



Investors Day 2014

March 7, 2013

Ulsan, Korea

Disclaimer / forward-looking statements

This presentation contains forward-looking statements about circumstances and events that have not yet taken place. Accordingly, there can be no assurance that projected financial results, future plans or strategies will be attained. In particular, no representation or warranty is given in relation to the reasonableness or achievability of the projections contained in this presentation, or in relation to the bases and assumptions underlying such projections or future plans.

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Due to dynamic market environments, actual results could significantly differ from projections in this presentation. Information contained in this presentation is subject to change without notice.

The financial information disclosed within this presentation represents audited results of Songwon Industrial Group (the Group). Nevertheless, the audited numbers for 2013 are subject to approval by the shareholders' meeting taking place on March 21, 2014 and therefore are still considered preliminary.

The audit report was issued by our Group auditor Ernst & Young Han Young and is published within the Annual Financial & Sustainability Report 2013, available on our website www.songwon.com.

The financial information disclosed reflects consolidated numbers for the Group in million KRW where not indicated differently.

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2. Songwon Industrial Group

3. Financial Performance 2013

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6. Farwell



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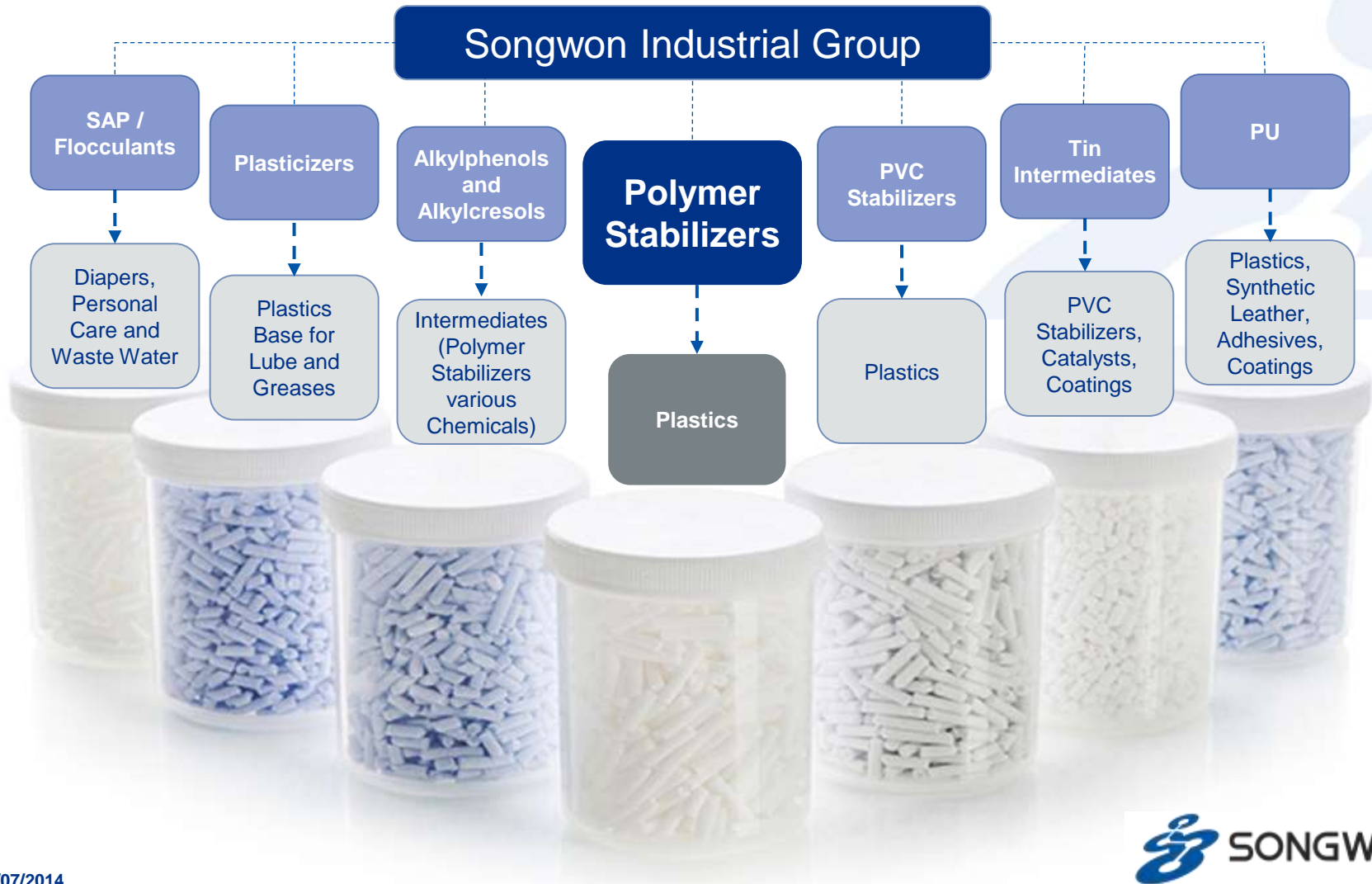
Company profile – Overview

