



FINANCIAL RESULTS Q3 & 9 MONTHS ENDING SEPTEMBER 30, 2015

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About this report

The condensed interim consolidated financial statements (see section 2 from page 7 to 44) according to K-IFRS are reviewed by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review opinion on the quarterly financial statements can be found at the end of this report.

The condensed interim financial statements for the three as well nine months ended September 30, 2015 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance K-IFRS, too. The annual financial statements for the year 2014 can be found on our website www.songwon.com.

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

Forward-looking statements & information

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

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

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SECTION 1:

Business Development

Key Financial Data

	Q3 2015	Q3 2014	Δ%	9 months ending Sept. 30,		
	Million KRW	Million KRW		2015	2014	Δ%
Sales	173,897	164,868	5.5%	487,951	500,675	-2.5%
Gross profit*	39,898	25,944	53.8%	96,796	70,197	37.9%
<i>Gross profit margin*</i>	22.9%	15.7%		19.8%	14.0%	
Operating profit*	15,153	5,530	174.0%	31,058	6,018	416.1%
EBITDA	34,394	18,348	87.5%	71,243	31,892	123.4%
<i>EBITDA margin</i>	19.8%	11.1%		14.6%	6.4%	
EBIT	25,935	9,990	159.6%	45,545	7,730	489.2%
<i>EBIT margin</i>	14.9%	6.1%		9.3%	1.5%	
(Loss) / profit before tax	17,739	4,979	256.3%	28,020	-2,152	n/a
(Loss) / profit for the period	12,244	2,978	311.1%	18,155	-8,627	n/a
Total assets				855,300	900,894	-5.1%
Total equity				310,615	298,290	4.1%
<i>Equity ratio</i>				36.3%	33.1%	
Headcounts				793	778	1.9%

Sales development

Products

Sales by product (in Mil. KRW)	Q3 2015	Q3 2014	Variance	9 months ending Sept. 2015	9 months ending Sept. 2014	Variance
Alkyl - phenol & Intermediates	463	368	25.8%	1'872	3'036	-38.4%
Plasticizers	1'818	2'137	-14.9%	5'658	6'136	-7.8%
Polyester Diols	2'697	2'400	12.4%	9'437	9'984	-5.5%
Polymer Stabilizers (AOX & UVs)	126'195	111'226	13.5%	335'818	333'269	0.8%
Polyurethanes	9'565	12'355	-22.6%	32'612	35'625	-8.5%
PVC Stabilizers	11'588	11'840	-2.1%	33'723	37'003	-8.9%
SAP & Flocculants	2'647	4'331	-38.9%	9'134	13'936	-34.5%
Tin Intermediates	17'752	19'552	-9.2%	52'293	59'577	-12.2%
Others	1'172	659	77.8%	7'404	2'109	251.1%
Total Sales	173'897	164'868	5.5%	487'951	500'675	-2.5%

Regions

Sales by geographical region (in Mil. KRW)	Q3 2015	Q3 2014	Variance	9 months ending Sept. 2015	9 months ending Sept. 2014	Variance
Korea	45'985	47'979	-4.2%	140'825	149'089	-5.5%
Rest of Asia	35'398	35'247	0.4%	101'249	110'589	-8.4%
Europe	40'637	41'705	-2.6%	113'303	123'266	-8.1%
North and South America	39'064	29'953	30.4%	104'628	94'538	10.7%
Australia	605	730	-17.1%	2'215	1'936	14.4%
Middle East and Africa	12'208	9'254	31.9%	25'731	21'257	21.0%
Total Sales	173'897	164'868	5.5%	487'951	500'675	-2.5%

Business development

During Q3/2015 ending September 30, 2015, Songwon Industrial Group achieved consolidated sales of 173,897 Mil. KRW. Compared to sales for Q3/2014 (164,868 Mil. KRW), revenue rose by 5.5%. The Group reported a net profit of 12,244 Mil. KRW, a 311.1% increase compared to Q3/2014. The gross profit margin widened in Q3 to 22.9% from 15.7% in Q3/2014. The Group realized year-to-date consolidated sales of 487,951 Mil. KRW, and a net profit of 18,155 Mil. KRW.

Songwon's polymer stabilizers business experienced a robust Q3/2015. Demand in all the regions was stable and strong and sales were well in line with expectations. The dramatic fall in oil prices since early 2015 has led to lower fuel prices and subsequently resulted in an increase in the consumption of fuel and polymers. The weak Euro has benefited the polymer industry in general, which has seen increases in production to meet both the regional and export demand. As a result, Songwon Industrial Group was able to increase its consolidated sales by 5.5% in Q3/2015 compared to Q3/2014. In addition, the Group reduced its year-to-date sales backlog compared to the previous year. However, in Q3/2015 and year-to-date, strong competition in China, South and East Asia, as well as Korea led to less volume of non-polymer stabilizer products being sold to customers in these regions.

In comparison with Q3/2014, Songwon Industrial Group's results were still affected by the devaluation of Euro and Japanese Yen compared to the US Dollar. However, the effect was partially offset by price increases. To offset the currency devaluation, Songwon implemented price increases quarter after quarter in Europe and Japan and accepted losses in volume. Nevertheless, at the same time during Q3/2015, a partial recovery of the EUR/USD foreign exchange rate, as well as the JPY/USD helped to re-establish acceptable margin levels in both of these regions. Songwon will remain highly attentive to currency volatility.

Throughout Q3/2015 all Songwon's manufacturing facilities continued to run steadily without any disruptions. When compared to Q3/2014, raw material costs in Q3/2015 were significantly lower and remained in line with Q2/2015 costs.

Songwon saw a continued recovery of the gross profit margin, resulting from production stability at high utilization rates coupled with significantly weaker raw materials in Q3/2015, as compared to Q3/2014. The Group's sale of an investment property in Korea also contributed to the improvement of the EBITDA and EBIT margins. EBITDA and EBIT increased to 34,394 Mil. KRW and to 25,935 Mil. KRW respectively during Q3/2015 compared to Q3/2014.

Outlook

Uncertainties in the medium and long term economic growth scenarios, for example China's downward adjustment of forecasted GDP growth scenarios, combined with continued political instability in some world areas and forex instability all contribute to a generally volatile outlook in economic activities. Songwon expects customers to reduce inventory levels in order to prepare for the year end 2015.

Overall the global demand is expected to be robust, but the growth outlook remains weak and unpredictable, making it difficult to plan for.

