



FINANCIAL RESULTS FIRST QUARTER ENDING MARCH 31, 2017

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About this report

The condensed interim consolidated financial statements (see section 2 from page 7 to 38) according to K-IFRS are reviewed by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review opinion on the quarterly financial statements can be found at the end of this report.

The condensed interim financial statements for the three months ended March 31, 2017 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, 2016, which have been prepared in accordance K-IFRS, too. The annual financial statements for the year 2016 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

	Q1 2017	Q1 2016 (restated*)	
	Million KRW	Million KRW	Δ%
Sales of goods	174,965	183,074	-4.4%
Gross profit	37,862	51,185	-26.0%
<i>Gross profit margin</i>	<i>21.6%</i>	<i>28.0%</i>	
Operating profit	12,983	26,591	-51.2%
EBITDA*	21,225	35,665	-40.5%
<i>EBITDA margin*</i>	<i>12.1%</i>	<i>19.5%</i>	
EBIT*	13,102	26,882	-51.3%
<i>EBIT margin*</i>	<i>7.5%</i>	<i>14.7%</i>	
Profit for the period	8,284	12,201	-32.1%
Total assets	874,318	874,895	-0.1%
Total equity	356,277	325,004	+9.6%
<i>Equity ratio</i>	<i>40.7%</i>	<i>37.2%</i>	
Headcounts	903	830	8.8%

*refer to note 2.2 on page 17 for further details

Sales development

Products

	Q1 2017	Q1 2016	
	Million KRW	Million KRW	Δ%
Alkylphenols and Intermediates	427	588	-27.4%
Plasticizers	2,090	1,970	6.1%
Polyester Diols	3,296	2,596	27.0%
Polymer Stabilizers (AOX & UVs)	113,619	126,690	-10.3%
Polyurethanes	10,570	10,384	1.8%
PVC Stabilizers	18,994	11,547	64.5%
SAP and Flocculants	2,046	2,394	-14.5%
Tin Intermediates	18,330	23,143	-20.8%
Others	5,593	3,762	48.7%
Total Sales of goods	174,965	183,074	-4.4%

Regions

	Q1 2017	Q1 2016	
	Million KRW	Million KRW	Δ%
Korea	48,597	46,989	3.4%
Rest of Asia	43,133	42,897	0.6%
Europe	38,963	42,073	-7.4%
North and South America	33,416	38,931	-14.2%
Australia	462	702	-34.2%
Middle East and Africa	10,394	11,482	-9.5%
Total Sales of goods	174,965	183,074	-4.4%

Business development

SONGWON Industrial Group achieved consolidated sales of 174,965 Mil. KRW in its first quarter ending March 31, 2017. Compared to sales for Q1/2016 (183,074 Mil. KRW), this marked a 4.4% decrease in revenue. In Q1/2017, the Group recorded a net profit of 8,284 Mil. KRW (Q1/2016: 12,201 Mil KRW) and the gross profit margin decreased by 6.4% points.

The decline in revenues during the first three months of this year compared to the previous year was mostly due to the effect of the price concessions made in the second half of 2016 under the pressure of the increased price competition. Exchange rates also negatively impacted revenues during Q1/2017.

Regarding the volumes sold throughout Q1/2017, for most product lines the demand was stable or continued to grow moderately. SONGWON saw large increases in the demand for polymer stabilizers in the Americas where new polyolefin capacities are now coming onstream. Due to attractive pricing, there was an observable increase in the demand for some of SONGWON's products in the Eastern European market. During the first three months of the year, SONGWON continued its penetration along the value chain of the plastics industry and in regions with higher expected growth.

Due to tight supply, SONGWON experienced cost increases of some key raw materials throughout Q1/2017. However, to preserve margins, the selling prices of some products increased or will increase after the announcement of general price increases made in March 2017.

During Q1/2017, SONGWON's production continued to run at high utilization rates. The few production issues which occurred in the beginning of the year were solved during the quarter. However, these issues did prevent SONGWON from pursuing opportunities for additional growth where antioxidants were in tight supply. In some regions, SONGWON detected an imbalance in the supply and demand, which the company believes was probably dictated by some competitors' inability to supply.

The trends described relating to raw materials, the price concessions implemented in the second half of 2016, as well as unfavorable FX impacts led to a decrease in the EBITDA and EBIT margins to 12.1% and to 7.5% respectively during Q1/2017.

Outlook

From an historical point of view, the incoming quarters and especially Q2 and Q3 have been strong quarters and are expected to be this year too. In light of the fact that customers have maintained low inventory levels, SONGWON sees a reason to expect slow growth rather than a decline in demand. However, with the generally weak and volatile global economic situation and high political uncertainties in various regions throughout the world, SONGWON remains cautious and aware of the potential for negative surprises.

In the long term, SONGWON is expecting to see the general demand for its products to continually increase at a rate which slightly exceeds the global GDP. Future, more stringent regulatory changes which are related to emission reductions, combined with the normalization of the political relations with some important countries could bring some further benefits to some of SONGWON's businesses. To support further growth in 2017, SONGWON will continue to pursue its strategy, exercise prudent management of its capital and progress with various initiatives to maintain profitability.

In addition, following SONGWON's increased credit rating from BBB+ to A- by the NICE Investors Service Co., Ltd and Korea Ratings Corporation rating agencies in Q1/2017, the Group expects to benefit from better financing conditions going forward.

