



FINANCIAL RESULTS FIRST QUARTER ENDING MARCH 31, 2015

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About this report

The condensed interim consolidated financial statements (see section 2 from page 7 to 41) 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 months ended March 31, 2015 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, 2014, which have been prepared in accordance K-IFRS, too. The annual financial statements for the year 2014 can be found on our website www.songwon.com.

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

Important notice about forward-looking information

This quarterly reporting includes forward-looking information and statements as well as other statements concerning the outlook for our business. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, the economic conditions of the regions and industries that are major markets for Songwon Industrial Group. However, there are many risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this quarterly reporting and which could affect our ability to achieve any or all of our stated targets. Although Songwon Industrial Group believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

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SECTION 1:

Business Development

Key Financial Data

	First quarter of the year,		
	2015	2014	
	Million KRW	Million KRW	Δ%
Sales	157,045	162,899	-3.6%
Gross profit	24,971	20,327	22.8%
<i>Gross profit margin</i>	15.9%	12.5%	
Operating profit	5,103	-1,057	582.8%
EBITDA	10,856	10,616	2.3%
<i>EBITDA margin</i>	6.9%	6.5%	
EBIT	2,315	2,712	-14.6%
<i>EBIT margin</i>	1.5%	1.7%	
Profit/loss for the period	3,068	-4,892	162.7%
Total assets	853,790	889,093	-4.0%
Total equity	290,363	300,701	-3.4%
<i>Equity ratio</i>	34.0%	33.8%	
Headcounts	774	624	24.0%

Sales development

Products

Sales by product (in Mil. KRW)	Q1 2015		Q1 2014	Variance
Alkyl - phenol and Intermediates	813	0.5%	1'699	-52.2%
Plasticizers	2'002	1.3%	1'968	1.7%
Polyester Diols	2'909	1.9%	3'952	-26.4%
Polymer Stabilizers (AOX and UVs)	106'026	67.5%	107'130	-1.0%
Polyurethanes	11'795	7.5%	11'064	6.6%
PVC Stabilizers	11'187	7.1%	12'503	-10.5%
SAP and Flocculants	4'178	2.7%	4'483	-6.8%
Tin Intermediates	16'225	10.3%	19'270	-15.8%
Others	1'910	1.2%	830	130.1%
Total Sales	157'045	100.0%	162'899	-3.6%

Regions

Sales by geographical region (in Mil. KRW)	Q1 2015		Q1 2014	Variance
Korea	48'143	30.7%	50'729	-5.1%
Rest of Asia	32'109	20.4%	34'345	-6.5%
Europe	37'209	23.7%	40'465	-8.0%
North and South America	32'793	20.9%	30'974	5.9%
Australia	745	0.5%	526	41.6%
Middle East and Africa	6'046	3.9%	5'860	3.2%
Total Sales	157'045	100.0%	162'899	-3.6%

Business development

Songwon Industrial Group achieved consolidated sales of 157'045 Mil. KRW and a net profit of 3'068 Mil. KRW during the first quarter of 2015 ending March 31, 2015. The Q1/2015 gross profit margin is at 15.9%.

After a difficult 2014 (in particular Q1/2014), Songwon started well into the year 2015, although the market conditions remain challenging.

At the beginning of the year, the drastic weakening of the Euro against the Korean Won and other relevant currencies resulted in lower sales revenues from our European business. Our Japanese business was similarly affected if Q1/2015 is compared to Q1/2014, although the Japanese Yen stabilized against the Korean Won during Q1/2015. In addition, we noted that due to continuously decreasing raw material costs, customers are expecting to profit from lower prices in the future and are subsequently keeping inventories low and purchasing with shorter lead times. In the USA, sales were also negatively impacted by port shut downs on the West Coast due to labor disputes which led to a general economic slow down. Overall, the impact of these various circumstances have led to a slight decrease of consolidated sales of -3.6% compared to Q1/2014.

However, our production sites ran steadily without any disruptions during Q1/2015 which led to a significantly improved gross profit margin. This trend has been further supported by falling raw material prices, although the declining raw material costs are not yet fully reflected in our Q1/2015 results. It will take several months before these lower prices are entirely reflected in actual purchasing costs and the full margin effect can be realized.

Despite the significant improvement of operational performance, EBITDA and EBIT remained on a comparable level (Q1/2015 versus Q1/2014) due to the foreign exchange impacts. Excluding these foreign exchange impacts in both periods, EBIT would have increased by 6'722 Mil. KRW and EBITDA by 7'359 Mil. KRW.

Outlook

Based on the various uncertainties regarding foreign exchange rates, political instabilities and uncertain regional economic developments, we expect market participants to continue acting on short-notice.

Since customers have been delaying orders in Q1 to profit from falling raw material prices, we look positively at the demand for the coming months. In the course of a year, Q2 and Q3 are also historically stronger quarters which supports a positive outlook. However, the pressure on prices is expected to remain high as long as raw materials costs remain at a low level.

