



**FINANCIAL RESULTS  
Q2 & 6 MONTHS  
ENDED JUNE 30,** **2018**

It's all about **the chemistry™**

## About this report

The condensed interim consolidated financial statements (refer to section 2 from page 7 to 48) according to K-IFRS are reviewed by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review conclusion on the quarterly financial statements can be found at the end of this report.

The condensed interim financial statements for the three as well as six months ended June 30, 2018 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, 2017, which have been prepared in accordance K-IFRS, too. The annual financial statements for the year 2017 can be found on our website [www.songwon.com](http://www.songwon.com).

All financials disclosed hereunder reflect consolidated numbers in Million 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

	Q2 2018		Q2 2017		For the six months ended June 30,		
	Million KRW		Million KRW	Δ%	2018	2017	Δ%
Sales*	197,841		186,742	5.9%	388,313	361,707	7.4%
Gross profit*	35,766		44,135	-19.0%	76,142	81,997	-7.1%
<i>Gross profit margin*</i>	18.1%		23.6%		19.6%	22.7%	
Operating profit	11,447		18,505	-38.1%	26,709	31,488	-15.2%
EBITDA	20,691		26,365	-21.5%	44,396	47,590	-6.7%
<i>EBITDA margin</i>	10.5%		14.1%		11.4%	13.2%	
EBIT	12,341		18,521	-33.4%	27,774	31,623	-12.2%
<i>EBIT margin</i>	6.2%		9.9%		7.2%	8.7%	
Profit for the period	8,179		12,279	-33.4%	19,716	20,563	-4.1%
Total assets					932,147	908,874	2.6%
Total equity					398,444	369,659	7.8%
<i>Equity ratio</i>					42.7%	40.7%	
Headcounts					1,021	930	9.8%

\*refer to note 3. for further details

## Sales development

### Products

	Q2 2018		Q2 2017		For the six months ended June 30,		
	Million KRW		Million KRW	Δ%	2018	2017	Δ%
Alkylphenols and Intermediates	109		350	-68.9%	1,176	777	51.4%
Plasticizers	2,175		2,200	-1.1%	4,217	4,095	3.0%
Polyester Diols	3,258		2,703	20.5%	5,517	5,999	-8.0%
Polymer Stabilizers (AOX & UVs)	138,593		129,964	6.6%	271,656	251,679	7.9%
Polyurethanes	9,656		10,550	-8.5%	20,029	21,120	-5.2%
PVC Stabilizers	9,116		12,187	-25.2%	19,931	23,280	-14.4%
SAP and Flocculants	2,065		2,406	-14.2%	3,895	4,452	-12.5%
Tin Intermediates	23,802		20,534	15.9%	42,456	38,864	9.2%
Others	9,067		5,848	55.0%	19,436	11,441	69.9%
<b>Total sales</b>	<b>197,841</b>		<b>186,742</b>	<b>5.9%</b>	<b>388,313</b>	<b>361,707</b>	<b>7.4%</b>

### Regions

	Q2 2018		Q2 2017		For the six months ended June 30,		
	Million KRW		Million KRW	Δ%	2018	2017	Δ%
Korea	44,221		47,726	-7.3%	90,575	96,323	-6.0%
Rest of Asia	56,841		49,147	15.7%	107,018	92,280	16.0%
Europe	44,342		38,437	15.4%	89,511	77,400	15.6%
North and South America	41,392		40,290	2.7%	77,850	73,706	5.6%
Australia	621		621	0.0%	1,022	1,083	-5.6%
Middle East and Africa	10,424		10,521	-0.9%	22,337	20,915	6.8%
<b>Total sales</b>	<b>197,841</b>		<b>186,742</b>	<b>5.9%</b>	<b>388,313</b>	<b>361,707</b>	<b>7.4%</b>

## Business development

In the 2<sup>nd</sup> quarter of 2018, ending June 30, 2018, Songwon Industrial Group generated consolidated sales of 197,841 Mil. KRW. This marked a 5.9% increase in revenue compared to sales for Q2/2017 (186,742 Mil. KRW). Year-to-date (YTD), the Group realized consolidated sales of 388,313 Mil. KRW, marking a 7.4% increase over YTD June 2017 (361,707 Mil. KRW). The Q2/2018 gross profit margin is at 18.1% (before the IFRS 15 adjustment: 19.4%). Net profit YTD June 2018 amounted to 19,716 Mil. KRW (2017: 20,563 Mil KRW).

From an historical perspective, the first and second quarters of the year have always been strong. The trends noted in Q1/2018 continued in Q2/2018. Across the portfolio and regions, demand was solid as expected, particularly for SONGWON's Polymer Stabilizers (PS). Driven by the implementation of global price increases, PS performance remained in line with expectations throughout the quarter, and YTD in terms of sales and revenues, but slightly behind in volume. This was the result of scheduled production shutdowns combined with certain shortages in specific raw materials. All other SONGWON businesses remained on track in Q2/2018.

Throughout the course of Q2/2018, all of SONGWON's businesses were exposed to the currency fluctuations. Price increases implemented in Q4/2017 are successfully compensating for the increases in the prices of key raw materials. However, overall profitability has been affected and is slightly lower than the same period in FY 2017. At the same time, the sound result achieved by SONGWON from a revenues perspective, was driven by the price increases previously mentioned being implemented globally, and across the product portfolio in a favorable market environment. SONGWON's production sites operated in general at high capacity utilization levels in Q2/2018, supporting an optimal cost position for the organization.

## Outlook

With respect to the complete portfolio, SONGWON anticipates an increase in demand for its products going into Q3, as well as continuous steady growth.

In Q2/2018, SONGWON continued the ongoing efforts to expand its global footprint. The company is further building on its strong position in Asia, taking full advantage of its local presence and short supply routes. In addition, SONGWON is profiting from the leading additive companies relocating their blending activities and antioxidants (AOs) sourcing from the US and Europe to Asia. Strategically located in North East Asia, SONGWON is optimally positioned to supply these industry players both in the medium and long-term.

Although achieving a firm position in Europe proves more difficult, due to the strong local competition and the unfavorable forex, SONGWON continues to push and make headway. Despite the current political and global uncertainty, the US economy is growing at a healthy pace. With the outlook for the rest of the year, and into 2019 looking promising, SONGWON is seeking to strengthen its position in the Americas going forward.

Looking ahead, SONGWON expects to see strong continued market growth for AOs over the next 36 months, which exceeds the GDP growth rate. This is mainly anticipated in the US, where growth will be driven by the introduction of the new regulatory/environmental framework. Higher raw material costs, political instability and the negative effects of foreign currency fluctuations are projected to continue in 2018. SONGWON believes that the current environment and markets are not without risk and plans to remain cautious. In spite of this, it will continue to focus on delivering improved financial performance by executing its strategic initiatives throughout the rest of the year.

# **SECTION 2:**

# **Interim Condensed**

# **Consolidated Financial**

# **Statements**

## Interim consolidated statement of financial position

		As at	
		June 30, 2018	December 31, 2017
	Notes	Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>486,420</b>	<b>487,614</b>
Property, plant and equipment	6.3, 7, 24	442,845	441,721
Investment properties	6.3, 24	3,524	3,530
Intangible assets	6.3, 8	20,421	21,609
Investments accounted for using the equity method	5	4,411	7,035
Available-for-sale financial investments	21	-	900
Other non-current assets		1,569	33
Other non-current financial assets	12, 19, 21, 22	10,750	10,265
Deferred tax assets		2,900	2,521
<b>Current assets</b>		<b>445,727</b>	<b>377,507</b>
Inventories	9	205,032	166,641
Trade and other receivables	10, 21, 22	139,383	130,894
Income tax receivables		284	518
Other current assets	13	8,158	3,502
Other current financial assets	12, 19, 21, 22	33,474	20,548
Cash and cash equivalent	11, 21	59,396	55,404
<b>Total assets</b>		<b>932,147</b>	<b>865,121</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>398,444</b>	<b>378,127</b>
<i>Non-controlling interests</i>		-408	-2,733
<i>Equity attributable to owners of the parent</i>		<i>398,852</i>	<i>380,860</i>
Issued capital		12,000	12,000
Capital surplus		24,361	24,361
Reserves	14	27,591	27,255
Retained earnings	14	338,890	322,085
Accumulated other comprehensive income	14.2	-3,990	-4,841
<b>Non-current liabilities</b>		<b>84,004</b>	<b>162,354</b>
Interest-bearing loans and borrowings	15, 21, 23.3, 25.3	19,839	98,783
Pension liability		11,197	8,311
Other long-term employee-related liabilities		5,286	5,585
Other non-current financial liabilities	18, 21, 25.3	3,086	4,625
Other non-current liabilities		42	40
Deferred tax liabilities		44,554	45,010
<b>Current liabilities</b>		<b>449,699</b>	<b>324,640</b>
Interest-bearing loans and borrowings	15, 21, 23.3, 25.3	312,180	208,754
Trade and other payables	21, 22, 25.3	124,672	109,538
Other current liabilities		4,616	1,801
Other current financial liabilities	18, 19, 21, 25.3	2,660	1,743
Income tax payable		5,571	2,804
<b>Total liabilities</b>		<b>533,703</b>	<b>486,994</b>
<b>Total equity and liabilities</b>		<b>932,147</b>	<b>865,121</b>