SECTION 2:

**Condensed Interim
Consolidated Financial
Statements**

Interim consolidated statement of financial position

	Notes	As at	
		March 31, 2017	December 31, 2016
		Million KRW	Million KRW
ASSETS			
Non-current assets		481,582	481,445
Property, plant and equipment	5.3, 6, 19	432,774	431,484
Investment properties	5.3, 19	3,544	3,549
Intangible assets	5.3, 7	24,886	27,252
Investments accounted for using the equity method	4	6,570	6,552
Available-for-sale financial investments	16	1,473	1,473
Other non-current financial assets	16, 17	8,435	7,198
Deferred tax assets		3,900	3,937
Current assets		392,736	348,078
Inventories	8	157,352	155,735
Trade and other receivables	9, 16, 17	130,406	121,709
Income tax receivables		503	540
Other current assets		5,754	3,609
Other current financial assets	15, 16, 17	31,083	17,185
Cash and cash equivalent	10, 16	67,638	49,300
Total assets		874,318	829,523
EQUITY AND LIABILITIES			
Equity		356,277	354,189
<i>Non-controlling interests</i>		-2,196	-2,237
<i>Equity attributable to owners of the parent</i>		358,473	356,426
Issued capital	11	12,000	12,000
Capital surplus	11	24,361	24,361
Reserves	11	27,255	26,919
Retained earnings	11	295,190	290,544
Accumulated other comprehensive income	11.2	-333	2,602
Non-current liabilities		166,504	174,691
Interest-bearing loans and borrowings	12, 16, 18, 20.3	106,851	112,220
Pension liability		10,803	12,848
Other long-term employee-related liabilities		4,170	4,445
Other non-current financial liabilities	15, 16, 20.3	159	110
Other non-current liabilities		42	43
Deferred tax liabilities		44,479	45,025
Current liabilities		351,537	300,643
Interest-bearing loans and borrowings	12, 16, 18, 20.3	237,858	188,907
Trade and other payables	16, 17, 20.3	97,861	99,662
Other current financial liabilities	15, 16, 20.3	4,069	638
Other current liabilities		3,805	3,782
Income tax payable		7,944	7,654
Total liabilities		518,041	475,334
Total equity and liabilities		874,318	829,523

Interim consolidated statement of financial position

	As at (see note 2.1)	
	March 31, 2017	December 31, 2016
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	430,053	429,930
Property, plant and equipment	386,468	385,315
Investment properties	3,165	3,169
Intangible assets	22,223	24,336
Investments accounted for using the equity method	5,867	5,851
Available-for-sale financial investments	1,315	1,315
Other non-current financial assets	7,532	6,428
Deferred tax assets	3,483	3,516
Current assets	350,713	310,834
Inventories	140,515	139,072
Trade and other receivables	116,453	108,686
Income tax receivables	449	482
Other current assets	5,138	3,223
Other current financial assets	27,757	15,346
Cash and cash equivalent	60,401	44,025
Total assets	780,766	740,764
EQUITY AND LIABILITIES		
Equity	318,155	316,291
<i>Non-controlling interests</i>	-1,962	-1,998
<i>Equity attributable to owners of the parent</i>	320,117	318,289
Issued capital	10,716	10,716
Capital surplus	21,754	21,754
Reserves	24,339	24,039
Retained earnings	263,605	259,456
Accumulated other comprehensive income	-297	2,324
Non-current liabilities	148,689	155,999
Interest-bearing loans and borrowings	95,418	100,212
Pension liability	9,647	11,475
Other long-term employee-related liabilities	3,724	3,969
Other non-current financial liabilities	142	98
Other non-current liabilities	38	38
Deferred tax liabilities	39,720	40,207
Current liabilities	313,922	268,474
Interest-bearing loans and borrowings	212,407	168,694
Trade and other payables	87,390	88,998
Other current financial liabilities	3,634	570
Other current liabilities	3,398	3,377
Income tax payable	7,093	6,835
Total liabilities	462,611	424,473
Total equity and liabilities	780,766	740,764

Interim consolidated statement of comprehensive income

	Notes	For the three months ended March 31,	
		2017	2016 (restated*)
		Million KRW	Million KRW
Sales of goods	5, 17	174,965	183,074
Cost of sales	17	-137,103	-131,889
Gross profit		37,862	51,185
Selling and administration costs	17	-24,879	-24,594
Operating profit		12,983	26,591
Other income*	17	407	539
Other expenses*		-288	-248
Share of result from investments accounted for using the equity method	4	293	99
Finance income*	17	12,139	24,287
Finance expenses*		-14,802	-32,748
Profit before tax		10,732	18,520
Income tax expenses	13	-2,448	-6,319
Profit for the period		8,284	12,201
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-2,836	-1,930
Gain / (loss) on valuation of interest rate swap	11.2	54	-563
Exchange differences on translation of foreign operations	11.2	-2,890	-1,367
Total other comprehensive income, net of taxes		-2,836	-1,930
Total comprehensive income		5,448	10,271
Profit for the period attributable to:			
Owners of the parent		8,342	12,713
Non-controlling interests		-58	-512
Profit for the period		8,284	12,201
Total comprehensive income attributable to:			
Owners of the parent		5,407	10,742
Non-controlling interests		41	-471
Total comprehensive income		5,448	10,271
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	14	348	530

