



FINANCIAL RESULTS Q2 & 6 MONTHS ENDING JUNE 30, 2015

SALIENT

IN ADDITIVES

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

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

Content

SECTION 1: Business Development

Key Financial Data	5
Sales development	5
Business development	6
Outlook	6

SECTION 2: Condensed Interim Consolidated Financial Statements

Interim consolidated statement of financial position	8
Interim consolidated statement of comprehensive income	10
Interim consolidated statement of changes in equity	14
Interim consolidated statement of cash flows	16
Notes to the condensed interim consolidated financial statements	18

SECTION 1:

Business Development

Key Financial Data

	Q2 2015	Q2 2014	Δ%	6 months ending June 30		
	Million KRW	Million KRW		2015	2014	Δ%
Sales	157,009	172,909	-9.2%	314,054	335,808	-6.5%
Gross profit*	31,927	23,927	33.4%	56,898	44,254	28.6%
<i>Gross profit margin*</i>	20.3%	13.8%		18.1%	13.2%	
Operating profit*	10,802	1,546	598.7%	15,905	489	3,153%
EBITDA	25,993	2,929	787.4%	36,849	13,545	172.0%
<i>EBITDA margin</i>	16.6%	1.7%		11.7%	4.0%	
EBIT	17,295	-4,971	n/a	19,610	-2,259	n/a
<i>EBIT margin</i>	11.0%	-2.9%		6.2%	-0.7%	
Profit / (loss) before tax	5,617	-2,105	n/a	10,281	-7,131	n/a
Profit / (loss) for the period	2,843	-6,713	n/a	5,911	-11,605	n/a
Total assets				864,074	915,072	-5.6%
Total equity				293,946	292,566	0.5%
<i>Equity ratio</i>				34.0%	32.0%	
Headcounts				775	676	

Sales development

Products

Sales by product (in Mil. KRW)	Q2 2015	Q2 2014	Variance	6 months ending June 2015	6 months ending June 2014	Variance
Alkyl - phenol & Intermediates	597	969	-38.4%	1'409	2'668	-47.2%
Plasticizers	1'839	2'032	-9.5%	3'840	3'999	-4.0%
Polyester Diols	3'831	6'227	-38.5%	6'740	10'180	-33.8%
Polymer Stabilizers (AOX & UVs)	103'596	112'316	-7.8%	209'623	219'447	-4.5%
Polyurethanes	11'252	12'207	-7.8%	23'047	23'270	-1.0%
PVC Stabilizers	10'947	12'659	-13.5%	22'135	25'162	-12.0%
SAP & Flocculants	2'309	5'122	-54.9%	6'487	9'605	-32.5%
Tin Intermediates	18'316	20'755	-11.8%	34'541	40'025	-13.7%
Others	4'322	622	594.9%	6'232	1'452	329.2%
Total Sales	157'009	172'909	-9.2%	314'054	335'808	-6.5%

Regions

Sales by geographical region (in Mil. KRW)	Q2 2015	Q2 2014	Variance	6 months ending June 2015	6 months ending June 2014	Variance
Korea	46'697	50'382	-7.3%	94'840	101'111	-6.2%
Rest of Asia	33'742	40'997	-17.7%	65'851	75'342	-12.6%
Europe	35'457	41'096	-13.7%	72'666	81'561	-10.9%
North and South America	32'771	33'611	-2.5%	65'564	64'585	1.5%
Australia	865	680	27.3%	1'610	1'206	33.5%
Middle East and Africa	7'477	6'143	21.7%	13'523	12'003	12.7%
Total Sales	157'009	172'909	-9.2%	314'054	335'808	-6.5%

Business development

Songwon Industrial Group achieved consolidated sales of 157,009 Mil. KRW and a net profit of 2,843 Mil. KRW during the second quarter of 2015 ending June 30, 2015. The Q2/2015 gross profit margin is at 20.3%. Year-to-date the Group realized consolidated sales of 314,054 Mil. KRW and a net profit of 5,911 Mil. KRW.

Songwon started well into the year 2015, although the market conditions remained difficult. After a volatile and challenging Q1/2015, Q2/2015 was more predictable and robust. Following the end of the West Coast port strikes, the situation in the USA began to normalize. However, the economic conditions in Europe remained instable caused by the political and economic crisis initiated by Greece and the reaction of the European partners dealing with the crisis at hand. Compared to Q2/2014, the Q2/2015 results were also affected by strong forex devaluations (EUR/USD, JPY/USD), and the dramatic change in the price of oil.

At the beginning of the year, our European business experienced lower sales revenues due to the drastic weakening of the Euro against the Korean Won and other relevant currencies. The situation placed Songwon in a disadvantageous position to any local producer. Therefore a decision was made to selectively go for price increases to offset volume losses at lower margin accounts, while defending Songwon's market share with the large antioxidant consumers. In Japan, Songwon's business was similarly affected by the continued weakening of the Yen in comparison to other relevant currencies. After lengthy price negotiations, Songwon successfully implemented a significant price increase in Q2/2015 compared to Q2/2014.

Successful implementation of price increases (in local currencies) was partly eroded by an additional weakening of the EUR against the KRW, as well as some loss of low margin business. This led to an overall reduction in consolidated sales of -6.5% compared to the first half-year of 2014.

During Q2/2015, Songwon's production sites continued to run steadily without any disruptions. Raw material costs in Q2/2015 were significantly lower compared to Q2/2014, although a slight increase took place in Q2/2015 versus Q1/2015. In Q2/2015 there were also some raw material shortages which negatively affected the availability of some finished products, particularly in the lube additive segment.

This production stability at high utilization rates coupled with significantly weaker raw materials in Q2/2015 as compared to Q2/2014, led to an impressive recovery of the gross profit margin. EBITDA and EBIT increased notably to 25,993 Mil. KRW and respectively 17,295 Mil. KRW during Q2/2015 compared to Q2/2014. The year-to-date EBITDA amounts to 36,849 Mil. KRW and the year-to-date EBIT achieved was 19,610 Mil. KRW.