SECTION 2:

**Condensed Interim
Consolidated Financial
Statements**

Interim consolidated statement of financial position

	Notes	As at	
		Sept. 30, 2015	Dec. 31, 2014
		Million KRW	Million KRW
ASSETS			
Non-current assets		489,541	517,944
Property, plant and equipment	5, 6, 20	435,308	434,604
Investment properties	5, 8, 20	3,567	31,281
Intangible assets	5, 7	37,624	41,452
Invest. accounted for using the equity method	4.1	4,488	3,100
Available-for-sale financial investments	17	1,473	1,473
Other non-current financial assets	17	1,656	2,675
Deferred tax assets		5,425	3,359
Current assets		365,759	337,913
Inventories	9	169,382	169,014
Trade and other receivables	10, 17	114,533	111,423
Income tax receivables		196	954
Other current assets		7,590	3,921
Other current financial assets	17	11,327	7,209
Cash and cash equivalent	11, 17	62,731	45,392
Total assets		855,300	855,857
EQUITY AND LIABILITIES			
Equity		310,615	288,627
<i>Non-controlling interests</i>		2,529	3,110
<i>Equity attributable to owners of the parent</i>		308,086	285,517
Share capital		12,000	12,000
Capital surplus		24,361	24,361
Reserves		26,751	26,607
Retained earnings		242,505	225,280
Accumulated other comprehensive income	12.2	2,469	-2,731
Non-current liabilities		139,508	145,482
Interest-bearing loans and borrowings	13, 17, 19, 21.3	74,416	76,014
Pension liability		19,065	18,707
Other long-term employee benefits		2,632	2,009
Other non-current financial liabilities	17, 21.3	1,227	2,447
Other non-current liabilities		41	38
Deferred tax liabilities		42,127	46,267
Current liabilities		405,177	421,748
Interest-bearing loans and borrowings	13, 17, 19, 21.3	305,981	344,163
Trade and other payables	17, 21.3	77,378	74,202
Other current financial liabilities	17, 21.3	1,131	778
Other current liabilities		4,999	2,005
Income tax payable		15,688	600
Total liabilities		544,685	567,230
Total equity and liabilities		855,300	855,857

Interim consolidated statement of financial position

	As at (see note 2.1)	
	Sept. 30, 2015	Dec. 31, 2014
	Thousands USD	Thousands USD
ASSETS		
Non-current assets	411,705	435,591
Property, plant and equipment	366,094	365,502
Investment properties	3,000	26,307
Intangible assets	31,642	34,861
Invest. accounted for using the equity method	3,774	2,607
Available-for-sale financial investments	1,239	1,239
Other non-current financial assets	1,393	2,250
Deferred tax assets	4,563	2,825
Current assets	307,603	284,185
Inventories	142,450	142,141
Trade and other receivables	96,322	93,707
Income tax receivables	165	802
Other current assets	6,383	3,297
Other current financial assets	9,526	6,063
Cash and cash equivalent	52,757	38,175
Total assets	719,308	719,776
EQUITY AND LIABILITIES		
Equity	261,227	242,736
<i>Non-controlling interests</i>	2,127	2,616
<i>Equity attributable to owners of the parent</i>	259,100	240,120
Share capital	10,092	10,092
Capital surplus	20,488	20,488
Reserves	22,497	22,376
Retained earnings	203,947	189,461
Accumulated other comprehensive income	2,076	-2,297
Non-current liabilities	117,327	122,350
Interest-bearing loans and borrowings	62,584	63,928
Pension liability	16,034	15,733
Other long-term employee benefits	2,214	1,690
Other non-current financial liabilities	1,032	2,057
Other non-current liabilities	34	32
Deferred tax liabilities	35,429	38,910
Current liabilities	340,754	354,690
Interest-bearing loans and borrowings	257,330	289,441
Trade and other payables	65,075	62,404
Other current financial liabilities	951	654
Other current liabilities	4,204	1,686
Income tax payable	13,194	505
Total liabilities	458,081	477,040
Total equity and liabilities	719,308	719,776

Interim consolidated statement of comprehensive income

	Notes	For the three months ended September 30,	
		2015	2014
		Million KRW	Million KRW
Sales of goods	5	173,897	164,868
Cost of sales		-133,999	-138,924
Gross profit		39,898	25,944
Selling and administration costs		-24,745	-20,414
Operating profit		15,153	5,530
Other income		17,088	8,130
Other expenses		-6,306	-3,670
Revaluation gain due to step acquisition		-	216
Share of result from investments accounted for using the equity method	4.1	174	79
Finance costs		-13,848	-10,538
Finance income		5,478	5,232
Profit before tax		17,739	4,979
Income tax expense	14	-5,495	-2,001
Profit for the period		12,244	2,978
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		4,425	1,323
Gain / (loss) on valuation of interest rate swap	12.2	28	-47
Exchange differences on translation of foreign operations	12.2	4,397	1,370
<i>Net other comprehensive income not being reclassified to profit or loss</i>		-	17
Change of remeasurements of defined benefit plans	12.2	-	17
Total other comprehensive income, net of taxes		4,425	1,340
Total comprehensive income		16,669	4,318
Profit for the period attributable to:			
Owners of the parent		12,452	2,831
Non-controlling interests		-208	147
Profit for the period		12,244	2,978
Total comprehensive income attributable to:			
Owners of the parent		16,675	4,271
Non-controlling interests		-6	47
Total comprehensive income		16,669	4,318
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	15	519	118

Interim consolidated statement of comprehensive income

	For the three months ended September 30, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Sales of goods	146,247	138,654
Cost of sales	-112,693	-116,835
Gross profit	33,554	21,819
Selling and administration costs	-20,811	-17,168
Operating profit	12,743	4,651
Other income	14,371	6,837
Other expenses	-5,303	-3,086
Revaluation gain due to step acquisition	-	182
Share of result from investments accounted for using the equity method	146	66
Finance costs	-11,646	-8,863
Finance income	4,607	4,400
Profit before tax	14,918	4,187
Income tax expense	-4,621	-1,683
Profit for the period	10,297	2,504
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	3,722	1,113
Gain / (loss) on valuation of interest rate swap	24	-40
Exchange differences on translation of foreign operations	3,698	1,153
<i>Net other comprehensive income not being reclassified to profit or loss</i>	-	14
Change of remeasurements of defined benefit plans	-	14
Total other comprehensive income, net of taxes	3,722	1,127
Total comprehensive income	14,019	3,631
Profit for the period attributable to:		
Owners of the parent	10,472	2,380
Non-controlling interests	-175	124
Profit for the period	10,297	2,504
Total comprehensive income attributable to:		
Owners of the parent	14,024	3,591
Non-controlling interests	-5	40
Total comprehensive income	14,019	3,631
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	436	99

Interim consolidated statement of comprehensive income

	Notes	For the nine months ended September 30,	
		2015	2014
		Million KRW	Million KRW
Sales of goods	5	487,951	500,675
Cost of sales		-391,155	-430,478
Gross profit		96,796	70,197
Selling and administration costs		-65,738	-64,179
Operating profit		31,058	6,018
Other income		33,985	14,300
Other expenses		-19,498	-12,588
Revaluation loss due to step acquisition		-	-32
Share of result from investments accounted for using the equity method	4.1	421	550
Finance costs		-44,758	-26,031
Finance income		26,812	15,631
Profit / (loss) before tax		28,020	-2,152
Income tax expense	14	-9,865	-6,475
Profit / (loss) for the period		18,155	-8,627
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		5,273	-1,445
Loss on valuation of available-for-sale financial investments	12.2	-	-4
Gain / (loss) on valuation of interest rate swap	12.2	42	-82
Exchange differences on translation of foreign operations	12.2	5,231	-1,359
<i>Net other comprehensive income not being reclassified to profit or loss</i>		-	-1
Change of remeasurements of defined benefit plans	12.2	-	-1
Total other comprehensive income, net of taxes		5,273	-1,446
Total comprehensive income		23,428	-10,073
Profit / (loss) for the period attributable to:			
Owners of the parent		18,809	-8,142
Non-controlling interests		-654	-485
Profit / (loss) for the period		18,155	-8,627
Total comprehensive income attributable to:			
Owners of the parent		24,009	-9,488
Non-controlling interests		-581	-585
Total comprehensive income		23,428	-10,073
Earnings per share			
		KRW	KRW
Basic / diluted, profit / (loss) for the period attributable to ordinary equity holders of the parent	15	784	-339