*refer to note 2.2 on page 17 for further details

Interim consolidated statement of comprehensive income

	For the three months ended March 31, (see note 2.1)	
	2017	2016 (restated*)
	Thousand USD	Thousand USD
Sales of goods	156,244	163,485
Cost of sales	-122,433	-117,777
Gross profit	33,811	45,708
Selling and administration costs	-22,217	-21,962
Operating profit	11,594	23,746
Other income*	363	481
Other expenses*	-257	-221
Share of result from investments accounted for using the equity method	262	88
Finance income*	10,840	21,688
Finance expenses*	-13,218	-29,244
Profit before tax	9,584	16,538
Income tax expenses	-2,187	-5,642
Profit for the period	7,397	10,896
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-2,533	-1,724
Gain / (loss) on valuation of interest rate swap	48	-503
Exchange differences on translation of foreign operations	-2,581	-1,221
Total other comprehensive income, net of taxes	-2,533	-1,724
Total comprehensive income	4,864	9,172
Profit for the period attributable to:		
Owners of the parent	7,449	11,353
Non-controlling interests	-52	-457
Profit for the period	7,397	10,896
Total comprehensive income attributable to:		
Owners of the parent	4,828	9,592
Non-controlling interests	36	-420
Total comprehensive income	4,864	9,172
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	310	473

*refer to note 2.2 on page 17 for further details

Interim consolidated statement of changes in equity

For the three months ended March 31, 2016 and 2017

	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		
As at January 1, 2016	12,000	24,361	26,751	250,000	1,357	314,469	1,944	316,413
Profit for the period	-	-	-	12,713	-	12,713	-512	12,201
Loss on valuation of interest rate swaps, net of tax	-	-	-	-	-563	-563	-	-563
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,408	-1,408	41	-1,367
Total comprehensive income	-	-	-	12,713	-1,971	10,742	-471	10,271
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at March 31, 2016	12,000	24,361	26,919	260,865	-614	323,531	1,473	325,004
As at January 1, 2017	12,000	24,361	26,919	290,544	2,602	356,426	-2,237	354,189
Profit for the period	-	-	-	8,342	-	8,342	-58	8,284
Gain on valuation of interest rate swaps, net of tax	-	-	-	-	54	54	-	54
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-2,989	-2,989	99	-2,890
Total comprehensive income	-	-	-	8,342	-2,935	5,407	41	5,448
Dividends	-	-	-	-3,360	-	-3,360	-	-3,360
Appropriation to reserves	-	-	336	-336	-	-	-	-
As at March 31, 2017	12,000	24,361	27,255	295,190	-333	358,473	-2,196	356,277

Interim consolidated statement of changes in equity

For the three months ended March 31, 2016 and 2017 (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, 2016	10,716	21,754	23,889	223,250	1,211	280,820	1,736	282,556
Profit for the period	-	-	-	11,353	-	11,353	-457	10,896
Loss on valuation of interest rate swaps, net of tax	-	-	-	-	-503	-503	-	-503
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,258	-1,258	37	-1,221
Total comprehensive income	-	-	-	11,353	-1,761	9,592	-420	9,172
Dividends	-	-	-	-1,500	-	-1,500	-	-1,500
Appropriation to reserves	-	-	150	-150	-	-	-	-
As at March 31, 2016	10,716	21,754	24,039	232,953	-550	288,912	1,316	290,228
As at January 1, 2017	10,716	21,754	24,039	259,456	2,324	318,289	-1,998	316,291
Profit for the period	-	-	-	7,449	-	7,449	-52	7,397
Gain on valuation of interest rate swaps, net of tax	-	-	-	-	48	48	-	48
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-2,669	-2,669	88	-2,581
Total comprehensive income	-	-	-	7,449	-2,621	4,828	36	4,864
Dividends	-	-	-	-3,000	-	-3,000	-	-3,000
Appropriation to reserves	-	-	300	-300	-	-	-	-
As at March 31, 2017	10,716	21,754	24,339	263,605	-297	320,117	-1,962	318,155

Interim consolidated statement of cash flows

	Notes	For the three months ended March 31,	
		2017	2016
		Million KRW	Million KRW
Profit for the period		8,284	12,201
Adjustments total	21	16,569	21,125
Changes in operating assets and liabilities	21	-27,710	-3,159
Interest received		94	345
Payment of income tax		-2,490	-10,108
Net cash flow from operating activities		-5,253	20,404
Proceeds from sale of property, plant and equipment	6	25	5
Proceeds from sale of intangible assets	7	42	-
Purchase of property, plant and equipment	6	-9,570	-3,462
Purchase of intangible assets	7	-85	-52
Investment in a joint venture		-	-1,031
Increase of other financial assets, net		-15,103	-6,751
Net cash flow from investing activities		-24,691	-11,291
Proceeds from borrowings (current)		111,065	163,821
Repayment of borrowings (current)		-61,719	-266,747
Proceeds from interest bearing borrowings (non-current)		230	120,000
Increase / (decrease) in other financial liabilities, net		3,470	-1,799
Interest paid		-2,321	-3,112
Net cash flow from financing activities		50,725	12,163
Increase in cash and cash equivalents		20,781	21,276
Net foreign exchange difference		-2,443	-1,267
Cash and cash equivalent at January 1,	10	49,300	68,402
Cash and cash equivalent at March 31,	10	67,638	88,411