## Interim consolidated statement of financial position

	As at (refer to note 2.1)	
	June 30, 2018	December 31, 2017
	Thousand USD	Thousand USD
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>436,122</b>	<b>437,193</b>
Property, plant and equipment	397,053	396,044
Investment properties	3,160	3,165
Intangible assets	18,309	19,375
Investments accounted for using the equity method	3,955	6,308
Available-for-sale financial investments	-	807
Other non-current assets	1,407	30
Other non-current financial assets	9,638	9,204
Deferred tax assets	2,600	2,260
<b>Current assets</b>	<b>399,638</b>	<b>338,471</b>
Inventories	183,831	149,410
Trade and other receivables	124,970	117,359
Income tax receivables	255	464
Other current assets	7,314	3,140
Other current financial assets	30,013	18,423
Cash and cash equivalent	53,255	49,675
<b>Total assets</b>	<b>835,760</b>	<b>775,664</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>357,242</b>	<b>339,027</b>
<i>Non-controlling interests</i>	-366	-2,450
<i>Equity attributable to owners of the parent</i>	<i>357,608</i>	<i>341,477</i>
Issued capital	10,759	10,759
Capital surplus	21,842	21,842
Reserves	24,738	24,437
Retained earnings	303,847	288,780
Accumulated other comprehensive income	-3,578	-4,341
<b>Non-current liabilities</b>	<b>75,320</b>	<b>145,566</b>
Interest-bearing loans and borrowings	17,788	88,568
Pension liability	10,041	7,452
Other long-term employee-related liabilities	4,739	5,007
Other non-current financial liabilities	2,767	4,147
Other non-current liabilities	38	36
Deferred tax liabilities	39,947	40,356
<b>Current liabilities</b>	<b>403,198</b>	<b>291,071</b>
Interest-bearing loans and borrowings	279,899	187,168
Trade and other payables	111,780	98,211
Other current liabilities	4,139	1,615
Other current financial liabilities	2,385	1,563
Income tax payable	4,995	2,514
<b>Total liabilities</b>	<b>478,518</b>	<b>436,637</b>
<b>Total equity and liabilities</b>	<b>835,760</b>	<b>775,664</b>

## Interim consolidated statement of comprehensive income

		For the three months ended	
		June 30,	
		2018	2017
	Notes	Million KRW	Million KRW
Sales*	6.1, 6.2, 22	197,841	186,742
Cost of sales*	22	-162,075	-142,607
<b>Gross profit*</b>		<b>35,766</b>	<b>44,135</b>
Selling and administration costs*	22	-24,319	-25,630
<b>Operating profit</b>		<b>11,447</b>	<b>18,505</b>
Other income	22	1,097	503
Other expenses		-203	-487
Share of result from investments accounted for using the equity method	5	328	393
Finance income	22	7,452	3,850
Finance expenses		-9,409	-7,522
<b>Profit before tax</b>		<b>10,712</b>	<b>15,242</b>
Income tax expenses	16	-2,533	-2,963
<b>Profit for the period</b>		<b>8,179</b>	<b>12,279</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		285	1,103
(Losses) / gains on valuation of interest rate swaps	14.2	-69	29
Tax effects on valuation of interest rate swaps	14.2, 16	16	-7
Exchange differences on translation of foreign operations	14.2	338	1,081
<b>Total other comprehensive income, net of taxes</b>		<b>285</b>	<b>1,103</b>
<b>Total comprehensive income</b>		<b>8,464</b>	<b>13,382</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	17	8,801	12,429
Non-controlling interests		-622	-150
<b>Profit for the period</b>		<b>8,179</b>	<b>12,279</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		9,202	13,560
Non-controlling interests		-738	-178
<b>Total comprehensive income</b>		<b>8,464</b>	<b>13,382</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	17	367	518

\*refer to note 3. for further details

## Interim consolidated statement of comprehensive income

	For the three months ended	
	June 30, (refer to note 2.1)	
	2018	2017
	Thousand USD	Thousand USD
Sales*	177,383	167,432
Cost of sales*	-145,316	-127,861
<b>Gross profit*</b>	<b>32,067</b>	<b>39,571</b>
Selling and administration costs*	-21,805	-22,980
<b>Operating profit</b>	<b>10,262</b>	<b>16,591</b>
Other income	984	451
Other expenses	-182	-437
Share of result from investments accounted for using the equity method	294	352
Finance income	6,681	3,452
Finance expenses	-8,436	-6,744
<b>Profit before tax</b>	<b>9,603</b>	<b>13,665</b>
Income tax expenses	-2,271	-2,657
<b>Profit for the period</b>	<b>7,332</b>	<b>11,008</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	255	989
(Losses) / gains on valuation of interest rate swaps	-62	26
Tax effects on valuation of interest rate swaps	14	-6
Exchange differences on translation of foreign operations	303	969
<b>Total other comprehensive income, net of taxes</b>	<b>255</b>	<b>989</b>
<b>Total comprehensive income</b>	<b>7,587</b>	<b>11,997</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	7,891	11,143
Non-controlling interests	-559	-135
<b>Profit for the period</b>	<b>7,332</b>	<b>11,008</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	8,249	12,158
Non-controlling interests	-662	-161
<b>Total comprehensive income</b>	<b>7,587</b>	<b>11,997</b>
<b>Earnings per share</b>		
	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.33	0.46

\*refer to note 3. for further details

## Interim consolidated statement of comprehensive income

	Notes	For the six months ended June 30,	
		2018	2017
		Million KRW	Million KRW
Sales*	6.1, 6.2, 22	388,313	361,707
Cost of sales*	22	-312,171	-279,710
<b>Gross profit*</b>		<b>76,142</b>	<b>81,997</b>
Selling and administration costs*	22	-49,433	-50,509
<b>Operating profit</b>		<b>26,709</b>	<b>31,488</b>
Other income	22	1,585	910
Other expenses		-520	-775
Share of result from investments accounted for using the equity method	5	869	686
Finance income	22	15,311	15,989
Finance expenses		-19,887	-22,324
<b>Profit before tax</b>		<b>24,067</b>	<b>25,974</b>
Income tax expenses	16	-4,351	-5,411
<b>Profit for the period</b>		<b>19,716</b>	<b>20,563</b>
<b>Other comprehensive income, net of taxes</b>			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		745	-1,733
(Losses) / gains on valuation of interest rate swaps	14.2	-140	99
Tax effects on valuation of interest rate swaps	14.2, 16	32	-23
Exchange differences on translation of foreign operations	14.2	853	-1,809
<b>Total other comprehensive income, net of taxes</b>		<b>745</b>	<b>-1,733</b>
<b>Total comprehensive income</b>		<b>20,461</b>	<b>18,830</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	17	20,501	20,771
Non-controlling interests		-785	-208
<b>Profit for the period</b>		<b>19,716</b>	<b>20,563</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		21,352	18,967
Non-controlling interests		-891	-137
<b>Total comprehensive income</b>		<b>20,461</b>	<b>18,830</b>
<b>Earnings per share</b>		<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	17	854	865

\*refer to note 3. for further details

## Interim consolidated statement of comprehensive income

	For the six months ended June 30, (refer to note 2.1)	
	2018	2017
	Thousand USD	Thousand USD
Sales*	348,160	324,305
Cost of sales*	-279,892	-250,787
<b>Gross profit*</b>	<b>68,268</b>	<b>73,518</b>
Selling and administration costs*	-44,321	-45,286
<b>Operating profit</b>	<b>23,947</b>	<b>28,232</b>
Other income	1,421	816
Other expenses	-466	-695
Share of result from investments accounted for using the equity method	779	615
Finance income	13,728	14,336
Finance expenses	-17,831	-20,016
<b>Profit before tax</b>	<b>21,578</b>	<b>23,288</b>
Income tax expenses	-3,901	-4,851
<b>Profit for the period</b>	<b>17,677</b>	<b>18,437</b>
<b>Other comprehensive income, net of taxes</b>		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	668	-1,554
(Losses) / gains on valuation of interest rate swaps	-126	89
Tax effects on valuation of interest rate swaps	29	-21
Exchange differences on translation of foreign operations	765	-1,622
<b>Total other comprehensive income, net of taxes</b>	<b>668</b>	<b>-1,554</b>
<b>Total comprehensive income</b>	<b>18,345</b>	<b>16,883</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	18,381	18,623
Non-controlling interests	-704	-186
<b>Profit for the period</b>	<b>17,677</b>	<b>18,437</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	19,144	17,006
Non-controlling interests	-799	-123
<b>Total comprehensive income</b>	<b>18,345</b>	<b>16,883</b>
<b>Earnings per share</b>		
	<b>KRW</b>	<b>KRW</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.77	0.78

