



# FINANCIAL RESULTS Q2 & 6 MONTHS ENDING JUNE 30, **2016**

**SALIENT**

**IN ADDITIVES**

## About this report

The condensed interim consolidated financial statements (see section 2 from page 7 to 45) according to K-IFRS are reviewed by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review opinion on the quarterly financial statements can be found at the end of this report.

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

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

## Forward-looking statements & information

This preliminary 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 2016	Q2 2015	Δ%	6 months ending June 30		
	Million KRW	(restated*) Million KRW		2016	2015	Δ%
				Million KRW	(restated*) Million KRW	
Sales	179,071	157,009	14.1%	362,145	314,054	15.3%
Gross profit*	47,988	31,583	51.9%	99,173	56,089	76.8%
<i>Gross profit margin*</i>	26.8%	20.1%		27.4%	17.9%	
Operating profit	23,785	10,802	120.2%	50,376	15,905	216.7%
EBITDA	35,736	25,993	37.5%	69,377	36,849	88.3%
<i>EBITDA margin</i>	20.0%	16.6%		19.2%	11.7%	
EBIT	26,980	17,295	56.0%	51,837	19,610	164.3%
<i>EBIT margin</i>	15.1%	11.0%		14.3%	6.2%	
Profit before tax	21,068	5,617	275.1%	39,588	10,281	285.1%
Profit for the period	15,592	2,843	448.4%	27,793	5,911	370.2%
Total assets				872,188	864,074	0.9%
Total equity				337,220	293,946	14.7%
<i>Equity ratio</i>				38.7%	34.0%	
Headcounts				841	775	

\* See note 2.2 on page 19 for further details

## Sales development

### Products

	Q2 2016	Q2 2015	Δ%	6 months ending June 2016	6 months ending June 2015	Δ%
	Million KRW	Million KRW		Million KRW	Million KRW	
Alkyl - phenol & Intermediates	902	597	51.1%	1,490	1,409	5.7%
Plasticizers	2,621	1,839	42.5%	4,591	3,840	19.6%
Polyester Diols	3,242	3,831	-15.4%	5,838	6,740	-13.4%
Polymer Stabilizers (AOX & UVs)	125,561	103,596	21.2%	252,251	209,623	20.3%
Polyurethanes	9,786	11,252	-13.0%	20,170	23,047	-12.5%
PVC Stabilizers	11,968	10,947	9.3%	23,515	22,135	6.2%
SAP & Flocculants	1,952	2,309	-15.5%	4,346	6,487	-33.0%
Tin Intermediates	19,837	18,316	8.3%	42,980	34,541	24.4%
Others	3,202	4,322	-25.9%	6,964	6,232	11.7%
<b>Total Sales</b>	<b>179,071</b>	<b>157,009</b>	<b>14.1%</b>	<b>362,145</b>	<b>314,054</b>	<b>15.3%</b>

### Regions

	Q2 2016	Q2 2015	Δ%	6 months ending June 2016	6 months ending June 2015	Δ%
	Million KRW	Million KRW		Million KRW	Million KRW	
Korea	46,003	46,697	-1.5%	92,992	94,840	-1.9%
Rest of Asia	43,334	33,742	28.4%	86,231	65,851	30.9%
Europe	40,620	35,457	14.6%	82,693	72,666	13.8%
North and South America	34,734	32,771	6.0%	73,665	65,564	12.4%
Australia	340	865	-60.7%	1,042	1,610	-35.3%
Middle East and Africa	14,040	7,477	87.8%	25,522	13,523	88.7%
<b>Total Sales</b>	<b>179,071</b>	<b>157,009</b>	<b>14.1%</b>	<b>362,145</b>	<b>314,054</b>	<b>15.3%</b>

## Business development

Songwon Industrial Group achieved consolidated sales of 179,071 Million KRW and a net profit of 15,592 Million KRW during the second quarter of 2016, ending June 30, 2016. The Q2/2016 gross profit margin is at 26.8%. Year-to-date the Group realized consolidated sales of 362,145 Million KRW and generated a net profit of 27,793 Million KRW.

The trends set in Q1/2016 continued throughout Q2/2016. During the first half year 2016, Songwon's business delivered according to the company's expectations. When compared to the first half 2015, Songwon saw a double digit increase from a volume perspective. Due to the combined impact of a weak KRW and the generally stable prices of the product portfolio, revenues grew even stronger. With the market demand continuing at good levels, Songwon expects this trend to continue.

In the first half year 2016, Songwon negotiated several key contracts globally which enabled it to maintain the current price level in general. The organization maintained its focus on achieving acceptable profitability rather than pursuing additional volume growth. However, interpreting competitive trends was difficult. Songwon detected various trends in the different regions relating to the availability of main antioxidants and competitive behavior was detected in the different regions.

Due to the fall in energy prices caused by the drop in the oil price and the increased money supply from the European Central Bank, recovery in Europe continued, albeit on a low level. The European recovery was negatively influenced by the slowdown in China and the developments in the Asian markets. In both Asia and the USA, the overall situation remains very competitive and has put prices under pressure. On the upside, the lifting of the embargo in Iran will contribute to additional business.

During Q2/2016, raw materials continued to remain at historically low levels but a modest increase was observed later in the quarter. Songwon foresees a slight increase in raw materials in the coming months which at this point in time, might be difficult to reflect in the selling prices.

Throughout Q2/2016, Songwon's production sites ran steadily without any disruptions. Overall the plants operated at high capacity utilization levels ensuring an optimal cost position for the organization. The new facility now operational in Abu Dhabi and the construction of Songwon's JV plant for OPS (One Pack Systems) in Qingdao, China are running as planned. In Q2/2016, production stability combined with the good market demand and comparatively low raw material prices, led to margin improvements. The EBITDA and EBIT margins increased to 20.0% and to 15.1% respectively during Q2/2016, and to 19.2% and 14.3% during the first half year 2016.

## Outlook

At the end of June 2016, the United Kingdom voted to leave the European Union after the BREXIT referendum. The country's decision has led to massive uncertainties in terms of the economic implications. In the short term, it is likely that the Eurozone economy will face increased volatility in the financial markets and lower levels of confidence. In relation to this, the outlook for growth in 2016 now looks weaker and more uncertain following the sharp falls in the European equity markets. In Asia, investments in the public sector are aimed at helping to support the Chinese economy. However, the after-effects of the BREXIT result could further contribute to the economic uncertainties in China and, consequently in other Asian countries. Tough competition in Asia and in the USA will increase the overall pressure on prices.

Looking ahead, it is still too early to determine the actual extent of the impact from BREXIT. It all depends upon how the negotiations between the concerned parties evolve and what the outcome of those negotiations will be. Songwon will keep a close eye on progress and remain cautiously optimistic. In the meantime, Songwon's management is confident that the organization is well-positioned for the future. They plan to continue to implement the actions in line with Songwon's strategy in order to continue to build the foundations for sustainable growth and improved profitability.