SECTION 2:

**Condensed Interim
Consolidated Financial
Statements**

Interim consolidated statement of financial position

	Notes	As at	
		March 31, 2015	December 31, 2014
		Million KRW	Million KRW
ASSETS			
Non-current assets		513,705	517,944
Property, plant and equipment	6	433,216	434,604
Investment properties		31,235	31,281
Intangible assets	7	39,543	41,452
Invest. accounted for using the equity method	4.1	3,283	3,100
Available-for-sale financial investments		1,473	1,473
Other non-current financial assets		1,270	2,675
Deferred tax assets		3,685	3,359
Current assets		340,085	337,913
Inventories	8	166,458	169,014
Trade and other receivables	9	111,683	111,423
Income tax receivables		887	954
Other current assets		4,743	3,921
Other current financial assets		10,972	7,209
Cash and cash equivalent	10	45,342	45,392
Total assets		853,790	855,857
EQUITY AND LIABILITIES			
Equity		290,363	288,627
<i>Non-controlling interests</i>		2,861	3,110
<i>Equity attributable to owners of the parent</i>		287,502	285,517
Share capital		12,000	12,000
Capital surplus		24,361	24,361
Reserves		26,751	26,607
Retained earnings		226,779	225,280
Accumulated other comprehensive income	11.2	-2,389	-2,731
Non-current liabilities		150,279	145,482
Interest-bearing loans and borrowings	12, 18, 19	81,109	76,014
Pension liability		17,849	18,707
Other long-term employee benefits		2,253	2,009
Other non-current financial liabilities		2,548	2,447
Other non-current liabilities		39	38
Deferred tax liabilities		46,481	46,267
Current liabilities		413,148	421,748
Interest-bearing loans and borrowings	12, 18, 19	336,261	344,163
Trade and other payables		70,616	74,202
Other current financial liabilities		2,190	778
Other current liabilities		2,414	2,005
Income tax payable		1,667	600
Total liabilities		563,427	567,230
Total equity and liabilities		853,790	855,857

Interim consolidated statement of financial position

	As at (see note 2.1)	
	March 31, 2015	Dec. 31, 2014
	Thousands USD	Thousands USD
ASSETS		
Non-current assets	462,693	466,511
Property, plant and equipment	390,197	391,447
Investment properties	28,133	28,175
Intangible assets	35,616	37,336
Invest. accounted for using the equity method	2,957	2,792
Available-for-sale financial investments	1,327	1,327
Other non-current financial assets	1,144	2,409
Deferred tax assets	3,319	3,025
Current assets	306,314	304,358
Inventories	149,928	152,231
Trade and other receivables	100,593	100,358
Income tax receivables	799	859
Other current assets	4,273	3,533
Other current financial assets	9,882	6,493
Cash and cash equivalent	40,839	40,884
Total assets	769,007	770,869
EQUITY AND LIABILITIES		
Equity	261,529	259,966
<i>Non-controlling interests</i>	2,577	2,801
<i>Equity attributable to owners of the parent</i>	258,952	257,165
Share capital	10,808	10,808
Capital surplus	21,942	21,942
Reserves	24,095	23,965
Retained earnings	204,259	202,910
Accumulated other comprehensive income	-2,152	-2,460
Non-current liabilities	135,356	131,035
Interest-bearing loans and borrowings	73,055	68,466
Pension liability	16,077	16,849
Other long-term employee benefits	2,029	1,810
Other non-current financial liabilities	2,295	2,203
Other non-current liabilities	35	34
Deferred tax liabilities	41,865	41,673
Current liabilities	372,122	379,868
Interest-bearing loans and borrowings	302,870	309,987
Trade and other payables	63,604	66,834
Other current financial liabilities	1,973	701
Other current liabilities	2,174	1,806
Income tax payable	1,501	540
Total liabilities	507,478	510,903
Total equity and liabilities	769,007	770,869

Interim consolidated statement of comprehensive income

	Notes	For the three months ended March 31,	
		2015	2014
		Million KRW	Million KRW
Sales of goods	5	157,045	162,899
Cost of sales		-132,074	-142,572
Gross profit		24,971	20,327
Selling and administration costs		-19,868	-21,384
Operating profit		5,103	-1,057
Other income		4,773	5,235
Other expenses		-7,561	-1,466
Share of result from investments accounted for using the equity method	4.1	127	211
Finance costs		-14,406	-9,706
Finance income		16,628	1,758
Profit before tax		4,664	-5,025
Income tax expense	13	-1,596	133
Profit for the period		3,068	-4,892
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		108	862
Gain / (loss) on valuation of available-for-sale financial invest.		-	-4
Gain on valuation of interest rate swap	11.2	-17	-6
Exchange differences on translation of foreign operation	11.2	125	872
<i>Net other comprehensive income not being reclassified to profit or loss</i>		-	-12
Change of remeasurements of defined benefit plans	11.2	-	-12
Total other comprehensive income, net of taxes		108	850
Total comprehensive income		3,176	-4,042
Profit for the period attributable to:			
Owners of the parent		3,083	-4,599
Non-controlling interests		-15	-293
Profit for the period		3,068	-4,892
Total comprehensive income attributable to:			
Owners of the parent		3,425	-3,749
Non-controlling interests		-249	-293
Total comprehensive income		3,176	-4,042
Earnings per share		KRW	KRW
Basic / Diluted, profit for the period attributable to ordinary equity holders of the parent	14	128	-192