\*refer to note 3. for further details

## Interim consolidated statement of changes in equity

For the six months ended June 30, 2017 and 2018

	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		
<b>As at January 1, 2017</b>	<b>12,000</b>	<b>24,361</b>	<b>26,919</b>	<b>290,544</b>	<b>2,602</b>	<b>356,426</b>	<b>-2,237</b>	<b>354,189</b>
Profit for the period	-	-	-	20,771	-	20,771	-208	20,563
Gains on valuation of interest rate swaps, net of tax	-	-	-	-	76	76	-	76
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,880	-1,880	71	-1,809
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,771</b>	<b>-1,804</b>	<b>18,967</b>	<b>-137</b>	<b>18,830</b>
Dividends	-	-	-	-3,360	-	-3,360	-	-3,360
Appropriation to reserves	-	-	336	-336	-	-	-	-
<b>As at June 30, 2017</b>	<b>12,000</b>	<b>24,361</b>	<b>27,255</b>	<b>307,619</b>	<b>798</b>	<b>372,033</b>	<b>-2,374</b>	<b>369,659</b>
<b>As at January 1, 2018</b>	<b>12,000</b>	<b>24,361</b>	<b>27,255</b>	<b>322,085</b>	<b>-4,841</b>	<b>380,860</b>	<b>-2,733</b>	<b>378,127</b>
Profit for the period	-	-	-	20,501	-	20,501	-785	19,716
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-108	-108	-	-108
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	959	959	-106	853
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,501</b>	<b>851</b>	<b>21,352</b>	<b>-891</b>	<b>20,461</b>
Dividends	-	-	-	-3,360	-	-3,360	-	-3,360
Appropriation to reserves	-	-	336	-336	-	-	-	-
Non-controlling interest due to step up	-	-	-	-	-	-	3,216	3,216
<b>As at June 30, 2018</b>	<b>12,000</b>	<b>24,361</b>	<b>27,591</b>	<b>338,890</b>	<b>-3,990</b>	<b>398,852</b>	<b>-408</b>	<b>398,444</b>

## Interim consolidated statement of changes in equity

For the six months ended June 30, 2017 and 2018 (refer to 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		
<b>As at January 1, 2017</b>	<b>10,759</b>	<b>21,842</b>	<b>24,135</b>	<b>260,501</b>	<b>2,333</b>	<b>319,570</b>	<b>-2,006</b>	<b>317,564</b>
Profit for the period	-	-	-	18,623	-	18,623	-186	18,437
Gains on valuation of interest rate swaps, net of tax	-	-	-	-	68	68	-	68
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,686	-1,686	64	-1,622
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,623</b>	<b>-1,618</b>	<b>17,005</b>	<b>-122</b>	<b>16,883</b>
Dividends	-	-	-	-3,013	-	-3,013	-	-3,013
Appropriation to reserves	-	-	301	-301	-	-	-	-
<b>As at June 30, 2017</b>	<b>10,759</b>	<b>21,842</b>	<b>24,436</b>	<b>275,810</b>	<b>715</b>	<b>333,562</b>	<b>-2,128</b>	<b>331,434</b>
<b>As at January 1, 2018</b>	<b>10,759</b>	<b>21,842</b>	<b>24,437</b>	<b>288,780</b>	<b>-4,341</b>	<b>341,477</b>	<b>-2,450</b>	<b>339,027</b>
Profit for the period	-	-	-	18,381	-	18,381	-704	17,677
Losses on valuation of interest rate swaps, net of tax	-	-	-	-	-97	-97	-	-97
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	860	860	-95	765
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,381</b>	<b>763</b>	<b>19,144</b>	<b>-799</b>	<b>18,345</b>
Dividends	-	-	-	-3,013	-	-3,013	-	-3,013
Appropriation to reserves	-	-	301	-301	-	-	-	-
Non-controlling interest due to step up	-	-	-	-	-	-	2,883	2,883
<b>As at June 30, 2018</b>	<b>10,759</b>	<b>21,842</b>	<b>24,738</b>	<b>303,847</b>	<b>-3,578</b>	<b>357,608</b>	<b>-366</b>	<b>357,242</b>

## Interim consolidated statement of cash flows

	Notes	For the six months ended June 30,	
		2018 Million KRW	2017 Million KRW
<b>Profit for the period</b>		<b>19,716</b>	<b>20,563</b>
<b>Adjustments total</b>	<b>26</b>	<b>19,520</b>	<b>29,836</b>
<b>Changes in operating assets and liabilities</b>	<b>26</b>	<b>-24,080</b>	<b>-26,170</b>
Interest received		126	222
Payments of income tax		-2,387	-5,952
Dividends received from third parties		-	7
<b>Net cash flow from operating activities</b>		<b>12,895</b>	<b>18,506</b>
Proceeds from sale of property, plant and equipment	7	26	24
Purchases of property, plant and equipment	7	-10,516	-18,086
Purchases of intangible assets	8	-1,018	-256
Dividends received from investments using equity method	5	534	-
Acquisition of a subsidiary, net of cash acquired	4	2,103	-
Increase of other financial assets, net		-12,223	-15,823
<b>Net cash flow from investing activities</b>		<b>-21,094</b>	<b>-34,141</b>
Proceeds from borrowings (current)		328,228	204,713
Repayments of borrowings (current)		-306,669	-158,551
Proceeds from interest-bearing borrowings (non-current)		-	230
Repayments of borrowings (non-current)		-2,113	-
(Decrease) / increase in other financial liabilities, net		-1,412	5,858
Interest paid		-4,880	-4,785
Dividends paid	14.1	-3,360	-3,360
<b>Net cash flow from financing activities</b>		<b>9,794</b>	<b>44,105</b>
Increase in cash and cash equivalents		1,595	28,470
Net foreign exchange differences		2,397	-1,223
Cash and cash equivalent at January 1,	11	55,404	49,300
<b>Cash and cash equivalent at June 30,</b>	<b>11</b>	<b>59,396</b>	<b>76,547</b>



## Interim consolidated statement of cash flows

	For the six months ended June 30, (refer to note 2.1)	
	2018	2017
	Thousand USD	Thousand USD
<b>Profit for the period</b>	<b>17,677</b>	<b>18,437</b>
<b>Adjustments total</b>	<b>17,502</b>	<b>26,751</b>
<b>Changes in operating assets and liabilities</b>	<b>-21,590</b>	<b>-23,464</b>
Interest received	113	199
Payments of income tax	-2,140	-5,337
Dividends received from third parties	-	6
<b>Net cash flow from operating activities</b>	<b>11,562</b>	<b>16,593</b>
Proceeds from sale of property, plant and equipment	23	22
Purchases of property, plant and equipment	-9,429	-16,216
Purchases of intangible assets	-913	-230
Dividends received from investments using equity method	479	-
Acquisition of a subsidiary, net of cash acquired	1,886	-
Increase of other financial assets, net	-10,959	-14,187
<b>Net cash flow from investing activities</b>	<b>-18,913</b>	<b>-30,611</b>
Proceeds from borrowings (current)	294,288	183,545
Repayments of borrowings (current)	-274,958	-142,156
Proceeds from interest-bearing borrowings (non-current)	-	206
Repayments of borrowings (non-current)	-1,895	-
(Decrease) / increase in other financial liabilities, net	-1,266	5,252
Interest paid	-4,375	-4,290
Dividends paid	-3,013	-3,013
<b>Net cash flow from financing activities</b>	<b>8,781</b>	<b>39,544</b>
Increase in cash and cash equivalents	1,430	25,526
Net foreign exchange differences	2,150	-1,097
Cash and cash equivalent at January 1,	49,675	44,202
<b>Cash and cash equivalent at June 30,</b>	<b>53,255</b>	<b>68,632</b>

## Notes to the condensed interim consolidated financial statements

### 1. Corporate information

#### 1.1. The Group

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 laws of the Republic of Korea to engage in the manufacture and commercial sale of antioxidants, stabilizers and polyurethane. The Company’s main manufacturing plants are located in Ulsan, Maeam and Suwon, all in Korea and in Ankleshwar, India. The Company listed its common shares on the Korea Exchange in June 1977.

#### Scope of consolidation

As of June 30, 2018, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2017: 10 entities). Additionally, one entity is classified as a joint venture (2017: 2 entities) and accounted for using the equity method.

During the first half of 2018, the following changes in the legal structure of the Group and scope of consolidation took place:

- Establishment of Songwon Europe GmbH, Songwon Chemicals GmbH and Songwon Trading GmbH;
- Increase of shareholding through a capital increase which equated to 22% of the shares of Qingdao Long Fortune Songwon Chemical Co., Ltd. (SWDM-CN). Therefore, the conditions to obtain control were met and SWDM-CN became a subsidiary (before a joint venture) starting from May 1, 2018 (refer to note 4 for further details).

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

Name	Location	June 30, 2018		December 31, 2017	
		Status	Interest	Status	Interest
<b>Consolidated entities</b>					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan KK	Japan	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 International AG (former: Songwon EMEA AG)	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Group Holding AG (former: Songwon International AG)	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon Europe GmbH	Germany	Subsidiary	100%	-	-
Songwon Chemicals GmbH	Germany	Subsidiary	100%	-	-
Songwon Trading GmbH	Germany	Subsidiary	100%	-	-
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	China	Subsidiary	72%	-	-
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	55.5%	Subsidiary	55.5%

\*refer to note 4 for further details

<b>Entities accounted for using the equity method (joint ventures)</b>					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint venture	30%	Joint venture	30%
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	China	-	-	Joint venture	50%

\*refer to note 4 for further details

## 2. Basis of preparation

The interim condensed financial statements for the three and six months ended June 30, 2018 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, 2017, 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 review 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 KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in KRW are presented in US dollars at the rate of KRW 1,115.33 to USD 1, the exchange rate in effect on June 30, 2018. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the amounts in KRW shown could be readily converted, realized or settled in US dollars at this or at any other rate.