**SECTION 2:**

**Condensed Interim  
Consolidated Financial  
Statements**

## Interim consolidated statement of financial position

	Notes	As at	
		June 30, 2016	December 31, 2015
		Million KRW	Million KRW
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>479,388</b>	<b>483,786</b>
Property, plant and equipment	5.3, 6, 19	429,170	432,496
Investment properties	5.3	3,561	3,562
Intangible assets	5.3, 7	30,419	34,688
Investments accounted for using the equity method	4	6,403	4,662
Available-for-sale financial investments	16	1,673	1,473
Other non-current financial assets	16	3,360	2,121
Deferred tax assets		4,802	4,784
<b>Current assets</b>		<b>392,800</b>	<b>362,595</b>
Inventories	8	161,758	169,123
Trade and other receivables	9, 16	125,701	109,822
Income tax receivables		623	223
Other current assets		6,695	3,926
Other current financial assets	16	17,475	11,099
Cash and cash equivalents	10, 16	80,548	68,402
<b>Total assets</b>		<b>872,188</b>	<b>846,381</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>337,220</b>	<b>316,413</b>
<i>Non-controlling interests</i>		-1,319	1,944
<i>Equity attributable to owners of the parent</i>		338,539	314,469
Share capital		12,000	12,000
Capital surplus		24,361	24,361
Reserves		26,919	26,751
Retained earnings		276,066	250,000
Accumulated other comprehensive income	11.2	-807	1,357
<b>Non-current liabilities</b>		<b>180,287</b>	<b>94,128</b>
Interest-bearing loans and borrowings	12, 16, 18.3, 20.3	113,913	29,551
Pension liability		18,080	19,252
Other long-term employee benefits		4,449	3,006
Other non-current financial liabilities	16, 20.3	1,906	484
Other non-current liabilities		46	42
Deferred tax liabilities		41,893	41,793
<b>Current liabilities</b>		<b>354,681</b>	<b>435,840</b>
Interest-bearing loans and borrowings	12, 16, 18.3, 20.3	248,450	332,773
Trade and other payables	16, 20.3	83,977	76,142
Other current financial liabilities	16, 20.3	2,657	4,877
Other current liabilities		7,195	1,576
Income tax payable		12,402	20,472
<b>Total liabilities</b>		<b>534,968</b>	<b>529,968</b>
<b>Total equity and liabilities</b>		<b>872,188</b>	<b>846,381</b>



## Interim consolidated statement of financial position

		As at (see note 2.1)	
		June 30, 2016	December 31, 2015
Notes		Thousands USD	Thousands USD
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>415,389</b>	<b>419,199</b>
	Property, plant and equipment	371,875	374,757
	Investment properties	3,086	3,086
	Intangible assets	26,358	30,057
	Investments accounted for using the equity method	5,548	4,040
	Available-for-sale financial investments	1,450	1,276
	Other non-current financial assets	2,911	1,838
	Deferred tax assets	4,161	4,145
<b>Current assets</b>		<b>340,361</b>	<b>314,189</b>
	Inventories	140,163	146,546
	Trade and other receivables	108,920	95,161
	Income tax receivables	540	193
	Other current assets	5,801	3,402
	Other current financial assets	15,142	9,617
	Cash and cash equivalents	69,795	59,270
<b>Total assets</b>		<b>755,750</b>	<b>733,388</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>292,201</b>	<b>274,172</b>
	<i>Non-controlling interests</i>	-1,142	1,685
	<i>Equity attributable to owners of the parent</i>	293,343	272,487
	Share capital	10,398	10,398
	Capital surplus	21,109	21,109
	Reserves	23,325	23,179
	Retained earnings	239,210	216,625
	Accumulated other comprehensive income	-699	1,176
<b>Non-current liabilities</b>		<b>156,218</b>	<b>81,562</b>
	Interest-bearing loans and borrowings	98,705	25,606
	Pension liability	15,666	16,682
	Other long-term employee benefits	3,855	2,605
	Other non-current financial liabilities	1,652	419
	Other non-current liabilities	40	36
	Deferred tax liabilities	36,300	36,214
<b>Current liabilities</b>		<b>307,331</b>	<b>377,654</b>
	Interest-bearing loans and borrowings	215,282	288,347
	Trade and other payables	72,766	65,977
	Other current financial liabilities	2,303	4,225
	Other current liabilities	6,234	1,366
	Income tax payable	10,746	17,739
<b>Total liabilities</b>		<b>463,549</b>	<b>459,216</b>
<b>Total equity and liabilities</b>		<b>755,750</b>	<b>733,388</b>

## Interim consolidated statement of comprehensive income

	Notes	For the three months ended June 30,	
		2016 Million KRW	2015 (restated*) Million KRW
Sales of goods	5	179,071	157,009
Cost of sales*		-131,083	-125,426
<b>Gross profit*</b>		<b>47,988</b>	<b>31,583</b>
Selling and administration costs*		-24,203	-20,781
<b>Operating profit</b>		<b>23,785</b>	<b>10,802</b>
Other income*		6,366	6,068
Other expenses*		-3,170	425
Share of result from investments accounted for using the equity method	4	168	120
Finance income*		2,763	-490
Finance expenses*		-8,844	-11,308
<b>Profit before tax</b>		<b>21,068</b>	<b>5,617</b>
Income tax expenses	13	-5,476	-2,774
<b>Profit for the period</b>		<b>15,592</b>	<b>2,843</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>		-19	740
(Loss) / gain on valuation of interest rate swaps	11.2	-392	31
Exchange differences on translation of foreign operations	11.2	373	709
<b>Total other comprehensive income, net of taxes</b>		<b>-19</b>	<b>740</b>
<b>Total comprehensive income</b>		<b>15,573</b>	<b>3,583</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent		15,519	3,274
Non-controlling interests		73	-431
<b>Profit for the period</b>		<b>15,592</b>	<b>2,843</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		15,326	3,909
Non-controlling interests		247	-326
<b>Total comprehensive income</b>		<b>15,573</b>	<b>3,583</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	14	647	137

\* See note 2.2 on page 19 for further details

## Interim consolidated statement of comprehensive income

	For the three months ended June 30, (see note 2.1)	
	2016	2015
	Thousands USD	Thousands USD
Sales of goods	155,165	136,048
Cost of sales	-113,583	-108,681
<b>Gross profit</b>	<b>41,582</b>	<b>27,367</b>
Selling and administration costs	-20,972	-18,007
<b>Operating profit</b>	<b>20,610</b>	<b>9,360</b>
Other income	5,516	5,258
Other expenses	-2,746	368
Share of result from investments accounted for using the equity method	146	104
Finance income	2,394	-425
Finance expenses	-7,663	-9,798
<b>Profit before tax</b>	<b>18,257</b>	<b>4,867</b>
Income tax expenses	-4,745	-2,404
<b>Profit for the period</b>	<b>13,512</b>	<b>2,463</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>	-16	641
(Loss) / gain on valuation of interest rate swaps	-340	27
Exchange differences on translation of foreign operations	324	614
<b>Total other comprehensive income, net of taxes</b>	<b>-16</b>	<b>641</b>
<b>Total comprehensive income</b>	<b>13,496</b>	<b>3,104</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	13,448	2,837
Non-controlling interests	64	-374
<b>Profit for the period</b>	<b>13,512</b>	<b>2,463</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	13,281	3,387
Non-controlling interests	215	-283
<b>Total comprehensive income</b>	<b>13,496</b>	<b>3,104</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	561	119

## Interim consolidated statement of comprehensive income

	Notes	For the six months ended June 30,	
		2016 Million KRW	2015 (restated*) Million KRW
Sales of goods	5	362,145	314,054
Cost of sales*		-262,972	-257,965
<b>Gross profit*</b>		<b>99,173</b>	<b>56,089</b>
Selling and administration costs*		-48,797	-40,184
<b>Operating profit</b>		<b>50,376</b>	<b>15,905</b>
Other income*		18,351	9,637
Other expenses*		-16,889	-5,932
Share of result from investments accounted for using the equity method	4	267	247
Finance income*		15,604	14,435
Finance expenses*		-28,121	-24,011
<b>Profit before tax</b>		<b>39,588</b>	<b>10,281</b>
Income tax expenses	13	-11,795	-4,370
<b>Profit for the period</b>		<b>27,793</b>	<b>5,911</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>		-1,949	848
(Loss) / gain on valuation of interest rate swaps	11.2	-955	14
Exchange differences on translation of foreign operations	11.2	-994	834
<b>Total other comprehensive income, net of taxes</b>		<b>-1,949</b>	<b>848</b>
<b>Total comprehensive income</b>		<b>25,844</b>	<b>6,759</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent		28,232	6,357
Non-controlling interests		-439	-446
<b>Profit for the period</b>		<b>27,793</b>	<b>5,911</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		26,068	7,334
Non-controlling interests		-224	-575
<b>Total comprehensive income</b>		<b>25,844</b>	<b>6,759</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	14	1,176	265