Founded:	1965
Headquarters:	Ulsan, Korea
CEO:	Jongho Park
Employees:	661
Global presence:	17 entities in 9 countries
Revenue:	KRW 692bn
Public listing:	Korea stock exchange
Market cap.:	KRW 258,000m (as of 2/25/2014)
Stock price:	KRW 10,750 (as of 2/25/2014)
Products:	Specialty chemical products / polymer stabilizers



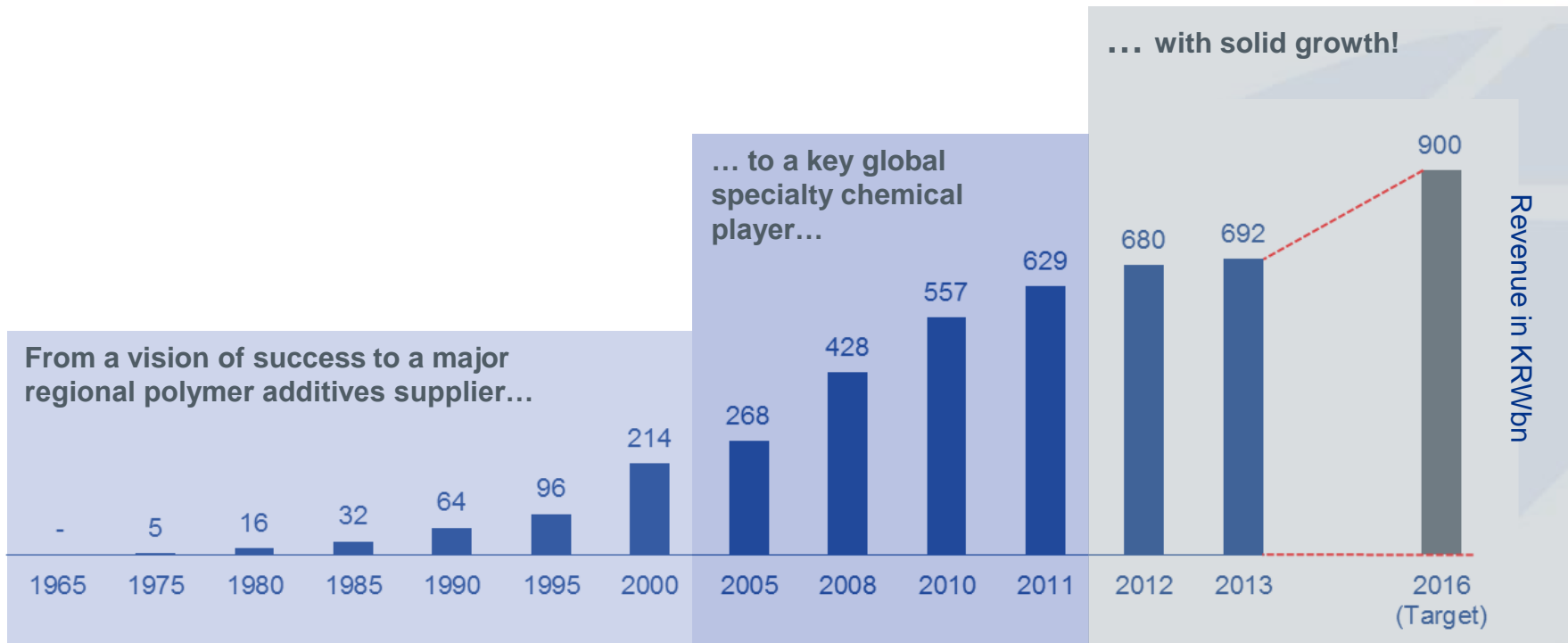
Company profile – Products

Leader in additives



Company profile – Revenue snapshot

In 2006, Songwon decided to go global and has since become a key player in the specialty chemicals business.