Interim consolidated statement of comprehensive income

	For the nine months ended September 30, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Sales of goods	410,367	421,068
Cost of sales	-328,962	-362,032
Gross profit	81,405	59,036
Selling and administration costs	-55,286	-53,975
Operating profit	26,119	5,061
Other income	28,581	12,026
Other expenses	-16,398	-10,587
Revaluation loss due to step acquisition	-	-27
Share of result from investments accounted for using the equity method	354	463
Finance costs	-37,641	-21,892
Finance income	22,549	13,146
Profit / (loss) before tax	23,564	-1,810
Income tax expense	-8,296	-5,445
Profit / (loss) for the period	15,268	-7,255
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	4,435	-1,215
Loss on valuation of available-for-sale financial investments	-	-3
Gain / (loss) on valuation of interest rate swap	35	-69
Exchange differences on translation of foreign operations	4,400	-1,143
<i>Net other comprehensive income not being reclassified to profit or loss</i>	-	-1
Change of remeasurements of defined benefit plans	-	-1
Total other comprehensive income, net of taxes	4,435	-1,216
Total comprehensive income	19,703	-8,471
Profit / (loss) for the period attributable to:		
Owners of the parent	15,818	-6,847
Non-controlling interests	-550	-408
Profit / (loss) for the period	15,268	-7,255
Total comprehensive income attributable to:		
Owners of the parent	20,192	-7,979
Non-controlling interests	-489	-492
Total comprehensive income	19,703	-8,471
Earnings per share	USD	USD
Basic / diluted, profit / (loss) for the period attributable to ordinary equity holders of the parent	659	-285

Interim consolidated statement of changes in equity

For the nine months ended Sept. 30, 2014 and Sept. 30, 2015								
Attributable to owners of the parent								
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total	Non-controlling interests	Total equity
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As at January 1, 2014	12,000	24,361	26,439	247,175	-3,823	306,152	271	306,423
Loss for the period	-	-	-	-8,142	-	-8,142	-485	-8,627
Gain / (loss) on available-for-sale financial instruments, net of tax	-	-	-	-	-4	-4	-	-4
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	-82	-82	-	-82
Foreign currency translation, net of tax	-	-	-	-	-1,259	-1,259	-100	-1,359
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-1	-	-1	-	-1
Total comprehensive income	-	-	-	-8,143	-1,345	-9,488	-585	-10,073
Change in non-controlling interests due to step acquisition	-	-	-	-	-	-	838	838
Change in non-controlling interests due to capital increase	-	-	-	-	-	-	2,782	2,782
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at September 30, 2014	12,000	24,361	26,607	237,184	-5,168	294,984	3,306	298,290
As at January 1, 2015	12,000	24,361	26,607	225,280	-2,731	285,517	3,110	288,627
Profit for the period	-	-	-	18,809	-	18,809	-654	18,155
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	42	42	-	42
Foreign currency translation, net of tax	-	-	-	-	5,158	5,158	73	5,231
Total comprehensive income	-	-	-	18,809	5,200	24,009	-581	23,428
Dividends	-	-	-	-1,440	-	-1,440	-	-1,440
Appropriation to reserves	-	-	144	-144	-	-	-	-
As at September 30, 2015	12,000	24,361	26,751	242,505	2,469	308,086	2,529	310,615

Interim consolidated statement of changes in equity

For the nine months ended Sept. 30, 2014 and Sept. 30, 2015 (see note 2.1)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital Surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD		
As at January 1, 2014	10,092	20,488	22,235	207,874	-3,215	257,474	228	257,702
Loss for the period	-	-	-	-6,847	-	-6,847	-408	-7,255
Gain / (loss) on available-for-sale financial instruments, net of tax	-	-	-	-	-3	-3	-	-3
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	-69	-69	-	-69
Foreign currency translation, net of tax	-	-	-	-	-1,059	-1,059	-84	-1,143
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-1	-	-1	-	-1
Total comprehensive income	-	-	-	-6,848	-1,131	-7,979	-492	-8,471
Change in non-controlling interests due to step acquisition	-	-	-	-	-	-	705	705
Change in non-controlling interests due to capital increase	-	-	-	-	-	-	2,340	2,340
Dividends	-	-	-	-1,413	-	-1,413	-	-1,413
Appropriation to reserves	-	-	141	-141	-	-	-	-
As at September 30, 2014	10,092	20,488	22,376	199,472	-4,346	248,082	2,781	250,863
As at January 1, 2015	10,092	20,488	22,376	189,461	-2,297	240,120	2,616	242,736
Profit for the period	-	-	-	15,818	-	15,818	-550	15,268
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	35	35	-	35
Foreign currency translation, net of tax	-	-	-	-	4,338	4,338	61	4,399
Total comprehensive income	-	-	-	15,818	4,373	20,191	-489	19,702
Dividends	-	-	-	-1,211	-	-1,211	-	-1,211
Appropriation to reserves	-	-	121	-121	-	-	-	-
As at September 30, 2015	10,092	20,488	22,497	203,947	2,076	259,100	2,127	261,227

Interim consolidated statement of cash flows

	Notes	For the nine months ended September 30,	
		2015 Million KRW	2014 Million KRW
Profit / (loss) for the period		18,155	-8,627
Adjustments total	22	27,706	41,445
Changes in operating assets and liabilities	22	17,136	-10,306
Interest received		297	823
Dividends received from 3rd		25	7
Income tax paid		-448	-8,781
Net cash flow from operating activities		62,871	14,561
Proceeds from sale of property, plant and equipment		151	75
Proceeds from sale of investment property		34,520	-
Proceeds from sale of intangible assets		222	-
Proceeds from sale of available-for-sale financial assets		-	500
Proceeds from sale of investments using equity method		32	-
Purchase of property, plant and equipment		-18,902	-21,942
Purchase of intangible assets	7	-217	-241
Investment in a joint venture	4.1	-1,377	-
Acquisition of a subsidiary, net of cash acquired		-	210
Acquisition of a business, net of cash acquired		-	-19,746
(Increase) / decrease of other financial assets, net		-3,330	3,489
Dividends received from investments using equity method		545	-
Net cash flow from investing activities		11,644	-37,655
Proceeds from borrowings (current)		519,609	563,942
Repayment of borrowings (current)		-576,082	-529,009
Proceeds from borrowings (non-current)		9,179	13,076
Repayment of borrowings (non-current)		-36	-
(Decrease) / increase in other financial liabilities, net		-1,586	340
Interest paid		-11,178	-12,737
Dividends paid	12	-1,440	-1,680
Share capital increase of subsidiary		-	2,782
Net cash flow from financing activities		-61,534	36,714
Increase in cash and cash equivalent		12,981	13,620
Net foreign exchange difference		4,358	-1,760
Cash and cash equivalent at January 1,	11	45,392	63,677
Cash and cash equivalent at September 30,	11	62,731	75,537