\* See note 2.2 on page 19 for further details

## Interim consolidated statement of comprehensive income

	For the six months ended June 30, (see note 2.1)	
	2016	2015
	Thousands USD	Thousands USD
Sales of goods	313,798	272,127
Cost of sales	-227,865	-223,526
<b>Gross profit</b>	<b>85,933</b>	<b>48,601</b>
Selling and administration costs	-42,283	-34,819
<b>Operating profit</b>	<b>43,650</b>	<b>13,782</b>
Other income	15,901	8,350
Other expenses	-14,634	-5,140
Share of result from investments accounted for using the equity method	231	214
Finance income	13,522	12,508
Finance expenses	-24,367	-20,805
<b>Profit before tax</b>	<b>34,303</b>	<b>8,909</b>
Income tax expenses	-10,220	-3,787
<b>Profit for the period</b>	<b>24,083</b>	<b>5,122</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>	-1,689	734
(Loss) / gain on valuation of interest rate swaps	-828	12
Exchange differences on translation of foreign operations	-861	722
<b>Total other comprehensive income, net of taxes</b>	<b>-1,689</b>	<b>734</b>
<b>Total comprehensive income</b>	<b>22,394</b>	<b>5,856</b>
<b>Profit for the period attributable to:</b>		
Owners of the parent	24,463	5,508
Non-controlling interests	-380	-386
<b>Profit for the period</b>	<b>24,083</b>	<b>5,122</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	22,588	6,354
Non-controlling interests	-194	-498
<b>Total comprehensive income</b>	<b>22,394</b>	<b>5,856</b>
<b>Earnings per share</b>	<b>USD</b>	<b>USD</b>
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1,019	230

## Interim consolidated statement of changes in equity

For the six months ended June 30, 2015 and June 30, 2016

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>As at January 1, 2015</b>	<b>12,000</b>	<b>24,361</b>	<b>26,607</b>	<b>225,280</b>	<b>-2,731</b>	<b>285,517</b>	<b>3,110</b>	<b>288,627</b>
Profit for the period	-	-	-	6,357	-	6,357	-446	5,911
Gain / (loss) on valuation of interest rate swaps, net of tax	-	-	-	-	14	14	-	14
Foreign currency translation, net of tax	-	-	-	-	963	963	-129	834
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,357</b>	<b>977</b>	<b>7,334</b>	<b>-575</b>	<b>6,759</b>
Dividends	-	-	-	-1,440	-	-1,440	-	-1,440
Appropriation to reserves	-	-	144	-144	-	-	-	-
<b>As at June 30, 2015</b>	<b>12,000</b>	<b>24,361</b>	<b>26,751</b>	<b>230,053</b>	<b>-1,754</b>	<b>291,411</b>	<b>2,535</b>	<b>293,946</b>
<b>As at January 1, 2016</b>	<b>12,000</b>	<b>24,361</b>	<b>26,751</b>	<b>250,000</b>	<b>1,357</b>	<b>314,469</b>	<b>1,944</b>	<b>316,413</b>
Profit for the period	-	-	-	28,232	-	28,232	-439	27,793
Gain / (loss) on valuation of interest rate swaps, net of tax	-	-	-	-	-955	-955	-	-955
Foreign currency translation, net of tax	-	-	-	-	-1,209	-1,209	215	-994
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,232</b>	<b>-2,164</b>	<b>26,068</b>	<b>-224</b>	<b>25,844</b>
Acquisition of non-controlling interests	-	-	-	-318	-	-318	-3,784	-4,102
Disposal of non-controlling interests	-	-	-	-	-	-	745	745
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
<b>As at June 30, 2016</b>	<b>12,000</b>	<b>24,361</b>	<b>26,919</b>	<b>276,066</b>	<b>-807</b>	<b>338,539</b>	<b>-1,319</b>	<b>337,220</b>

## Interim consolidated statement of changes in equity

For the six months ended June 30, 2015 and June 30, 2016 (see note 2.1)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital Surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
<b>As at January 1, 2015</b>	<b>10,398</b>	<b>21,109</b>	<b>23,054</b>	<b>195,205</b>	<b>-2,366</b>	<b>247,400</b>	<b>2,695</b>	<b>250,095</b>
Loss for the period	-	-	-	5,508	-	5,508	-386	5,122
Gain / (loss) on valuation of interest rate swaps, net of tax	-	-	-	-	12	12	-	12
Foreign currency translation, net of tax	-	-	-	-	834	834	-112	722
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,508</b>	<b>846</b>	<b>6,354</b>	<b>-498</b>	<b>5,856</b>
Dividends	-	-	-	-1,248	-	-1,248	-	-1,248
Appropriation to reserves	-	-	125	-125	-	-	-	-
<b>As at June 30, 2015</b>	<b>10,398</b>	<b>21,109</b>	<b>23,179</b>	<b>199,340</b>	<b>-1,520</b>	<b>252,506</b>	<b>2,197</b>	<b>254,703</b>
<b>As at January 1, 2016</b>	<b>10,398</b>	<b>21,109</b>	<b>23,179</b>	<b>216,625</b>	<b>1,176</b>	<b>272,487</b>	<b>1,685</b>	<b>274,172</b>
Profit for the period	-	-	-	24,463	-	24,463	-380	24,083
Gain / (loss) on valuation of interest rate swaps, net of tax	-	-	-	-	-828	-828	-	-828
Foreign currency translation, net of tax	-	-	-	-	-1,047	-1,047	186	-861
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,463</b>	<b>-1,875</b>	<b>22,588</b>	<b>-194</b>	<b>22,394</b>
Acquisition of non-controlling interests	-	-	-	-276	-	-276	-3,279	-3,555
Disposal of non-controlling interests	-	-	-	-	-	-	646	646
Dividends	-	-	-	-1,456	-	-1,456	-	-1,456
Appropriation to reserves	-	-	146	-146	-	-	-	-
<b>As at June 30, 2016</b>	<b>10,398</b>	<b>21,109</b>	<b>23,325</b>	<b>239,210</b>	<b>-699</b>	<b>293,343</b>	<b>-1,142</b>	<b>292,201</b>

## Interim consolidated statement of cash flows

	Notes	For the six months ended June 30,	
		2016 Million KRW	2015 Million KRW
<b>Profit for the period</b>		<b>27,793</b>	<b>5,911</b>
<b>Adjustments total</b>	21	<b>34,207</b>	<b>26,123</b>
<b>Changes in operating assets and liabilities</b>	21	<b>877</b>	<b>4,880</b>
Interest received		400	162
Dividends received from 3rd		7	25
Income tax (paid) / received		-20,092	88
<b>Net cash flow from operating activities</b>		<b>43,192</b>	<b>37,189</b>
Proceeds from sale of property, plant and equipment		32	166
Proceeds from sale of intangible assets		-	222
Purchase of property, plant and equipment		-10,717	-11,438
Purchase of intangible assets	7	-183	-173
Purchase of available-for-sale financial assets		-200	-
Investment in a joint venture		-1,579	-
Acquisition of a subsidiary, net of cash acquired		-3,630	-
Increase in other financial assets, net		-7,535	-1,672
Dividends received from investments using equity method		-	545
<b>Net cash flow from investing activities</b>		<b>-23,812</b>	<b>-12,350</b>
Proceeds from borrowings (current)		280,092	334,146
Repayment of borrowings (current)		-398,543	-349,694
Proceeds from borrowings (non-current)		120,000	5,600
Repayment of borrowings (non-current)		-	-36
Decrease in other financial liabilities, net		-1,060	-121
Interest paid		-6,996	-7,632
Dividends paid		-1,680	-1,440
<b>Net cash flow from financing activities</b>		<b>-8,187</b>	<b>-19,177</b>
Increase in cash and cash equivalent		11,193	5,662
Net foreign exchange difference		953	1,326
Cash and cash equivalent at January 1,	10	68,402	45,392
<b>Cash and cash equivalent at June 30,</b>	10	<b>80,548</b>	<b>52,380</b>



