	-205	-225	-	-	-	-	-8	-502
Reclassification	32	-	-	-	-	-	-	-	32
Net exchange diff.	-	53	-	2,298	1,146	241	2,748	-	6,486
At September 30, 2015	2,672	2,547	853	31,735	14,959	5,034	42,204	1,453	101,457
At January 1, 2016	2,672	2,525	852	31,391	14,812	4,937	41,624	1,486	100,299
Additions	-	184	1	-	-	-	-	89	274
Reclassification	776	-	-	-	-	-1,116	-	-	-340
Net exchange diff.	-	-35	-	-2,011	-938	-266	-2,543	-	-5,793
At September 30, 2016	3,448	2,674	853	29,380	13,874	3,555	39,081	1,575	94,440
Amortization and impairment									
At January 1, 2015	-875	-2,111	-	-12,450	-8,890	-694	-28,752	-	-53,772
Amortization	-195	-216	-	-2,932	-1,767	-718	-	-	-5,828
Disposals	31	208	-	-	-	-	-	-	239
Net exchange diff.	-	-25	-	-1,142	-867	-53	-2,385	-	-4,472
At September 30, 2015	-1,039	-2,144	-	-16,524	-11,524	-1,465	-31,137	-	-63,833
At January 1, 2016	-1,104	-2,161	-	-17,373	-12,025	-1,889	-31,059	-	-65,611
Amortization	-250	-148	-	-2,929	-1,833	-549	-	-	-5,709
Reclassification	-	-	-	-	-	340	-	-	340
Net exchange diff.	-	21	-	1,265	880	97	1,973	-	4,236
At September 30, 2016	-1,354	-2,288	-	-19,037	-12,978	-2,001	-29,086	-	-66,744
Net book value									
At September 30, 2015	1,633	403	853	15,211	3,435	3,569	11,067	1,453	37,624
At January 1, 2016	1,568	364	852	14,018	2,787	3,048	10,565	1,486	34,688
At September 30, 2016	2,094	386	853	10,343	896	1,554	9,995	1,575	27,696

The intangible assets (except Goodwill and memberships) are amortized over a finite useful life. The intangible assets with indefinite useful lives are tested for impairment on an annual basis as per December 31. No triggering events occurred in the nine months ended September 30, 2016 and September 30, 2015.

8. Inventories

Description	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Raw materials and supplies	22,156	21,383
Work in progress	218	193
Finished goods	106,884	122,187
Goods in transit	21,797	25,030
Consignment stocks	134	330
Total inventories at the lower of cost and net realizable value	151,189	169,123

As of September 30, 2016 inventory write-off amounted to 2,060 Million KRW for raw material and finished goods (December 31, 2015: 2,455 Million KRW).

9. Trade and other receivables

Description	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Trade and notes receivable (net) – third parties	111,748	102,845
Trade and notes receivable (net) – related parties	1,658	2,657
Other receivables (net) – third parties	1,614	3,401
Other receivables (net) – related parties	131	373
Accrued income – third parties	624	310
Accrued income – related parties	569	236
Total	116,344	109,822

“Other receivables (net) - 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, 2015	-408	-52	-460
Charge for the year	-335	-5	-340
Unused amounts reversed	67	14	81
September 30, 2015	-676	-43	-719

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2016	-343	-42	-385
Charge for the year	-169	-307	-476
Unused amounts reversed	81	42	123
September 30, 2016	-431	-307	-738

The ageing 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
Sept. 30, 2016	116,344	103,794	9,535	2,507	99	323	86
Dec. 31, 2015	109,822	101,105	7,376	965	223	101	52

10. Cash and cash equivalents

Description	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Cash on hand	131	66
Bank accounts	67,692	63,152
Time deposit (< 3 months)	3,506	5,184
Total	71,329	68,402

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 immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

11. Equity

11.1. Reserves and dividends paid

At the regular general meeting of shareholders, held on March 18, 2016, dividends with a total amount of 1,680 Million KRW were approved by the shareholders. On April 4, 2016 dividends were paid out. Legal reserves increased by 168 Million KRW due to the appropriation to the reserve decided by the shareholders on March 18, 2016.