Interim consolidated statement of cash flows

	For the nine months ended September 30, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Profit / (loss) for the period	15,268	-7,255
Adjustments total	23,301	34,855
Changes in operating assets and liabilities	14,411	-8,667
Interest received	250	692
Dividends received from 3rd	21	6
Income tax paid	-376	-7,385
Net cash flow from operating activities	52,875	12,246
Proceeds from sale of property, plant and equipment	127	63
Proceeds from sale of investment property	29,031	-
Proceeds from sale of intangible assets	187	-
Proceeds from sale of available-for-sale financial assets	-	421
Proceeds from sale of investments using equity method	27	-
Purchase of property, plant and equipment	-15,897	-18,453
Purchase of intangible assets	-182	-203
Investment in a joint venture	-1,158	-
Acquisition of a subsidiary, net of cash acquired	-	177
Acquisition of a business, net of cash acquired	-	-16,606
(Increase) / decrease of other financial assets, net	-2,801	2,934
Dividends received from investments using equity method	458	-
Net cash flow from investing activities	9,792	-31,667
Proceeds from borrowings (current)	436,991	474,275
Repayment of borrowings (current)	-484,485	-444,897
Proceeds from borrowings (non-current)	7,720	10,997
Repayment of borrowings (non-current)	-30	-
Decrease / increase in other financial liabilities, net	-1,334	286
Interest paid	-9,401	-10,712
Dividends paid	-1,211	-1,413
Share capital increase of subsidiary	-	2,340
Net cash flow from financing activities	-51,750	30,876
Increase in cash and cash equivalent	10,917	11,455
Net foreign exchange difference	3,665	-1,480
Cash and cash equivalent at January 1,	38,175	53,552
Cash and cash equivalent at September 30,	52,757	63,527

Notes to the condensed interim consolidated financial statements

1. Corporate information

1.1. The Company

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

1.2. Scope of consolidation

As per September 30, 2015, the scope of consolidation for the consolidated financial statements encompasses 15 entities (2014: 15 entities). Additionally, two entities are classified as joint ventures. Since December 31, 2014 there are two changes in the Scope of consolidation:

- Disposal of interest in joint venture *Chemservice Asia Co. Ltd., Korea* as per August 3, 2015.
- Establishment of the joint venture *Qingdao Long Fortune Songwon Chemical Co., Ltd., located in Qingdao, China*. The newly established entity belongs 50% to the Group and is equity consolidated as per August 1, 2015.

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

Name	Location	September 30, 2015		December 31, 2014	
		Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan KK	Japan	Subsidiary	100%	Subsidiary	100%
Songwon China Ltd.	Hong Kong	Subsidiary	100%	Subsidiary	100%
Songwon Trading Co. Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon Chemicals Co. Ltd.	China	Subsidiary	100%	Subsidiary	100%
Songwon International-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon Holdings AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Additive Technologies AG	Switzerland	Subsidiary	75%	Subsidiary	75%
Songwon ATG GmbH	Germany	Subsidiary	75%	Subsidiary	75%
Songwon Additive Technologies-Americas Inc.	USA	Subsidiary	75%	Subsidiary	75%
Songwon Additive Technologies – Middle East FZE	Dubai (UAE)	Subsidiary	75%	Subsidiary	75%
Polysys Additive Technologies – Middle East LLC	Abu Dhabi (UAE)	Subsidiary	55.5%	Subsidiary	55.5%

Entities accounted for using the equity method (joint ventures)					
Chemservice Asia Co., Ltd.	Korea	n/a	n/a	Joint Venture	50%
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	30%	Joint Venture	30%
Qingdao Long Fortune Songwon Chemical Co., Ltd.	China	Joint Venture	50%	n/a	n/a

2. Basis of preparation

The interim condensed financial statements for the nine months ended September 30, 2015 have been prepared in accordance with K-IFRS 1034 – Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS").

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

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

2.1. Convenience translation into United States Dollar

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. dollars at the rate of KRW 1,189.06 to US \$1, the exchange rate in effect on September 30, 2015. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014, expect for the adoption of the new standards as of January 1, 2015, listed below:

New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

4. Interest in joint arrangements

4.1. Interest in joint ventures

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

Statement of financial position	Cash and Cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	35	55	-	8	8	-	16	30	15
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	926	7,770	5,914	3,243	3,401	-	-	10,283	3,085
December 31, 2014	961	7,825	5,914	3,251	3,409	-	16	10,313	3,100
Chemservice Asia Co., Ltd.	-	-	-	-	-	-	-	-	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,651	8,713	6,427	4,572	4,777	-	-	10,363	3,109
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,344	2,754	6	3	3	-	-	2,757	1,379
September 30, 2015	4,995	11,467	6,433	4,575	4,780	-	-	13,120	4,488

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 Co., Ltd.	-	-	-	-	-2	-	-2	-	-2
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,721	-13	1	-34	354	-87	267	326	593
For the three months ended Sept. 30, 2014	4,721	-13	1	-34	352	-87	265	326	591
Chemservice Asia Co., Ltd.	-	-	-	-	-2	-	-2	-	-2
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,099	-20	1	-33	815	-204	611	183	794
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	-	1	-	-16	-	-16	20	4
For the three months ended Sept. 30, 2015	5,099	-20	2	-33	797	-204	593	203	796

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 Co., Ltd.	-	-	-	-	-8	-	-8	-	-8
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	15,048	-37	2	-111	2,462	-613	1,848	-57	1,791
For the nine months ended Sept. 30, 2014	15,048	-37	2	-111	2,454	-613	1,840	-57	1,783
Chemservice Asia Co., Ltd.	-	-	-	-	12	-1	11	-	11
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	13,443	-55	2	-71	1,885	-471	1,414	486	1,900
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	-	1	-	-16	-	-16	20	4
For the nine months ended Sept. 30, 2015	13,443	-55	3	-71	1,881	-472	1,409	506	1,915

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

	As at Jan. 1, 2014	Addition	Share of result from equity method	Dividends	Disposal	Exchange rate effect	As at Sept. 30, 2014
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	16	-	-4	-	-	-	12
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,294	-	554	-	-	-17	2,831
Total	2,310	-	550	-	-	-17	2,843

	As at Jan. 1, 2015	Addition	Share of result from equity method	Dividends	Disposal	Exchange rate effect	As at Sept. 30, 2015
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Co., Ltd.	15	-	6	-	-21	-	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,085	-	423	-545	-	146	3,109
Qingdao Long Fortune Songwon Chemical Co., Ltd.	-	1,377	-8	-	-	10	1,379
Total	3,100	1,377	421	-545	-21	156	4,488

A gain of 11 Million KRW resulted from sale of interest in the joint venture Chemservice Asia Co., Ltd. in August 2015.