Outlook

The reduction of various uncertainties regarding foreign exchange rates combined with the stabilization of some political instability (especially Europe and the Near Middle East), is leading to a general upturn in economic activities. Market participants will start planning once again for the medium term and restore higher inventory levels. Notably, the recent historic deal between the United States, United Kingdom, France, China, Russia, Germany and the European Union will result in a removal of sanctions and consequently also lead to a pickup in economic activities over the coming months. The key beneficiaries will be the Iranian oil and polymer industries. The polymer industry's output is expected to increase significantly and return over time to historical output levels, and subsequently to a higher demand for antioxidants. The pressure on prices is expected to weaken as the cost of raw materials slowly increases, but will remain far below Q2/2014 levels. We expect to see a higher demand for products on the back of the global recovery of economic activities.

SECTION 2:

**Condensed Interim
Consolidated Financial
Statements**

Interim consolidated statement of financial position

		As at	
		June 30, 2015	December 31, 2014
	Notes	Million KRW	Million KRW
ASSETS			
Non-current assets		484,750	517,944
Property, plant and equipment	6	433,306	434,604
Investment properties		3,567	31,281
Intangible assets	7	37,907	41,452
Invest. accounted for using the equity method	4.1	2,893	3,100
Available-for-sale financial investments		1,473	1,473
Other non-current financial assets		1,292	2,675
Deferred tax assets		4,312	3,359
Current assets		351,704	337,913
Inventories	9	171,921	169,014
Trade and other receivables	10	111,735	111,423
Income tax receivables		104	954
Other current assets		5,612	3,921
Other current financial assets		9,952	7,209
Cash and cash equivalent	11	52,380	45,392
Assets held for sale	8	27,620	-
Total assets		864,074	855,857
EQUITY AND LIABILITIES			
Equity		293,946	288,627
<i>Non-controlling interests</i>		2,535	3,110
<i>Equity attributable to owners of the parent</i>		291,411	285,517
Share capital		12,000	12,000
Capital surplus		24,361	24,361
Reserves		26,751	26,607
Retained earnings		230,053	225,280
Accumulated other comprehensive income	12.2	-1,754	-2,731
Non-current liabilities		141,698	145,482
Interest-bearing loans and borrowings	13, 17, 21.3	72,698	76,014
Pension liability		17,804	18,707
Other long-term employee benefits		2,528	2,009
Other non-current financial liabilities		2,515	2,447
Other non-current liabilities		38	38
Deferred tax liabilities		46,115	46,267
Current liabilities		428,430	421,748
Interest-bearing loans and borrowings	13, 17, 21.3	340,988	344,163
Trade and other payables		73,697	74,202
Other current financial liabilities		1,153	778
Other current liabilities		7,277	2,005
Income tax payable		5,315	600
Total liabilities		570,128	567,230
Total equity and liabilities		864,074	855,857

Interim consolidated statement of financial position

		As at (see note 2.1)	
		June 30, 2015	December 31, 2014
Notes		Thousands USD	Thousands USD
ASSETS			
Non-current assets		432,979	462,628
	Property, plant and equipment	387,029	388,188
	Investment properties	3,186	27,940
	Intangible assets	33,859	37,025
	Invest. accounted for using the equity method	2,584	2,769
	Available-for-sale financial investments	1,316	1,316
	Other non-current financial assets	1,154	2,390
	Deferred tax assets	3,851	3,000
Current assets		314,142	301,824
	Inventories	153,560	150,963
	Trade and other receivables	99,802	99,523
	Income tax receivables	92	852
	Other current assets	5,013	3,502
	Other current financial assets	8,889	6,440
	Cash and cash equivalent	46,786	40,544
Assets held for sale		24,670	-
Total assets		771,791	764,452
EQUITY AND LIABILITIES			
Equity		262,553	257,802
	<i>Non-controlling interests</i>	2,265	2,778
	<i>Equity attributable to owners of the parent</i>	260,288	255,024
	Share capital	10,718	10,718
	Capital surplus	21,759	21,759
	Reserves	23,894	23,765
	Retained earnings	205,483	201,221
	Accumulated other comprehensive income	-1,566	-2,439
Non-current liabilities		126,565	129,945
	Interest-bearing loans and borrowings	64,934	67,896
	Pension liability	15,903	16,709
	Other long-term employee benefits	2,258	1,794
	Other non-current financial liabilities	2,246	2,186
	Other non-current liabilities	34	34
	Deferred tax liabilities	41,190	41,326
Current liabilities		382,673	376,705
	Interest-bearing loans and borrowings	304,571	307,406
	Trade and other payables	65,826	66,277
	Other current financial liabilities	1,030	695
	Other current liabilities	6,500	1,791
	Income tax payable	4,746	536
Total liabilities		509,238	506,650
Total equity and liabilities		771,791	764,452

Interim consolidated statement of comprehensive income

	Notes	For the three months ended June 30,	
		2015	2014
		Million KRW	Million KRW
Sales of goods	5	157,009	172,909
Cost of sales		-125,082	-148,982
Gross profit		31,927	23,927
Selling and administration costs		-21,125	-22,381
Operating profit		10,802	1,546
Other income		12,124	935
Other expenses		-5,631	-7,452
Revaluation loss due to step acquisition		-	-248
Share of result from investments accounted for using the equity method		120	260
Finance costs		-16,504	-5,788
Finance income		4,706	8,642
Profit before tax		5,617	-2,105
Income tax expense	14	-2,774	-4,608
Profit for the period		2,843	-6,713
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		740	-3,630
Loss on valuation of interest rate swap	12.2	31	-29
Exchange differences on translation of foreign operations	12.2	709	-3,601
<i>Net other comprehensive income not being reclassified to profit or loss</i>		-	-6
Change of remeasurements of defined benefit plans	12.2	-	-6
Total other comprehensive income, net of taxes		740	-3,636
Total comprehensive income		3,583	-10,349
Profit for the period attributable to:			
Owners of the parent		3,274	-6,374
Non-controlling interests		-431	-339
Profit for the period		2,843	-6,713
Total comprehensive income attributable to:			
Owners of the parent		3,909	-10,010
Non-controlling interests		-326	-339
Total comprehensive income		3,583	-10,349
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	15	137	-266