Interim consolidated statement of comprehensive income

	For the three months ended March 31, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Sales of goods	141,450	146,723
Cost of sales	-118,959	-128,414
Gross profit	22,491	18,309
Selling and administration costs	-17,895	-19,262
Operating profit	4,596	-952
Other income	4,299	4,715
Other expenses	-6,810	-1,320
Share of result from investments accounted for using the equity method	114	190
Finance costs	-12,975	-8,742
Finance income	14,977	1,583
Profit before tax	4,201	-4,526
Income tax expense	-1,438	120
Profit for the period	2,763	-4,406
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	98	776
Gain / (loss) on valuation of available-for-sale financial invest.	-	-4
Gain on valuation of interest rate swap	-15	-5
Exchange differences on translation of foreign operation	113	785
<i>Net other comprehensive income not being reclassified to profit or loss</i>	-	-11
Change of remeasurements of defined benefit plans	-	-11
Total other comprehensive income, net of taxes	98	765
Total comprehensive income	2,861	-3,641
Profit for the period attributable to:		
Owners of the parent	2,777	-4,142
Non-controlling interests	-14	-264
Profit for the period	2,763	-4,406
Total comprehensive income attributable to:		
Owners of the parent	3,085	-3,377
Non-controlling interests	-224	-264
Total comprehensive income	2,861	-3,641
Earnings per share	USD	USD
Basic / Diluted, profit for the period attributable to ordinary equity holders of the parent	115	-173

Interim consolidated statement of changes in equity

	For the three months ended March 31, 2014 and March 31, 2015							
	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, 2014	12,000	24,361	26,439	247,175	-3,823	306,152	271	306,423
Profit for the period	-	-	-	-4,599	-	-4,599	-293	-4,892
Gain / (loss) on available-for-sale financial instruments, net of tax	-	-	-	-	-4	-4	-	-4
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	-6	-6	-	-6
Foreign currency translation, net of tax	-	-	-	-	872	872	-	872
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-12	-	-12	-	-12
Total comprehensive income	-	-	-	-4,611	862	-3,749	-293	-4,042
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at March 31, 2014	12,000	24,361	26,607	240,716	-2,961	300,723	-22	300,701
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	-	-	-	3,083	-	3,083	-15	3,068
Gain / (loss) on available-for-sale financial instruments, net of tax	-	-	-	-	-	-	-	-
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	-17	-17	-	-17
Foreign currency translation, net of tax	-	-	-	-	359	359	-234	125
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	3,083	342	3,425	-249	3,176
Dividends	-	-	-	-1,440	-	-1,440	-	-1,440
Appropriation to reserves	-	-	144	-144	-	-	-	-
As at March 31, 2015	12,000	24,361	26,751	226,779	-2,389	287,502	2,861	290,363

Interim consolidated statement of changes in equity

For the three months ended March 31, 2014 and March 31, 2015 (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		
As at January 1, 2014	10,808	21,942	23,814	222,630	-3,443	275,751	244	275,995
Profit for the period	-	-	-	-4,142	-	-4,142	-264	-4,406
Gain / (loss) on available-for-sale financial instruments, net of tax	-	-	-	-	-4	-4	-	-4
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	-5	-5	-	-5
Foreign currency translation, net of tax	-	-	-	-	785	785	-	785
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-11	-	-11	-	-11
Total comprehensive income	-	-	-	-4,153	776	-3,377	-264	-3,641
Dividends	-	-	-	-1,513	-	-1,513	-	-1,513
Appropriation to reserves	-	-	151	-151	-	-	-	-
As at March 31, 2014	10,808	21,942	23,965	216,813	-2,667	270,861	-20	270,841
As at January 1, 2015	10,808	21,942	23,965	202,909	-2,460	257,164	2,801	259,965
Profit for the period	-	-	-	2,777	-	2,777	-14	2,763
Gain / (loss) on available-for-sale financial instruments, net of tax	-	-	-	-	-	-	-	-
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	-15	-15	-	-15
Foreign currency translation, net of tax	-	-	-	-	323	323	-210	113
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	2,777	308	3,085	-224	2,861
Dividends	-	-	-	-1,297	-	-1,297	-	-1,297
Appropriation to reserves	-	-	130	-130	-	-	-	-
As at March 31, 2015	10,808	21,942	24,095	204,259	-2,152	258,952	2,577	261,529

Interim consolidated statement of cash flows

	Notes	For the three months ended March 31,	
		2015 Million KRW	2014 Million KRW
Profit for the period		3,068	-4,892
Adjustments total	21	11,226	9,886
Changes in operating assets and liabilities	21	-830	1,685
Interest received		47	123
Payment of income tax		-561	-2,246
Net cash flow from operating activities		12,950	4,556
Proceeds from sale of property, plant and equipment	6	156	-
Proceeds from sale of intangible assets	7	222	-
Proceeds from sale of available-for-sale financial assets		-	400
Purchase of property, plant and equipment	6	-7,117	-11,231
Purchase of intangible assets	7	-129	-64
Increase of other financial assets, net		-2,385	-2,893
Net cash flow from investing activities		-9,253	-13,788
Proceeds from borrowings (current)		163,775	203,102
Repayment of borrowings (current)		-170,397	-170,320
Proceeds from interest bearing borrowings (non-current)		5,600	-
Increase in other financial liabilities, net		68	68
Interest paid		-3,684	-4,286
Dividends paid		-	-
Net cash flow from financing activities		-4,638	28,564
(Decrease) / increase in cash and cash equivalents		-941	19,332
Net foreign exchange difference		891	663
Cash and cash equivalent at January 1,	10	45,392	63,677
Cash and cash equivalent at March 31,	10	45,342	83,672