5. Segment information

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

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

The Group is acting worldwide and discloses therefore geographic segment.

5.1. Product information

Revenue from external customers

	For the three months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	463	368
Plasticizers	1,818	2,137
Polyester Diol	2,697	2,400
Polymer Stabilizers (AOX and UVs)	126,195	111,226
Polyurethanes	9,565	12,355
PVC Stabilizers	11,588	11,840
SAP and Flocculants	2,647	4,331
Tin Intermediates	17,752	19,552
Others	1,172	659
Total	173,897	164,868

	For the nine months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	1,872	3,036
Plasticizers	5,658	6,136
Polyester Diol	9,437	9,984
Polymer Stabilizers (AOX and UVs)	335,818	333,269
Polyurethanes	32,612	35,625
PVC Stabilizers	33,723	37,003
SAP and Flocculants	9,134	13,936
Tin Intermediates	52,293	59,577
Others	7,404	2,109
Total	487,951	500,675

5.2. Geographic information

Revenue from external customers

	For the three months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Korea	45,985	47,979
Rest of Asia	35,398	35,247
Europe	40,637	41,705
North and South America	39,064	29,953
Australia	605	730
Middle East and Africa	12,208	9,254
Total	173,897	164,868

	For the nine months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Korea	140,825	149,089
Rest of Asia	101,249	110,589
Europe	113,303	123,266
North and South America	104,628	94,538
Australia	2,215	1,936
Middle East and Africa	25,731	21,257
Total	487,951	500,675

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

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

Non-current assets

	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Korea	400,421	434,152
Rest of Asia	24,202	23,155
Europe	27,675	30,469
North and South America	5,384	5,769
Middle East and Africa	18,817	13,792
Total	476,499	507,337

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

6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
At January 1, 2014	151,195	61,326	63,897	424,253	14,564	3,882	719,117
Additions	-	132	7	234	865	13,432	14,670
Disposals	-	-8	-	-358	-45	-	-411
Reclassification	-3,261	1,141	103	7,840	171	-9,700	-3,706
Other changes in carrying amount	-	-	-	-41	-	-	-41
Business acquisitions	-	1,821	-	4,096	1,307	2,030	9,254
Net exchange diff.	-	17	-	-652	-61	35	-661
At September 30, 2014	147,934	64,429	64,007	435,372	16,801	9,679	738,222
At January 1, 2015	147,934	65,493	63,955	431,695	17,426	20,847	747,350
Additions	-	13	-	44	302	17,996	18,355
Disposals	-30	-42	-	-37	-508	-90	-707
Reclassification	-	2,264	65	11,949	115	-14,393	-
Net exchange diff.	-	107	-	675	208	1,448	2,438
At September 30, 2015	147,904	67,835	64,020	444,326	17,543	25,808	767,436
Depreciation and impairment							
At January 1, 2014	-	-14,694	-25,024	-242,339	-10,783	-	-292,840
Depreciation charge	-	-1,221	-2,357	-14,993	-845	-	-19,416
Disposals	-	2	-	286	42	-	330
Reclassification	-	154	21	-	-	-	175
Net exchange diff.	-	1	-	142	18	-	161
At September 30, 2014	-	-15,758	-27,360	-256,904	-11,568	-	-311,590
At January 1, 2015	-	-16,086	-28,106	-256,834	-11,720	-	-312,746
Depreciation charge	-	-1,307	-2,352	-15,151	-970	-	-19,780
Disposals	-	17	-	37	508	-	562
Net exchange diff.	-	-2	-	-96	-66	-	-164
At September 30, 2015	-	-17,378	-30,458	-272,044	-12,248	-	-332,128
Net book value							
At September 30, 2014	147,934	48,671	36,647	178,468	5,233	9,679	426,632
At January 1, 2015	147,934	49,407	35,849	174,861	5,706	20,847	434,604
At September 30, 2015	147,904	50,457	33,562	172,282	5,295	25,808	435,308

There was no impairment during the reported financial period in 2015. Non-cash transactions amounting to 3,225 Million KRW are included in the additions for the nine months ended September 30, 2015.

7. Intangible assets

	Industrial rights	Software	Membership	Customer relationship	Non-competitive contracts	Capitalization process technology	Goodwill	Construction-in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
At January 1, 2014	3,090	2,508	1,895	24,093	13,300	652	35,104	1,268	81,910
Additions	-	121	-	-	-	-	-	120	241
Reclassification	-512	-	-	-	-	-	-	-	-512
Business acquisitions	-	-	-	6,918	-	4,037	965	-	11,920
Net exchange diff.	-	-9	-	-60	-81	42	-636	-	-744
At September 30, 2014	2,578	2,620	1,895	30,951	13,219	4,731	35,433	1,388	92,815
At January 1, 2015	2,640	2,639	1,077	29,437	13,813	4,793	39,456	1,369	95,224
Additions	64	60	1	-	-	-	-	92	217
Disposals	-64	-205	-225	-	-	-	-	-8	-502
Reclassification	32	-	-	-	-	-	-	-	32
Net exchange diff.	-	53	-	2,298	1,146	241	2,748	-	6,486
At September 30, 2015	2,672	2,547	853	31,735	14,959	5,034	42,204	1,453	101,457
Amortization and impairment									
At January 1, 2014	-628	-1,786	-	-8,812	-6,330	-228	-27,683	-	-45,467
Amortization	-185	-245	-	-2,325	-1,638	-217	-	-	-4,610
Net exchange diff.	-	6	-	32	27	1	169	-	235
At September 30, 2014	-813	-2,025	-	-11,105	-7,941	-444	-27,514	-	-49,842
At January 1, 2015	-875	-2,111	-	-12,450	-8,890	-694	-28,752	-	-53,772
Amortization	-195	-216	-	-2,932	-1,767	-718	-	-	-5,828
Disposals	31	208	-	-	-	-	-	-	239
Net exchange diff.	-	-25	-	-1,142	-867	-53	-2,385	-	-4,472
At September 30, 2015	-1,039	-2,144	-	-16,524	-11,524	-1,465	-31,137	-	-63,833
Net book value									
At September 30, 2014	1,765	595	1,895	19,846	5,278	4,287	7,919	1,388	42,973
At January 1, 2015	1,765	528	1,077	16,987	4,923	4,099	10,704	1,369	41,452
At September 30, 2015	1,633	403	853	15,211	3,435	3,569	11,067	1,453	37,624

The intangible assets (except Goodwill and memberships) are amortized over a finite useful life. The intangible assets with indefinite useful lives are tested for impairment on an annual basis as per December 31. No triggering events occurred in the nine months ended September 30, 2015 and September 30, 2014.

8. Disposal of Investment Property

Songwon Industrial Co., Ltd. disposed investment properties which consisted of land (book value: 21,294 Million KRW), buildings (book value: 6,125 Million KRW) and structures (book value: 201 Million KRW) in July 2015.

9. Inventories

Description	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Raw materials and supplies	26,110	17,747
Work in progress	357	152
Finished goods	114,262	128,011
Goods in transit	28,184	22,611
Consignment stocks	469	493
Total inventories at the lower of cost and net realizable value	169,382	169,014

As of September 30, 2015 inventory write-off amounted to 2,711 Million KRW for raw material and finished goods (December 31, 2014: 3,506 Million KRW).