### 3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017, except for the adoption of the new standards as of January 1, 2018, listed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

#### New and amended standards adopted by the Group

##### K-IFRS 1115 from Contracts with Customers

K-IFRS 1115 supersedes K-IFRS 1011 Construction Contracts, K-IFRS 1018 Revenue, K-IFRS 2113 Customer Loyalty Programs and relevant interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under K-IFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in K-IFRS 1115 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group applied the new standard using a modified retrospective method with initial date of application of January 1, 2018, with no significant impact identified to the financial statements. Therefore, the financial statements do not restate comparative information and have been prepared in accordance with K-IFRS 1011 Construction Contracts, K-IFRS 1018 Revenue and related interpretations. The Group omits related disclosures, because the initial impact of K-IFRS 1115 to the beginning retained earnings is not material.

The Group is in the business of the manufacture and commercial sale of antioxidants, stabilizers and polyurethane. The goods are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and transportation services.

##### (a) Sales of goods

The Group's contracts with customers for the sale generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of K-IFRS 1115 did not have an impact on the timing of revenue recognition. Also, the amount of revenue to be recognized in adopting K-IFRS 1115 was not affected since no variable consideration or significant financing components are included.

##### (b) Sales of services

The Group provides transportation service in combination with the sales of goods. The services can be provided by others and are not significantly modified or customized.

Prior to the adoption of K-IFRS 1115, the Group accounted for the goods and transportation service as a single deliverable within the bundled sales and recognized revenue based on the invoiced amounts.

Under K-IFRS 1115, the Group assessed that there are two performance obligations in a contract for bundled sales of goods and transportation services, because its promises to transfer goods and provide transportation services are capable of being distinct and separately identifiable.

Under K-IFRS 1115, the Group concluded that revenue for transportation services, will be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group.

The impact on the statement of financial position as of December 31, 2017 is not material. Further, the impact on the statement of profit or loss, the other comprehensive income the statement of cash flows and the basic and diluted EPS for the three and six months ended June 30, 2018 is material. In accordance with K-IFRS 1115, the outbound logistic

costs related to third party sales have been reclassified from selling and administration costs to cost of sales. This reclassification led to a lower gross profit and the corresponding margin. For the six months ended June 30, 2018, the effect was 4,743 Mil. KRW respectively 4,253 Thousand USD (gross profit margin: -1.2%). For Q1/2018, the effect was 2,221 Mil. KRW respectively 1,992 Thousand USD (gross profit margin: -1.2%), and for Q2/2018 2,522 Mil. KRW respectively 2,261 Thousand USD (gross profit margin: -1.3%). However, both operating profit and net profit remained unchanged.

### K-IFRS 1109 Financial Instruments

K-IFRS 1109 Financial Instruments replaces K-IFRS 1039 *Financial Instruments: Recognition and Measurement* for periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied K-IFRS 1109 retrospectively, with the initial application date of January 1, 2018. The Group has elected to apply the limited exemption in K-IFRS 1109 paragraph 7.2.15 relating to the transition for classification and measurement and impairment, and accordingly will not be restating the 2017 comparative period.

#### (a) Classification and measurement

Except for certain trade receivables, under K-IFRS 1109, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under K-IFRS 1109, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under other non-current financial assets.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under K-IFRS 1039, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under K-IFRS 1109. Under K-IFRS 1039, the Group's unquoted equity instruments were classified as AFS financial assets
- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under K-IFRS 1039. Similar to the requirements of K-IFRS 1039, K-IFRS 1109 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the statement of profit or loss.

Under K-IFRS 1109, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by K-IFRS 1039.

#### (b) Impairment

The adoption of K-IFRS 1109 has changed the Group's accounting for impairment losses for financial assets by replacing the K-IFRS 1039 incurred loss approach with a forward-looking expected credit loss (ECL) approach.

K-IFRS 1109 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

#### (c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of K-IFRS 1109 had no significant impact on the Group's financial statements.

Under K-IFRS 1039, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under K-IFRS 1109, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of K-IFRS 1109, the Net gain or loss on cash flow hedges was presented under 'Other comprehensive income not to be reclassified to profit or loss in subsequent periods'.

This change only applies prospectively from the date of initial application of K-IFRS 1109 and has no impact on the presentation of comparative figures.

Therefore, the Group omits related disclosures, because the effect is not significant as a result of the adoption of K-IFRS 1109

#### **K-IFRS 2122 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

#### **K-IFRS 1040 Transfers of Investment Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

#### **K-IFRS 1102 Classification and Measurement of Share-based Payment Transactions**

The IASB issued amendments to K-IFRS 1102 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-



based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

## 4. Business combinations

### 4.1. Business combinations in 2018

#### Step acquisition of Qingdao Long Fortune Songwon Chemical Co., Ltd.

Since August 2015 Qingdao Long Fortune Songwon Chemical Co., Ltd. (SWDM-CN) is consolidated in the financial statements of the Group using the equity method. In April 2018, the Group acquired additional 22% of the shares through a capital increase. The conditions to fully consolidate and disclose non-controlling interest were met and SWDM-CN was fully consolidated as of May 1, 2018.

The assets, liabilities and contingent liabilities of SWDM-CN were measured at provisional fair value on the date of acquisition. If the cost exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the balance is reported as goodwill. If the cost fall under the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the badwill will be recorded in the consolidated statement of comprehensive income.

The amounts recognized below are all provisional as the Company is finalizing the valuations due to the complexity of the transaction. The Company may recognized changes in accordance with K-IFRS 1103 in the permitted twelve months measurement period from the date of acquisition.

#### Assets acquired and liabilities assumed

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

*Provisional Fair value recognized on acquisition*

	Million KRW
<b>Assets</b>	
Property, plant and equipment	1,483
Other non-current assets	1,554
Deferred tax assets	128
Inventories	6,012
Trade and other receivables	7,841
Other current assets	299
Cash and cash equivalent	2,103
<b>Total assets</b>	<b>19,420</b>
<b>Liabilities</b>	
Other non-current financial liabilities	34
Trade and other payables	7,208
Other current liabilities	33
Income tax payable	657
<b>Total liabilities</b>	<b>7,932</b>
<b>Total identifiable net assets at fair value</b>	<b>11,487</b>

Non-controlling interest measured at fair value	-3,216
Preliminary revaluation of previously held interest in SWDM-CN	-3,154
Badwill	-877
Consideration transferred	4,240

#### Provisional revaluation of previously held interest

The Group held an equity interest of 50% before the increase and accounted for SWDM-CN as a joint venture using the equity method. In this business acquisition, which was achieved in stages, the Group remeasured its previously held interest resulting in no significant gain or loss.

#### Provisional gain (badwill) arising on acquisition

In 2017, SWDM-CN achieved a small positive net income. Under the consideration of the higher burden of environmental regulations as well as new competitors entering the market, the badwill is reasonable. In addition, the Asian market remains to be volatile driven by spot business for SWDM-CN. The resulting gain of 877 Mil. KRW (badwill) was recognized in the statement of comprehensive income and included in the financial statement line item "Other Income".

#### Cash flow on acquisition

From the acquisition of SWDM-CN, the Group acquired cash of 2,103 Mil. KRW. As the capital increase took place after the full consolidation of SWDM-CN, there is no impact on Group level from the actual cash paid in.

## 4.2. Business combinations in 2017

During the financial year 2017 there were no business combinations.

## 5. Investment accounted for using the equity method

The summarized statement of financial position and comprehensive income of joint ventures (accounted for using the equity method) are as follows:

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,365	9,584	7,108	2,164	2,590	-	-	14,102	4,231
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,488	12,917	3,085	6,760	7,066	3,328	3,328	5,608	2,804
<b>December 31, 2017</b>	<b>4,853</b>	<b>22,501</b>	<b>10,193</b>	<b>8,924</b>	<b>9,656</b>	<b>3,328</b>	<b>3,328</b>	<b>19,710</b>	<b>7,035</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,444	8,325	8,080	1,387	1,701	-	-	14,704	4,411
<b>June 30, 2018</b>	<b>1,444</b>	<b>8,325</b>	<b>8,080</b>	<b>1,387</b>	<b>1,701</b>	<b>-</b>	<b>-</b>	<b>14,704</b>	<b>4,411</b>



<b>Statement of comprehensive income</b>	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,688	-17	-	-	884	-221	663	60	723
Qingdao Long Fortune Songwon Chemical Co., Ltd.	6,318	-58	5	-61	467	-79	388	82	470
<b>For the three months ended June 30, 2017</b>	<b>13,006</b>	<b>-75</b>	<b>5</b>	<b>-61</b>	<b>1,351</b>	<b>-300</b>	<b>1,051</b>	<b>142</b>	<b>1,193</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	6,501	-33	3	-	1,253	-317	936	136	1,072
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	3,050	-21	1	-26	125	-32	93	-140	-47
<b>For the three months ended June 30, 2018</b>	<b>9,551</b>	<b>-54</b>	<b>4</b>	<b>-26</b>	<b>1,378</b>	<b>-349</b>	<b>1,029</b>	<b>-4</b>	<b>1,025</b>