Interim consolidated statement of cash flows

	For the three months ended March 31, (see note 2.1)	
	2017	2016
	Thousand USD	Thousand USD
Profit for the period	7,397	10,896
Adjustments total	14,796	18,865
Changes in operating assets and liabilities	-24,745	-2,821
Interest received	84	308
Payment of income tax	-2,224	-9,026
Net cash flow from operating activities	-4,692	18,222
Proceeds from sale of property, plant and equipment	22	4
Proceeds from sale of intangible assets	38	-
Purchase of property, plant and equipment	-8,546	-3,092
Purchase of intangible assets	-76	-46
Investment in a joint venture	-	-921
Increase of other financial assets, net	-13,485	-6,029
Net cash flow from investing activities	-22,047	-10,084
Proceeds from borrowings (current)	99,181	146,292
Repayment of borrowings (current)	-55,115	-238,205
Proceeds from interest bearing borrowings (non-current)	205	107,160
Increase / (decrease) in other financial liabilities, net	3,099	-1,607
Interest paid	-2,073	-2,779
Net cash flow from financing activities	45,297	10,861
Increase in cash and cash equivalents	18,558	18,999
Net foreign exchange difference	-2,182	-1,131
Cash and cash equivalent at January 1,	44,025	61,083
Cash and cash equivalent at March 31,	60,401	78,951

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 polyurethane. The Company's main manufacturing plants are located in Ulsan, Maeam and Suwon, all in Korea and in Ankleshwar, India. The Company listed its common shares on the Korea Exchange in June 1977 pursuant to the provisions of the Korean Securities and Exchange Act.

1.2. Scope of consolidation

As of March 31, 2017, the scope of consolidation for the consolidated financial statements encompasses 10 entities (2016: 9 entities). Additionally, two entities are classified as joint ventures (2016: 2 entities) and accounted for using the equity method.

In the course of Q1/2017, Songwon China Ltd. has been liquidated and the remaining funds were transferred to Songwon Industrial Co., Ltd. Furthermore, Songwon EMEA AG and Songwon Management AG both have been legally established in course of Q1/2017 in Switzerland. However, as of March 31, 2017 they are not yet operationally active.

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

Name	Location	March 31, 2017		December 31, 2016	
		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%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	55.5%	Subsidiary	55.5%
Songwon EMEA AG	Switzerland	Subsidiary	100%	-	-
Songwon Management AG	Switzerland	Subsidiary	100%	-	-
Entities accounted for using the equity method (joint ventures)					
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 months ended March 31, 2017 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, 2016, 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 Parent Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in Won are expressed in US dollars at the rate of KRW 1,119.82 to USD 1, the exchange rate in effect on March 31, 2017. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the amounts in Won shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2. Restatement of prior year figures in consolidated statement of comprehensive income

A decision was made in 2017 to reclassify foreign exchange impacts from other income and expenses into financial income and expenses in order to summarize the impacts of the foreign exchange resulting from the net working capital in the financial results. In the first three months ended 2016, the amount of gains on foreign exchange differences is total 11,446 Million KRW (10,221 Thousand USD) and losses on foreign exchange differences is total 13,471 Million KRW (12,029 Thousand USD). The net impact of 2,025 Million KRW (1,808 Thousand USD) lead to a higher EBIT and EBITDA, as well as the corresponding margins in the first three months ended 2016, but net profit remained 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, 2016, except for the adoption of the new standards as of January 1, 2017, listed below:

New and amended standards adopted by the Group

Amendments to K-IFRS 1007 Statement of Cash Flows: Disclosure Initiative

The amendments to K-IFRS 1007 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments were effective for annual periods beginning on or after January 1, 2017, with early application permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1012 Recognition of Deferred Tax Assets for unrealized losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments were effective for annual periods beginning on or after January 1, 2017 with early application permitted. These amendments do not have any impact on the Group's consolidated financial statements.

4. Investment accounted for using the equity method

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

Statement of financial position	Cash and Cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,631	7,678	7,333	1,913	2,180	-	-	12,831	3,849
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,802	13,151	3,216	7,482	7,482	3,479	3,479	5,406	2,703
December 31, 2016	4,433	20,829	10,549	9,395	9,662	3,479	3,479	18,237	6,552
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,272	7,983	6,857	1,652	1,787	-	-	13,053	3,916
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,722	12,801	3,069	7,312	7,312	3,250	3,250	5,308	2,654
March 31, 2017	3,994	20,784	9,926	8,964	9,099	3,250	3,250	18,361	6,570

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
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	4,847	-	1	-31	1,044	-261	783	-77	706
Qingdao Long Fortune Songwon Chemical Co., Ltd.	3,438	-6	1	-	-272	-	-272	-192	-464
March 31, 2016	8,285	-6	2	-31	772	-261	511	-269	242
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,971	-16	-	-11	626	-158	468	-243	225
Qingdao Long Fortune Songwon Chemical Co., Ltd.	6,210	-54	4	-63	252	53	305	-404	-99
March 31, 2017	12,181	-70	4	-74	878	-105	773	-647	126

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

	As of January 1, 2016	Additions	Share of result from equity method revaluation	Exchange rate effect	As of March 31, 2016
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,276	-	235	-23	3,488
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,386	1,031	-136	-96	2,185
Total	4,662	1,031	99	-119	5,673

	As of January 1, 2017	Additions	Share of result from equity method revaluation	Exchange rate effect	As of March 31, 2017
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,849	-	140	-73	3,916
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,703	-	153	-202	2,654
Total	6,552	-	293	-275	6,570

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 operating worldwide and therefore, discloses geographic segment information.