## Interim consolidated statement of cash flows

	For the six months ended June 30, (see note 2.1)	
	2016	2015
	Thousands USD	Thousands USD
<b>Profit for the period</b>	<b>24,083</b>	<b>5,122</b>
<b>Adjustments total</b>	<b>29,639</b>	<b>22,636</b>
<b>Changes in operating assets and liabilities</b>	<b>760</b>	<b>4,229</b>
Interest received	347	140
Dividends received from 3rd	6	22
Income tax (paid) / received	-17,410	76
<b>Net cash flow from operating activities</b>	<b>37,425</b>	<b>32,225</b>
Proceeds from sale of property, plant and equipment	28	144
Proceeds from sale of intangible assets	-	192
Purchase of property, plant and equipment	-9,286	-9,911
Purchase of intangible assets	-159	-150
Purchase of available-for-sale financial assets	-173	-
Investment in a joint venture	-1,368	-
Acquisition of a subsidiary, net of cash acquired	-3,145	-
Increase in other financial assets, net	-6,529	-1,449
Dividends received from investments using equity method	-	472
<b>Net cash flow from investing activities</b>	<b>-20,632</b>	<b>-10,702</b>
Proceeds from borrowings (current)	242,699	289,537
Repayment of borrowings (current)	-345,337	-303,009
Proceeds from borrowings (non-current)	103,980	4,852
Repayment of borrowings (non-current)	-	-31
Decrease in other financial liabilities, net	-918	-105
Interest paid	-6,062	-6,613
Dividends paid	-1,456	-1,248
<b>Net cash flow from financing activities</b>	<b>-7,094</b>	<b>-16,617</b>
Increase in cash and cash equivalent	9,699	4,906
Net foreign exchange difference	826	1,149
Cash and cash equivalent at January 1,	59,270	39,332
<b>Cash and cash equivalent at June 30,</b>	<b>69,795</b>	<b>45,387</b>

## Notes to the condensed interim consolidated financial statements

### 1. Corporate information

#### 1.1. The Company

Songwon Industrial Group (the “Group”) consists of the parent company Songwon Industrial Co. Ltd. (the “Company”) and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965 under the law of the Republic of Korea to engage in the manufacture and commercial sale of antioxidants, stabilizers and polyester diols. The Company’s main manufacturing plants are located in Ulsan, Maeam and Suwon, all in Korea. The Company listed its common shares on the Korea Exchange in June 1977 pursuant to the provisions of the Korean Securities and Exchange Act.

#### 1.2. Scope of consolidation

As per June 30, 2016, the scope of consolidation for the consolidated financial statements encompasses 14 entities (2015: 15 entities). Additionally, two entities are classified as joint ventures. Since December 31, 2015, Songwon International-India Pvt. Ltd. has merged with Songwon Specialty Chemicals-India Pvt. Ltd. Also, the three Chinese fully consolidated entities are in liquidation and an asset transfer to the joint venture firm Qingdao Long Fortune Songwon Chemical Co., Ltd. took place.

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

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

Name	Location	June 30, 2016		December 31, 2015	
		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 China Ltd. <i>(in liquidation)</i>	Hong Kong	Subsidiary	100%	Subsidiary	100%
Songwon Trading Co., Ltd. <i>(in liquidation)</i>	China	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals Co., Ltd. <i>(in liquidation)</i>	China	Subsidiary	100%	Subsidiary	100%
Songwon International-India Pvt. Ltd.	India	-	-	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon Holdings AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Additive Technologies AG	Switzerland	Subsidiary	100%	Subsidiary	75%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	75%

Songwon Additive Technologies- Americas Inc.	USA	Subsidiary	100%	Subsidiary	75%
Songwon Additive Technologies – Middle East FZE	Dubai (UAE)	Subsidiary	100%	Subsidiary	75%
Polysys Additive Technologies – Middle East LLC	Abu Dhabi (UAE)	Subsidiary	55.5%	Subsidiary	55.5%
<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%	Joint Venture	50%

## 2. Basis of preparation

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

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

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

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

### 2.1. Convenience translation into United States Dollar

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of KRW 1,154.07 to US \$1, the exchange rate in effect on June 30, 2016. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

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

In order to harmonize the accounting treatment of taxes and duties on sales across the Group, the decision was taken in the first half-year 2016 to reclassify the accumulated taxes and duties of 371 Million KRW (for the second quarter 2016) and 736 Million KRW (for six months 2016) from SG&A into COGS. The amounts of taxes and duties for the same periods in 2015 are 344 Million KRW and 809 Million KRW respectively. This leads to higher COGS and lower gross profit as well as lower SG&A in the prior year. Operating profit and other positions in the Statement of comprehensive income are not impacted, net profit and earnings per share remain unchanged.

Due to the change in the booking method of foreign currency translation gains and losses within the other income and expense and financial income and expense in the second quarter 2016, a reclassification from other income into other expense was made in the second quarter 2016. The prior-year reclassification of foreign currency translation gains and losses within the other income and expense amounts to 6,056 Million KRW for the second quarter 2015 and to 7,260 Million KRW for the first half-year 2015. A reclassification of foreign currency translation gains and losses from financial income into financial expense was made in the second quarter 2016. The prior-year reclassification within the financial income and expense amounts to 5,196 Million KRW for the second quarter 2015 and to 6,900 Million KRW for the first half-year 2015. Due to the booking and reversal procedure of the accounting system, the income may turn to negative numbers and the expense to positive ones. The reclassifications have no impact on profit before tax and other positions in the Statement of comprehensive income, net profit and earnings per share remain unchanged.

### 3. Accounting policies

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

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

##### **K-IFRS 1114 Regulatory Deferral Accounts**

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

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

The amendments to K-IFRS 1111 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant K-IFRS 1103 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to K-IFRS 1111 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

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

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

##### **Amendments to K-IFRS 1016 and K-IFRS 1041 Agriculture: Bearer Plants**

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

retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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

#### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

##### **K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations**

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

##### **K-IFRS 1107 Financial Instruments: Disclosures**

###### **Servicing contracts**

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

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

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

##### **K-IFRS 1019 Employee Benefits**

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

##### **K-IFRS 1034 Interim Financial Reporting**

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

##### **Amendments to K-IFRS 1001 Disclosure Initiative**

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

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

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

**Amendments to K-IFRS 1110, K-IFRS 1112 and K-IFRS 1028 Investment Entities: Applying the Consolidation Exception**

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

Furthermore, the amendments to K-IFRS 1110 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to K-IFRS 1028 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

#### 4. Interest in joint ventures

Summarized statement of financial position and summarized statement of comprehensive income of entities accounted for using the equity method are as follows:

Statement of financial position	Cash and Cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	-	-	-	-	-	-	-	-	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,518	8,026	6,558	3,336	3,665	-	-	10,919	3,276
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,740	5,313	773	3,305	3,314	-	-	2,772	1,386
<b>December 31, 2015</b>	<b>4,258</b>	<b>13,339</b>	<b>7,331</b>	<b>6,641</b>	<b>6,979</b>	<b>-</b>	<b>-</b>	<b>13,691</b>	<b>4,662</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,607	8,465	6,192	1,601	1,949	-	-	12,708	3,812
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,265	9,111	2,023	5,952	5,952	-	-	5,182	2,591
<b>June 30, 2016</b>	<b>2,872</b>	<b>17,576</b>	<b>8,215</b>	<b>7,553</b>	<b>7,901</b>	<b>-</b>	<b>-</b>	<b>17,890</b>	<b>6,403</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the year	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	-	-	-	-	12	-1	11	-	11
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,888	-18	1	-16	510	-128	383	117	500
<b>For the three months ended June 30, 2015</b>	<b>3,888</b>	<b>-18</b>	<b>1</b>	<b>-16</b>	<b>522</b>	<b>-129</b>	<b>394</b>	<b>117</b>	<b>511</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,415	-31	-	-12	1,428	-357	1,071	10	1,081
Qingdao Long Fortune Songwon Chemical Co., Ltd.	4,379	-25	2	-	-305	-1	-306	22	-284
<b>For the three months ended June 30, 2016</b>	<b>9,794</b>	<b>-56</b>	<b>2</b>	<b>-12</b>	<b>1,123</b>	<b>-358</b>	<b>765</b>	<b>32</b>	<b>797</b>