\*refer to note 4 for further details

<b>Statement of comprehensive income</b>	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	12,659	-33	1	-11	1,510	-378	1,132	-37	1,095
Qingdao Long Fortune Songwon Chemical Co., Ltd.	12,528	-112	8	-124	719	-26	693	-284	409
<b>For the six months ended June 30, 2017</b>	<b>25,187</b>	<b>-145</b>	<b>9</b>	<b>-135</b>	<b>2,229</b>	<b>-404</b>	<b>1,825</b>	<b>-321</b>	<b>1,504</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,714	-66	11	-	2,666	-670	1,996	383	2,379
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	10,656	-84	11	-91	746	-207	539	160	699
<b>For the six months ended June 30, 2018</b>	<b>24,370</b>	<b>-150</b>	<b>22</b>	<b>-91</b>	<b>3,412</b>	<b>-877</b>	<b>2,535</b>	<b>543</b>	<b>3,078</b>

\*refer to note 4 for further details

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

	As of January 1, 2017	Dividends	Share of result from equity method revaluation	Change in scope of consolidation	Exchange rate effects	As of June 30, 2017
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,849	-	340	-	-11	4,178
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,703	-	346	-	-142	2,907
<b>Total</b>	<b>6,552</b>	<b>-</b>	<b>686</b>	<b>-</b>	<b>-153</b>	<b>7,085</b>

	As of January 1, 2018	Dividends	Share of result from equity method revaluation	Change in scope of consolidation	Exchange rate effects	As of June 30, 2018
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,231	-534	599	-	115	4,411
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	2,804	-	270	-3,154	80	-
<b>Total</b>	<b>7,035</b>	<b>-534</b>	<b>869</b>	<b>-3,154</b>	<b>195</b>	<b>4,411</b>

\*refer to note 4 for further details

## 6. Segment information and disaggregated revenue 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 operating worldwide and therefore, discloses geographic segment information.

### 6.1. Product information

Set out below is the disaggregation of the Group's revenue from contracts with customers. In terms of timing, all goods are transferred at a point in time. The nature of the products are disclosed below:

	For the three months ended	
	June 30,	
	2018	2017
	Million KRW	Million KRW
Alkylphenols and Intermediates	109	350
Plasticizers	2,175	2,200
Polyester Diols	3,258	2,703
Polymer Stabilizers (AOX and UVs)	138,593	129,964
Polyurethanes	9,656	10,550
PVC Stabilizers	9,116	12,187
SAP and Flocculants	2,065	2,406
Tin Intermediates	23,802	20,534
Others	9,067	5,848
<b>Total sales</b>	<b>197,841</b>	<b>186,742</b>

	For the six months ended	
	June 30,	
	2018	2017
	Million KRW	Million KRW
Alkylphenols and Intermediates	1,176	777
Plasticizers	4,217	4,095
Polyester Diols	5,517	5,999
Polymer Stabilizers (AOX and UVs)	271,656	251,679
Polyurethanes	20,029	21,120
PVC Stabilizers	19,931	23,280
SAP and Flocculants	3,895	4,452
Tin Intermediates	42,456	38,864
Others	19,436	11,441
<b>Total sales</b>	<b>388,313</b>	<b>361,707</b>

	For the three months ended	
	June 30,	
	2018	2017
	Million KRW	Million KRW
Sales of goods	195,319	186,742
Sales of services*	2,522	-
<b>Total sales</b>	<b>197,841</b>	<b>186,742</b>

\*Sales of services is a sale recognized over time in accordance with K-IFRS 1115, refer to note 3. for further details

	For the six months ended	
	June 30,	
	2018	2017
	Million KRW	Million KRW
Sales of goods	383,570	361,707
Sales of services*	4,743	-
<b>Total sales</b>	<b>388,313</b>	<b>361,707</b>

\*Sales of services is a sale recognized over time in accordance with K-IFRS 1115, refer to note 3. for further details

## 6.2. Geographic information

	For the three months ended	
	June 30,	
	2018	2017
	Million KRW	Million KRW
Korea	44,221	47,726
Rest of Asia	56,841	49,147
Europe	44,342	38,437
North and South America	41,392	40,290
Australia	621	621
Middle East and Africa	10,424	10,521
<b>Total sales</b>	<b>197,841</b>	<b>186,742</b>

	For the six months ended	
	June 30,	
	2018	2017
	Million KRW	Million KRW
Korea	90,575	96,323
Rest of Asia	107,018	92,280
Europe	89,511	77,400
North and South America	77,850	73,706
Australia	1,022	1,083
Middle East and Africa	22,337	20,915
<b>Total sales of goods</b>	<b>388,313</b>	<b>361,707</b>

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

The Group has no customer who accounts for more than 10% of the Group's total sales during the reporting periods.

### 6.3. Non-current assets

	<b>As of</b>	
	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	Million KRW	Million KRW
Korea	408,117	407,183
Rest of Asia	22,515	22,509
Europe	14,636	16,033
North and South America	4,919	4,896
Middle East and Africa	16,603	16,239
<b>Total</b>	<b>466,790</b>	<b>466,860</b>

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

## 7. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Cost</b>							
<b>At January 1, 2017</b>	<b>147,904</b>	<b>85,352</b>	<b>65,640</b>	<b>462,827</b>	<b>17,895</b>	<b>10,537</b>	<b>790,155</b>
Additions	-	469	6	224	1,208	20,218	22,125
Disposals	-	-	-2	-33	-828	-	-863
Reclassifications	-	4,252	87	10,547	47	-14,933	-
Net exchange differences	-	-817	-	-188	64	-36	-977
<b>At June 30, 2017</b>	<b>147,904</b>	<b>89,256</b>	<b>65,731</b>	<b>473,377</b>	<b>18,386</b>	<b>15,786</b>	<b>810,440</b>
<b>At January 1, 2018</b>	<b>147,904</b>	<b>88,716</b>	<b>66,195</b>	<b>499,870</b>	<b>18,792</b>	<b>4,315</b>	<b>825,792</b>
Additions	-	1	42	131	783	12,669	13,626
Disposals	-	-	-	-2	-193	-	-195
Reclassifications	-	138	70	6,508	153	-6,869	-
Business acquisition	-	-	-	1,138	293	52	1,483
Net exchange differences	-	514	-	170	47	-18	713
<b>At June 30, 2018</b>	<b>147,904</b>	<b>89,369</b>	<b>66,307</b>	<b>507,815</b>	<b>19,875</b>	<b>10,149</b>	<b>841,419</b>
<b>Depreciation</b>							
<b>At January 1, 2017</b>	-	<b>-20,132</b>	<b>-34,311</b>	<b>-292,056</b>	<b>-12,172</b>	-	<b>-358,671</b>
Depreciation charge	-	-1,188	-1,549	-10,123	-815	-	-13,675
Disposals	-	-	2	13	807	-	822
Net exchange differences	-	25	-1	-124	-91	-	-191
<b>At June 30, 2017</b>	-	<b>-21,295</b>	<b>-35,859</b>	<b>-302,290</b>	<b>-12,271</b>	-	<b>-371,715</b>
<b>At January 1, 2018</b>	-	<b>-22,439</b>	<b>-37,407</b>	<b>-311,438</b>	<b>-12,787</b>	-	<b>-384,071</b>
Depreciation charge	-	-1,202	-1,557	-10,930	-792	-	-14,481
Disposals	-	-	-	-	187	-	187
Net exchange differences	-	-43	-	-102	-64	-	-209
<b>At June 30, 2018</b>	-	<b>-23,684</b>	<b>-38,964</b>	<b>-322,470</b>	<b>-13,456</b>	-	<b>-398,574</b>
<b>Net book value</b>							
<b>At June 30, 2018</b>	<b>147,904</b>	<b>65,685</b>	<b>27,343</b>	<b>185,345</b>	<b>6,419</b>	<b>10,149</b>	<b>442,845</b>
<b>At January 1, 2018</b>	<b>147,904</b>	<b>66,277</b>	<b>28,788</b>	<b>188,432</b>	<b>6,005</b>	<b>4,315</b>	<b>441,721</b>
<b>At June 30, 2017</b>	<b>147,904</b>	<b>67,961</b>	<b>29,872</b>	<b>171,087</b>	<b>6,115</b>	<b>15,786</b>	<b>438,725</b>

There was no impairment during the reported financial period. Non-cash transactions amounting to 7,095 Million KRW (YTD June 30, 2017: 9,124 Million KRW) are included in the additions for the six months ended June 30, 2018.