11.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of September 30, 2016 and December 31, 2015 is composed of the following:

Description	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	-2,642	1,405
Interest rate swaps	-880	-48
Total	-3,522	1,357

Details of other comprehensive income for the three months ended September 30, 2016 and September 30, 2015 are as follows:

Description	For the three months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Pretax amounts		
Gain / (loss) on valuation of interest rate swaps	123	28
Exchange difference on translation of foreign operations	-3,341	4,397
Pretax amounts total	-3,218	4,425
Tax effects:		
Gain / (loss) on valuation of interest rate swaps	-	-
Exchange difference on translation of foreign operations	-	-
Tax effects total	-	-
Net amounts:		
Gain / (loss) on valuation of interest rate swaps	123	28
Exchange difference on translation of foreign operations	-3,341	4,397
Net amounts total	-3,218	4,425

Details of other comprehensive income for the nine months ended September 30, 2016 and September 30, 2015 are as follows:

Description	For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Pretax amounts		
(Loss) / Gain on valuation of interest rate swaps	-832	42
Exchange difference on translation of foreign operations	-4,335	5,231
Pretax amounts total	-5,167	5,273
Tax effects:		
(Loss) / Gain on valuation of interest rate swaps	-	-
Exchange difference on translation of foreign operations	-	-
Tax effects total	-	-
Net amounts:		
(Loss) / Gain on valuation of interest rate swaps	-832	42
Exchange difference on translation of foreign operations	-4,335	5,231
Net amounts total	-5,167	5,273

12. Interest bearing loans and borrowings

Interest-bearing loans and borrowings as of September 30, 2016 and December 31, 2015 are as follows:

Description	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Long-term borrowings	112,703	29,551
Non-current bank loans and bonds	112,703	29,551
Current portion of privately placed corporate bonds	-	10,000
Current portion of borrowings	63,721	115,211
Short-term borrowings	152,359	207,562
Current loans and borrowings	216,080	332,773
Total	328,783	362,324

13. Income taxes

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

Income taxes	For the three months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Current income tax expenses	-5,304	-10,785
Deferred income tax expenses related to origination and reversal of deferred taxes	-952	5,290
Income tax expenses	-6,256	-5,495
Total income taxes recorded in the statement of comprehensive income	-6,256	-5,495

Income taxes	For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Current income tax expenses	-16,887	-16,245
Deferred income taxes expenses related to origination and reversal of deferred taxes	-1,164	6,380
Income tax expenses	-18,051	-9,865
Total income taxes recorded in the statement of comprehensive income	-18,051	-9,865

14. 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 by the average number of ordinary shares outstanding during the year.

There is no difference between basic and diluted earnings per share as of September 30, 2016 and as of September 30, 2015.

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

Description	For the three months ended	
	Sept. 30, 2016	Sept. 30, 2015
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	10,591,298,301	12,452,419,857
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	441	519

Description	For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	38,822,997,804	18,808,957,760
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,618	784

15. Derivative financial instruments

Description	Sept. 30, 2016		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	494	653	214	228
Interest rate swaps (current portion)	-	-	-	48
Interest rate swaps (non-current portion)	-	880	-	-
Total	494	1,533	214	276

15.1. Currency forwards

Currency forward contracts which the Group has entered into in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of September 30, 2016 and December 31, 2015 are as follows:

As per September 30, 2016

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Kyong Nam Bank	Sell	EUR 2,625,000	14.10.2016 – 15.12.2016	1,316.80 – 1,319.50
Kyong Nam Bank	Sell	JPY 165,000,000	25.10.2016 – 22.12.2016	10.36 – 10.38
Kyong Nam Bank	Sell	JPY 210,000,000	25.10.2016 – 23.12.2016	10.24
Woori Bank	Sell	EUR 2,625,000	25.10.2016 – 22.12.2016	1,335.11 – 1,337.65
Woori Bank	Sell	JPY 381,000,000	17.10.2016 – 16.12.2016	9.69 – 9.71

As per December 31, 2015

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Kyong 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	9.58 – 9.71

15.2. Interest rate swaps

As of September 30, 2016 and December 31, 2015 the Group has entered into the following interest rate swap contract:

As per September 30, 2016

Description	Bonds contract	Interest rate swap contract
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	40,000 Million KRW	40,000 Million KRW
Fixed interest rate	n/a	3.48%
Floating interest rate	3MCD+1.90%	3MCD+1.90%
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	60,000 Million KRW	60,000 Million KRW
Fixed interest rate	n/a	3.30%
Floating interest rate	3MCD+1.57%	3MCD+1.57%

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	n/a	5.35%
Floating interest rate	3MCD+2.27%	3MCD+2.27%

The Group applies cash flow hedge accounting on interest rate swaps, in the current reporting period and in 2015 there are interest rate swaps designated as cash flow hedge. The balances included in accumulated other comprehensive income are -880 Million KRW as of September 30, 2016 and -48 Million KRW as of December 31, 2015, respectively (see Note 11.2), net of income tax.