Interim consolidated statement of cash flows

	For the three months ended March 31, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Profit for the period	2,763	-4,406
Adjustments total	10,111	8,904
Changes in operating assets and liabilities	-748	1,518
Interest received	42	111
Payment of income tax	-505	-2,023
Net cash flow from operating activities	11,663	4,104
Proceeds from sale of property, plant and equipment	140	-
Proceeds from sale of intangible assets	200	-
Proceeds from sale of available-for-sale financial assets	-	360
Purchase of property, plant and equipment	-6,410	-10,116
Purchase of intangible assets	-116	-58
Increase of other financial assets, net	-2,148	-2,606
Net cash flow from investing activities	-8,334	-12,420
Proceeds from borrowings (current)	147,512	182,934
Repayment of borrowings (current)	-153,476	-153,407
Proceeds from interest bearing borrowings (non-current)	5,044	-
Increase in other financial liabilities, net	61	61
Interest paid	-3,318	-3,860
Dividends paid	-	-
Net cash flow from financing activities	-4,177	25,728
(Decrease) / increase in cash and cash equivalents	-848	17,412
Net foreign exchange difference	803	597
Cash and cash equivalent at January 1,	40,884	57,354
Cash and cash equivalent at March 31,	40,839	75,363

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 and Suwon, both 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 March 31, 2015, the scope of consolidation for the consolidated financial statements encompasses 15 entities (2014: 15 entities). Additionally, two entities are classified as joint ventures. There are no changes in the Scope of consolidation since December 31, 2014.

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.

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

2. Basis of preparation

The interim condensed financial statements for the three months ended March 31, 2015 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, 2014, 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 Korea 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 1,110.25 to US \$1, the exchange rate in effect on March 31, 2015. 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.

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, 2014, except for the adoption of the new standards as of January 1, 2015, listed below:

New and amended standards adopted by the Group

Amendments to K-IFRS 1019 Defined Benefit Plans: Employee Contributions

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

Amendments to K-IFRS 1111 Joint Arrangements: Accounting for Acquisitions of Interests

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

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

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

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

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

4. Interest in joint arrangements

4.1. Interest in joint ventures

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 Ltd.	35	55	-	8	8	-	16	30	15
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	926	7,770	5,914	3,243	3,401	-	-	10,283	3,085
December 31, 2014	961	7,825	5,914	3,251	3,409	-	16	10,313	3,100
Chemservice Asia Ltd.	33	60	-	9	10	-	17	33	16
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,803	8,237	6,013	3,204	3,363	-	-	10,887	3,267
March 31, 2015	1,836	8,297	6,013	3,213	3,373	-	17	10,920	3,283

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	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 Ltd.	-	-	-	-	-5	-	-5	-	-5
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,786	-12	-	-56	949	-237	712	-	712
March 31, 2014	4,786	-12	-	-56	944	-237	707	-	707
Chemservice Asia Ltd.	-	-	-	-	2	-	2	-	2
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,457	-17	-	-22	560	-140	420	186	606
March 31, 2015	4,457	-17	-	-22	562	-140	422	186	608

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

	As at Jan. 1, 2014	Addition	Share of result from equity method	Divi- dends	Exchange rate effect	As at March 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	16	-	-3	-	-	13
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,294	-	214	-	17	2,525
Total	2,310	-	211	-	17	2,538

	As at Jan. 1, 2015	Addition	Share of result from equity method	Divi- dends	Exchange rate effect	As at March 31, 2015
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	15	-	1	-	-	16
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,085	-	126	-	56	3,267
Total	3,100	-	127	-	56	3,283

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 equivalent 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 discloses therefore geographic segment.

5.1. Product information

	For the three months ended	
	March 31, 2015	March 31, 2014
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	813	1,699
Plasticizers	2,002	1,968
POLYESTER DIOL	2,909	3,952
Polymer Stabilizers (AOX and UVs)	106,026	107,130
Polyurethanes	11,795	11,064
PVC Stabilizers	11,187	12,503
SAP and Flocculants	4,178	4,483
Tin Intermediates	16,225	19,270
Others	1,910	830
Total	157,045	162,899

5.2. Geographic information

Revenue from external customers

	For the three months ended	
	March 31, 2015	March 31, 2014
	Million KRW	Million KRW
Korea	48,143	50,729
Rest of Asia	32,109	34,345
Europe	37,209	40,465
North and South America	32,793	30,974
Australia	745	526
Middle East and Africa	6,046	5,860
Total revenue per consolidated income statement	157,045	162,899

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 total revenue with one client during the reporting periods.