## 8. Intangible assets

	Industrial rights	Software	Memberships	Customer relationships	Capitalization process technology	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>Cost</b>								
<b>At January 1, 2017</b>	<b>3,329</b>	<b>2,772</b>	<b>853</b>	<b>32,351</b>	<b>3,818</b>	<b>44,890</b>	<b>1,361</b>	<b>89,374</b>
Additions	-	4	-	-	-	-	252	256
Disposals	-	-87	-	-	-	-	-	-87
Reclassifications	140	-	-	-	-	-	-140	-
Net exchange differences	-	-47	-	-2,024	-290	-1,693	-	-4,054
<b>At June 30, 2017</b>	<b>3,469</b>	<b>2,642</b>	<b>853</b>	<b>30,327</b>	<b>3,528</b>	<b>43,197</b>	<b>1,473</b>	<b>85,489</b>
<b>At January 1, 2018</b>	<b>3,601</b>	<b>2,601</b>	<b>831</b>	<b>27,627</b>	<b>3,142</b>	<b>40,791</b>	<b>1,485</b>	<b>80,078</b>
Additions	2	4	-	-	-	-	1,012	1,018
Reclassifications	382	-	-	-	-	-	-382	-
Net exchange differences	-	35	-	1,093	157	1,213	-	2,498
<b>At June 30, 2018</b>	<b>3,985</b>	<b>2,640</b>	<b>831</b>	<b>28,720</b>	<b>3,299</b>	<b>42,004</b>	<b>2,115</b>	<b>83,594</b>
<b>Amortization</b>								
<b>At January 1, 2017</b>	<b>-1,365</b>	<b>-2,381</b>	<b>-</b>	<b>-21,760</b>	<b>-2,301</b>	<b>-34,315</b>	<b>-</b>	<b>-62,122</b>
Amortization charge	-162	-93	-	-1,777	-255	-	-	-2,287
Disposals	-	45	-	-	-	-	-	45
Net exchange differences	-	29	-	1,611	231	1,681	-	3,552
<b>At June 30, 2017</b>	<b>-1,527</b>	<b>-2,400</b>	<b>-</b>	<b>-21,926</b>	<b>-2,325</b>	<b>-32,634</b>	<b>-</b>	<b>-60,812</b>
<b>At January 1, 2018</b>	<b>-1,700</b>	<b>-2,431</b>	<b>-</b>	<b>-21,429</b>	<b>-2,254</b>	<b>-30,655</b>	<b>-</b>	<b>-58,469</b>
Amortization charge	-183	-41	-	-1,667	-239	-	-	-2,130
Net exchange differences	-	-31	-	-1,147	-164	-1,232	-	-2,574
<b>At June 30, 2018</b>	<b>-1,883</b>	<b>-2,503</b>	<b>-</b>	<b>-24,243</b>	<b>-2,657</b>	<b>-31,887</b>	<b>-</b>	<b>-63,173</b>
<b>Net book value</b>								
<b>At June 30, 2018</b>	<b>2,102</b>	<b>137</b>	<b>831</b>	<b>4,477</b>	<b>642</b>	<b>10,117</b>	<b>2,115</b>	<b>20,421</b>
<b>At January 1, 2018</b>	<b>1,901</b>	<b>170</b>	<b>831</b>	<b>6,198</b>	<b>888</b>	<b>10,136</b>	<b>1,485</b>	<b>21,609</b>
<b>At June 30, 2017</b>	<b>1,942</b>	<b>242</b>	<b>853</b>	<b>8,401</b>	<b>1,203</b>	<b>10,563</b>	<b>1,473</b>	<b>24,677</b>

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 at December 31. No triggering events occurred in the six months ended June 30, 2018 and 2017.

## 9. Inventories

Description	June 30,	December 31,
	2018	2017
	Million KRW	Million KRW
Raw materials and supplies	39,645	33,752
Construction in progress	633	199
Finished goods	131,708	108,134
Goods in transit	31,796	24,438
Consignment stocks	1,250	118
<b>Total inventories at the lower of cost and net realizable value</b>	<b>205,032</b>	<b>166,641</b>

As of June 30, 2018, inventory write-off amounted to 3,537 Million KRW for raw materials and finished goods (December 31, 2017: 3,480 Million KRW).

## 10. Trade and other receivables

Description	June 30,	December 31,
	2018	2017
	Million KRW	Million KRW
Trade and notes receivables (net) – third parties	133,378	121,822
Trade and notes receivables (net) – related parties	-	4,876
Other receivables (net) – third parties	5,527	3,853
Other receivables (net) – related parties	-	268
Accrued income – third parties	22	35
Accrued income – related parties	456	40
<b>Total</b>	<b>139,383</b>	<b>130,894</b>

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

## 11. Cash and cash equivalent

Description	June 30,	December 31,
	2018	2017
	Million KRW	Million KRW
Cash on hand	85	95
Bank accounts	56,401	52,618
Time deposit (< 3 months)	2,910	2,691
<b>Total</b>	<b>59,396</b>	<b>55,404</b>

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



## 12. Other financial assets

Description	June 30, 2018		December 31, 2017	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Bank deposits (> 3 months)	9,525	3,007	8,187	2,009
Interest-bearing loans	-	29,331	1,641	18,000
Derivative financial assets (note 19)	8	474	131	92
Equity Instrument at FVOCI	900	-	-	-
Guarantee deposits	317	662	306	447
<b>Total</b>	<b>10,750</b>	<b>33,474</b>	<b>10,265</b>	<b>20,548</b>

## 13. Other current assets

Description	June 30, 2018	December 31, 2017
	Million KRW	Million KRW
Advance payments	690	185
Prepaid expenses	2,801	2,663
VAT refundable	4,667	654
<b>Total</b>	<b>8,158</b>	<b>3,502</b>

## 14. Equity

### 14.1. Reserves and dividends paid

At the regular general meeting of shareholders, held on March 23, 2018, dividends with the total amount of 3,360 Million KRW were approved by the shareholders. On April 10, 2018 dividends were paid. Legal reserves increased by 336 Million KRW due to the appropriation to the reserve decided by the shareholders on March 23, 2018.

### 14.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of June 30, 2018 and December 31, 2017 is composed of the following:

Description	June 30, 2018	December 31, 2017
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	-4,055	-5,014
Interest rate swaps	65	173
<b>Total</b>	<b>-3,990</b>	<b>-4,841</b>

## 15. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings as of June 30, 2018 and December 31, 2017 are as follows:

Description	June 30,	December 31,
	2018	2017
	Million KRW	Million KRW
Long-term borrowings	19,839	98,783
<b>Non-current interest-bearing loans and borrowings</b>	<b>19,839</b>	<b>98,783</b>
Current portion of long-term borrowings	90,787	21,454
Short-term borrowings	221,393	187,300
<b>Current interest-bearing loans and borrowings</b>	<b>312,180</b>	<b>208,754</b>
<b>Total</b>	<b>332,019</b>	<b>307,537</b>

## 16. Income tax expenses

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

Income taxes	For the three months ended	
	June 30,	June 30,
	2018	2017
	Million KRW	Million KRW
Current income tax charge	-2,835	-2,959
Deferred income taxes related to origination and reversal of deferred taxes	318	-11
Income tax recognized in other comprehensive income	-16	7
<b>Income tax expenses</b>	<b>-2,533</b>	<b>-2,963</b>

Income taxes	For the six months ended	
	June 30,	June 30,
	2018	2017
	Million KRW	Million KRW
Current income tax charge	-4,953	-5,870
Deferred income taxes related to origination and reversal of deferred taxes	634	436
Income tax recognized in other comprehensive income	-32	23
<b>Income tax expenses</b>	<b>-4,351</b>	<b>-5,411</b>

## 17. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of June 30, 2018 and 2017.

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

Description	For the three months ended	
	June 30,	
	2018	2017
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	8,801,151,206	12,429,233,338
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>367</b>	<b>518</b>

Description	For the six months ended	
	June 30,	
	2018	2017
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	20,500,947,363	20,771,238,578
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>854</b>	<b>865</b>

## 18. Other financial liabilities

Description	June 30, 2018		December 31, 2017	
	Non-current	Current	Non-current	Current
	Million KRW		Million KRW	
Derivative liabilities (note 19)	-	742	-	-
Deposits	3,086	1,403	4,625	1,237
Accrued interest expenses	-	513	-	504
Unpaid dividends	-	2	-	2
<b>Total</b>	<b>3,086</b>	<b>2,660</b>	<b>4,625</b>	<b>1,743</b>

## 19. Derivatives financial instruments

Description	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward exchange contracts (current portion)	398	742	-	-
Interest rate swaps (current portion)	76	-	92	-
Interest rate swaps (non-current portion)	8	-	131	-
<b>Total</b>	<b>482</b>	<b>742</b>	<b>223</b>	<b>-</b>

## 19.1. 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 June 30, 2018 (December 31, 2017: none) are as follows:

### As of June 30, 2018

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Busan Bank	Sell	EUR 5,580,000	31.07.2018 – 31.12.2018	1,326.53 – 1,333.03
Citibank Korea	Sell	EUR 19,800,000	31.07.2018 – 28.06.2019	1,317.00 – 1,340.50
	Sell	JPY 1,267,500,000	31.07.2018 – 28.06.2019	10.1620 – 10.5970
KEB Hana Bank	Sell	EUR 4,980,000	31.07.2018 – 31.12.2018	1,334.00 – 1,341.90
	Sell	JPY 639,000,000	31.07.2018 – 31.12.2018	10.1800 – 10.2340
Kyongnam Bank	Sell	JPY 1,065,000,000	31.07.2018 – 31.12.2018	10.1775 – 10.3430
Woori Bank	Sell	EUR 10,080,000	31.07.2018 – 28.06.2019	1,318.00 – 1,332.40
	Sell	JPY 919,000,000	31.07.2018 – 28.06.2019	10.2500 – 10.5740

## 19.2. Interest rate swaps

As of June 30, 2018 the Group had entered into the following interest rate swap contracts:

### As of June 30, 2018

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%
Contract date	03.07.2017	03.07.2017
Maturity date	03.07.2020	03.07.2020
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	N/A	2.73%
Floating interest rate	3MCD+1.02%	3MCD+1.02%

As of December 31, 2017 the Group has entered into the following interest rate swap contracts:

**As of December 31, 2017**

<b>Description</b>	<b>Bonds contract</b>	<b>Interest rate swap contract</b>
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%
Contract date	03.07.2017	03.07.2017
Maturity date	03.07.2020	03.07.2020
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	N/A	2.73%
Floating interest rate	3MCD+1.02%	3MCD+1.02%

The Group applies cash flow hedge accounting on interest rate swaps in the current reporting period and in 2017. The balances included in accumulated other comprehensive income are 65 Million KRW as of June 30, 2018 and 173 Million KRW as of December 31, 2017, respectively (refer to note 14.2) net of income tax.

