



SONGWON

FINANCIAL RESULTS
Preliminary, unaudited

**Q4 & YEAR
ENDED DECEMBER 31, 2017**

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About this report

This report contains Songwon Industrial Group's preliminary, unaudited financial results for the three months (Q4/2017) and twelve months (FY 2017) ended December 31, 2017.

All the disclosed figures are preliminary and may be subject to change during the audit of the annual financial statements by the Group's auditor, Ernst & Young Han Young. SONGWON Industrial Group will publish final audited annual financial statements for the year 2017, prepared in accordance with the Korean International Financial Reporting Standards ("K-IFRS"), by mid-March 2018 after being audited by the Group auditor.

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

For further information about Songwon Industrial Group, please visit: www.songwon.com or write to us at: ir@songwon.com.

Restatement of prior year figures

A decision was made in 2017 to reclassify foreign exchange impacts from other income and expenses into financial income and expenses in order to summarize the impacts of the foreign exchange resulting from the net working capital in the financial results. In Q4/2016, and the twelve months ended December 31, 2016, the amount of reclassified gains on foreign exchange differences are 5,528 Mil. KRW and 12,601 Mil. KRW respectively. The reclassified losses on foreign exchange differences for Q4/2016 are 1,177 Mil. KRW, and for the twelve months ended December 31, 2016 -10,650 Mil. KRW in total. As a result of the reclassifications, the EBIT, EBITDA and the corresponding margins decreased for Q4/2016 by 6,705 Mil. KRW and for the twelve months ended December 31, 2016 decreased by 1,951 Mil. KRW respectively. However, net profit remained unchanged.

Forward-looking statements & information

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

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

Key Financial Data

	Q4 2017			Q4 2016 (restated*)			For the twelve months ended December 31,		
	Million KRW	Million KRW	Δ%	2017 Million KRW	2016 Million KRW	Δ%	2017 Million KRW	2016 Million KRW	Δ%
Sales of goods	182'314	161'599	12.8%	724'853	694'326	4.4%	724'853	694'326	4.4%
Gross profit	34'442	36'916	-6.7%	155'060	178'049	-12.9%	155'060	178'049	-12.9%
<i>Gross profit margin</i>	18.9%	22.8%		21.4%	25.6%		21.4%	25.6%	
Operating profit	8'500	9'928	-14.4%	54'466	76'350	-28.7%	54'466	76'350	-28.7%
EBITDA*	16'046	17'794	-9.8%	86'769	112'228	-22.7%	86'769	112'228	-22.7%
<i>EBITDA margin*</i>	8.8%	11.0%		12.0%	16.2%		12.0%	16.2%	
EBIT*	7'831	8'994	-12.9%	54'485	77'200	-29.4%	54'485	77'200	-29.4%
<i>EBIT margin*</i>	4.3%	5.6%		7.5%	11.1%		7.5%	11.1%	
Profit for the period	4'731	4'094	15.6%	34'767	42'244	-17.7%	34'767	42'244	-17.7%
Total assets				865'180	829'523	4.3%	865'180	829'523	4.3%
Total equity				378'287	354'189	6.8%	378'287	354'189	6.8%
<i>Equity ratio</i>				43.7%	42.7%		43.7%	42.7%	
Headcounts				974	860	13.3%	974	860	13.3%

*see page 2 "Restatement of prior year figures" for further details

Sales development

Products

	Q4 2017			Q4 2016 (restated*)			For the twelve months ended December 31,		
	Million KRW	Million KRW	Δ%	2017 Million KRW	2016 Million KRW	Δ%	2017 Million KRW	2016 Million KRW	Δ%
Alkylphenols and Intermediates	893	451	98.0%	1'680	1'956	-14.1%	1'680	1'956	-14.1%
Plasticizers	2'031	2'359	-13.9%	8'242	8'991	-8.3%	8'242	8'991	-8.3%
Polyester Diols	2'720	2'373	14.6%	10'919	10'333	5.7%	10'919	10'333	5.7%
Polymer Stabilizers (AOX & UVs)	121'350	106'339	14.1%	497'818	478'405	4.1%	497'818	478'405	4.1%
Polyurethanes	9'334	12'234	-23.7%	40'793	43'026	-5.2%	40'793	43'026	-5.2%
PVC Stabilizers	12'471	11'742	6.2%	48'243	45'860	5.2%	48'243	45'860	5.2%
SAP and Flocculants	1'816	2'372	-23.4%	8'539	9'146	-6.6%	8'539	9'146	-6.6%
Tin Intermediates	25'490	15'815	61.2%	84'615	79'494	6.4%	84'615	79'494	6.4%
Others	6'209	7'914	-21.5%	24'004	17'115	40.3%	24'004	17'115	40.3%
Total sales of goods	182'314	161'599	12.8%	724'853	694'326	4.4%	724'853	694'326	4.4%