10. Trade and other receivables

Description	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Trade and notes receivable (net) – third parties	108,679	108,370
Trade and notes receivable (net) – related parties	-	31
Other receivables (net) – third parties	5,612	2,988
Accrued income	242	34
Total	114,533	111,423

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

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

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2014	-240	-21	-261
Charge for the year	-534	-66	-600
Unused amounts reversed	379	-	379
September 30, 2014	-395	-87	-482

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2015	-408	-52	-460
Charge for the year	-335	-5	-340
Unused amounts reversed	67	14	81
September 30, 2015	-676	-43	-719

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

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-90 days	90-120 days	120-180 days	> 180 days
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Sept. 30, 2015	114,533	107,233	5,554	1,124	169	396	57
Dec. 31, 2014	111,423	97,937	10,057	2,997	172	231	29

11. Cash and cash equivalent

Description	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Cash on hand	107	83
Bank accounts	55,437	43,352
Time deposit (< 3 months)	7,187	1,957
Total	62,731	45,392

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

12. Equity

12.1. Reserves and dividends paid

At the regular general meeting of shareholders, held on March 20, 2015, dividends with a total amount of 1,440 Million KRW were approved by the shareholders. On April 6, 2015 dividends were paid out. Legal reserves increased by 144 Million KRW due to the appropriation to the reserve decided by the shareholders on March 20, 2015.

12.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of September 30, 2015 and December 31, 2014 is composed of the following:

Description	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	2,560	-2,598
Interest rate swap	-91	-133
Total	2,469	-2,731

Details of other comprehensive income for the three months ended Sept. 30, 2015 and Sept. 30, 2014 are as follows:

Description	For the three months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Pretax amounts		
(Loss) / gain on valuation of interest rate swap	28	-47
Exchange difference on translation of foreign operations	4,397	1,370
Remeasurement of defined benefit plan	-	17
Pretax amounts total	4,425	1,340
Tax effects:		
(Loss) / gain on valuation of interest rate swap	-	-
Exchange difference on translation of foreign operations	-	-
Remeasurement of defined benefit plan	-	-
Tax effects total	-	-
Net amounts:		
(Loss) / gain on valuation of interest rate swap	28	-47
Exchange difference on translation of foreign operations	4,397	1,370
Remeasurement of defined benefit plan	-	17
Net amounts total	4,425	1,340

Details of other comprehensive income for the nine months ended Sept. 30, 2015 and Sept. 30, 2014 are as follows:

Description	For the nine months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Pretax amounts		
(Loss) / gain on valuation of available-for-sale financial assets	-	-4
(Loss) / gain on valuation of interest rate swap	42	-82
Exchange difference on translation of foreign operations	5,231	-1,359
Remeasurement of defined benefit plan	-	-1
Pretax amounts total	5,273	-1,446
Tax effects:		
(Loss) / gain on valuation of available-for-sale financial assets	-	-
(Loss) / gain on valuation of interest rate swap	-	-
Exchange difference on translation of foreign operations	-	-
Remeasurement of defined benefit plan	-	-
Tax effects total	-	-
Net amounts:		
(Loss) / gain on valuation of available-for-sale financial assets	-	-4
(Loss) / gain on valuation of interest rate swap	42	-82
Exchange difference on translation of foreign operations	5,231	-1,359
Remeasurement of defined benefit plan	-	-1
Net amounts total	5,273	-1,446

13. Interest bearing loans and borrowings

Interest-bearing loans and borrowings as of September 30, 2015 and December 31, 2014 are as follows:

Description	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Long-term privately placed corporate bonds	-	10,000
Long-term borrowings	74,416	66,014
Non-current bank loans and bonds	74,416	76,014
Current portion of privately placed corporate bonds	10,000	-
Current portion of borrowings	77,504	128,849
Short-term borrowings	218,477	215,314
Current loans and borrowings	305,981	344,163
Total	380,397	420,177

14. Income tax

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

Income taxes	For the three months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Current income tax expense	-10,785	-1,749
Deferred income taxes expense related to origination and reversal of deferred taxes	5,290	-252
Income tax expense	-5,495	-2,001
Total income taxes recorded in the statement of comprehensive income	-5,495	-2,001

Income taxes	For the nine months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Current income tax expense	-16,245	-6,420
Deferred income taxes expense related to origination and reversal of deferred taxes	6,380	-55
Income tax expense	-9,865	-6,475
Total income taxes recorded in the statement of comprehensive income	-9,865	-6,475

In the second quarter 2014 the Company recognized 4,555 Mil. KRW tax expenses for the years 2009 to 2012 resulting from a tax investigation by the Korean tax authority as current income tax expenses.

15. 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 Sept. 30, 2015 and as of Sept. 30, 2014.

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

Description	For the three months ended	
	Sept. 30, 2015	Sept. 30, 2014
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	12,452,419,857	2,831,043,284
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	519	118

Description	For the nine months ended	
	Sept. 30, 2015	Sept. 30, 2014
	KRW	KRW
Net (loss) / profit attributable to ordinary equity holders of the parent	18,808,957,760	-8,142,391,828
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	784	-339

16. Derivative financial instruments

Description	Sept. 30, 2015		Dec. 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	69	503	320	5
Interest rate swaps (current portion)	-	91	-	-
Interest rate swaps (non-current portion)	-	-	-	133
Total	69	594	320	138

16.1. 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 Sept. 30, 2015 and December 31, 2014 are as follows:

As per Sept. 30, 2015

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate currency	Contracted exchange rate rate
Gyeong Nam Bank	Sell	JPY 360,000,000	08.10.2015 – 24.11.2015	KRW	9.3400 – 9.8750
Woori Bank	Sell	EUR 6,600,000	08.10.2015 – 24.11.2015	KRW	1,259.60 – 1,368.38
Korea Standard Chartered Bank	Buy	CHF 1,200,000	20.10.2015	EUR	1.0311

As per Dec. 31, 2014

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate currency	Contracted exchange rate rate
Gyeong Nam Bank	Sell	EUR 3,300,000	25.02.2015	KRW	1,389.00
Korea Standard Chartered Bank	Sell	EUR 6,600,000	02.02.2015 – 24.03.2015	KRW	1,345.90 – 1,350.00
Korea Standard Chartered Bank	Sell	JPY 540,000,000	02.02.2015 – 24.03.2015	KRW	9.2105 – 9.5770

16.2. Interest rate swaps

As of September 30, 2015 and December 31, 2014 the Group has entered into the following interest rate swap contract:

As per Sept. 30, 2015 and Dec. 31, 2014

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

The Group applies cash flow hedge accounting on interest rate swap, in the current reporting period and in 2014 there is an interest rate swap designated as cash flow hedge. The balances included in accumulated other comprehensive income are -91 Million KRW as of September 30, 2015 and -133 Million KRW as of December 31, 2014, respectively (see Note 12.2), net of income tax.