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the year	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	-	-	-	-	14	-1	13	-	13
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	8,344	-35	1	-39	1,070	-268	803	303	1,106
<b>For the six months ended June 30, 2015</b>	<b>8,344</b>	<b>-35</b>	<b>1</b>	<b>-39</b>	<b>1,084</b>	<b>-269</b>	<b>816</b>	<b>303</b>	<b>1,119</b>
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	10,262	-31	1	-43	2,472	-618	1,854	-67	1,787
Qingdao Long Fortune Songwon Chemical Co., Ltd.	7,817	-31	3	-	-577	-1	-578	-170	-748
<b>For the six months ended June 30, 2016</b>	<b>18,079</b>	<b>-62</b>	<b>4</b>	<b>-43</b>	<b>1,895</b>	<b>-619</b>	<b>1,276</b>	<b>-237</b>	<b>1,039</b>

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

	As at Jan. 1, 2015	Addition	Share of result from equity method	Dividends	Exchange rate effect	As at June 30, 2015
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.*	15	-	7	-	-	22
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,085	-	240	-545	91	2,871
<b>Total</b>	<b>3,100</b>	<b>-</b>	<b>247</b>	<b>-545</b>	<b>91</b>	<b>2,893</b>

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

	As at Jan. 1, 2016	Addition	Share of result from equity method	Dividends	Exchange rate effect	As at June 30, 2016
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,276	-	556	-	-20	3,812
Qingdao Long Fortune Songwon Chemical Co., Ltd.*	1,386	1,579	-289	-	-85	2,591
<b>Total</b>	<b>4,662</b>	<b>1,579</b>	<b>267</b>	<b>-</b>	<b>-105</b>	<b>6,403</b>

\* Establishment of the joint venture Qingdao Long Fortune Songwon Chemical Co., Ltd., located in Qingdao, China in 2015. The newly established entity belongs 50% to the Group and is accounted for using the equity method.



## 5. Segment information

For management purposes, Songwon Industrial Group is organized into one main operating segment. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The results from this operating segment are equivalent to the financial statements of the Group as a whole. The Group is active in particular as a manufacturer of polyurethane resins and additives including stabilizers, plasticizers and lubricants.

The Group is acting worldwide and therefore discloses geographic segment.

### 5.1. Product information

#### Revenue from external customers

	For the three months ended	
	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	902	597
Plasticizers	2,621	1,839
Polyester Diol	3,242	3,831
Polymer Stabilizers (AOX and UVs)	125,561	103,596
Polyurethanes	9,786	11,252
PVC Stabilizers	11,968	10,947
SAP and Flocculants	1,952	2,309
Tin Intermediates	19,837	18,316
Others	3,202	4,322
<b>Total</b>	<b>179,071</b>	<b>157,009</b>

	For the six months ended	
	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	1,490	1,409
Plasticizers	4,591	3,840
Polyester Diol	5,838	6,740
Polymer Stabilizers (AOX and UVs)	252,251	209,623
Polyurethanes	20,170	23,047
PVC Stabilizers	23,515	22,135
SAP and Flocculants	4,346	6,487
Tin Intermediates	42,980	34,541
Others	6,964	6,232
<b>Total</b>	<b>362,145</b>	<b>314,054</b>

## 5.2. Geographic information

### Revenue from external customers

	<b>For the three months ended June 30, 2016</b>	<b>June 30, 2015</b>
	Million KRW	Million KRW
Korea	46,003	46,697
Rest of Asia	43,334	33,742
Europe	40,620	35,457
North and South America	34,734	32,771
Australia	340	865
Middle East and Africa	14,040	7,477
<b>Total</b>	<b>179,071</b>	<b>157,009</b>

	<b>For the six months ended June 30, 2016</b>	<b>June 30, 2015</b>
	Million KRW	Million KRW
Korea	92,992	94,840
Rest of Asia	86,231	65,851
Europe	82,693	72,666
North and South America	73,665	65,564
Australia	1,042	1,610
Middle East and Africa	25,522	13,523
<b>Total</b>	<b>362,145</b>	<b>314,054</b>

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

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

## 5.3. Non-current assets

	<b>June 30, 2016</b>	<b>Dec. 31, 2015</b>
	Million KRW	Million KRW
Korea	396,167	397,411
Rest of Asia	21,518	23,581
Europe	22,628	25,675
North and South America	4,362	5,072
Middle East and Africa	18,475	19,007
<b>Total</b>	<b>463,150</b>	<b>470,746</b>

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

## 6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Others	Construction in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>At January 1, 2015</b>	<b>147,934</b>	<b>65,493</b>	<b>63,955</b>	<b>431,695</b>	<b>17,426</b>	<b>20,847</b>	<b>747,350</b>
Additions	-	56	-	2,446	267	8,886	11,655
Disposals	-30	-42	-	-37	-423	-	-532
Reclassification	-	1,881	60	8,691	-	-10,632	-
Net exchange diff.	-	41	-	-268	15	362	150
<b>At June 30, 2015</b>	<b>147,904</b>	<b>67,429</b>	<b>64,015</b>	<b>442,527</b>	<b>17,285</b>	<b>19,463</b>	<b>758,623</b>
<b>At January 1, 2016</b>	<b>147,904</b>	<b>68,374</b>	<b>63,995</b>	<b>445,667</b>	<b>17,300</b>	<b>23,719</b>	<b>766,959</b>
Additions	-	217	-	57	650	10,456	11,380
Disposals	-	-	-	-14	-343	-	-357
Reclassification	-	16,553	596	12,234	314	-29,697	-
Net exchange diff.	-	-814	-	-659	-144	508	-1,109
<b>At June 30, 2016</b>	<b>147,904</b>	<b>84,330</b>	<b>64,591</b>	<b>457,285</b>	<b>17,777</b>	<b>4,986</b>	<b>776,873</b>
<b>Depreciation and impairment</b>							
<b>At January 1, 2015</b>	-	<b>-16,086</b>	<b>-28,106</b>	<b>-256,834</b>	<b>-11,720</b>	-	<b>-312,746</b>
Depreciation charge	-	-867	-1,568	-10,060	-644	-	-13,139
Disposals	-	17	-	37	425	-	479
Net exchange diff.	-	-	-	93	-4	-	89
<b>At June 30, 2015</b>	-	<b>-16,936</b>	<b>-29,674</b>	<b>-266,764</b>	<b>-11,943</b>	-	<b>-325,317</b>
<b>At January 1, 2016</b>	-	<b>-17,815</b>	<b>-31,201</b>	<b>-273,879</b>	<b>-11,568</b>	-	<b>-334,463</b>
Depreciation charge	-	-1,151	-1,548	-10,204	-732	-	-13,635
Disposals	-	-	-	14	318	-	332
Net exchange diff.	-	10	-	47	6	-	63
<b>At June 30, 2016</b>	-	<b>-18,956</b>	<b>-32,749</b>	<b>-284,022</b>	<b>-11,976</b>	-	<b>-347,703</b>
<b>Net book value</b>							
<b>At June 30, 2016</b>	<b>147,904</b>	<b>65,374</b>	<b>31,842</b>	<b>173,263</b>	<b>5,801</b>	<b>4,986</b>	<b>429,170</b>
<b>At January 1, 2016</b>	<b>147,904</b>	<b>50,559</b>	<b>32,794</b>	<b>171,788</b>	<b>5,732</b>	<b>23,719</b>	<b>432,496</b>
<b>At June 30, 2015</b>	<b>147,904</b>	<b>50,493</b>	<b>34,341</b>	<b>175,763</b>	<b>5,342</b>	<b>19,463</b>	<b>433,306</b>

There was no impairment during the reported financial period in 2016. Non-cash transactions amounting to 3,050 Million KRW are included in the additions for the six months ended June 30, 2016.