Regions

	Q4 2017			Q4 2016 (restated*)			For the twelve months ended December 31,		
	Million KRW	Million KRW	Δ%	2017 Million KRW	2016 Million KRW	Δ%	2017 Million KRW	2016 Million KRW	Δ%
Korea	46'327	48'879	-5.2%	192'435	187'353	2.7%	192'435	187'353	2.7%
Rest of Asia	54'155	36'312	49.1%	193'004	166'526	15.9%	193'004	166'526	15.9%
Europe	36'105	31'495	14.6%	151'333	148'395	2.0%	151'333	148'395	2.0%
North and South America	33'291	35'853	-7.1%	139'362	144'278	-3.4%	139'362	144'278	-3.4%
Australia	740	770	-3.9%	2'764	2'212	25.0%	2'764	2'212	25.0%
Middle East and Africa	11'696	8'290	41.1%	45'955	45'562	0.9%	45'955	45'562	0.9%
Total sales of goods	182'314	161'599	12.8%	724'853	694'326	4.4%	724'853	694'326	4.4%

Business development

During the 4th quarter of 2017, ended December 31, 2017, Songwon Industrial Group achieved consolidated sales of 182,314 Mil. KRW and a net profit of 4,731 Mil. KRW. This marks a 12.8% increase in revenue compared to sales for Q4/2016 (161,599 Mil. KRW). For the full year ended December 31, 2017, the Group achieved sales of 724,853 Mil. KRW (FY 2016: 694,326 Mil. KRW) and recorded a net profit of 34,767 Mil. KRW (FY 2016: 42,244 Mil. KRW).

2017 was a good year for SONGWON. Well in line with the company's expectations and those of the markets, SONGWON demonstrated a strong sales performance in 2017. In particular for its main portfolio of polymer stabilizer products, the company saw the strong demand continuing throughout 2017, as well as in Q4/2017. However, at the beginning of the year, although demand was stable, revenues were negatively affected by price erosion, and in the final months of the year also suffered from the devaluation of the US-Dollar against the Korean Won.

Throughout the year, raw material prices followed an upward trend which had a negative impact on the Group's operating results. In response to the current strong demand, and in view of the fact that raw material prices are expected to continue to rise, SONGWON announced a further price increase in November. This recent increase is currently being implemented across SONGWON's product portfolio as contracts allow and is expected to positively influence revenues going forward.

In general, SONGWON continued to experience strong demand across all global regions. However, sales in the United States suffered in the 2nd half of the year from Hurricane Harvey and were also negatively impacted by the forex situation. In spite of this, the Group continues to see notable growth in demand within this region, particularly for polymer stabilizers.

In 2017, SONGWON further strengthened its main product portfolio polymer stabilizers and also achieved significant milestones in the development and expansion of its specialty chemicals, fuel and lubricant additives product portfolios. SONGWON's manufacturing facilities ran steadily and operated at high capacity utilization levels throughout 2017.

SONGWON reports a decrease in both margins and net profit in 2017 (compared to FY 2016) caused by unfavorable currency developments coupled with pressure on sales prices at the beginning of the year, and unfavorable development of production costs (raw material prices). As a result, the EBIT margin decreased from 11.1% in 2016 to 7.5% in 2017 and the net profit decreased to 34,767 Mil. KRW from 42,244 Mil. KRW in 2016.

Outlook

Looking ahead, SONGWON expects a solid start to 2018. Based on the positive economic outlooks for various SONGWON key regions, the company anticipates the strong demand for most of its products to continue in 2018. The Group also foresees the general demand for its products to continue to grow steadily at a rate which slightly exceeds the global GDP. In addition, SONGWON expects that the new businesses (particularly Fuel and Lube additives) will start to significantly contribute to the growth.

In 2018, the company will again focus on expanding SONGWON's market offering, anticipating market needs and consolidating its competitive position in the markets it serves by building strong customer supplier relationships and developing customer-oriented solutions. In 2017, SONGWON opened its Technology Innovation Center in Korea and continued to successfully expand its business portfolio. Its efforts are already yielding positive results and the company anticipates the positive trend to continue in 2018.

For the future, SONGWON foresees further pressure on its operating margin from the upward trend in raw material prices and from the exchange rate situation. In 2018, the forex situation is also expected to continue to remain highly unpredictable due to the increased and volatile levels of political uncertainty and instability in various regions across the world.

Moving forward, SONGWON will continue to remain cautious and vigilantly attentive of the potential for negative surprises. In 2018, SONGWON will also ensure that it continues to have solid contingency plans in place to deal with any challenges that may arise. The company also intends to pursue its strategy to support further growth in 2018, while exercising the prudent management of its capital and expansion with various initiatives to maintain profitability. Looking towards the future, SONGWON is confident that the strong foundation that it has laid in 2016 and 2017 provides a sound basis for it to remain on track and deliver its targets for the coming year.