17. Fair values

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

	Carrying amount		Fair value	
	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	69	320	69	320
Other financial assets (Derivatives)	69	320	69	320
<i>Thereof Current</i>	69	320	69	320
<i>Thereof Non-Current</i>	-	-	-	-
Loans and receivables	190,178	166,379	190,178	166,379
Other financial assets	12,914	9,564	12,914	9,564
<i>Thereof Current</i>	11,258	6,889	11,258	6,889
<i>Thereof Non-Current</i>	1,656	2,675	1,656	2,675
Trade and other receivables	114,533	111,423	114,533	111,423
<i>Thereof Current</i>	114,533	111,423	114,533	111,423
<i>Thereof Non-Current</i>	-	-	-	-
Cash and cash equivalent	62,731	45,392	62,731	45,392
<i>Thereof Current</i>	62,731	45,392	62,731	45,392
<i>Thereof Non-Current</i>	-	-	-	-
Available-for-sale financial assets	1,473	1,473	1,473	1,473
<i>Thereof Current</i>	-	-	-	-
<i>Thereof Non-Current</i>	1,473	1,473	1,473	1,473
Total	191,720	168,172	191,720	168,172

	Carrying amount		Fair value	
	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW
Financial liabilities at fair value through profit and loss	503	5	503	5
Other financial liabilities (Derivatives)	503	5	503	5
<i>Thereof Current</i>	503	5	503	5
<i>Thereof Non-Current</i>	-	-	-	-
Financial liabilities at fair value through OCI	91	133	91	133
Other financial liabilities (Derivatives)	91	133	91	133
<i>Thereof Current</i>	91	-	91	-
<i>Thereof Non-Current</i>	-	133	-	133
Financial liabilities measured at amortized costs	459,539	497,466	459,539	497,466
Interest bearing loans and borrowings	380,397	420,177	380,397	420,177
<i>Thereof Current</i>	305,981	344,163	305,981	344,163
<i>Thereof Non-Current</i>	74,416	76,014	74,416	76,014
Other financial liabilities	1,764	3,087	1,764	3,087
<i>Thereof Current</i>	537	773	537	773
<i>Thereof Non-Current</i>	1,227	2,314	1,227	2,314
Trade and other payables	77,378	74,202	77,378	74,202
<i>Thereof Current</i>	77,378	74,202	77,378	74,202
<i>Thereof Non-Current</i>	-	-	-	-
Total	460,133	497,604	460,133	497,604

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

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

Cash and short-term deposits, trade accounts receivables, other accounts receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

17.1. Fair value hierarchy

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

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

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

As of September 30, 2015 and as of December 31, 2014, the Group held the following financial instruments carried at fair value on the statement of financial position:

	Sept. 30, 2015	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Financial assets at fair value through profit or loss	69	-	69	-
<i>Derivatives</i>	69	-	69	-
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	503	-	503	-
<i>Derivatives</i>	503	-	503	-
Financial liabilities at fair value through OCI	91	-	91	-
<i>Derivatives</i>	91	-	91	-

	Dec. 31, 2014	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Financial assets at fair value through profit or loss	320	-	320	-
<i>Derivatives</i>	320	-	320	-
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	5	-	5	-
<i>Derivatives</i>	5	-	5	-
Financial liabilities at fair value through OCI	133	-	133	-
<i>Derivatives</i>	133	-	133	-

During the nine months ended September 30, 2015 and twelve months ended December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

For the financial assets and financial liabilities for which the fair value is disclosed (see Note 17) the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalent.

18. Related Party disclosures

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

Related party	Description	For the three months ended	
		Sept. 30, 2015	Sept. 30, 2014
Jongho Park, Group CEO	Finance income	62	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Purchase	-3,796	-3,356
	Selling and administration costs	-	-
	Other operating income	-	-
	Finance income	-	1
Chemservice Asia Co., Ltd.	Purchase	-	-
	Selling and administration costs	-	-18
	Other operating income	36	-
	Finance income	-	-
Total	Purchase	-3,796	-3,356
	Selling and administration costs	-	-18
	Other operating income	36	-
	Finance income	62	1

Related party	Description	For the nine months ended	
		Sept. 30, 2015	Sept. 30, 2014
Jongho Park, Group CEO	Finance income	173	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Purchase	-9,432	-10,919
	Selling and administration costs	-	-
	Other operating income	-	-
	Finance income	-	15
Chemservice Asia Co., Ltd.	Purchase	-	-
	Selling and administration costs	-36	-54
	Other operating income	36	-
	Finance income	-	-
Total	Purchase	-9,432	-10,919
	Selling and administration costs	-36	-54
	Other operating income	36	-
	Finance income	173	15

Related party	Description	Sept. 30, 2015	Dec. 31, 2014
		Jongho Park, Group CEO	Other receivables
	Other current financial assets	7,000	5,000
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Trade receivables	-	31
	Trade payables	1,629	1,676
Chemservice Asia Co., Ltd.	Other payables	-	7
Total	Trade receivables	-	31
	Other receivables	174	1
	Other current financial assets	7,000	5,000
	Trade payables	1,629	1,676
	Other payables	-	7

18.1. The ultimate parent

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

18.2. 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 nine months ended September 30, 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2014: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

18.3. Compensation of key management personnel of the Group

Description	For the three months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Short term employee benefits	3,789	2,004
Post-employment benefits	217	190
Other long-term benefits	338	178
Share based payments	12	-10
Total compensation paid to key management personnel	4,356	2,362

Description	For the nine months ended	
	Sept. 30, 2015	Sept. 30, 2014
	Million KRW	Million KRW
Short term employee benefits	8,219	6,771
Post-employment benefits	599	602
Other long-term benefits	714	551
Share based payments	162	15
Total compensation paid to key management personnel	9,694	7,939

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.

18.4. 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.

19. Commitments and contingencies

19.1. 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.

19.2. Operating lease commitments

The Group has entered into commercial leases on certain motor vehicles, items of machinery and offices. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

Description	Sept. 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Within one year	-1,452	-1,129
After one year but not more than five years	-5,620	-2,386
More than five years	-1,473	-886
Total	-8,545	-4,401

19.3. Other commitments

As part of the ordinary business, the subsidiaries could enter into various contractual commitments for the purchase of tangible fixed assets and intangible assets as well as investment properties and promotion properties. As of September 30, 2015, commitments to purchase property, plant and equipment, as well as raw materials amounting to 2,142 Million KRW (December 31, 2014: 7,086 Million KRW) were entered.

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

One cheque and one promissory note which the Group received from KEB Hana Bank are outstanding as of September 30, 2015 due to bankruptcy declared by the issuers of cheque.