16. Fair values

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

	Carrying amount		Fair value	
	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	494	214	494	214
Other financial assets (Derivatives)	494	214	494	214
<i>Thereof Current</i>	494	214	494	214
<i>Thereof Non-Current</i>	-	-	-	-
Loans and receivables	210,539	191,230	210,539	191,230
Other financial assets	22,866	13,006	22,866	13,006
<i>Thereof Current</i>	16,971	10,885	16,971	10,885
<i>Thereof Non-Current</i>	5,895	2,121	5,895	2,121

Trade and other receivables	116,344	109,822	116,344	109,822
<i>Thereof Current</i>	116,344	109,822	116,344	109,822
<i>Thereof Non-Current</i>	-	-	-	-
Cash and cash equivalents	71,329	68,402	71,329	68,402
<i>Thereof Current</i>	71,329	68,402	71,329	68,402
<i>Thereof Non-Current</i>	-	-	-	-
Available-for-sale financial assets	1,473	1,473	1,473	1,473
<i>Thereof Current</i>	-	-	-	-
<i>Thereof Non-Current</i>	1,473	1,473	1,473	1,473
Total	212,506	192,917	212,506	192,917

	Carrying amount		Fair value	
	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW	Million KRW	Million KRW
Financial liabilities at fair value through profit and loss	653	228	653	228
Other financial liabilities (Derivatives)	653	228	653	228
<i>Thereof Current</i>	653	228	653	228
<i>Thereof Non-Current</i>	-	-	-	-
Financial liabilities at fair value through OCI	880	48	880	48
Other financial liabilities (Derivatives)	880	48	880	48
<i>Thereof Current</i>	-	48	-	48
<i>Thereof Non-Current</i>	880	-	880	-
Financial liabilities measured at amortized costs	417,054	443,551	417,054	443,551
Interest bearing loans and borrowings	328,783	362,324	328,783	362,324
<i>Thereof Current</i>	216,080	332,773	216,080	332,773
<i>Thereof Non-Current</i>	112,703	29,551	112,703	29,551
Other financial liabilities	1,497	5,085	1,497	5,085
<i>Thereof Current</i>	493	4,601	493	4,601
<i>Thereof Non-Current</i>	1,004	484	1,004	484
Trade and other payables	86,774	76,142	86,774	76,142
<i>Thereof Current</i>	86,774	76,142	86,774	76,142
<i>Thereof Non-Current</i>	-	-	-	-
Total	418,587	443,827	418,587	443,827

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

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

Cash and short-term deposits, trade accounts receivables, other accounts 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.

16.1. 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

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As of September 30, 2016 and as of December 31, 2015, the Group held the following financial instruments carried at fair value on the statement of financial position:

	Sept. 30, 2016	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Financial assets at fair value through profit or loss	494	-	494	-
<i>Derivatives</i>	494	-	494	-
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	653	-	653	-
<i>Derivatives</i>	653	-	653	-
Financial liabilities at fair value through OCI	880	-	880	-
<i>Derivatives</i>	880	-	880	-

	Dec. 31, 2015	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Financial assets at fair value through profit or loss	214	-	214	-
<i>Derivatives</i>	214	-	214	-
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	228	-	228	-
<i>Derivatives</i>	228	-	228	-
Financial liabilities at fair value through OCI	48	-	48	-
<i>Derivatives</i>	48	-	48	-

During the nine months ended September 30, 2016 and twelve months ended December 31, 2015, 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 16) the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalents.

17. Related Party disclosures

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

Related party	Description	For the nine months ended	
		Sept. 30, 2016	Sept. 30, 2015
		Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Finance income	333	173
Songwon Moolsan Co., Ltd.	Selling and administration costs	-38	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Purchase	-9,797	-9,432
Chemservice Asia Co., Ltd.	Selling and administration costs	-	-36
	Other operating income	-	36
Qingdao Long Fortune Songwon Chemical Co., Ltd.	Sales	5,694	-
	Selling and administration costs	-519	-
	Other operating income	126	-
	Finance income	27	-
Total	Sales	5,694	-
	Purchase	-9,797	-9,432
	Selling and administration costs	-557	-36
	Other operating income	126	36
	Finance income	360	173