Interim consolidated statement of comprehensive income

	For the three months ended June 30, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Sales of goods	140,240	154,442
Cost of sales	-111,723	-133,070
Gross profit	28,517	21,372
Selling and administration costs	-18,869	-19,991
Operating profit	9,648	1,381
Other income	10,829	835
Other expenses	-5,030	-6,655
Revaluation loss due to step acquisition	-	-222
Share of result from investments accounted for using the equity method	107	232
Finance costs	-14,740	-5,170
Finance income	4,203	7,719
Profit before tax	5,017	-1,880
Income tax expense	-2,478	-4,116
Profit for the period	2,539	-5,996
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	661	-3,243
Loss on valuation of interest rate swap	28	-26
Exchange differences on translation of foreign operations	633	-3,217
<i>Net other comprehensive income not being reclassified to profit or loss</i>	-	-5
Change of remeasurements of defined benefit plans	-	-5
Total other comprehensive income, net of taxes	661	-3,248
Total comprehensive income	3,200	-9,244
Profit for the period attributable to:		
Owners of the parent	2,924	-5,693
Non-controlling interests	-385	-303
Profit for the period	2,539	-5,996
Total comprehensive income attributable to:		
Owners of the parent	3,491	-8,941
Non-controlling interests	-291	-303
Total comprehensive income	3,200	-9,244
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	122	-238

Interim consolidated statement of comprehensive income

	Notes	For the six months ended June 30,	
		2015	2014
		Million KRW	Million KRW
Sales of goods	5	314,054	335,808
Cost of sales		-257,156	-291,554
Gross profit		56,898	44,254
Selling and administration costs		-40,993	-43,765
Operating profit		15,905	489
Other income		16,897	6,169
Other expenses		-13,192	-8,917
Revaluation loss due to step acquisition		-	-248
Share of result from investments accounted for using the equity method	4.1	247	471
Finance costs		-30,910	-15,494
Finance income		21,334	10,399
Profit before tax		10,281	-7,131
Income tax expense	14	-4,370	-4,474
Profit for the period		5,911	-11,605
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		848	-2,768
Loss on valuation of available-for-sale financial investments	12.2	-	-4
Loss on valuation of interest rate swap	12.2	14	-35
Exchange differences on translation of foreign operations	12.2	834	-2,729
<i>Net other comprehensive income not being reclassified to profit or loss</i>		-	-18
Change of remeasurements of defined benefit plans	12.2	-	-18
Total other comprehensive income, net of taxes		848	-2,786
Total comprehensive income		6,759	-14,391
Profit for the period attributable to:			
Owners of the parent		6,357	-10,973
Non-controlling interests		-446	-632
Profit for the period		5,911	-11,605
Total comprehensive income attributable to:			
Owners of the parent		7,334	-13,759
Non-controlling interests		-575	-632
Total comprehensive income		6,759	-14,391
Earnings per share			
		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	15	265	-457

Interim consolidated statement of comprehensive income

	For the six months ended June 30, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Sales of goods	280,513	299,944
Cost of sales	-229,692	-260,416
Gross profit	50,821	39,528
Selling and administration costs	-36,615	-39,091
Operating profit	14,206	437
Other income	15,092	5,510
Other expenses	-11,783	-7,965
Revaluation loss due to step acquisition	-	-222
Share of result from investments accounted for using the equity method	221	421
Finance costs	-27,609	-13,839
Finance income	19,056	9,288
Profit before tax	9,183	-6,370
Income tax expense	-3,903	-3,996
Profit for the period	5,280	-10,366
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	758	-2,472
Loss on valuation of available-for-sale financial investments	-	-4
Loss on valuation of interest rate swap	13	-31
Exchange differences on translation of foreign operations	745	-2,437
<i>Net other comprehensive income not being reclassified to profit or loss</i>	-	-16
Change of remeasurements of defined benefit plans	-	-16
Total other comprehensive income, net of taxes	758	-2,488
Total comprehensive income	6,038	-12,854
Profit for the period attributable to:		
Owners of the parent	5,678	-9,801
Non-controlling interests	-398	-565
Profit for the period	5,280	-10,366
Total comprehensive income attributable to:		
Owners of the parent	6,551	-12,290
Non-controlling interests	-513	-564
Total comprehensive income	6,038	-12,854
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	237	-408

Interim consolidated statement of changes in equity

For the six months ended June 30, 2014 and June 30, 2015

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
As at January 1, 2014	12,000	24,361	26,439	247,175	-3,823	306,152	271	306,423
Loss for the period	-	-	-	-10,973	-	-10,973	-632	-11,605
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	-	-	-	-	-35	-35	-	-35
Foreign currency translation, net of tax	-	-	-	-	-2,729	-2,729	-	-2,729
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-18	-	-18	-	-18
Total comprehensive income	-	-	-	-10,991	-2,768	-13,759	-632	-14,391
Change in non-controlling interests due to step acquisition	-	-	-	-	-	-	838	838
Change in non-controlling interests due to capital increase	-	-	-	-	-	-	1,376	1,376
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at June 30, 2014	12,000	24,361	26,607	234,336	-6,591	290,713	1,853	292,566
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	-	-	-	6,357	-	6,357	-446	5,911
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	14	14	-	14
Foreign currency translation, net of tax	-	-	-	-	963	963	-129	834
Total comprehensive income	-	-	-	6,357	977	7,334	-575	6,759
Dividends	-	-	-	-1,440	-	-1,440	-	-1,440
Appropriation to reserves	-	-	144	-144	-	-	-	-
As at June 30, 2015	12,000	24,361	26,751	230,053	-1,754	291,411	2,535	293,946