Non-current assets

	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Korea	431,209	434,152
Rest of Asia	23,959	23,155
Europe	28,178	30,469
North and South America	5,579	5,769
Middle East and Africa	15,069	13,792
Total	503,994	507,337

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
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost							
At January 1, 2014	151,195	61,326	63,897	424,253	14,564	3,882	719,117
Additions	-	1	-	46	122	4,052	4,221
Disposals	-	-8	-	-	-11	-	-19
Reclassification	-	125	-	2,339	-	-2,464	-
Net exchange differences	-	-	-	139	30	24	193
At March 31, 2014	151,195	61,444	63,897	426,777	14,705	5,494	723,512
At January 1, 2015	147,934	65,493	63,955	431,695	17,426	20,847	747,350
Additions	-	-	-	1,357	133	3,840	5,330
Disposals	-30	-42	-	-	-369	-	-441
Reclassification	-	662	7	2,694	-	-3,363	-
Net exchange differences	-	55	-	-581	-15	245	-296
At March 31, 2015	147,904	66,168	63,962	435,165	17,175	21,569	751,943
Depreciation and impairment							
At January 1, 2014	-	-14,694	-25,024	-242,339	-10,783	-	-292,840
Depreciation charge	-	-394	-786	-4,954	-276	-	-6,410
Impairment	-	-	-	-	-	-	-
Disposals	-	2	-	-	11	-	13
Net exchange differences	-	-	-	-17	-10	-	-27
At March 31, 2014	-	-15,086	-25,810	-247,310	-11,058	-	-299,264
At January 1, 2015	-	-16,086	-28,106	-256,834	-11,720	-	-312,746
Depreciation charge	-	-426	-783	-5,032	-331	-	-6,572
Impairment	-	-	-	-	-	-	-
Disposals	-	17	-	-	369	-	386
Net exchange differences	-	2	-	192	11	-	205
At March 31, 2015	-	-16,493	-28,889	-261,674	-11,671	-	-318,727
Net book value							
At March 31, 2015	147,904	49,675	35,073	173,491	5,504	21,569	433,216
At January 1, 2015	147,934	49,407	35,849	174,861	5,706	20,847	434,604
At March 31, 2014	151,195	46,358	38,087	179,467	3,647	5,494	424,248

There was no impairment during the reported financial period. Non-cash transactions amounting to 1,984 Million KRW are included in the Additions for the three months ended March 31, 2015.

7. Intangible assets

	Industrial rights	Software	Member-ship	Customer relationship	Non-compete contracts	Capitalization process technology	Goodwill	Construction-in-progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost									
At January 1, 2014	3,090	2,508	1,895	24,093	13,300	652	35,104	1,268	81,910
Additions	-	17	-	-	-	-	-	47	64
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-512	-	-	-	-	-	-	-	-512
Net exchange diff.	-	9	-	290	160	3	415	-	877
At March 31, 2014	2,578	2,534	1,895	24,383	13,460	655	35,519	1,315	82,339
At January 1, 2015	2,640	2,639	1,077	29,437	13,813	4,793	39,456	1,369	95,224
Additions	64	36	-	-	-	-	-	29	129
Disposals	-	-205	-225	-	-	-	-	-	-430
Reclassification	32	-	-	-	-	-	-	-	32
Net exchange diff.	-	8	-	417	154	141	-45	-	675
At March 31, 2015	2,736	2,478	852	29,854	13,967	4,934	39,411	1,398	95,630
Amortization and impairment									
At January 1, 2014	-628	-1,786	-	-8,812	-6,330	-228	-27,683	-	-45,467
Amortization	-62	-86	-	-716	-560	-28	-	-	-1,452
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Net exchange diff.	-	-5	-	-103	-80	-	-333	-	-521
At March 31, 2014	-690	-1,877	-	-9,631	-6,970	-256	-28,016	-	-47,440
At January 1, 2015	-875	-2,111	-	-12,450	-8,890	-694	-28,752	-	-53,772
Amortization	-65	-85	-	-961	-578	-237	-	-	-1,926
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	208	-	-	-	-	-	-	208
Net exchange diff.	-	-2	-	-149	-107	-18	-321	-	-597
At March 31, 2015	-940	-1,990	-	-13,560	-9,575	-949	-29,073	-	-56,087
Net book value									
At March 31, 2015	1,796	488	852	16,294	4,392	3,985	10,338	1,398	39,543
At January 1, 2015	1,765	528	1,077	16,987	4,923	4,099	10,704	1,369	41,452
At March 31, 2014	1,888	657	1,895	14,752	6,490	399	7,503	1,315	34,899

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 three months ended March 31, 2015 and March 31, 2014.

8. Inventories

Description	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Raw materials and supplies	21,856	17,747
Work in progress	197	152
Finished goods	112,852	128,011
Goods in transit	31,301	22,611
Consignment stocks	252	493
Total inventories at the lower of cost and net realizable value	166,458	169,014

As of March 31, 2015 inventory write-off amounted to 3,037 Million KRW for raw material and finished goods (December 31, 2014: 3,506 Million KRW).

9. Trade and other receivables

Description	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Trade and notes receivable (net)	107,431	108,370
Trade and notes receivable (net) – related parties	-	31
Other receivables (net) – third parties	4,150	2,988
Accrued income	102	34
Total	111,683	111,423

“Other receivables (net) - third parties” includes customs, rental income receivables and others.

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

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2014	-240	-21	-261
Charge for the year	-84	-12	-96
Utilized	-	-	-
Unused amounts reversed	-	5	5
March 31, 2014	-324	-28	-352

January 1, 2015	-408	-52	-460
Charge for the year	-23	-	-23
Utilized	-	-	-
Unused amounts reversed	15	12	27
March 31, 2015	-416	-40	-456

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
March 31, 2015	111,683	99,295	8,737	3,172	410	69	-
Dec. 31, 2014	111,423	97,937	10,057	2,997	172	231	29

10. Cash and cash equivalent

Description	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Cash on hand	81	83
Bank accounts	40,435	43,352
Time deposit (< 3 months)	4,826	1,957
Total	45,342	45,392

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three months, depending on the 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 20, 2015, dividends with a total amount of 1,440 Million KRW were approved by the shareholders. As per March 31, 2015 dividends were recorded in the books of the Group but have not been paid out yet. Legal reserves increased by 144 Million KRW due to the appropriation to the reserve decided by the shareholders on March 20, 2015.