Related party	Description	September 30, 2016	Dec. 31, 2015
		Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Accrued income	569	236
	Other current financial assets	14,000	7,000
Songwon Moolsan Co., Ltd.	Deposit for lease	24	16
	Other payables	5	3
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Trade payables	889	1,519
Qingdao Long Fortune Songwon Chemical Co., Ltd.	Other non-current financial assets	1,653	-
	Trade and other receivables	1,789	3,030
	Other payables	169	-
Total	Other non-current financial assets	1,653	-
	Trade and other receivables	1,789	3,030
	Accrued income	569	236
	Other current financial assets	14,000	7,000
	Deposit for lease	24	16
	Trade payables	889	1,519
	Other payables	174	3

A long-term loan of 10 Million CNY (1,653 Million KRW) was granted to Qingdao Long Fortune Songwon Chemicals Co., Ltd. in the third quarter 2016.

17.1. The ultimate parent

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

17.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalents to those that prevail in arm's length transactions. Outstanding balances at the period-end are unsecured, interest free and settlement occur in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and nine months ended September 30, 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2015: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

17.3. Compensation of key management personnel of the Group

Description	For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
	Million KRW	Million KRW
Short term employee benefits	10,539	8,219
Post-employment benefits	653	599
Other long-term benefits	1,923	714
Share based payments	479	162
Total compensation paid to key management personnel	13,594	9,694

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

17.4. Other related parties

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

18. Commitments and contingencies

18.1. Contingent liability

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

18.2. Operating lease commitments

The Group has entered into commercial leases on certain motor vehicles, items of machinery and offices. These leases have duration between 1 and 30 years with a renewal option included in some contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Description	Sept. 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Within one year	-1,895	-1,573
After one year but not more than five years	-3,744	-3,430
More than five years	-756	-894
Total	-6,395	-5,897

18.3. Other commitments

As part of the ordinary business, the subsidiaries could enter into various contractual commitments for the purchase of tangible fixed assets and intangible assets as well as investment properties and promotion properties. As of September 30, 2016, commitments to purchase property, plant and equipment, as well as raw materials amounting to 2,588 Million KRW (December 31, 2015: 1,543 Million KRW) were entered.

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

One check and one promissory note which the Group received from KEB Hana Bank (ex. Korea Exchange Bank) are outstanding as of September 30, 2016 due to bankruptcy declared by the issuers of check.

Details of the Group's available short-term credit line facilities (excluding general loans) as of September 30, 2016 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	26,400	11,097	15,303
D/A and D/P	Thousand USD	131,000	81,993	49,007
	Million KRW	32,000	15,418	16,582
Trade loans	Million KRW	20,000	-	20,000
L/G for import	Thousand USD	1,000	-	1,000
Other foreign currency guarantees	Thousand USD	4,400	4,400	-
Total Million KRW		52,000	15,418	36,582
Total Thousand USD		162,800	97,490	65,310

For the replacement of the syndicated loan which matured in March 2016 and was repaid, new loans of totally 120,000 Million KRW were received from the banks. No covenants were agreed on the loans received.

19. Assets pledged as collateral and guarantees received

Details of property, plant and equipment and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of September 30, 2016 and December 31, 2015, expressed in the maximum value registered to Korean court, are as follows:

Pledged to	Pledged assets	September 30, 2016	Dec. 31, 2015
		Million KRW	Million KRW
Property, plant and equipment (Joint collateral in connection with syndicated loan)			
Woori Bank	Land, buildings, investment properties and machinery	-	242,000
KEB Hana Bank (ex. Korea Exchange Bank & 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 (Joint collateral in connection with long-term loan)			
Busan Bank	Land, buildings and machinery	30,000	-
Kyong Nam Bank	Land, buildings and machinery	18,000	-
Property, plant and equipment (Collateral for other than syndicated or long-term loan)			
Korea Development Bank	Land, buildings and machinery	57,000	57,000
Woori Bank	Land, buildings and machinery	120,000	-
KEB Hana Bank (ex. Hana Bank)	Land, buildings and machinery	60,000	-
Total		285,000	299,000

Additionally, items of property, plant and equipment belonging to Songwon ATG GmbH (Germany) with a total value of 36 Million KRW are pledged as a collateral for interest-bearing loans and borrowings as of September 30, 2016 (December 31, 2015: 74 Million KRW).

The Group has received payment guarantees amounting to 318,283 Million KRW and 68,960 Thousand USD provided by Jongho Park, Chairman of the Board of Directors of the Group, in connection with the Group's borrowings from banks as of September 30, 2016.