Interim consolidated statement of changes in equity

For the six months ended June 30, 2014 and June 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	10,718	21,759	23,615	220,777	-3,414	273,455	242	273,697
Loss for the period	-	-	-	-9,801	-	-9,801	-565	-10,366
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	-	-	-	-	-31	-31	-	-31
Foreign currency translation, net of tax	-	-	-	-	-2,437	-2,437	-	-2,437
Change of remeasurements of defined benefit plans, net of tax	-	-	-	-16	-	-16	-	-16
Total comprehensive income	-	-	-	-9,817	-2,472	-12,289	-565	-12,854
Change in non-controlling interests due to step acquisition	-	-	-	-	-	-	749	749
Change in non-controlling interests due to capital increase	-	-	-	-	-	-	1,229	1,229
Dividends	-	-	-	-1,501	-	-1,501	-	-1,501
Appropriation to reserves	-	-	150	-150	-	-	-	-
As at June 30, 2014	10,718	21,759	23,765	209,309	-5,886	259,665	1,655	261,320
As at January 1, 2015	10,718	21,759	23,765	201,220	-2,439	255,023	2,778	257,801
Profit for the period	-	-	-	5,678	-	5,678	-398	5,280
Gain / (loss) on valuation of interest rate swap, net of tax	-	-	-	-	13	13	-	13
Foreign currency translation, net of tax	-	-	-	-	860	860	-115	745
Total comprehensive income	-	-	-	5,678	873	6,551	-513	6,038
Dividends	-	-	-	-1,286	-	-1,286	-	-1,286
Appropriation to reserves	-	-	129	-129	-	-	-	-
As at June 30, 2015	10,718	21,759	23,894	205,483	-1,566	260,288	2,265	262,553

Interim consolidated statement of cash flows

	Notes	For the six months ended June 30,	
		2015 Million KRW	2014 Million KRW
Profit for the period		5,911	-11,605
Adjustments total	22	26,123	31,152
Changes in operating assets and liabilities	22	4,880	-6,977
Interest received		162	286
Dividends received from 3rd		25	7
Income tax received / (paid)		88	-4,130
Net cash flow from operating activities		37,189	8,733
Proceeds from sale of property, plant and equipment		166	-
Proceeds from sale of intangible assets		222	-
Proceeds from sale of available-for-sale financial assets		-	500
Purchase of property, plant and equipment		-11,438	-17,180
Purchase of intangible assets	7	-173	-97
Acquisition of a subsidiary, net of cash acquired		-	210
Increase in other financial assets, net		-1,672	-12,729
Dividends received from investments using equity method		545	-
Net cash flow from investing activities		-12,350	-29,296
Proceeds from borrowings (current)		334,146	393,807
Repayment of borrowings (current)		-349,694	-334,686
Proceeds from borrowings (non-current)		5,600	3,937
Repayment of borrowings (non-current)		-36	-
Decrease in other financial liabilities, net		-121	349
Interest paid		-7,632	-8,521
Dividends paid		-1,440	-1,680
Share premium paid		-	1,377
Net cash flow from financing activities		-19,177	54,583
Increase in cash and cash equivalent		5,662	34,020
Net foreign exchange difference		1,326	-2,747
Cash and cash equivalent at January 1,	11	45,392	63,677
Cash and cash equivalent at June 30,	11	52,380	94,950

Interim consolidated statement of cash flows

	For the six months ended June 30, (see note 2.1)	
	2015	2014
	Thousands USD	Thousands USD
Profit for the period	5,280	-10,366
Adjustments total	23,333	27,825
Changes in operating assets and liabilities	4,359	-6,231
Interest received	145	255
Dividends received from 3rd	22	6
Income tax received / (paid)	79	-3,689
Net cash flow from operating activities	33,218	7,800
Proceeds from sale of property, plant and equipment	148	-
Proceeds from sale of intangible assets	198	-
Proceeds from sale of available-for-sale financial assets	-	447
Purchase of property, plant and equipment	-10,216	-15,345
Purchase of intangible assets	-155	-87
Acquisition of a subsidiary, net of cash acquired	-	188
Increase in other financial assets, net	-1,493	-11,370
Dividends received from investments using equity method	487	-
Net cash flow from investing activities	-11,031	-26,167
Proceeds from borrowings (current)	298,459	351,748
Repayment of borrowings (current)	-312,347	-298,942
Proceeds from borrowings (non-current)	5,002	3,517
Repayment of borrowings (non-current)	-32	-
Decrease in other financial liabilities, net	-108	313
Interest paid	-6,817	-7,611
Dividends paid	-1,286	-1,501
Share premium paid	-	1,230
Net cash flow from financing activities	-17,129	48,754
Increase in cash and cash equivalent	5,058	30,387
Net foreign exchange difference	1,184	-2,454
Cash and cash equivalent at January 1,	40,544	56,876
Cash and cash equivalent at June 30,	46,786	84,809

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 June 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. There are no changes in the Scope of consolidation since December 31, 2014.