Details of the Group's available short-term credit line facilities (excluding general loans) as of September 30, 2015 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	23,000	14,018	8,982
	Million KRW	5,000	730	4,270
D/A and D/P trade loans	Thousand USD	126,400	79,640	46,760
	Million KRW	28,000	21,121	6,879
Trade loans	Million KRW	40,000	22,518	17,482
Syndicated short-term loans	Million KRW	50,000	37,000	13,000
L/G for import	Thousand USD	1,000	-	1,000
Other foreign currency guarantees	Thousand USD	16,727	16,227	500
	Thousand INR	250,000	250,000	-
Total Million KRW		123,000	81,369	41,631

Total Thousand USD	167,127	109,885	57,242
Total Thousand INR	250,000	250,000	-

The Group signed on February 18, 2013 a syndicated loan facility of 220,000 Million KRW comprising 170,000 Million KRW of 3 year term loan and 50,000 Million KRW of Revolving Credit Facility (RCF) that revolves every year. Replacing the existing loans, the Group has withdrawn long term facility amounting to 75,382 Million KRW and revolving credit facility amounting to 37,000 Million KRW. The syndicated loan facility was organized by KEB Hana Bank (ex. Korea Exchange Bank) and Woori Bank as leading banks and other 3 banks such as Standard Chartered Bank, KEB Hana Bank (ex. Hana Bank) and Busan Bank as participating bank.

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

Financial measure	Required ratio	Sept. 30, 2015
DEBT/EBITDA	8 or less than 8	4.06
EBITDA/Interest	2.5 or more than 2.5	6.28
Debt/ Equity	250% or less than 250%	146.63%

Songwon provided collaterals to the banks, which provided the syndicated loan, and also committed to meet the above described covenants throughout the period. As per September 30, 2015 all three covenants are met.

20. Assets pledged as collateral and guarantees received

Details of property, plant and equipment and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of as of September 30, 2015 and December 31, 2014, expressed in the maximum value registered to Korean court, are as follows:

Pledged to	Pledged assets	Sept. 30, 2015	Dec. 31, 2014
		Million KRW	Million KRW
Property, plant and equipment (Joint collateral in connection with syndicated loan)			
Woori Bank	Land, buildings, investment properties and machinery	242,000	242,000
KEB Hana Bank (ex. Korea Exchange Bank and Hana Bank)	Land, buildings, investment properties and machinery		
Busan Bank	Land, buildings, investment properties and machinery		
Korean Standard Chartered Bank	Land, buildings, investment properties and machinery		
Property, plant and equipment (Collateral for loans and borrowings other than syndicated loan)			
Korea Development Bank	Land, buildings and machinery	57,000	57,000
Total		299,000	299,000

Additionally, items of property, plant and equipment belonging to Songwon ATG GmbH (Germany) with a total value of 115 Million KRW are pledged as a collateral for interest-bearing loans and borrowings as of September 30, 2015 (December 31, 2014: 153 Million KRW).

The bank deposits pledged as collateral as of September 30, 2015 and December 31, 2014 are as follows:

Description	Sept. 30, 2015	Dec. 31, 2014
Bank deposits – current (Thousand USD)	2,509	1,213

The Group has received payment guarantees amounting to 347,805 Million KRW and 86 Million USD provided by Jongho Park, CEO of the Group, in connection with the Group's borrowings from banks as of September 30, 2015.

21. 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.

21.1. Market risk

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

Interest rate risk; and,

Foreign currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at September 30, 2015 and December 31, 2014.

21.1.1. Interest rate risk

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

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

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings and bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax for the period ended on September 30, 2015 and September 30, 2014 is affected through the impact on floating rate borrowings as follows:

	Increase/decrease	Effect on profit before tax
	in %	Million KRW
Sept. 30, 2015	1.00	-1,429
	-1.00	1,429
Sept. 30, 2014	1.00	-1,602
	-1.00	1,602

21.1.2. Foreign currency risk

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

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

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

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollars (USD), Euro (EUR), Swiss Francs (CHF), Japanese Yen (JPY), United Arab Emirates Dirham (AED) and to Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant but only the foreign exchange rate changes by 10%, the impacts on profit before tax for the period ended on September 30, 2015 and December 31, 2014 are as follows:

Currency	Sept. 30, 2015		Dec. 31, 2014	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	568	-568	-272	272
EUR	-2,250	2,250	-1,687	1,687
JPY	308	-308	-669	669
CHF	-104	104	-11	11
AED	-233	233	162	-162
INR	1,141	-1,141	1,078	-1,078
Total	-570	570	-1,399	1,399

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

21.2. Credit risk

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

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If a customer became worsen in its credit rating, the Group set an individual credit limit on that customer and intensively

manage its credit risk. In addition, the Group minimized the credit risk by maintaining the exposure to the credit risk at insignificant level through ongoing management including periodical reviews on all the customers.

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

21.3. Liquidity risk

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

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

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

The details of maturity profile of the Group's financial liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of September 30, 2015 and December 31, 2014 are as follows (based on contractual undiscounted payments):

As of September 30, 2015	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	23,111	60,565	222,305	70,087	4,329	380,397
Other financial liabilities	489	-	48	1,227	-	1,764
Trade and other payables	56,146	13,062	8,170	-	-	77,378
Total	79,746	73,627	230,523	71,314	4,329	459,539

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

21.4. Capital management

The primary objective of the Group's capital management is to ensure that its continued ability to provide a consistent for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable and also maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position but also its long-term operational and strategic objectives. On the Group level the debt ratio is reviewed regularly. The debt ratio as of September 30, 2015 and December 31, 2014 is 175% and 197% respectively. On a monthly basis all subsidiaries have to report key performance indicators which also include capital management information.

22. 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 nine months ended September 30, 2015 and September 30, 2014 are as follows:

Adjustments	Notes	For the nine months ended	
		Sept. 30, 2015	Sept. 30, 2014
		Million KRW	Million KRW
Depreciation and impairment of property, plant and equipment	6	19,780	19,416
Depreciation of investment properties		98	133
Amortization of intangible assets except for goodwill	7	5,828	4,610
Impairment of non-current financial assets		3	35
(Gain) / loss on disposal of property, plant and equipment, net		-117	7
(Gain) / loss on disposal of investment property, net		-6,789	-
Loss / (gain) on disposal of intangible assets, net		41	-
(Gain) / loss on disposal of investments accounted using the equity method	4.1	-11	-
Share of result from investments accounted using the equity method	4.1	-421	-550
Financial income		-16,854	-3,774
Financial expenses		16,283	15,093
Provision for income taxes	14	9,865	6,475
Total		27,706	41,445
Changes in operating assets and liabilities			
Trade receivables		11,749	-9,211
Other receivables		-2,745	-62
Other current assets		-3,323	-3,514
Other current financial assets		251	-75
Inventories		5,916	-3,136
Trade payables		364	2,101
Other payables		1,586	1,232
Other current financial liabilities		197	164
Other current liabilities		2,696	2,711
Pension liabilities		-134	-726
Other long term employment benefits		579	210
Total		17,136	-10,306

23. 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 statement of financial position as at September 30, 2015, and the related interim condensed consolidated statements of comprehensive income for the three and nine month periods ended September 30, 2015 and 2014, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the nine month periods then ended, all expressed in Korean won, and a summary of significant accounting policies and 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*.



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Other matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2014, and the related consolidated statements of comprehensive income, consolidated statements changes in equity and consolidated statements cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea and our report dated February 24, 2015 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2014, presented for comparative purpose are not different, in all material respects, from the above audited consolidated statement of financial position.

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

November 10, 2015

This review report is effective as at November 10, 2015, the auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.



For more information, please contact:

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