5.1. Product information

	For the three months ended	
	March 31, 2017	March 31, 2016
	Million KRW	Million KRW
Alkylphenols and Intermediates	427	588
Plasticizers	2,090	1,970
Polyester Diol	3,296	2,596
Polymer Stabilizers (AOX and UVs)	113,619	126,690
Polyurethanes	10,570	10,384
PVC Stabilizers	18,994	11,547
SAP and Flocculants	2,046	2,394
Tin Intermediates	18,330	23,143
Others	5,593	3,762
Total	174,965	183,074

5.2. Geographic information

	For the three months ended	
	March 31, 2017	March 31, 2016
	Million KRW	Million KRW
Korea	48,597	46,989
Rest of Asia	43,133	42,897
Europe	38,963	42,073
North and South America	33,416	38,931
Australia	462	702
Middle East and Africa	10,394	11,482
Total	174,965	183,074

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

	March 31, 2017	Dec. 31, 2016
	Million KRW	Million KRW
Korea	397,489	395,583
Rest of Asia	23,545	22,836
Europe	18,172	20,313
North and South America	4,538	4,584
Middle East and Africa	17,460	18,969
Total	461,204	462,285

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

6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost							
At January 1, 2016	147,904	68,374	63,995	445,667	17,300	23,719	766,959
Additions	-	206	-	23	269	3,895	4,393
Disposals	-	-	-	-14	-17	-	-31
Reclassifications	-	16,133	-	6,553	315	-23,001	-
Net exchange differences	-	-916	-	-531	-134	516	-1,065
At March 31, 2016	147,904	83,797	63,995	451,698	17,733	5,129	770,256
At January 1, 2017	147,904	85,352	65,640	462,827	17,895	10,537	790,155
Additions	-	425	-	75	912	9,341	10,753
Disposals	-	-	-2	-33	-633	-	-668
Reclassifications	-	3,239	40	5,957	41	-9,277	-
Net exchange differences	-	-1,207	-	-1,060	87	-136	-2,316
At March 31, 2017	147,904	87,809	65,678	467,766	18,302	10,465	797,924
Depreciation							
At January 1, 2016	-	-17,815	-31,201	-273,879	-11,568	-	-334,463
Depreciation charge	-	-575	-775	-5,092	-368	-	-6,810
Disposals	-	-	-	14	17	-	31
Net exchange differences	-	9	-	12	21	-	42
At March 31, 2016	-	-18,381	-31,976	-278,945	-11,898	-	-341,200
At January 1, 2017	-	-20,132	-34,311	-292,056	-12,172	-	-358,671
Depreciation charge	-	-582	-775	-5,208	-405	-	-6,970
Disposals	-	-	2	13	633	-	648
Net exchange differences	-	47	-1	13	-216	-	-157
At March 31, 2017	-	-20,667	-35,085	-297,238	-12,160	-	-365,150
Net book value							
At March 31, 2017	147,904	67,142	30,593	170,528	6,142	10,465	432,774
At January 1, 2017	147,904	65,220	31,329	170,771	5,723	10,537	431,484
At March 31, 2016	147,904	65,416	32,019	172,753	5,835	5,129	429,056

There was no impairment during the reported financial period. Non-cash transactions amounting to 6,269 Million KRW (Q1/2016: 3,319 Million KRW) are included in the additions for the three months ended March 31, 2017.

7. Intangible assets

	Industrial rights	Software	Memberships	Customer relationships	Non-compete contracts	Capitalization process technology	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost									
At January 1, 2016	2,672	2,525	852	31,391	14,812	4,937	41,624	1,486	100,299
Additions	-	22	-	-	-	-	-	30	52
Net exchange differences	-	-18	-	-871	-422	-110	-992	-	-2,413
At March 31, 2016	2,672	2,529	852	30,520	14,390	4,827	40,632	1,516	97,938
At January 1, 2017	3,329	2,772	853	32,351	14,938	3,818	44,890	1,361	104,312
Additions	-	4	4	-	-	-	-	77	85
Disposals	-	-87	-	-	-	-	-	-	-87
Net exchange differences	-	-65	-	-2,923	-	-421	-2,855	-	-6,264
At March 31, 2017	3,329	2,624	857	29,428	14,938	3,397	42,035	1,438	98,046
Amortization									
At January 1, 2016	-1,104	-2,161	-	-17,373	-12,025	-1,889	-31,059	-	-65,611
Amortization charge	-84	-46	-	-1,014	-633	-192	-	-	-1,969
Net exchange differences	-	9	-	527	385	35	883	-	1,839
At March 31, 2016	-1,188	-2,198	-	-17,860	-12,273	-2,046	-30,176	-	-65,741
At January 1, 2017	-1,365	-2,381	-	-21,760	-14,938	-2,301	-34,315	-	-77,060
Amortization charge	-80	-48	-	-893	-	-128	-	-	-1,149
Disposals	-	45	-	-	-	-	-	-	45
Net exchange differences	-1	41	-	2,322	-	331	2,311	-	5,004
At March 31, 2017	-1,446	-2,343	-	-20,331	-14,938	-2,098	-32,004	-	-73,160
Net book value									
At March 31, 2017	1,883	281	857	9,097	-	1,299	10,031	1,438	24,886
At January 1, 2017	1,964	391	853	10,591	-	1,517	10,575	1,361	27,252
At March 31, 2016	1,484	331	852	12,660	2,117	2,781	10,456	1,516	32,197

The intangible assets (except goodwill and memberships) are amortized over a finite useful life. The intangible assets with indefinite useful lives are tested for impairment on an annual basis as per December 31. No triggering events occurred in the three months ended March 31, 2017 and 2016.

8. Inventories

Description	March 31, 2017	December 31, 2016
	Million KRW	Million KRW
Raw materials and supplies	23,773	22,999
Work in progress	233	267
Finished goods	111,996	109,064
Goods in transit	21,279	23,228
Consignment stocks	71	177
Total inventories at the lower of cost and net realizable value	157,352	155,735

As of March 31, 2017, inventory write-off amounted to 2,330 Million KRW for raw material and finished goods (December 31, 2016: 1,924 Million KRW).