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

Name	Location	June 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	Joint Venture	50%	Joint Venture	50%
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	30%	Joint Venture	30%

2. Basis of preparation

The interim condensed financial statements for the three and six months ended June 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 1,119.57 to US \$1, the exchange rate in effect on June 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, except for the adoption of the new standards as of January 1, 2015, listed below:

New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

4. Interest in joint arrangements

4.1. Interest in joint ventures

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

Statement of financial position	Cash and Cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	35	55	-	8	8	-	16	30	15
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	926	7,770	5,914	3,243	3,401	-	-	10,283	3,085
December 31, 2014	961	7,825	5,914	3,251	3,409	-	16	10,313	3,100
Chemservice Asia Ltd.	45	73	-	10	12	-	18	43	22
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,179	7,380	6,028	3,707	3,838	-	-	9,570	2,871
June 30, 2015	2,224	7,453	6,028	3,717	3,850	-	18	9,613	2,893

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the year	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	-	-	-	-	-1	-	-1	-	-1
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,541	-12	-	-21	1,158	-290	869	-440	429
For the three months ended June 30, 2014	5,541	-12	-	-21	1,157	-290	868	-440	428
Chemservice Asia Ltd.	-	-	-	-	12	-1	11	-	11
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,888	-18	1	-16	510	-128	383	117	500
For the three months ended June 30, 2015	3,888	-18	1	-16	522	-129	394	117	511

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the year	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	-	-	-	-	-6	-	-6	-	-6
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	10,327	-24	1	-77	2,108	-527	1,581	-383	1,198
For the six months ended June 30, 2014	10,327	-24	1	-77	2,102	-527	1,575	-383	1,192
Chemservice Asia Ltd.	-	-	-	-	14	-1	13	-	13
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	8,344	-35	1	-39	1,070	-268	803	303	1,106
For the six months ended June 30, 2015	8,344	-35	1	-39	1,084	-269	816	303	1,119

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	Exchange rate effect	As at June 30, 2014
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Chemservice Asia Ltd.	16	-	-3	-	-	13
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,294	-	474	-	-115	2,653
Total	2,310	-	471	-	-115	2,666

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

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	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	597	969
Plasticizers	1,839	2,032
Polyester Diol	3,831	6,227
Polymer Stabilizers (AOX and UVs)	103,596	112,316
Polyurethanes	11,252	12,207
PVC Stabilizers	10,947	12,659
SAP and Flocculants	2,309	5,122
Tin Intermediates	18,316	20,755
Others	4,322	622
Total	157,009	172,909

	For the six months ended	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Alkyl - Phenol and Intermediates	1,409	2,668
Plasticizers	3,840	3,999
Polyester Diol	6,740	10,180
Polymer Stabilizers (AOX and UVs)	209,623	219,447
Polyurethanes	23,047	23,270
PVC Stabilizers	22,135	25,162
SAP and Flocculants	6,487	9,605
Tin Intermediates	34,541	40,025
Others	6,232	1,452
Total	314,054	335,808

5.2. Geographic information

Revenue from external customers

	For the three months ended	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Korea	46,697	50,382
Rest of Asia	33,742	40,997
Europe	35,457	41,096
North and South America	32,771	33,611
Australia	865	680
Middle East and Africa	7,477	6,143
Total	157,009	172,909

	For the six months ended	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Korea	94,840	101,111
Rest of Asia	65,851	75,342
Europe	72,666	81,561
North and South America	65,564	64,585
Australia	1,610	1,206
Middle East and Africa	13,523	12,003
Total	314,054	335,808

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

	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Korea	402,173	434,152
Rest of Asia	23,440	23,155
Europe	27,403	30,469
North and South America	5,351	5,769
Middle East and Africa	16,413	13,792
Total	474,780	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	-	1	-	54	463	9,859	10,377
Disposals	-	-8	-	-	-40	-	-48
Reclassification	-	1,270	79	4,895	15	-6,259	-
Other changes in carrying amount	-	-	-	-41	-	-	-41
Business acquisitions	-	-	-	-	31	1,826	1,857
Net exchange diff.	-	-5	-	-573	-107	-159	-844
At June 30, 2014	151,195	62,584	63,976	428,588	14,926	9,149	730,418
At January 1, 2015	147,934	65,493	63,955	431,695	17,426	20,847	747,350
Additions	-	56	-	2,446	267	8,886	11,655
Disposals	-30	-42	-	-37	-423	-	-532
Reclassification	-	1,881	60	8,691	-	-10,632	-
Net exchange diff.	-	41	-	-268	15	362	150
At June 30, 2015	147,904	67,429	64,015	442,527	17,285	19,463	758,623
Depreciation and impairment							
At January 1, 2014	-	-14,694	-25,024	-242,339	-10,783	-	-292,840
Depreciation charge	-	-807	-1,571	-9,934	-558	-	-12,870
Disposals	-	2	-	-	38	-	40
Net exchange diff.	-	2	-	95	38	-	135
At June 30, 2014	-	-15,497	-26,595	-252,178	-11,265	-	-305,535
At January 1, 2015	-	-16,086	-28,106	-256,834	-11,720	-	-312,746
Depreciation charge	-	-867	-1,568	-10,060	-644	-	-13,139
Disposals	-	17	-	37	425	-	479
Net exchange diff.	-	-	-	93	-4	-	89
At June 30, 2015	-	-16,936	-29,674	-266,764	-11,943	-	-325,317
Net book value							
At June 30, 2015	147,904	50,493	34,341	175,763	5,342	19,463	433,306
At January 1, 2015	147,934	49,407	35,849	174,861	5,706	20,847	434,604
At June 30, 2014	151,195	47,087	37,381	176,410	3,661	9,149	424,883

There was no impairment during the reported financial period in 2015. Non-cash transactions amounting to 3,989 Million KRW are included in the additions for the six months ended June 30, 2015.