11.2. Accumulated other comprehensive income

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

Description	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Available-for-sale financial investments	-	-
Exchange differences on translation of foreign operations	-2,239	-2,598
Interest rate swap	-150	-133
Total	-2,389	-2,731

Details of other comprehensive income for the three months ended March 31, 2015 and March 31, 2014 are as follows:

Description	March 31, 2015	March 31, 2014
	Million KRW	Million KRW
Pretax amounts		
Gain / (loss) on valuation of available-for-sale financial assets	-	-4
Gain / (loss) on valuation of interest rate swap	-17	-6
Exchange difference on translation of foreign operations	125	872
Remeasurement of defined benefit plan	-	-12
Pretax amounts total	108	850
Tax effects:		
Gain / (loss) on valuation of available-for-sale financial assets	-	-
Gain / (loss) on valuation of interest rate swap	-	-
Exchange difference on translation of foreign operations	-	-
Remeasurement of defined benefit plan	-	-
Tax effects total	-	-
Net amounts:		
Gain / (loss) on valuation of available-for-sale financial assets	-	-4
Gain / (loss) on valuation of interest rate swap	-17	-6
Exchange difference on translation of foreign operations	125	872
Remeasurement of defined benefit plan	-	-12
Net amounts total	108	850

12. Interest bearing loans and borrowings

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

Description	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Long-term privately placed corporate bonds	10,000	10,000
Long-term borrowings	71,109	66,014
Non-current bank loans and bonds	81,109	76,014

Current portion of borrowings	122,667	128,849
Short-term borrowings	213,594	215,314
Current loans and borrowings	336,261	344,163
Total	417,370	420,177

13. Income tax

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

Income taxes	For the three months ended	
	March 31, 2015	March 31, 2014
	Million KRW	Million KRW
Current income tax expense	-1,684	-490
Deferred income taxes expense related to origination and reversal of deferred taxes	88	623
Income tax expense	-1,596	133
Income tax recognized in other comprehensive income	-	-
Total income taxes recorded in the statement of comprehensive income	-1,596	133

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 March 31, 2015 and as of March 31, 2014.

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

Description	For the three months ended	
	March 31, 2015	March 31, 2014
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	3,082,607,764	-4,598,917,647
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	128	-192

15. Derivatives financial instruments

Description	March 31, 2015		Dec. 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	284	1	320	5
Interest rate swaps (non-current portion)	-	150	-	133
Total	284	151	320	138

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 March 31, 2015 and December 31, 2014 are as follows:

As per March 31, 2015

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Gyeon Nam Bank	Sell	JPY 180,000,000	24.06.2015	923.50
Woori Bank	Sell	EUR 3,300,000	22.05.2015	1,259.85
Citibank	Sell	JPY 180,000,000	24.04.2015	921.05
Korea Standard Chartered Bank	Sell	EUR 6,600,000	24.04.2015 - 24.06.2015	1,207.20 - 1,211.30
Korea Standard Chartered Bank	Sell	JPY 180,000,000	22.05.2015	934.70

As per Dec. 31, 2014

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Gyeong Nam Bank	Sell	EUR 3,300,000	25.02.2015	1,389.00
Korea Standard Chartered Bank	Sell	EUR 6,600,000	02.02.2015 - 24.03.2015	1,345.90 - 1,350.00
Korea Standard Chartered Bank	Sell	JPY 540,000,000	02.02.2015 - 24.03.2015	921.05 - 957.70

15.2. Interest rate swaps

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

As per March 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 swap, in the current reporting period and in 2014 there is an interest rate swap designated as cash flow hedge. The balances included in accumulated other comprehensive income are -150 Million KRW as of March 31, 2015 and -133 Million KRW as of December 31, 2014, 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	
	March 31, 2015	Dec. 31, 2014	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	284	320	284	320
Other financial assets (Derivatives)	284	320	284	320
<i>Thereof Current</i>	284	320	284	320
<i>Thereof Non-Current</i>	-	-	-	-
Loans and receivables	168,983	166,379	168,983	166,379
Other financial assets	11,958	9,564	11,958	9,564
<i>Thereof Current</i>	10,688	6,889	10,688	6,889
<i>Thereof Non-Current</i>	1,270	2,675	1,270	2,675
Trade and other receivables	111,683	111,423	111,683	111,423
<i>Thereof Current</i>	111,683	111,423	111,683	111,423
<i>Thereof Non-Current</i>	-	-	-	-
Cash and cash equivalent	45,342	45,392	45,342	45,392
<i>Thereof Current</i>	45,342	45,392	45,342	45,392
<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	170,740	168,172	170,740	168,172