## 20. Emission rights and emission liabilities

The Group, in accordance with the Act on Allocation and Trading of Emission Allowances, is issued emission allowances free of charge by the government up to the allowable limit. During the year, as the Group emits gasses, a liability is recognized for the obligation to deliver allowances at the end of the year to cover those emissions. This liability is measured at the end of each reporting period by reference to the current market value of the allowances.

Allowances are derecognized on their sale (if sold into the market) or on their delivery to the government in settlement of the entity's obligation to deliver allowance to cover emissions. If the allowances are traded in an active market they are not amortized.

Where any unused allocated emission allowances after their delivery to the government, are sold, a gain or loss on disposal of the allocated emission allowances is subtracted from the cost of emissions; where emission allowances purchased are sold, the gain or loss on disposal is classified as non-operating income or expense; where the allocated emission allowances are sold when it is uncertain whether to achieve a reduction of emissions through the use of emission trading scheme, a difference between the book value and net sales price is recognized as deferred revenue which is offset against the cost of emissions over the period in which the allocated emission allowances pertain to.

A liability (emission obligation) is recognized only where actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as an operating cost. The liability is measured by adding the following (1) and (2).

- (1) The book value of emission allowances for the year to be delivered to the government
- (2) The best estimate of expenditures, as at the end of a reporting period, in performing emission obligations exceeding the above emission allowances

Where the Group borrows a part of the allocated emission allowances for any of future periods to deliver to the government, it recognizes the borrowed portion as deferred revenue when derecognizing the liability, and offsets the deferred revenue against the actual cost of emission, as it purchases the emission allowances to fill any shortfall in the period which the borrowed emission allowances belong to.

The emission allowances, which are held to obtain short-term trading profits, are measured at fair value, and changes in fair value are recognized as current profit or loss, and changes in the fair value of the emission allowances and the gain or loss on disposal are classified as operating income or expense (or non-operating income or expense).

- 1) Details of annual quantity of allocated emission allowances as of June 30, 2018 are as follows (Unit: Korean Allowance Unit - KAU):

	2015	2016	2017	Total
Allocated emission allowances	161,630	153,985	204,928	520,543

- 2) Changes in emission allowances during the current reporting period are as follows (Units: KAU and Million KRW):

	2015		2016		2017		Total	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
<b>Beginning</b>	-	-	32,769	-	-	-	-	-
Allocation	161,693	-	154,498	-	151,361	-	467,552	-
Allocation cancel	-63	-	-513	-	-	-	-576	-
Additional allocation	-	-	-	-	53,567	-	53,567	-
Purchase	-	-	22,000	453	-	-	22,000	453
Borrowed	-	-	24,319	-	-24,319	-	-	-
Disposal	-	-	-110,581	-	-22,000	-	-132,581	-
Delivery to government	-128,861	-	-122,492	-453	-	-	-251,353	-453
Carryforward	-32,769	-	-	-	-27,215	-	-27,215	-
<b>Ending</b>	-	-	-	-	131,394	-	131,394	-

- 3) There are no emission rights provided as collateral as of June 30, 2018.
- 4) Changes in emission liabilities during the current and prior reporting period are as follows (in Mil. KRW):

	2018	2017
Beginning	-	-
Increase	417	-
decrease	-	-
At the end of half year	417	-

- 5) The greenhouse gas emission rights granted during 2018 are 110,651 KAU.
- 6) Estimated greenhouse gas emissions in 2018 are 153,741 KAU.

## 21. Fair values

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied K-IFRS 1109, with the initial application date of January 1, 2018 and will not be adjusting comparative information for the period beginning January 1, 2017.

As of June 30, 2018

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Financial assets at amortized cost</b>				
	Other financial assets	1,150	32,100	1,150	32,100
	Trade and other receivables	-	139,383	-	139,383
	Cash and cash equivalent	-	59,396	-	59,396
	<i>Total</i>	<i>1,150</i>	<i>230,879</i>	<i>1,150</i>	<i>230,879</i>
	<b>Financial assets at FVOCI</b>				
	Other financial assets	900	-	900	-
	Interest rate swaps	8	76	8	76
	<i>Total</i>	<i>908</i>	<i>76</i>	<i>908</i>	<i>76</i>
	<b>Financial assets at FVtPL</b>				
	Forward exchange contracts	-	398	-	398
	Other financial assets	8,692	900	8,692	900
<i>Total</i>	<i>8,692</i>	<i>1,298</i>	<i>8,692</i>	<i>1,298</i>	
<b>Total</b>	<b>10,750</b>	<b>232,253</b>	<b>10,750</b>	<b>232,253</b>	

Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	3,086	1,918	3,086	1,918
	Trade and other payables	-	124,672	-	124,672
	Interest-bearing loans and borrowings	19,839	312,180	19,839	312,180
	<i>Total</i>	<i>22,925</i>	<i>438,770</i>	<i>22,925</i>	<i>438,770</i>
	<b>Financial liabilities at FVtPL</b>				
Forward exchange contracts	-	742	-	742	
<i>Total</i>	<i>-</i>	<i>742</i>	<i>-</i>	<i>742</i>	
<b>Total</b>	<b>22,925</b>	<b>439,512</b>	<b>22,925</b>	<b>439,512</b>	

As of December 31, 2017

		Carrying amount		Fair value	
		Non-current	Current	Non-current	Current
		Million KRW	Million KRW	Million KRW	Million KRW
Financial assets	<b>Loans an receivables</b>				
	Other financial assets	10,134	20,456	10,134	20,456
	Trade and other receivables	-	130,894	-	130,894
	Cash and cash equivalent	-	55,404	-	55,404
	<i>Total</i>	<i>10,134</i>	<i>206,754</i>	<i>10,134</i>	<i>206,754</i>
	<b>Financial assets at FVOCI</b>				
	Other financial assets (Derivatives)	131	92	131	92
	<i>Total</i>	<i>131</i>	<i>92</i>	<i>131</i>	<i>92</i>
	<b>Available-for-sale financial investments</b>				
	Available-for-sale financial investments	900	-	900	-
<i>Total</i>	<i>900</i>	<i>-</i>	<i>900</i>	<i>-</i>	
<b>Total</b>	<b>11,165</b>	<b>206,846</b>	<b>11,165</b>	<b>206,846</b>	

Financial liabilities	<b>Financial liabilities at amortized cost</b>				
	Other financial liabilities	4,625	1,743	4,625	1,743
	Trade and other payables	-	109,538	-	109,538
	Interest-bearing loans and borrowings	98,783	208,754	98,783	208,754
	<i>Total</i>	<i>103,408</i>	<i>320,035</i>	<i>103,408</i>	<i>320,035</i>
<b>Total</b>	<b>103,408</b>	<b>320,035</b>	<b>103,408</b>	<b>320,035</b>	

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 cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of equity instruments at FVOCI is derived from quoted market prices in active markets, if available.
- Fair value of unquoted equity instruments at FVOCI is estimated using appropriate valuation techniques (refer to note 21.1.).

## 21.1. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Description	Valuation technique
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly
Level 3	Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2018 and December 31, 2017, the Group held the following financial instruments carried at fair value on the statement of financial position:

		June 30, 2018	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Forward exchange contracts	398	-	398	-
	Interest Rate Swaps	84	-	84	-
<b>Total</b>		<b>482</b>	<b>-</b>	<b>482</b>	<b>-</b>

<b>Financial liabilities</b>	<b>Derivatives</b>				
	Forward exchange contracts	742	-	742	-
<b>Total</b>		<b>742</b>	<b>-</b>	<b>742</b>	<b>-</b>

		December 31, 2017	Level 1	Level 2	Level 3
		Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets</b>	<b>Derivatives</b>				
	Interest Rate Swaps	223	-	223	-
<b>Total</b>		<b>223</b>	<b>-</b>	<b>223</b>	<b>-</b>

During the reporting periods ended June 30, 2018 and December 31, 2017, 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 the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalent.