7. Intangible assets

	Industrial rights	Software	Member-ship	Customer relationship	Non-compete contracts	Capitalization process technology	Goodwill	Construction-in-progress	Total
Cost	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
At January 1, 2014	3,090	2,508	1,895	24,093	13,300	652	35,104	1,268	81,910
Additions	-	16	-	-	-	-	-	81	97
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-512	-	-	-	-	-	-	-	-512
Business acquisitions	-	-	-	-	-	-	115	-	115
Net exchange diff.	-	-29	-	-978	-540	-31	-1,692	-	-3,270
At June 30, 2014	2,578	2,495	1,895	23,115	12,760	621	33,527	1,349	78,340
At January 1, 2015	2,640	2,639	1,077	29,437	13,813	4,793	39,456	1,369	95,224
Additions	64	47	1	-	-	-	-	61	173
Disposals	-	-205	-225	-	-	-	-	-	-430
Reclassification	32	-	-	-	-	-	-	-	32
Business acquisitions	-	-	-	-	-	-	-	-	-
Net exchange diff.	-	11	-	589	271	110	392	-	1,373
At June 30, 2015	2,736	2,492	853	30,026	14,084	4,903	39,848	1,430	96,372
Amortization and impairment									
At January 1, 2014	-628	-1,786	-	-8,812	-6,330	-228	-27,683	-	-45,467
Amortization	-123	-163	-	-1,405	-1,100	-54	-	-	-2,845
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Net exchange diff.	-	13	-	391	306	13	1,123	-	1,846
At June 30, 2014	-751	-1,936	-	-9,826	-7,124	-269	-26,560	-	-46,466
At January 1, 2015	-875	-2,111	-	-12,450	-8,890	-694	-28,752	-	-53,772
Amortization	-131	-170	-	-1,917	-1,154	-471	-	-	-3,843
Disposals	-	208	-	-	-	-	-	-	208
Reclassification	-	-	-	-	-	-	-	-	-
Net exchange diff.	-	-2	-	-268	-201	-22	-565	-	-1,058
At June 30, 2015	-1,006	-2,075	-	-14,635	-10,245	-1,187	-29,317	-	-58,465
Net book value									
At June 30, 2015	1,730	417	853	15,391	3,839	3,716	10,531	1,430	37,907
At January 1, 2015	1,765	528	1,077	16,987	4,923	4,099	10,704	1,369	41,452
At June 30, 2014	1,827	559	1,895	13,289	5,636	352	6,967	1,349	31,874

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 six months ended June 30, 2015 and June 30, 2014.

8. Assets held for sale

Assets held for sale include land, buildings, structures which are reclassified from the investment properties of Songwon Industrial Co. Ltd. in an amount of 27,620 Mil. KRW (prior year: none). Disposal is anticipated within the next twelve months.

9. Inventories

Description	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Raw materials and supplies	22,795	17,747
Work in progress	261	152
Finished goods	122,361	128,011
Goods in transit	26,130	22,611
Consignment stocks	374	493
Total inventories at the lower of cost and net realizable value	171,921	169,014

As of June 30, 2015 inventory write-off amounted to 2,826 Million KRW for raw material and finished goods (December 31, 2014: 3,506 Million KRW).

10. Trade and other receivables

Description	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Trade and notes receivable (net) – third parties	107,368	108,370
Trade and notes receivable (net) – related parties	-	31
Other receivables (net) – third parties	4,200	2,988
Accrued income	167	34
Total	111,735	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	-181	-30	-211

Utilized	-	-	-
Unused amounts reversed	63	-	63
June 30, 2014	-358	-51	-409

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

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
June 30, 2015	111,735	104,021	6,337	1,084	221	59	13
Dec. 31, 2014	111,423	97,937	10,057	2,997	172	231	29

11. Cash and cash equivalent

Description	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Cash on hand	92	83
Bank accounts	46,699	43,352
Time deposit (< 3 months)	5,589	1,957
Total	52,380	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 June 30, 2015 and December 31, 2014 is composed of the following:

Description	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	-1,635	-2,598
Interest rate swap	-119	-133
Total	-1,754	-2,731

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

Description	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Pretax amounts		
(Loss) / gain on valuation of interest rate swap	31	-29
Exchange difference on translation of foreign operations	709	-3,601
Remeasurement of defined benefit plan	-	-6
Pretax amounts total	740	-3,636
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	31	-29
Exchange difference on translation of foreign operations	709	-3,601
Remeasurement of defined benefit plan	-	-6
Net amounts total	740	-3,636

Details of other comprehensive income for the six months ended June 30, 2015 and June 30, 2014 are as follows:

Description	June 30, 2015	June 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	14	-35
Exchange difference on translation of foreign operations	834	-2,729
Remeasurement of defined benefit plan	-	-18
Pretax amounts total	848	-2,786
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	14	-35
Exchange difference on translation of foreign operations	834	-2,729
Remeasurement of defined benefit plan	-	-18
Net amounts total	848	-2,786

13. Interest bearing loans and borrowings

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

Description	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Long-term privately placed corporate bonds	-	10,000
Long-term borrowings	72,698	66,014
Non-current bank loans and bonds	72,698	76,014
Current portion of privately placed corporate bonds	10,000	-
Current portion of borrowings	116,485	128,849
Short-term borrowings	214,503	215,314
Current loans and borrowings	340,988	344,163
Total	413,686	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	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Current income tax expense	-3,776	-4,181
Deferred income taxes expense related to origination and reversal of deferred taxes	1,002	-427
Income tax expense	-2,774	-4,608
Income tax recognized in other comprehensive income	-	-
Total income taxes recorded in the statement of comprehensive income	-2,774	-4,608

Income taxes	For the six months ended	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Current income tax expense	-5,460	-4,671
Deferred income taxes expense related to origination and reversal of deferred taxes	1,090	197
Income tax expense	-4,370	-4,474
Income tax recognized in other comprehensive income	-	-
Total income taxes recorded in the statement of comprehensive income	-4,370	-4,474

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 June 30, 2015 and as of June 30, 2014.