9. Trade and other receivables

Description	March 31, 2017	December 31, 2016
	Million KRW	Million KRW
Trade and notes receivables (net) – third parties	117,157	113,546
Trade and notes receivables (net) – related parties	5,447	4,840
Other receivables (net) – third parties	7,141	2,969
Other receivables (net) – related parties	61	158
Accrued income – third parties	340	137
Accrued income – related parties	260	59
Total	130,406	121,709

Other receivables third parties includes customs, rental income receivables and others.

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

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2016	-343	-42	-385
Charge for the period	-92	-	-92
Unused amounts reversed	17	42	59
March 31, 2016	-418	-	-418
January 1, 2017	-664	-475	-1,139
Charge for the period	-327	-1	-328
Unused amounts reversed	22	256	278
March 31, 2017	-969	-220	-1,189

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

	Total	Neither past due nor impaired	Past due but not impaired				
			≤ 30 days	31-90 days	91-120 days	121-180 days	> 180 days
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
March 31, 2017	130,406	112,015	16,214	1,351	357	467	2
Dec. 31, 2016	121,709	109,947	8,038	2,431	898	395	-

10. Cash and cash equivalent

Description	March 31, 2017	December 31, 2016
	Million KRW	Million KRW
Cash on hand	108	101
Bank accounts	64,104	43,960
Time deposit (< 3 months)	3,426	5,239
Total	67,638	49,300

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 Group's immediate cash requirements, 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 24, 2017, dividends with a total amount of 3,360 Million KRW were approved by the shareholders. As per March 31, 2017 dividends were recorded in the books of the Group but have not been paid out yet. Legal reserves increased by 336 Million KRW due to the appropriation to the reserve decided by the shareholders on March 24, 2017.

11.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of March 31, 2017 and December 31, 2016 is composed of the following:

Description	March 31, 2017	December 31, 2016
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	-205	2,784
Interest rate swap	-128	-182
Total	-333	2,602

Details of other comprehensive income for the three months ended March 31, 2017 and 2016 are as follows:

Description	March 31, 2017	March 31, 2016
	Million KRW	Million KRW
Pretax amounts		
Gain / (loss) on valuation of interest rate swap	70	-563
Exchange differences on translation of foreign operations	-2,890	-1,367
Pretax amounts total	-2,820	-1,930
Tax effects:		
Gain on valuation of interest rate swap	-16	-
Tax effects total	-16	-
Net amounts:		
Gain / (loss) on valuation of interest rate swap	54	-563
Exchange differences on translation of foreign operations	-2,890	-1,367
Net amounts total	-2,836	-1,930

12. Interest bearing loans and borrowings

Interest-bearing loans and borrowings as of March 31, 2017 and December 31, 2016 are as follows:

Description	March 31, 2017	December 31, 2016
	Million KRW	Million KRW
Long-term borrowings	106,851	112,220
Non-current interest bearing loans and borrowings	106,851	112,220
Current portion of long-term borrowings	18,120	23,720
Short-term borrowings	219,738	165,187
Current interest bearing loans and borrowings	237,858	188,907
Total	344,709	301,127

13. Income tax expenses

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

Income taxes	For the three months ended	
	March 31, 2017	March 31, 2016
	Million KRW	Million KRW
Current income tax charge	-2,911	-6,119
Deferred income taxes related to origination and reversal of deferred taxes	463	-200
Income tax expenses	-2,448	-6,319

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 company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of March 31, 2017 and 2016.

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

Description	For the three months ended	
	March 31, 2017	March 31, 2016
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	8,342,005,240	12,713,153,685
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	348	530

15. Derivatives financial instruments

Description	March 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	184	15	-	-
Interest rate swaps (current portion)	-	139	-	128
Interest rate swaps (non-current portion)	-	27	-	108
Total	184	181	-	236

15.1. Currency forwards

Currency forward contracts which the Group has entered into in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of March 31, 2017 (December 31, 2016: none) are as follows:

As of March 31, 2017

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citybank	Sell	EUR 12,600,000	26.04.2017 – 27.12.2017	1,261.00 -1,261.50
Citybank	Sell	USD 4,950,000	26.04.2017 – 27.12.2017	1,185.00
Kyong Nam Bank	Sell	EUR 5,940,000	26.04.2017 – 27.12.2017	1,270.00
Kyong Nam Bank	Sell	JPY 750,000,000	26.04.2017 – 27.12.2017	10.6050
Woori Bank	Sell	USD 4,000,000	29.05.2017 – 27.12.2017	1,193.80

15.2. Interest rate swaps

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

As of March 31, 2017

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, 2016 the Group has entered into the following interest rate swap contract:

As of December 31, 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%

The Group applies cash flow hedge accounting on interest rate swap; in the current reporting period and in 2016 there was an interest rate swaps designated as cash flow hedge. The balances included in accumulated other comprehensive income are -128 Million KRW as of March 31, 2017 and -182 Million KRW as of December 31, 2016, respectively (see Note 11.2), net of income tax.