## 7. Intangible assets

	Industrial rights	Software	Member-ship	Customer relationship	Non-compete contracts	Capitalization process technology	Goodwill	Construction-in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>At January 1, 2015</b>	<b>2,640</b>	<b>2,639</b>	<b>1,077</b>	<b>29,437</b>	<b>13,813</b>	<b>4,793</b>	<b>39,456</b>	<b>1,369</b>	<b>95,224</b>
Additions	64	47	1	-	-	-	-	61	173
Disposals	-	-205	-225	-	-	-	-	-	-430
Reclassification	32	-	-	-	-	-	-	-	32
Net exchange diff.	-	11	-	589	271	110	392	-	1,373
<b>At June 30, 2015</b>	<b>2,736</b>	<b>2,492</b>	<b>853</b>	<b>30,026</b>	<b>14,084</b>	<b>4,903</b>	<b>39,848</b>	<b>1,430</b>	<b>96,372</b>
<b>At January 1, 2016</b>	<b>2,672</b>	<b>2,525</b>	<b>852</b>	<b>31,391</b>	<b>14,812</b>	<b>4,937</b>	<b>41,624</b>	<b>1,486</b>	<b>100,299</b>
Additions	-	122	1	-	-	-	-	60	183
Reclassification	776	-	-	-	-	-1,116	-	-	-340
Net exchange diff.	-	3	-	-683	-294	-157	-818	-	-1,949
<b>At June 30, 2016</b>	<b>3,448</b>	<b>2,650</b>	<b>853</b>	<b>30,708</b>	<b>14,518</b>	<b>3,664</b>	<b>40,806</b>	<b>1,546</b>	<b>98,193</b>
<b>Amortization and impairment</b>									
<b>At January 1, 2015</b>	<b>-875</b>	<b>-2,111</b>	<b>-</b>	<b>-12,450</b>	<b>-8,890</b>	<b>-694</b>	<b>-28,752</b>	<b>-</b>	<b>-53,772</b>
Amortization	-131	-170	-	-1,917	-1,154	-471	-	-	-3,843
Disposals	-	208	-	-	-	-	-	-	208
Net exchange diff.	-	-2	-	-268	-201	-22	-565	-	-1,058
<b>At June 30, 2015</b>	<b>-1,006</b>	<b>-2,075</b>	<b>-</b>	<b>-14,635</b>	<b>-10,245</b>	<b>-1,187</b>	<b>-29,317</b>	<b>-</b>	<b>-58,465</b>
<b>At January 1, 2016</b>	<b>-1,104</b>	<b>-2,161</b>	<b>-</b>	<b>-17,373</b>	<b>-12,025</b>	<b>-1,889</b>	<b>-31,059</b>	<b>-</b>	<b>-65,611</b>
Amortization	-167	-97	-	-1,989	-1,244	-374	-	-	-3,871
Reclassification	-	-	-	-	-	340	-	-	340
Net exchange diff.	-	1	-	410	279	55	623	-	1,368
<b>At June 30, 2016</b>	<b>-1,271</b>	<b>-2,257</b>	<b>-</b>	<b>-18,952</b>	<b>-12,990</b>	<b>-1,868</b>	<b>-30,436</b>	<b>-</b>	<b>-67,774</b>
<b>Net book value</b>									
<b>At June 30, 2016</b>	<b>2,177</b>	<b>393</b>	<b>853</b>	<b>11,756</b>	<b>1,528</b>	<b>1,796</b>	<b>10,370</b>	<b>1,546</b>	<b>30,419</b>
<b>At January 1, 2016</b>	<b>1,568</b>	<b>364</b>	<b>852</b>	<b>14,018</b>	<b>2,787</b>	<b>3,048</b>	<b>10,565</b>	<b>1,486</b>	<b>34,688</b>
<b>At June 30, 2015</b>	<b>1,730</b>	<b>417</b>	<b>853</b>	<b>15,391</b>	<b>3,839</b>	<b>3,716</b>	<b>10,531</b>	<b>1,430</b>	<b>37,907</b>

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

## 8. Inventories

Description	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Raw materials and supplies	26,132	21,383
Work in progress	199	193
Finished goods	109,827	122,187
Goods in transit	25,139	25,030
Consignment stocks	461	330
<b>Total inventories at the lower of cost and net realizable value</b>	<b>161,758</b>	<b>169,123</b>

As of June 30, 2016, inventory write-off amounted to 2,814 Million KRW for raw material and finished goods (December 31, 2015: 2,455 Million KRW).

## 9. Trade and other receivables

Description	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Trade and notes receivable (net) – third parties	118,738	102,845
Trade and notes receivable (net) – related parties	2,892	2,657
Other receivables (net) – third parties	3,049	3,401
Other receivables (net) – related parties	78	373
Accrued income – third parties	493	310
Accrued income – related parties	451	236
<b>Total</b>	<b>125,701</b>	<b>109,822</b>

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

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

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
<b>January 1, 2015</b>	<b>-408</b>	<b>-52</b>	<b>-460</b>
Charge for the year	-17	-	-17
Utilized	-	-	-
Unused amounts reversed	57	24	81
<b>June 30, 2015</b>	<b>-368</b>	<b>-28</b>	<b>-396</b>

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
<b>January 1, 2016</b>	<b>-343</b>	<b>-42</b>	<b>-385</b>
Charge for the year	-141	-2	-143
Utilized	-	-	-
Unused amounts reversed	84	42	126
<b>June 30, 2016</b>	<b>-400</b>	<b>-2</b>	<b>-402</b>

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

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-90 days	90-120 days	120-180 days	> 180 days
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
<b>June 30, 2016</b>	<b>125,701</b>	116,285	6,757	1,424	108	258	869
<b>Dec. 31, 2015</b>	<b>109,822</b>	101,105	7,376	965	223	101	52

## 10. Cash and cash equivalent

Description	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Cash on hand	99	66
Bank accounts	77,348	63,152
Time deposit (< 3 months)	3,101	5,184
<b>Total</b>	<b>80,548</b>	<b>68,402</b>

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

## 11. Equity

### 11.1. Reserves and dividends paid

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

## 11.2. Accumulated other comprehensive income

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

Description	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	196	1,405
Interest rate swaps	-1,003	-48
<b>Total</b>	<b>-807</b>	<b>1,357</b>

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

Description	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
<b>Pretax amounts</b>		
(Loss) / gain on valuation of interest rate swaps	-392	31
Exchange difference on translation of foreign operations	373	709
<b>Pretax amounts total</b>	<b>-19</b>	<b>740</b>
<b>Tax effects:</b>		
(Loss) / gain on valuation of interest rate swaps	-	-
Exchange difference on translation of foreign operations	-	-
<b>Tax effects total</b>	<b>-</b>	<b>-</b>
<b>Net amounts:</b>		
(Loss) / gain on valuation of interest rate swaps	-392	31
Exchange difference on translation of foreign operations	373	709
<b>Net amounts total</b>	<b>-19</b>	<b>740</b>

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

Description	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
<b>Pretax amounts</b>		
(Loss) / gain on valuation of interest rate swaps	-955	14
Exchange difference on translation of foreign operations	-994	834
<b>Pretax amounts total</b>	<b>-1,949</b>	<b>848</b>
<b>Tax effects:</b>		
(Loss) / gain on valuation of interest rate swaps	-	-
Exchange difference on translation of foreign operations	-	-
<b>Tax effects total</b>	<b>-</b>	<b>-</b>
<b>Net amounts:</b>		
(Loss) / gain on valuation of interest rate swaps	-955	14
Exchange difference on translation of foreign operations	-994	834

Remeasurement of defined benefit plan	-	-
<b>Net amounts total</b>	<b>-1,949</b>	<b>848</b>

## 12. Interest bearing loans and borrowings

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

Description	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Long-term borrowings	113,913	29,551
<b>Non-current bank loans and bonds</b>	<b>113,913</b>	<b>29,551</b>
Current portion of privately placed corporate bonds	-	10,000
Current portion of borrowings	63,721	115,211
Short-term borrowings	184,729	207,562
<b>Current loans and borrowings</b>	<b>248,450</b>	<b>332,773</b>
<b>Total</b>	<b>362,363</b>	<b>362,324</b>

## 13. Income taxes

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

Income taxes	For the three months ended	
	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
Current income tax expenses	-5,463	-3,776
Deferred income taxes expenses related to origination and reversal of deferred taxes	-13	1,002
<b>Income tax expenses</b>	<b>-5,476</b>	<b>-2,774</b>
Income tax recognized in other comprehensive income	-	-
<b>Total income taxes recorded in the statement of comprehensive income</b>	<b>-5,476</b>	<b>-2,774</b>

Income taxes	For the six months ended	
	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
Current income tax expenses	-11,582	-5,460
Deferred income taxes expenses related to origination and reversal of deferred taxes	-213	1,090
<b>Income tax expenses</b>	<b>-11,795</b>	<b>-4,370</b>
Income tax recognized in other comprehensive income	-	-
<b>Total income taxes recorded in the statement of comprehensive income</b>	<b>-11,795</b>	<b>-4,370</b>



## 14. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the average number of ordinary shares outstanding during the year.