The bank deposits pledged as collateral as of September 30, 2016 and December 31, 2015 are as follows:

Description	Sept. 30, 2016	Dec. 31, 2015
Bank deposits – current (Thousand USD)	3,078	2,485

20. 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 and other receivables, cash and cash equivalents and other financial assets that arrive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions and applies hedge accounting for cash flow hedges if applicable.

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

20.1. Market risk

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

Interest rate risk; and,

Foreign currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at September 30, 2016 and December 31, 2015.

20.1.1. Interest rate risk

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

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

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings and bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax for the period ended on September 30, 2016 and September 30, 2015 is affected through the impact on floating rate borrowings as follows:

	Increase/decrease	Effect on profit before tax
	in %	Million KRW
Sept. 30, 2016	1.00	-1,052
	-1.00	1,052
Sept. 30, 2015	1.00	-1,429
	-1.00	1,429

20.1.2. Foreign currency risk

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

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

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

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollars (USD), Euro (EUR), Swiss Francs (CHF), Japanese Yen (JPY), United Arab Emirates Dirham (AED) and to Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments. 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 profit before tax for the period ended on September 30, 2015 and December 31, 2014 are as follows:

Currency	Sept. 30, 2016		Dec. 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	553	-553	276	-276
EUR	-985	985	-2,236	2,236
JPY	270	-270	121	-121
CHF	42	-42	277	-277
AED	-140	140	-269	269
INR	1,043	-1,043	1,148	-1,148
Total	783	-783	-683	683

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

20.2. Credit risk

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

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

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

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

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

The details of maturity profile of the Group's financial liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of September 30, 2016 and December 31, 2015 are as follows (based on contractual undiscounted payments).

As of September 30, 2016	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	9,646	112,017	94,417	112,703	-	328,783
Other financial liabilities	443	50	-	1,004	-	1,497
Trade and other payables	54,593	22,096	10,085	-	-	86,774
Total	64,682	134,163	104,502	113,707	-	417,054

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

20.4. Capital management

The primary objective of the Group's capital management is to ensure that its continued ability to provide a consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable and also maintain 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. On the Group level the debt ratio is reviewed regularly. The debt-equity ratio as of September 30, 2016 and December 31, 2015 is 144% and 167% respectively. On a monthly basis all subsidiaries have to report key performance indicators which also include capital management information.

21. 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 nine months ended September 30, 2016 and September 30, 2015 are as follows:

Adjustments	Notes	For the nine months ended	
		Sept. 30, 2016	Sept. 30, 2015
		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	20,482	19,780
Depreciation of investment properties		12	98
Amortization of intangible assets except for goodwill	7	5,709	5,828
Impairment of non-current financial assets		3	3
Gain on disposal of property, plant and equipment, net		24	-117
Loss / gain on disposal of investment property, net		-	-6,789
Loss on disposal of intangible assets, net		-	41
Gain on disposal of investments accounted using the equity method	4	-	-11
Share of result from investments accounted using the equity method	4	-400	-421
Financial income		-2,516	-16,854
Financial expenses		14,065	16,283
Provision for income taxes	13	18,051	9,865
Total		55,430	27,706

Changes in operating assets and liabilities

Trade receivables	-15,031	11,749
Other receivables	1,319	-2,745
Other current assets	-3,662	-3,323
Other current financial assets	-279	251
Inventories	14,386	5,916
Trade payables	3,570	364
Other payables	10,003	1,586
Other current financial liabilities	-606	197
Other current liabilities	7,051	2,696
Pension liabilities	-5,844	-134
Other long term employment benefits	1,817	579
Total	12,724	17,136

22. Events after the reporting period

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



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Report on review of interim condensed consolidated financial statements

The Board of Directors and Stockholders Songwon Industrial Co., Ltd.

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at September 30, 2016, and the related interim condensed consolidated statements of comprehensive income for the nine-month periods ended September 30, 2016 and 2015, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the nine-month periods then ended, all expressed in Korean won, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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

Conclusion

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

**Other matter**

We have audited the consolidated statement of financial position of the Group as at December 31, 2015, and the related consolidated statements of comprehensive income, consolidated statements changes in equity and consolidated statements cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein) and our report dated February 22, 2016 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2015, presented for comparative purpose are not different, in all material respects, from the above audited consolidated statement of financial position.

We have also reviewed the translation of the financial statements mentioned above into United States dollar amounts on the basis described in Note 2.3 to the accompanying financial statements. In our opinion, such statements have been properly translated on such basis.



Nov. 9, 2016

<p>This review report is effective as at Nov. 9, 2016, the auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.</p>

For more information, please contact:

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