16. Fair values

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

	Carrying amount		Fair value	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	184	-	184	-
Other financial assets (Derivatives)	184	-	184	-
<i>Thereof current</i>	184	-	184	-
Loans and receivables	237,378	195,392	237,378	195,392
Other financial assets	39,334	24,383	39,334	24,383
<i>Thereof current</i>	30,899	17,185	30,899	17,185
<i>Thereof non-current</i>	8,435	7,198	8,435	7,198
Trade and other receivables	130,406	121,709	130,406	121,709
<i>Thereof current</i>	130,406	121,709	130,406	121,709
Cash and cash equivalent	67,638	49,300	67,638	49,300
<i>Thereof current</i>	67,638	49,300	67,638	49,300
Available-for-sale financial assets	1,473	1,473	1,473	1,473
<i>Thereof non-current</i>	1,473	1,473	1,473	1,473
Total	239,035	196,865	239,035	196,865

	Carrying amount		Fair value	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	Million KRW	Million KRW	Million KRW	Million KRW
Financial liabilities at fair value through profit and loss	15	-	15	-
Other financial liabilities (Derivatives)	15	-	15	-
<i>Thereof current</i>	15	-	15	-
Financial liabilities at fair value through OCI	166	236	166	236
Other financial liabilities (Derivatives)	166	236	166	236
<i>Thereof current</i>	139	128	139	128
<i>Thereof non-current</i>	27	108	27	108
Financial liabilities measured at amortized costs	446,617	401,301	446,617	401,301
Interest bearing loans and borrowings	344,709	301,127	344,709	301,127
<i>Thereof current</i>	237,858	188,907	237,858	188,907
<i>Thereof non-current</i>	106,851	112,220	106,851	112,220
Other financial liabilities	4,047	512	4,047	512
<i>Thereof current</i>	3,915	510	3,915	510
<i>Thereof non-current</i>	132	2	132	2
Trade and other payables	97,861	99,662	97,861	99,662
<i>Thereof current</i>	97,861	99,662	97,861	99,662
Total	446,798	401,537	446,798	401,537

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

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

- Cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of 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 (refer to note 16.1).

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

As of March 31, 2017 and as of December 31, 2016, the Group held the following financial instruments carried at fair value on the statement of financial position:

	March 31, 2017	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	184	-	184	-
<i>Derivatives</i>	184	-	184	-
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-

	March 31, 2017	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	15	-	15	-
<i>Derivatives</i>	15	-	15	-
Financial liabilities at fair value through OCI	166	-	166	-
<i>Derivatives</i>	166	-	166	-

	December 31, 2016	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-

	December 31, 2016	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Liabilities measured at fair value				
Financial liabilities at fair value through OCI	236	-	236	-
<i>Derivatives</i>	236	-	236	-

During the reporting periods ending March 31, 2017 and December 31, 2016, 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 (refer to 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 three months ended	
		March 31, 2017	March 31, 2016
Jongho Park, Chairman of the Board of Directors	Finance income	206	98
Songwon Moolsan Co., Ltd. (refer to note 17.5)	Selling and administration costs	-13	-13
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint Venture)	Cost of sales	-3,798	-2,744
Qingdao Long Fortune Songwon Chemical Co., Ltd. (Joint Venture)	Sales of goods	3,765	2,196
	Selling and administration costs	-237	-166
	Other income	37	50
	Finance income	30	-
Total	Sales of goods	3,765	2,196
	Cost of sales	-3,798	-2,744
	Selling and administration costs	-250	-179
	Other income	37	50
	Finance income	236	98

Related party	Description	March 31, 2017	December 31, 2016
		Jongho Park, Chairman of the Board of Directors	Trade and other receivables
Songwon Moolsan Co., Ltd. (refer to note 17.5)	Other current financial assets	28,000	14,000
	Other non-current financial assets	24	24
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint Venture)	Trade and other payables	4	5
	Trade and other payables	938	1,071
Qingdao Long Fortune Songwon Chemical Co., Ltd. (Joint Venture)	Other non-current financial assets	1,625	1,739
	Trade and other receivables	5,508	5,003
	Trade and other payables	233	79
Total	Other non-current financial assets	1,649	1,763
	Trade and other receivables	5,768	5,057
	Other current financial assets	28,000	14,000
	Trade and other payables	1,175	1,155

17.1. The ultimate parent

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

17.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three months ended March 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2016: 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. Transactions with key management personnel

In the three months ended March 31, 2017, the Group granted a loan of 14,000 Million KRW to the Chairman of the Board of Directors of the Group, Jongho Park at usual market conditions.

17.4. Compensation of key management personnel of the Group

Description	For the three months ended	
	March 31, 2017	March 31, 2016
	Million KRW	Million KRW
Short term employee benefits	4,593	3,147
Post-employment benefits	200	258
Other long-term benefits	368	656
Share based payments	-170	315
Total compensation paid to key management personnel	4,991	4,376

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

17.5. Other related parties

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

The parent company has provided payment guarantees amounting to 3,831,500 USD in connection with the Songwon Polysys Additives LLC's borrowings to banks as of March 31, 2017.

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 as of March 31, 2017 and December 31, 2016 are as follows:

Description	March 31, 2017	December 31, 2016
	Million KRW	Million KRW
Within one year	-2,044	-2,121
After one year but not more than five years	-6,843	-3,956
More than five years	-1,712	-752
Total	-10,599	-6,829

18.3. Other commitments

As part of the ordinary business, the subsidiaries could enter into various contractual commitments for the purchase of tangible fixed assets and intangible assets as well as investment properties and promotion properties. As of March 31, 2017, commitments to purchase property, plant and equipment, as well as raw materials amounting to 21,392 Million KRW (December 31, 2016: 22,121 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, are outstanding as of March 31, 2017 due to bankruptcy declared by the issuers of check.