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

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

Description	For the three months ended	
	June 30, 2016	June 30, 2015
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	15,518,545,818	3,273,830,139
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>647</b>	<b>137</b>

Description	For the six months ended	
	June 30, 2016	June 30, 2015
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	28,231,699,502	6,356,537,903
Weighted average number of ordinary shares	24,000,000	24,000,000
<b>Earnings per share (basic / diluted)</b>	<b>1,176</b>	<b>265</b>

## 15. Derivative financial instruments

Description	June 30, 2016		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	342	2,121	214	228
Interest rate swaps (current portion)	-	-	-	48
Interest rate swaps (non-current portion)	-	1,003	-	-
<b>Total</b>	<b>342</b>	<b>3,124</b>	<b>214</b>	<b>276</b>

### 15.1. Currency forwards

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

#### As per June 30, 2016

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Kyong Nam Bank	Sell	EUR 5,250,000	15.07.2016 – 15.12.2016	1,312.10 – 1,319.50
Kyong Nam Bank	Sell	JPY 330,000,000	25.07.2016 – 22.12.2016	10.32 – 10.38
Kyong Nam Bank	Sell	EUR 5,250,000	25.07.2016 – 22.12.2016	1,326.00
Kyong Nam Bank	Sell	EUR 5,250,000	25.07.2016 – 22.12.2016	1,330.00
Kyong Nam Bank	Sell	JPY 420,000,000	25.07.2016 – 23.12.2016	10.24
Woori Bank	Sell	EUR 5,250,000	25.07.2016 – 22.12.2016	1,330.61 – 1,337.65
Woori Bank	Sell	JPY 762,000,000	15.07.2016 – 16.12.2016	9.65 – 9.71

#### As per December 31, 2015

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Kyong Nam Bank	Sell	EUR 10,500,000	15.01.2016 – 15.12.2016	1,302.30 – 1,319.50
Woori Bank	Sell	JPY 1,524,000,000	15.01.2016 – 16.12.2016	9.58 – 9.71

### 15.2. Interest rate swaps

As of June 30, 2016, the Group has entered into the following interest rate swap contracts:

#### As per June 30, 2016

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

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

**As per December 31, 2015**

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

The Group applies cash flow hedge accounting on interest rate swap, in the current reporting period and in 2015 there are interest rate swaps designated as cash flow hedge. The balances included in accumulated other comprehensive income are -1,003 Million KRW as of June 30, 2016 and -48 Million KRW as of December 31, 2015, respectively (see Note 11.2), net of income tax.

## 16. Fair values

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

	Carrying amount		Fair value	
	June 30, 2016	Dec. 31, 2015	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial assets at fair value through profit and loss</b>	<b>342</b>	<b>214</b>	<b>342</b>	<b>214</b>
Other financial assets (Derivatives)	342	214	342	214
<i>Thereof Current</i>	342	214	342	214
<i>Thereof Non-Current</i>	-	-	-	-
<b>Loans and receivables</b>	<b>226,742</b>	<b>191,230</b>	<b>226,742</b>	<b>191,230</b>
Other financial assets	20,493	13,006	20,493	13,006
<i>Thereof Current</i>	17,133	10,885	17,133	10,885
<i>Thereof Non-Current</i>	3,360	2,121	3,360	2,121
Trade and other receivables	125,701	109,822	125,701	109,822
<i>Thereof Current</i>	125,701	109,822	125,701	109,822
<i>Thereof Non-Current</i>	-	-	-	-
Cash and cash equivalent	80,548	68,402	80,548	68,402
<i>Thereof Current</i>	80,548	68,402	80,548	68,402
<i>Thereof Non-Current</i>	-	-	-	-
<b>Available-for-sale financial assets</b>	<b>1,673</b>	<b>1,473</b>	<b>1,673</b>	<b>1,473</b>
<i>Thereof Current</i>	-	-	-	-
<i>Thereof Non-Current</i>	1,673	1,473	1,673	1,473
<b>Total</b>	<b>228,757</b>	<b>192,917</b>	<b>228,757</b>	<b>192,917</b>

	Carrying amount		Fair value	
	June 30, 2016	Dec. 31, 2015	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW	Million KRW	Million KRW
<b>Financial liabilities at fair value through profit and loss</b>	<b>2,121</b>	<b>228</b>	<b>2,121</b>	<b>228</b>
Other financial liabilities (Derivatives)	2,121	228	2,121	228
<i>Thereof Current</i>	2,121	228	2,121	228
<i>Thereof Non-Current</i>	-	-	-	-
<b>Financial liabilities at fair value through OCI</b>	<b>1,003</b>	<b>48</b>	<b>1,003</b>	<b>48</b>
Other financial liabilities (Derivatives)	1,003	48	1,003	48
<i>Thereof Current</i>	-	48	-	48
<i>Thereof Non-Current</i>	1,003	-	1,003	-
<b>Financial liabilities measured at amortized costs</b>	<b>447,779</b>	<b>443,551</b>	<b>447,779</b>	<b>443,551</b>
Interest bearing loans and borrowings	362,363	362,324	362,363	362,324
<i>Thereof Current</i>	248,450	332,773	248,450	332,773
<i>Thereof Non-Current</i>	113,913	29,551	113,913	29,551
Other financial liabilities	1,439	5,085	1,439	5,085
<i>Thereof Current</i>	536	4,601	536	4,601
<i>Thereof Non-Current</i>	903	484	903	484
Trade and other payables	83,977	76,142	83,977	76,142
<i>Thereof Current</i>	83,977	76,142	83,977	76,142
<i>Thereof Non-Current</i>	-	-	-	-
<b>Total</b>	<b>450,903</b>	<b>443,827</b>	<b>450,903</b>	<b>443,827</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 short-term deposits, trade accounts receivables, other accounts receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

## 16.1. Fair value hierarchy

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

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

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

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

	<b>June 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	Million KRW	Million KRW	Million KRW	Million KRW
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss	342	-	342	-
<i>Derivatives</i>	342	-	342	-
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss	2,121	-	2,121	-
<i>Derivatives</i>	2,121	-	2,121	-
Financial liabilities at fair value through OCI	1,003	-	1,003	-
<i>Derivatives</i>	1,003	-	1,003	-

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

During the six months ended June 30, 2016 and twelve months ended December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

For the financial assets and financial liabilities for which the fair value is disclosed (see Note 16) the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalent.