Company profile – Global locations

Sales / Distribution

- Seoul / Busan, Korea
- Frauenfeld, Switzerland
- Mumbai, India
- Manama, Kingdom of Bahrain
- Shanghai, China
- Tokyo, Japan
- Houston, USA
- Akron, USA
- Bangkok, Thailand
- Barcelona, Spain
- Bogor, Indonesia
- Bogotá, Colombia
- Brussels, Belgium
- Bucharest, Romania
- Budapest, Hungary
- Buenos Aires, Argentina
- Cairo, Egypt
- Caracas, Venezuela
- Cheshire, United Kingdom
- Dubai, UAE
- Hamburg, Germany
- Helsingborg, Sweden
- Ho Chi Min City, Vietnam
- Istanbul, Turkey
- Jakarta, Indonesia
- Johannesburg, South Africa
- Kuala Lumpur, Malaysia
- Lima, Peru
- Melbourne, Australia
- Mexico City, Mexico
- Milano, Italy
- Moscow, Russia
- Norwalk, USA
- Paris, France
- Prague, Czech Republic
- Quito, Ecuador
- Rotterdam, Netherlands
- Santiago, Chile
- Sao Paulo, Brazil
- Santo Domingo, Dominican Republic
- Singapore, Republic of Singapore
- Sofia, Bulgaria
- Teheran, Iran
- Tel Aviv, Israel
- Toronto, Canada
- Warsaw, Poland
- Vienna, Austria
- Zagreb, Croatia

Logistic Hubs

- Ulsan, Korea
- Abu Dhabi, UAE
- Antwerp, Belgium
- Mumbai, India
- Shanghai, China
- Tokyo, Japan
- Houston, USA
- Akron, USA
- Columbus, USA
- Newark, USA
- Edmonton, Canada
- Mississauga, Canada
- Sao Paulo, Brazil
- Buenos Aires, Argentina
- Caracas, Venezuela
- Cheshire, United Kingdom
- Hamburg, Germany
- Helsingborg, Sweden
- Ho Chi Min City, Vietnam
- Istanbul, Turkey
- Johannesburg, South Africa
- Kuala Lumpur, Malaysia
- Lima, Peru
- Melbourne, Australia
- Mexico City, Mexico
- Milano, Italy
- Moscow, Russia
- Prague, Czech Republic
- Quito, Ecuador
- Santiago, Chile
- Santo Domingo, Dominican Republic
- Singapore, Republic of Singapore
- Bangkok, Thailand
- Barcelona, Spain
- Bogor, Indonesia
- Bogotá, Colombia
- Bucharest, Romania

Headquarters/Affiliates

- Ulsan, Korea
- Frauenfeld, Switzerland
- Mumbai, India
- Manama, Kingdom of Bahrain
- Shanghai, China
- Tokyo, Japan
- Houston, USA

Manufacturing

- Ulsan, Korea
- Maeam, Korea
- Suwon, Korea
- Greiz, Germany
- Shanghai, China
- Tangshan, China
- Houston, USA