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

Description	For the three months ended	
	June 30, 2015	June 30, 2014
	KRW	KRW
Net (loss) / profit attributable to ordinary equity holders of the parent	3,273,830,139	-6,374,417,465
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	137	-266

Description	For the six months ended	
	June 30, 2015	June 30, 2014
	KRW	KRW
Net (loss) / profit attributable to ordinary equity holders of the parent	6,356,537,903	-10,973,435,112
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	265	-457

16. Derivative financial instruments

Description	June 30, 2015		Dec. 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	5	505	320	5
Interest rate swaps (non-current portion)	-	119	-	133
Total	5	624	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 June 30, 2015 and December 31, 2014 are as follows:

As per June 30, 2015

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate	
				currency	rate
Gyeong Nam Bank	Sell	JPY 360,000,000	24.07.2015 – 14.08.2015	KRW	9.0480 – 9.2119
Gyeong Nam Bank	Sell	EUR 3,300,000	24.09.2015	KRW	1,241.45
Korea Standard Chartered Bank	Sell	JPY 180,000,000	24.09.2015	KRW	8.9710
Korea Standard Chartered Bank	Sell	EUR 6,600,000	24.07.2015 – 14.08.2015	KRW	1,169.30 – 1,247.10
Korea Standard Chartered Bank	Buy	CHF 2,400,000	20.07.2015 – 20.10.2015	EUR	1.0311 – 1.0346

As per Dec. 31, 2014

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)	
				currency	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 June 30, 2015 and December 31, 2014 the Group has entered into the following interest rate swap contracts:

As per June 30, 2015

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

The Group applies cash flow hedge accounting on interest rate swap, in the current reporting period and in 2014 there is an interest rate swap designated as cash flow hedge. The balances included in accumulated other comprehensive income are -119 Million KRW as of June 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	
	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through profit and loss	5	320	5	320
Other financial assets (Derivatives)	5	320	5	320
<i>Thereof Current</i>	5	320	5	320
<i>Thereof Non-Current</i>	-	-	-	-
Loans and receivables	175,354	166,379	175,354	166,379
Other financial assets	11,239	9,564	11,239	9,564
<i>Thereof Current</i>	9,947	6,889	9,947	6,889
<i>Thereof Non-Current</i>	1,292	2,675	1,292	2,675
Trade and other receivables	111,735	111,423	111,735	111,423
<i>Thereof Current</i>	111,735	111,423	111,735	111,423
<i>Thereof Non-Current</i>	-	-	-	-
Cash and cash equivalent	52,380	45,392	52,380	45,392
<i>Thereof Current</i>	52,380	45,392	52,380	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	176,832	168,172	176,832	168,172

	Carrying amount		Fair value	
	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW	Million KRW	Million KRW
Financial liabilities at fair value through profit and loss	505	5	505	5
Other financial liabilities (Derivatives)	505	5	505	5
<i>Thereof Current</i>	505	5	505	5
<i>Thereof Non-Current</i>	-	-	-	-
Financial liabilities at fair value through OCI	119	133	119	133
Other financial liabilities (Derivatives)	119	133	119	133
<i>Thereof Current</i>	-	-	-	-
<i>Thereof Non-Current</i>	119	133	119	133
Financial liabilities measured at amortized costs	490,427	497,466	490,427	497,466
Interest bearing loans and borrowings	413,686	420,177	413,686	420,177
<i>Thereof Current</i>	340,988	344,163	340,988	344,163
<i>Thereof Non-Current</i>	72,698	76,014	72,698	76,014
Other financial liabilities	3,044	3,087	3,044	3,087
<i>Thereof Current</i>	648	773	648	773
<i>Thereof Non-Current</i>	2,396	2,314	2,396	2,314
Trade and other payables	73,697	74,202	73,697	74,202

<i>Thereof Current</i>	73,697	74,202	73,697	74,202
<i>Thereof Non-Current</i>	-	-	-	-
Total	491,051	497,604	491,051	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 June 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:

	June 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	5	-	5	-
<i>Derivatives</i>	5	-	5	-
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	505	-	505	-
<i>Derivatives</i>	505	-	505	-
Financial liabilities at fair value through OCI	119	-	119	-
<i>Derivatives</i>	119	-	119	-

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

During the six months ended June 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	
		June 30, 2015	June 30 2014
Jongho Park, Group CEO	Finance income	61	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Sales	-	-
	Purchase	-2,596	-4,142
	Selling and administration costs	-	-
	Finance income	-	7
Chemservice Asia Ltd.	Sales	-	-
	Purchase	-	-
	Selling and administration costs	-18	-18
	Finance income	-	-
Total	Sales	-	-
	Purchase	-2,596	-4,142
	Selling and administration costs	-18	-18
	Finance income	61	7

Related party	Description	For the six months ended	
		June 30, 2015	June 30 2014
Jongho Park, Group CEO	Finance income	111	-
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	Sales	-	-
	Purchase	-5,636	-7,563
	Selling and administration costs	-	-
	Finance income	-	14
Chemservice Asia Ltd.	Sales	-	-
	Purchase	-	-
	Selling and administration costs	-36	-36
	Finance income	-	-
Total	Sales	-	-
	Purchase	-5,636	-7,563
	Selling and administration costs	-36	-36
	Finance income	111	14

Related party	Description	June 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.	Other receivables	-	31
	Other current financial assets	-	-
	Trade payables	781	1,676
	Other payables	-	-
Chemservice Asia Ltd.	Other receivables	-	-
	Other current financial assets	-	-
	Trade payables	-	-
	Other payables	7	7
Total	Trade receivables	-	31
	Other receivables	112	1
	Other current financial assets	7,000	5,000

Trade payables	781	1,676
Other payables	7	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 six months ended June 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	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Short term employee benefits	2,348	2,529
Post-employment benefits	192	203
Other long-term benefits	189	145
Share based payments	82	10
Total compensation paid to key management personnel	2,811	2,887

Description	For the six months ended	
	June 30, 2015	June 30, 2014
	Million KRW	Million KRW
Short term employee benefits	4,430	4,767
Post-employment benefits	382	412
Other long-term benefits	376	373
Share based payments	150	25
Total compensation paid to key management personnel	5,338	5,577

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 and items of machinery. 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	June 30, 2015	Dec. 31, 2014
	Million KRW	Million KRW
Within one year	-1,386	-1,129
After one year but not more than five years	-2,380	-2,386
More than five years	-721	-886
Total	-4,487	-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 June 30, 2015, commitments to purchase property, plant and equipment, as well as raw materials amounting to 1,997 Million KRW (December 31, 2014: 7,086 Million KRW) were entered.