Details of the Group's available short-term credit line facilities (excluding general loans) as of March 31, 2017, are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	31,400	5,862	25,538
D/A and D/P	Thousand USD	123,500	75,155	48,345
	Million KRW	32,000	22,291	9,709
Trade loans	Million KRW	20,000	-	20,000
Secured loan of credit sales	Million KRW	7,000	5,624	1,376
L/G for import	Thousand USD	1,000	-	1,000
Other foreign currency guarantees	Thousand USD	7,400	2,000	5,400
	Total Million KRW	59,000	27,915	31,085
	Total Thousand USD	163,300	83,017	80,283

19. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of as of March 31, 2017 and December 31, 2016, expressed in the maximum value registered to Korean court, are as follows:

Pledged to	Pledged assets	Currency	March 31, 2017	December 31, 2016
			Million KRW / Thousand USD	Million KRW / Thousand USD
Property, plant and equipment (Joint collateral in connection with long-term loan)				
Busan Bank	Land, buildings and machinery	KRW	30,000	30,000
		USD	24,000	24,000
Kyong Nam Bank	Land, buildings and machinery	KRW	18,000	18,000
Property, plant and equipment (Collateral for other than syndicated or long-term loan)				
Korea Development Bank	Land, buildings, investment properties and machinery	KRW	57,000	57,000
Woori Bank	Land, buildings and machinery	KRW	120,000	120,000
KEB Hana Bank	Land, buildings and machinery	KRW	60,000	60,000
Total		KRW	285,000	285,000
		USD	24,000	24,000

No other items of property, plant and equipment are pledged as a collateral for interest-bearing loans and borrowings as of March 31, 2017 (December 31, 2016: none).

The Group has received payment guarantees amounting to 309,822 Million KRW and 64,160 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 March 31, 2017.

The bank deposits pledged as collateral as of March 31, 2017 and December 31, 2016 are as follows:

Description	March 31, 2017	December 31, 2016
Bank deposits – current (in Thousand USD)	3,040	3,017

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

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 of March 31, 2017 and December 31, 2016.

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

	Increase/(decrease) Effect on profit before tax	
	in %	Million KRW
March 31, 2017	1.00	-281
	-1.00	281
March 31, 2016	1.00	-406
	-1.00	406

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), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), United Arab Emirates Dirham (AED) and to Indian Rupee (INR).

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

The objective of the management of foreign currency risk is to maximize the value of the firm through minimizing the fluctuation of net profit and uncertainty arising from the fluctuation in foreign currency. To accomplish this, the Group uses a strategy to accord the collection terms of receivables and payment terms of payables denominated in USD considering the similar volume of exports and imports. In regard to EUR, USD 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), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), United Arab Emirates Dirham (AED) and to Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant but only the foreign exchange rate changes by 10%, the impacts on net profit for the period ended on March 31, 2017 and December 31, 2016 are as follows:

Currency	March 31, 2017		December 31, 2016	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	1,097	-1,097	674	-674
EUR	-452	452	-591	591
JPY	442	-442	-3	3
CNY	-165	165	-232	232
CHF	182	-182	28	-28
AED	-95	95	34	-34
INR	1,038	1,038	1,149	-1,149
Total	2,047	-2,047	1,059	-1,059

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 and other 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 maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 9.

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

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

The details of maturity profile of the Group's financial liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of March 31, 2017 and December 31, 2016 are as follows (based on contractual undiscounted payments):

As of March 31, 2017	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	19,176	56,530	162,152	106,851	-	344,709
Other financial liabilities	3,829	86	-	132	-	4,047
Trade and other payables	77,794	12,824	7,243	-	-	97,861
Total	100,799	69,440	169,395	106,983	-	446,617

As of December 31, 2016	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	22,685	43,890	122,332	112,220	-	301,127
Other financial liabilities	435	75	-	2	-	512
Trade and other payables	59,274	39,217	1,171	-	-	99,662
Total	82,394	83,182	123,503	112,222	-	401,301

20.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statement of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of March 31, 2017 and December 31, 2016 is 145% and 134%, 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 three months ended March 31, 2017 and 2016 are as follows:

Adjustments	Notes	For the three months ended	
		March 31, 2017	March 31, 2016
		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	6,970	6,810
Depreciation of investment properties		4	4
Amortization of intangible assets	7	1,149	1,969
(Gain) / loss on disposal of property, plant and equipment, net		-5	-5
Share of result from investments accounted using the equity method	4	-293	-99
Financial income		-6,486	-2,104
Financial expenses		12,782	8,231
Income tax expenses	13	2,448	6,319
Total		16,569	21,125
Changes in operating assets and liabilities			
Trade receivables		-13,620	-21,426
Other receivables		-4,067	-1,274
Other current assets		-2,416	-1,195
Other current financial assets		-184	98
Inventories		-6,047	10,553
Trade payables		7,655	-1,014
Other payables		-7,758	9,186
Other current financial liabilities		249	-696
Other current liabilities		94	1,358
Pension liabilities		-1,499	203
Other long-term employment benefits		-117	1,048
Total		-27,710	-3,159

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.



Ernst & Young Han Young
Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 150-777 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Report on review of condensed interim consolidated financial statements

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

We have reviewed the accompanying condensed interim consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises the interim consolidated statement of financial position as at March 31, 2017, and the interim consolidated statements of comprehensive income for the three-month periods ended March 31, 2017 and 2016, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the three-month periods then ended, all expressed in Korean won, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the review standards 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 reviews, nothing has come to our attention that causes us to believe that the accompanying condensed interim 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, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea, and our report dated February 22, 2017 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2016, presented for comparative purposes are not different, in all material respects, from the above audited consolidated statement of financial position.



May 10, 2017

For more information, please contact:

Songwon Industrial Group

E-mail: ir@sonwongwon.com
www.songwon.com