	Carrying amount		Fair value	
	March 31, 2015	Dec. 31, 2014	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW
Financial liabilities at fair value through profit and loss	1	5	1	5
Other financial liabilities (Derivatives)	1	5	1	5
<i>Thereof Current</i>	1	5	1	5
<i>Thereof Non-Current</i>	-	-	-	-
Financial liabilities at fair value through OCI	150	133	150	133
Other financial liabilities (Derivatives)	150	133	150	133
<i>Thereof Current</i>	-	-	-	-
<i>Thereof Non-Current</i>	150	133	150	133
Financial liabilities measured at amortized costs	492,573	497,466	492,573	497,466
Interest bearing loans and borrowings	417,370	420,177	417,370	420,177
<i>Thereof Current</i>	336,261	344,163	336,261	344,163
<i>Thereof Non-Current</i>	81,109	76,014	81,109	76,014
Other financial liabilities	4,587	3,087	4,587	3,087
<i>Thereof Current</i>	2,189	773	2,189	773
<i>Thereof Non-Current</i>	2,398	2,314	2,398	2,314
Trade and other payables	70,616	74,202	70,616	74,202
<i>Thereof Current</i>	70,616	74,202	70,616	74,202
<i>Thereof Non-Current</i>	-	-	-	-
Total	492,724	497,604	492,724	497,604

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

	March 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	284	-	284	-
<i>Derivatives</i>	284	-	284	-
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	1	-	1	-
<i>Derivatives</i>	1	-	1	-
Financial liabilities at fair value through OCI	150	-	150	-
<i>Derivatives</i>	150	-	150	-

	December 31, 2014	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	320	-	320	-
<i>Derivatives</i>	320	-	320	-
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	5	-	5	-
<i>Derivatives</i>	5	-	5	-
Financial liabilities at fair value through OCI	133	-	133	-
<i>Derivatives</i>	133	-	133	-

During the three and twelve months ended March 31, 2015 and December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

For the financial assets and financial liabilities for which the fair value is disclosed (see Note 16.1) the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalent.

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 three months ended	
		March 31, 2015	March 31, 2014
Jongho Park, Group CEO	Finance income	50	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Sales	-	-
	Purchase	3,040	3,422
	Selling and administration costs	-	-
	Other income	-	-
	Finance income	-	7
Chemservice Asia Ltd.	Sales	-	-
	Purchase	-	-
	Selling and administration costs	18	18
	Other income	-	-
	Finance income	-	-
Total	Sales	-	-
	Purchase	3,040	3,422
	Selling and administration costs	18	18
	Other income	-	-
	Finance income	50	7

Related party	Description	March 31,	Dec. 31,
		2015	2014
Jongho Park, Group CEO	Other receivables	51	1
	Other current financial assets	7,000	5,000
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Trade receivables	-	31
	Other receivables	-	-
	Trade payables	1,357	1,676
Chemservice Asia Ltd.	Other payables	-	-
	Other receivables	-	-
	Other current financial assets	-	-
	Trade payables	-	-
	Other payables	7	7
Total	Trade receivables	-	31
	Other receivables	51	1
	Other current financial assets	7,000	5,000
	Trade payables	1,357	1,676
	Other payables	7	7

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 equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three months ended March 31, 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2014: 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 three months ended	
	March 31, 2015	March 31, 2014
	Million KRW	Million KRW
Short term employee benefits	2,082	2,238
Post-employment benefits	190	209
Other long-term benefits	187	228
Share based payments	68	15
Total compensation paid to key management personnel	2,527	2,690

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 an average life of between three and nine years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

Description	March 31, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Within one year	-1,334	-1,129
After one year but not more than five years	-2,439	-2,386
More than five years	-736	-886
Total	-4,509	-4,401

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 March 31, 2015, commitments to purchase property, plant and equipment, as well as raw materials amounting to 390 Million KRW (December 31, 2014: 7,086 Million KRW) were entered.

The Group has provided two checks amounting to 22 Million KRW to Lotte Chemical Co., Ltd. and one blank promissory note to Hanwha Chemical Co., Ltd. as security on the supply contracts.

One check and one promissory note which the Group received from Korea Exchange Bank are outstanding as of March 31, 2015 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 March 31, 2015 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	23,000	17,240	5,760
	Million KRW	10,000	416	9,584
D/A and D/P	Thousand USD	127,300	76,145	51,155
	Million KRW	23,000	16,803	6,197
Trade loans	Million KRW	40,000	32,262	7,738
Syndicated short-term loans	Million KRW	50,000	40,000	10,000
L/G for import	Thousand USD	1,000	175	825
Other foreign currency guarantees	Thousand USD	16,727	16,727	-
	Thousand INR	250,000	-	250,000
Total Million KRW		123,000	89,481	33,519

Total Thousand USD	168,027	110,287	57,740
Total Thousand INR	250,000	-	250,000

The Group signed on February 18, 2013 a syndicated loan facility of 220,000 Million KRW comprising 170,000 Million KRW of 3 year term loan and 50,000 Million KRW of Revolving Credit Facility (RCF) that revolves every year. Replacing the existing loans, the Group has withdrawn the long-term facility amounting to 120,545 Million KRW and revolving credit facility amounting to 40,000 Million KRW. The syndicated loan facility was organized by Korea Exchange Bank and Woori Bank as leading banks and other 3 banks such as Standard Chartered Bank, Hana Bank and Busan Bank as participating bank.

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

Financial measure	Required ratio
DEBT/EBITDA	8 or less than 8
EBITDA/Interest	2.5 or more than 2.5
Debt/ Equity	250% or less than 250%

Songwon provided collaterals to the banks, which provided the syndicated loan, and also committed to meet the above described covenants described throughout the period. As per March 31, 2015 all three covenants are met.