## 17. Related Party disclosures

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

Related party	Description	For the six months ended	
		June 30, 2016	June 30, 2015
Jongho Park, Chairman of the Board of Directors	Finance income	215	111
Songwon Moolsan Co., Ltd.	Selling and administration costs	-26	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Purchase	-6,443	-5,636
Chemservice Asia Ltd.	Selling and administration costs	-	-36
Qingdao Long Fortune Songwon Chemical Co., Ltd.	Sales	4,469	-
	Selling and administration costs	-351	-
	Other income	91	-
<b>Total</b>	<b>Sales</b>	<b>4,469</b>	<b>-</b>
	<b>Purchase</b>	<b>-6,443</b>	<b>-5,636</b>
	<b>Selling and administration costs</b>	<b>-377</b>	<b>-36</b>
	<b>Other income</b>	<b>91</b>	<b>-</b>
	<b>Finance income</b>	<b>215</b>	<b>111</b>

Related party	Description	June 30, 2016	Dec. 31, 2015
Jongho Park, Chairman of the Board of Directors	Accrued income	451	236
	Other current financial assets	14,000	7,000
Songwon Moolsan Co., Ltd.	Deposit for lease	24	16
	Other payables	5	3
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Trade payables	1,157	1,519
Qingdao Long Fortune Songwon Chemical Co., Ltd.	Trade receivables	2,892	2,657
	Other receivables	78	373
	Other payables	183	-
<b>Total</b>	<b>Trade receivables</b>	<b>2,892</b>	<b>2,657</b>
	<b>Other receivables</b>	<b>78</b>	<b>373</b>
	<b>Accrued income</b>	<b>451</b>	<b>236</b>
	<b>Other current financial assets</b>	<b>14,000</b>	<b>7,000</b>
	<b>Deposit for lease</b>	<b>24</b>	<b>16</b>
	<b>Trade payables</b>	<b>1,157</b>	<b>1,519</b>
	<b>Other payables</b>	<b>188</b>	<b>3</b>

### 17.1. The ultimate parent

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

### 17.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period-end are unsecured, interest free and settlement occur in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and six months ended June 30, 2016, the Group has not recorded any impairment of receivables relating to amounts

owed by related parties (December 31, 2015: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

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

Description	For the six months ended	
	June 30, 2016	June 30, 2015
	Million KRW	Million KRW
Short term employee benefits	7,035	4,430
Post-employment benefits	503	382
Other long-term benefits	1,306	376
Share based payments	575	150
<b>Total compensation paid to key management personnel</b>	<b>9,419</b>	<b>5,338</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 having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

### 17.4. Other related parties

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

## 18. Commitments and contingencies

### 18.1. Contingent liability

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

### 18.2. Operating lease commitments

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

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

Description	June 30, 2016	Dec. 31, 2015
	Million KRW	Million KRW
Within one year	-1,992	-1,573
After one year but not more than five years	-3,948	-3,430
More than five years	-810	-894
<b>Total</b>	<b>-6,750</b>	<b>-5,897</b>

### 18.3. Other commitments

As part of the ordinary business, the subsidiaries could enter into various contractual commitments for the purchase of tangible fixed assets and intangible assets as well as investment properties and promotion properties. As of June 30, 2016, commitments to purchase property, plant and equipment, as well as raw materials amounting to 2,021 Million KRW (December 31, 2015: 1,543 Million KRW) were entered.

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

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

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

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	26,400	12,910	13,490
D/A and D/P	Thousand USD	115,000	89,934	25,066
	Million KRW	32,000	22,687	9,313
Trade loans	Million KRW	20,000	-	20,000
L/G for import	Thousand USD	1,000	66	934
Other foreign currency guarantees	Thousand USD	4,400	4,400	-
<b>Total Million KRW</b>		<b>52,000</b>	<b>22,687</b>	<b>29,313</b>
<b>Total Thousand USD</b>		<b>146,800</b>	<b>107,310</b>	<b>39,490</b>



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

## 19. Assets pledged as collateral and guarantees received

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

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

Additionally, items of property, plant and equipment belonging to Songwon ATG GmbH (Germany) with a total value of 37 Million KRW are pledged as a collateral for interest-bearing loans and borrowings as of June 30, 2016 (December 31, 2015: 74 Million KRW).

The Group has received payment guarantees amounting to 318,814 Million KRW and 80,960 Thousand USD provided by Jongho Park, Chairman of the Board of Directors of the Group, in connection with the Group's borrowings from banks as of June 30, 2016.

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

Description	June 30,	Dec. 31,
	2016	2015
Bank deposits – current (in Thousand USD)	3,066	2,485

## 20. Financial risk management objectives and policies

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

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

### 20.1. Market risk

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

*Interest rate risk; and,*

*Foreign currency risk.*

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

#### 20.1.1. Interest rate risk

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

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

#### Interest rate sensitivity

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

	Increase/decrease	Effect on profit before tax
	in %	Million KRW
<b>June 30, 2016</b>	1.00	-736
	-1.00	736
<b>June 30, 2015</b>	1.00	-1,021
	-1.00	1,021

## 20.1.2. Foreign currency risk

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

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

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

### Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollars (USD), Euro (EUR), Swiss Francs (CHF), Japanese Yen (JPY), United Arab Emirates Dirham (AED) and to Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant but only the foreign exchange rate changes by 10%, the impacts on profit before tax for the period ended on June 30, 2016 and December 31, 2015 are as follows:

Currency	June 30, 2016		December 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	767	-767	276	-276
EUR	-1,150	1,150	-2,236	2,236
JPY	133	-133	121	-121
CHF	17	-17	277	-277
AED	-252	252	-269	269
INR	1,063	-1,063	1,148	-1,148
<b>Total</b>	<b>578</b>	<b>-578</b>	<b>-683</b>	<b>683</b>

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

## 20.2. Credit risk

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

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

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

## 20.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to the unfavorable economy of the industry or financial market.

The Group manages its liquidity risk through its own strategy and plans which consider the maturity of financial instruments and expected operating cash flows and include the policy to map out the maturity of financial assets and liabilities.

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

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

<b>As at June 30, 2016</b>	<b>Less than a month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	25,705	70,159	152,586	113,913	-	362,363
Other financial liabilities	446	90	-	903	-	1,439
Trade and other payables	54,853	20,174	8,950	-	-	83,977
<b>Total</b>	<b>81,004</b>	<b>90,423</b>	<b>161,536</b>	<b>114,816</b>	<b>-</b>	<b>447,779</b>

  

<b>As at December 31, 2015</b>	<b>Less than a month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	10,696	180,308	141,769	29,551	-	362,324
Other financial liabilities	683	802	3,116	484	-	5,085
Trade and other payables	54,387	18,256	3,499	-	-	76,142
<b>Total</b>	<b>65,766</b>	<b>199,366</b>	<b>148,384</b>	<b>30,035</b>	<b>-</b>	<b>443,551</b>

## 20.4. Capital management

The primary objective of the Group's capital management is to ensure that its continued ability to provide a consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable and also maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position but also its long-term operational and strategic objectives. On the Group level the debt ratio is reviewed regularly. The debt-equity ratio as of June 30, 2016 and December 31, 2015 is 159% and 167% respectively. On a monthly basis all subsidiaries have to report key performance indicators which also include capital management information.

## 21. Cash flow statement

Cash and cash 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, 2016 and June 30, 2015 are as follows:

Adjustments	Notes	For the six months ended	
		June 30, 2016	June 30, 2015
		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	13,635	13,139
Depreciation of investment properties		8	94
Amortization of intangible assets except for goodwill	7	3,871	3,843
Impairment of non-current financial assets		2	2
Gain on disposal of property, plant and equipment, net		-7	-112
Share of result from investments accounted using the equity method	4	-267	-247
Financial income		-3,670	-5,789
Financial expenses		8,840	10,823
Provision for income taxes	13	11,795	4,370
<b>Total</b>		<b>34,207</b>	<b>26,123</b>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		-16,496	5,608
Other receivables		228	-1,332
Other current assets		-2,571	-1,656
Other current financial assets		-127	315
Inventories		6,979	-1,427
Trade payables		5,267	1,358
Other payables		2,549	-2,716
Other current financial liabilities		-876	14
Other current liabilities		5,461	5,266
Pension liabilities		-1,040	-1,061
Other long term employment benefits		1,503	511
<b>Total</b>		<b>877</b>	<b>4,880</b>

## 22. Events after the reporting period

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



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### **Report on review of interim condensed consolidated financial statements**

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

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

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards 1034 *Interim Financial Reporting* (KIFRS 1034). Also, management is responsible for the design and operation of the Company's internal control to prevent and detect any error or fraud which may cause material misstatement of the interim condensed consolidated financial statements.

#### **Auditor's responsibility**

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

#### **Conclusion**

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

**Other matters**

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

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



Aug 10, 2016

This review report is effective as at Aug 10, 2016, the auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

For more information, please contact:

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