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

One check and one promissory note which the Group received from Korea Exchange Bank are outstanding as of June 30, 2015 due to bankruptcy declared by the issuers of check.

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

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	23,000	17,553	5,447
	Million KRW	5,000	-	5,000
D/A and D/P	Thousand USD	126,400	88,822	37,578
	Million KRW	28,000	14,301	13,699
Trade loans	Million KRW	40,000	18,601	21,399
Syndicated short-term loans	Million KRW	50,000	40,000	10,000
L/G for import	Thousand USD	1,000	102	898
Other foreign currency guarantees	Thousand USD	16,727	16,727	-
	Thousand INR	250,000	250,000	-
Total Million KRW		123,000	72,902	50,098

Total Thousand USD	167,127	123,204	43,923
Total Thousand INR	250,000	250,000	-

The Group signed on February 18, 2013 a syndicated loan facility of 220,000 Million KRW comprising 170,000 Million KRW of 3 year term loan and 50,000 Million KRW of Revolving Credit Facility (RCF) that revolves every year. Replacing the existing loans, the Group has withdrawn the long-term facility amounting to 114,364 Million KRW and revolving credit facility amounting to 40,000 Million KRW. The syndicated loan facility was organized by Korea Exchange Bank and Woori Bank as leading banks and other 3 banks such as Standard Chartered Bank, Hana Bank and Busan Bank as participating bank.

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

Financial measure	Required ratio	June 30, 2015
DEBT/EBITDA	8 or less than 8	5.17
EBITDA/Interest	2.5 or more than 2.5	5.21
Debt/ Equity	250% or less than 250%	166.7%

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 June 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 June 30, 2015 and December 31, 2014, expressed in the maximum value registered to Korean court, are as follows:

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

Additionally, items of property, plant and equipment belonging to Songwon ATG GmbH (Germany) with a total value of 108 Million KRW are pledged as a collateral for interest-bearing loans and borrowings as of June 30, 2015 (December 31, 2014: 153 Million KRW).

Investment properties pledged by the Group as collateral in connection with repayment of leasehold deposits received as of June 30, 2015 and December 31, 2014 amounted to 300 Million KRW.

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

Description	June 30, 2015	Dec. 31, 2014
Bank deposits – current (Thousand USD)	1,289	1,213

The Group has received payment guarantees amounting to 348,335 Million KRW and 94.6 Million USD provided by Jongho Park, CEO of the Group, in connection with the Group's borrowings from banks as of June 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 June 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 June 30, 2015 and June 30, 2014 is affected through the impact on floating rate borrowings as follows:

	Increase/decrease	Effect on profit before tax
	in %	Million KRW
June 30, 2015	1.00	-1,021
	-1.00	1,021
June 30, 2014	1.00	-1,117
	-1.00	1,117

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 June 30, 2015 and December 31, 2014 are as follows:

Currency	June 30, 2015		December 31, 2014	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	-643	643	-272	272
EUR	-1,765	1,765	-1,687	1,687
JPY	130	-130	-669	669
CHF	-35	35	-11	11
AED	40	-40	162	-162
INR	1,084	-1,084	1,078	-1,078
Total	-1,189	1,189	-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 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 June 30, 2015 and December 31, 2014 are as follows (based on contractual undiscounted payments):

As of June 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	15,093	76,001	249,894	64,818	7,880	413,686
Other financial liabilities	633	-	15	2,396	-	3,044
Trade and other payables	55,623	13,459	4,615	-	-	73,697
Total	71,349	89,460	254,524	67,214	7,880	490,427
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-equity ratio as of June 30, 2015 and December 31, 2014 is 194% and 197% respectively. On a monthly basis all subsidiaries have to report key performance indicators which also include capital management information.

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 six months ended June 30, 2015 and June 30, 2014 are as follows:

Adjustments	Notes	For the six months ended	
		June 30, 2015	June 30, 2014
		Million KRW	Million KRW
Depreciation and impairment of property, plant and equipment	6	13,139	12,870
Depreciation of investment properties		94	88
Amortization of intangible assets except for goodwill	7	3,843	2,845
Impairment of non-current financial assets		2	250
(Gain) / loss on disposal of property, plant and equipment, net		-112	8
Share of result from investments accounted using the equity method	4.1	-247	-471
Financial income		-5,789	-7,805
Financial expenses		10,823	18,893
Provision for income taxes	14	4,370	4,474
Total		26,123	31,152
Changes in operating assets and liabilities			
Trade receivables		5,608	-14,545
Other receivables		-1,332	-1,098
Other current assets		-1,656	-2,464
Other current financial assets		315	-3
Inventories		-1,427	-3,869
Trade payables		1,358	7,953
Other payables		-2,716	5,340
Other current financial liabilities		14	139
Other current liabilities		5,266	1,713
Pension liabilities		-1,061	-327
Other long term employment benefits		511	184
Total		4,880	-6,977

23. Events after the reporting period

The Group reclassified investment properties as assets held for sale and completed the sale on July 31, 2015. The proceeds from disposal of its assets held for sale excluding commission fee and guarantee deposits are used for repayment of borrowings.

No other 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.



한영회계법인 | Ernst & Young 어드바이저리
서울특별시 영등포구 여의공원로 111, 태영빌딩 4-8F
150-777

Tel: 02 3787 6600
Fax: 02 783 5890
ey.com/kr

Ernst & Young Han Young | Ernst & Young Advisory
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 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 June 30, 2015, and the related interim condensed consolidated statements of comprehensive income for the three and six month periods ended June 30, 2015 and 2014, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the six month periods then ended, all expressed in Korean won, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

Conclusion

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



Other matters

We have audited the consolidated statement of financial position of the Group as at December 31, 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.



August 11, 2015

This review report is effective as at August 11, 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:

Songwon Industrial Group

E-mail: ir@songwon.com

www.songwon.com