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 as of March 31, 2015 and December 31, 2014, expressed in the maximum value registered to Korean court, are as follows:

Pledged to	Pledged assets	March 31, 2015	Dec. 31, 2014
		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	242,000
Korea Exchange Bank	Land, buildings, investment properties and machinery		
Hana Bank	Land, buildings, investment properties and machinery		
Busan Bank	Land, buildings, investment properties and machinery		
Korean Standard Chartered Bank	Land, buildings, investment properties and machinery		
Property, plant and equipment (Collateral for loans and borrowings other than syndicated loan)			
Korea Development Bank	Land, buildings and machinery	57,000	57,000
Total		299,000	299,000

Additionally, items of property, plant and equipment belonging to Songwon ATG GmbH (Germany) with a total value of 138 Million KRW are pledged as a collateral for interest-bearing loans and borrowings as of March 31, 2015 (December 31, 2014: 153 Million KRW).

Investment properties pledged by the Group as collateral in connection with repayment of leasehold deposits received as of March 31, 2015 and December 31, 2014 amounted to 300 Million KRW.

Songwon Industrial Co. Ltd. is providing a payment guarantee of 800 Million KRW to Seoul guarantee insurance company on behalf of H2 Logistics who is providing ocean transportation arrangement services to the Group.

The Group has received payment guarantees amounting to 349,195 Million KRW and 83 thousand USD provided by Jongho Park, CEO of the Group, in connection with the Group's borrowings from banks as of March 31, 2015.

The bank deposits pledged as collateral as of March 31, 2015 and December 31, 2014 are as follows:

Description	March 31, 2015	Dec. 31, 2014
Bank deposits – current (in Thousand USD)	1,236	1,213

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 March 31, 2015 and December 31, 2014.

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 March 31, 2015 and March 31, 2014 is affected through the impact on floating rate borrowings as follows:

	Increase/decrease	Effect on profit before tax
	in %	Million KRW
March 31, 2015	1.00	-552
	-1.00	552
March 31, 2014	1.00	-554
	-1.00	554

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 March 31, 2015 and December 31, 2014 are as follows:

Currency	March 31, 2015		December 31, 2014	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	-983	983	-272	272
EUR	-1,115	1,115	-1,687	1,687
JPY	140	-140	-669	669
CHF	-107	107	-11	11
AED	-39	39	162	-162
INR	1,067	-1,067	1,078	-1,078
Total	-1,037	1,037	-1,399	1,399

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

The Group maintains a policy to 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 March 31, 2015 and December 31, 2014 are as follows (based on contractual undiscounted payments):

As at March 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	11,792	83,125	241,344	73,422	7,687	417,370
Other financial liabilities	2,165	-	24	2,398	-	4,587
Trade and other payables	52,581	13,855	4,180	-	-	70,616
Total	66,538	96,980	245,548	75,820	7,687	492,573

As at December 31, 2014	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	28,191	119,993	195,979	67,943	8,071	420,177
Other financial liabilities	723	50	-	2,314	-	3,087
Trade and other payables	62,646	11,053	503	-	-	74,202
Total	91,560	131,096	196,482	70,257	8,071	497,466

20.4. Capital management

The primary objective of the Group's capital management is to ensure that its continued ability to provide a consistent 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 March 31, 2015 and December 31, 2014 is 194% and 197% respectively.

On a monthly basis all subsidiaries have to report key performance indicators which also include capital management information. On Group level the equity / liability ratio is reviewed regularly.

21. Cash flow statement

Cash and cash equivalent 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 three months ended March 31, 2015 and March 31, 2014 are as follows:

Adjustments	Notes	For the three months ended	
		March 31, 2015	March 31, 2014
		Million KRW	Million KRW
Depreciation and impairment of property, plant and equipment	6	6,572	6,410
Depreciation of investment properties		48	44
Amortization of intangible assets except for goodwill	7	1,926	1,452
Gain / loss on disposal of property, plant and equipment, net		-101	6
Share of result from investments accounted using the equity method	4.1	-127	-211
Financial income		-4,136	-2,772
Financial expenses		5,448	5,090
Provision for income taxes	13	1,596	-133
Total		11,226	9,886
Changes in operating assets and liabilities			
Trade receivables		-133	-5,703
Other receivables		-1,205	-96
Other current assets		-802	-800
Other current financial assets		36	144
Inventories		3,317	5,304
Trade payables		1,036	2,880
Other payables		-3,034	-215
Other current financial liabilities		261	13
Other current liabilities		401	213
Pension liabilities		-948	-306
Other long term employment benefits		241	251
Total		-830	1,685

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 comprises the interim condensed consolidated statements of financial position as at March 31, 2015, and the related interim condensed consolidated statements of comprehensive income for the three month periods ended March 31, 2015 and 2014, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the three month periods then ended, all expressed in Korean won, and a summary of significant accounting policies and 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 1034 Interim Financial Reporting (KIFRS 1034)*. Also, management is responsible for the design and operation of the Company's internal control to prevent and detect any error or fraud which may cause material misstatement of the interim condensed consolidated financial statements.

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. 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 matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2014, 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 and our report dated February 24, 2015 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2014, 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.

Ernst & Young Han Young

May 12, 2015

This review report is effective as at May 12, 2015, 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.

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