## 22. 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 six months ended	
		2018	June 30, 2017
		Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Finance income	416	415
Songwon Moolsan Co., Ltd.	Selling and administration costs	-26	-26
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Sales of goods	10	-
	Cost of sales of goods	-6,938	-8,334
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	Sales of goods	5,761	9,518
	Cost of sales of goods	-138	-
	Selling and administration costs	-332	-458
	Other income	11	72
	Finance income	43	59
<b>Total</b>	<b>Sales of goods</b>	<b>5,771</b>	<b>9,518</b>
	<b>Cost of sales of goods</b>	<b>-7,076</b>	<b>-8,334</b>
	<b>Selling and administration costs</b>	<b>-358</b>	<b>-484</b>
	<b>Other income</b>	<b>11</b>	<b>72</b>
	<b>Finance income</b>	<b>459</b>	<b>474</b>

\*refer to note 4 for further details

Related Party	Description	As at	
		June 30, 2018	December 31, 2017
		Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Trade and other receivables	456	40
	Other current financial assets	28,000	18,000
Maurizio Butti, Chief Executive Officer	Other current financial assets	1,331	-
Songwon Moolsan Co., Ltd.	Other non-current financial assets	24	24
	Trade and other payables	4	4
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint venture)	Trade and other payables	597	1,834
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	Other non-current financial assets	-	1,641
	Trade and other receivables	-	5,144
<b>Total</b>	<b>Other non-current financial assets</b>	<b>24</b>	<b>1,665</b>
	<b>Trade and other receivables</b>	<b>456</b>	<b>5,184</b>
	<b>Other current financial assets</b>	<b>29,331</b>	<b>18,000</b>
	<b>Trade and other payables</b>	<b>601</b>	<b>1,838</b>

\*refer to note 4 for further details

## 22.1. The ultimate parent

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

## 22.2. 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 and six months ended June 30, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2017: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

## 22.3. Transactions with key management personnel

In the first quarter of 2018, the Group granted a loan of 10,000 Million KRW to the Chairman of the Board of Directors of the Group, Jongho Park under normal market conditions. The total granted loan is 28,000 Million KRW.

During the second quarter of 2018, the Group granted a loan of 1,331 Million KRW (1,185 Thousand CHF) to the Chief Executive Officer of the Group, Maurizio Butti under normal market conditions.

## 22.4. Compensation of key management personnel of the Group

Description	For the six months ended	
	2018	2017
	Million KRW	Million KRW
Short-term employee benefits	6,467	8,461
Post-employment benefits	393	393
Other long-term benefits	727	748
Share based payments	-149	-59
<b>Total compensation paid to key management personnel</b>	<b>7,438</b>	<b>9,543</b>

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 with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

## 22.5. 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., which holds interest in the share capital of the parent company of 9.15%, is identified as a related party of the Group.

## 23. Commitments and contingencies

### 23.1. Contingent liability

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

### 23.2. Operating lease commitments

The Group has entered into commercial leases on certain motor vehicles, items of machinery and offices. The lease periods are 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 lease payments under non-cancellable operating leases as of June 30, 2018 and December 31, 2017 are as follows:

Description	As at	
	June 30, 2018	December 31, 2017
	Million KRW	Million KRW
Within one year	-2,018	-2,363
After one year but not more than five years	-8,667	-8,259
More than five years	-2,126	-2,049
<b>Total</b>	<b>-12,811</b>	<b>-12,671</b>

### 23.3. Other commitments

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

One check and one promissory note which the Group received from KEB Hana Bank, are outstanding as of June 30, 2018 due to the bankruptcy declared by the issuers of the check.

Details of the Group's available short-term credit line facilities (excluding general loans) as of June 30, 2018 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	23,900	7,164	16,736
D/A and D/P	Thousand USD	111,500	80,926	30,574
	Million KRW	32,000	7,374	24,626
Trade loans	Million KRW	15,000	8,006	6,994
Secured loan of credit sales	Million KRW	9,000	5,434	3,566
Other foreign currency guarantees	Thousand USD	18,270	12,210	6,060
	<b>Total Million KRW</b>	<b>56,000</b>	<b>20,814</b>	<b>35,186</b>
	<b>Total Thousand USD</b>	<b>153,670</b>	<b>100,300</b>	<b>53,370</b>

## 24. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of June 30, 2018 and December 31, 2017, expressed in the maximum pledge amount are as follows:

Pledged to		Pledged assets		June 30, 2018	December 31, 2017
<i>Property, plant and equipment</i>					
<i>(Joint collateral in connection with long-term loan)</i>					
Busan Bank	Land, buildings and machinery	MKRW	30,000	30,000	30,000
Kyongnam Bank	Land, buildings and machinery	MKRW	18,000	18,000	18,000
<i>Property, plant and equipment</i>					
<i>(Collateral for other than syndicated or long-term loan)</i>					
Busan Bank	Land, buildings and machinery	TUSD	24,000	24,000	24,000
Korea Development Bank	Land, buildings, investment properties and machinery	MKRW	57,000	57,000	57,000
Woori Bank	Land, buildings and machinery	MKRW	120,000	120,000	120,000
KEB Hana Bank	Land, buildings and machinery	MKRW	60,000	60,000	60,000
<b>Total</b>		<b>MKRW</b>	<b>285,000</b>	<b>285,000</b>	<b>285,000</b>
		<b>TUSD</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>

No other items of property, plant and equipment are pledged as collateral for interest-bearing loans and borrowings as of June 30, 2018 (December 31, 2017: none).

The Group has received payment guarantees amounting to 293,869 Million KRW and 81,284 Thousand USD provided by Jongho Park, the Chairman of the Board of Directors of the Group, in connection with the Group's borrowings from banks as of June 30, 2018.

The bank deposits pledged as collateral as of June 30, 2018 and December 31, 2017 are as follows:

Description	June 30, 2018	December 31, 2017
Bank deposits – current (in Thousand USD)	1,878	3,089
Bank deposits – non-current (in Thousand USD)	163	163

## 25. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade accounts and other accounts receivables, cash and cash equivalents and other financial assets that arrive directly from its operations. The Group also holds equity instruments and enters into derivative transactions and applies hedge accounting for cash flow hedges if applicable.

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

## 25.1. 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, equity instruments and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of June 30, 2018 and 2017 as well as December 31, 2017.

### 25.1.1. 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 as well as bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
<b>June 30, 2018</b>	1.00	-561
	-1.00	561
<b>June 30, 2017</b>	1.00	-568
	-1.00	568

### 25.1.2. 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), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), 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 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), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), 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 net profit for the period ended on June 30, 2018 and December 31, 2017 are as follows:

Currency	June 30, 2018		December 31, 2017	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	1,374	-1,374	64	-64
EUR	377	-377	-1,056	1,056
JPY	54	-54	275	-275
CNY	-	-	176	-176
CHF	178	-178	602	-602
AED	-96	96	-80	80
INR	1,002	-1,002	1,081	-1,081
<b>Total</b>	<b>2,889</b>	<b>-2,889</b>	<b>1,062</b>	<b>-1,062</b>

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

## 25.2. 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 and other receivables) and investing activities (issued loans).

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 the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 21.

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

## 25.3. 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 markets.

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 in obtaining liquidity and stable financing in response to expansion of the business.

The details of maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of June 30, 2018 and December 31, 2017 are as follows:

As of June 30, 2018	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	6,849	56,916	248,415	19,839	-	332,019
Other financial liabilities	448	1,653	559	3,086	-	5,746
Trade and other payables	98,174	12,895	13,603	-	-	124,672
<b>Total</b>	<b>105,471</b>	<b>71,464</b>	<b>262,577</b>	<b>22,925</b>	-	<b>462,437</b>

  

As of December 31, 2017	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	8,954	69,015	130,785	98,783	-	307,537
Other financial liabilities	429	1,252	62	4,625	-	6,368
Trade and other payables	77,555	25,485	6,498	-	-	109,538
<b>Total</b>	<b>86,938</b>	<b>95,752</b>	<b>137,345</b>	<b>103,408</b>	-	<b>423,443</b>

## 25.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statement of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of June 30, 2018 and December 31, 2017 is 134% and 129%, respectively.

On a monthly basis, all subsidiaries have to report key performance indicators, which also include capital management information.

## 26. 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 six months ended June 30, 2018 and 2017 are as follows:

Adjustments	Notes	For the six months ended	
		2018	2017
		Million KRW	Million KRW
Depreciation of property, plant and equipment	7	14,481	13,675
Depreciation of investment properties		9	5
Amortization of intangible assets	8	2,130	2,287
Impairment of non-current financial assets		2	2
(Gains) / losses on disposals of property, plant and equipment, net		-18	17
Losses on disposals of intangible assets, net		-	42
Share of result from investments accounted using the equity method	5	-869	-686
Financial income		-5,819	-4,144
Financial expenses		5,253	13,227
Income tax expenses	16	4,351	5,411
<b>Total</b>		<b>19,520</b>	<b>29,836</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-621	-15,270
Other receivables		-849	-912
Other current assets		-4,477	-2,784
Other current financial assets		-504	-8
Inventories		-31,310	-14,669
Trade payables		15,008	13,392
Other payables		-6,744	-4,582
Other current financial liabilities		290	93
Other current liabilities		2,683	2,904
Pension liabilities		2,780	-4,439
Other long-term employment benefits		-336	105
<b>Total</b>		<b>-24,080</b>	<b>-26,170</b>

## 27. 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 June 30, 2018, and the related interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, all presented in Korean won, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the interim condensed consolidated financial statements

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

### Auditors' 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 presented 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, 2017, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea, and our report dated February 27, 2018 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2017, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

*Ernst & Young Han Young*

August 10, 2018

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