Applications

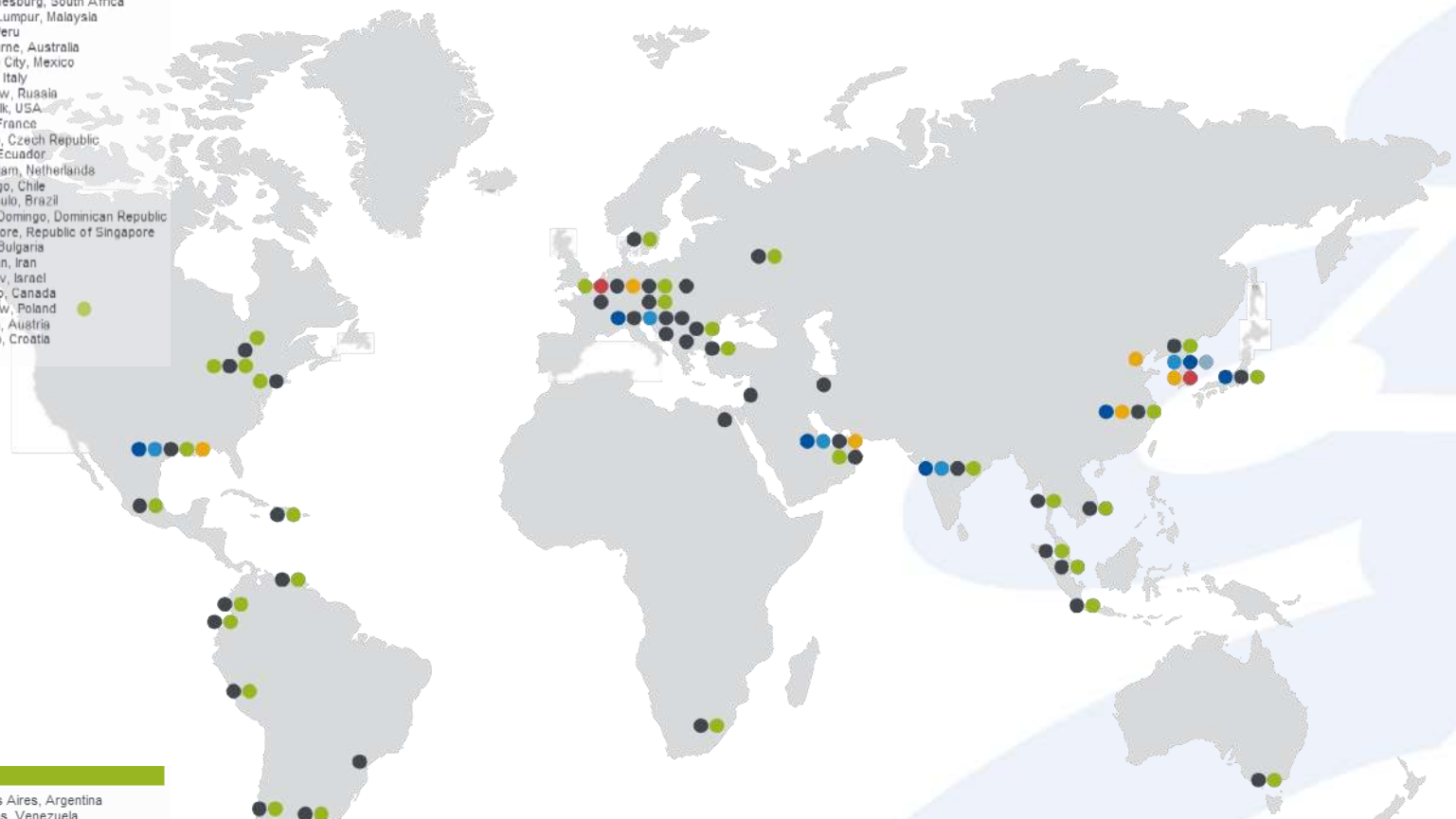
- Ulsan, Korea
- Brussels, Belgium

Technical service

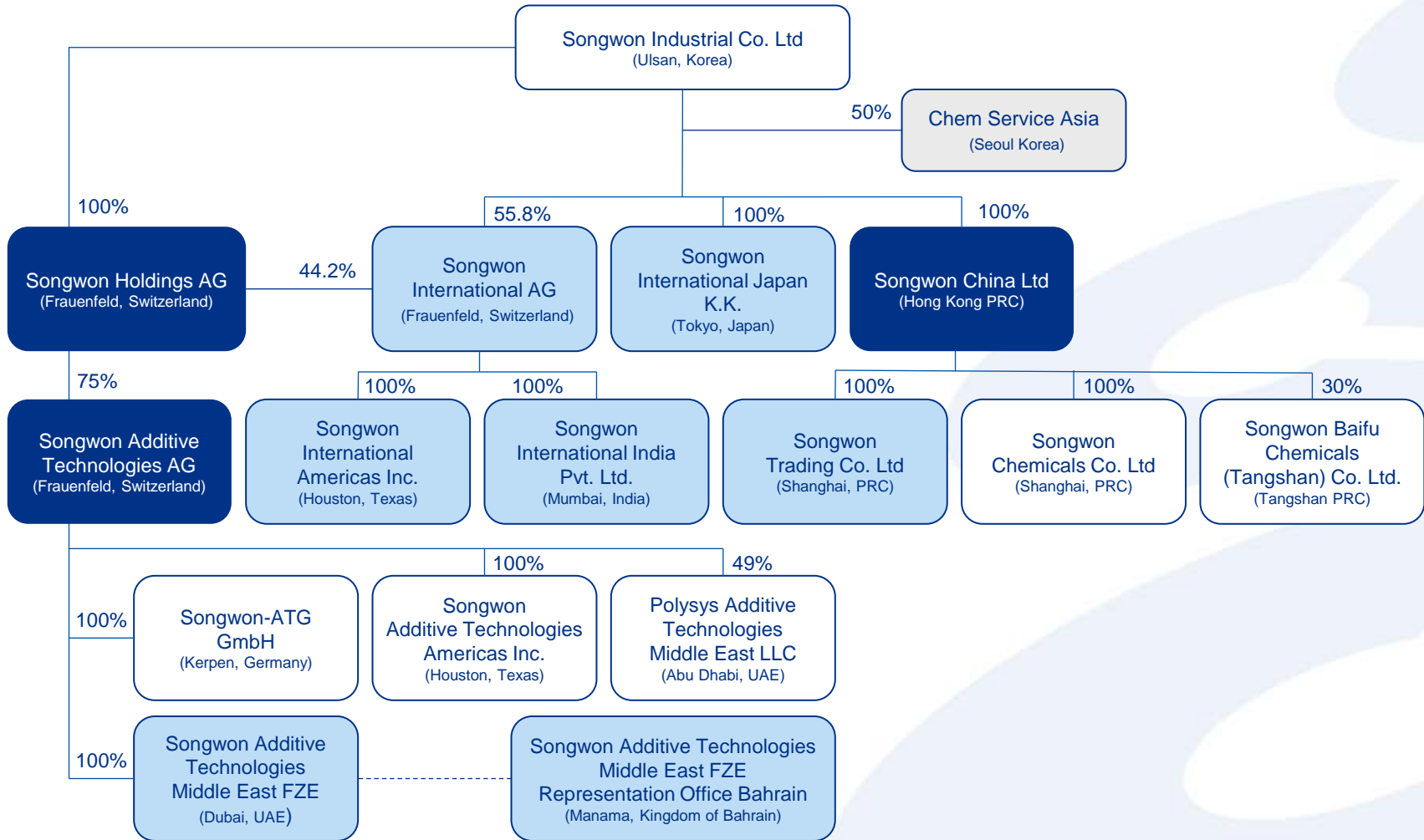
- Ulsan, Korea
- Frauenfeld, Switzerland
- Manama, Kingdom of Bahrain
- Mumbai, India
- Houston, USA

R&D

- Ulsan, Korea



Company profile – Group structure



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Organic sales growth

- Overall sales growth of 1.8% despite a continuing depressed and volatile global economic situation
- Strong organic growth of our core business Polymer Stabilizers more than compensate reduced sales due to discontinuation of certain products

Manufacturing cost improvements, productivity gains and discontinuation of low margin products led to increased gross profit

- Significant increase of adjusted gross profit (+8.4% vs. 2012)

Significant investments into key resources and processes to sustain future growth and profitability

- New key function Global Supply Chain to drive the implementation of best-in-class business processes
- Executive Committee strengthened by the addition of three new members
- New key resources dedicated to business development and portfolio diversification
- Roll out of new ERP system initiated

Operating profit decreased mainly due to specific, non-recurring impacts

- Significant lower capacity variance adjustment within COGS due to change in calculation method
- Various corporate development projects expensed within SG&A

Net profit increase

- While higher gross profits are re-invested in the development of the group, bottom line result profits from lower interest spending's
- Discontinuation of certain products (sale of business) lead to additional income

Development and implementation of OPS business continued

- Start up of operations of OPS plant in the USA
- Addition of new Hot Extrusion technology to the OPS plant in Germany
- Legal establishment of sales and production entities in the Middle East
- Ground breaking of OPS plant Middle East (Abu Dhabi)
- Further commitment to OPS – purchase of additional 15% in OPS sub-group

Debt restructuring

- Syndicated loan credit facility signed in Q1/2013
- Conversion of short-term borrowings into long-term borrowings together with significantly decreased interest rates

Improved credit rating

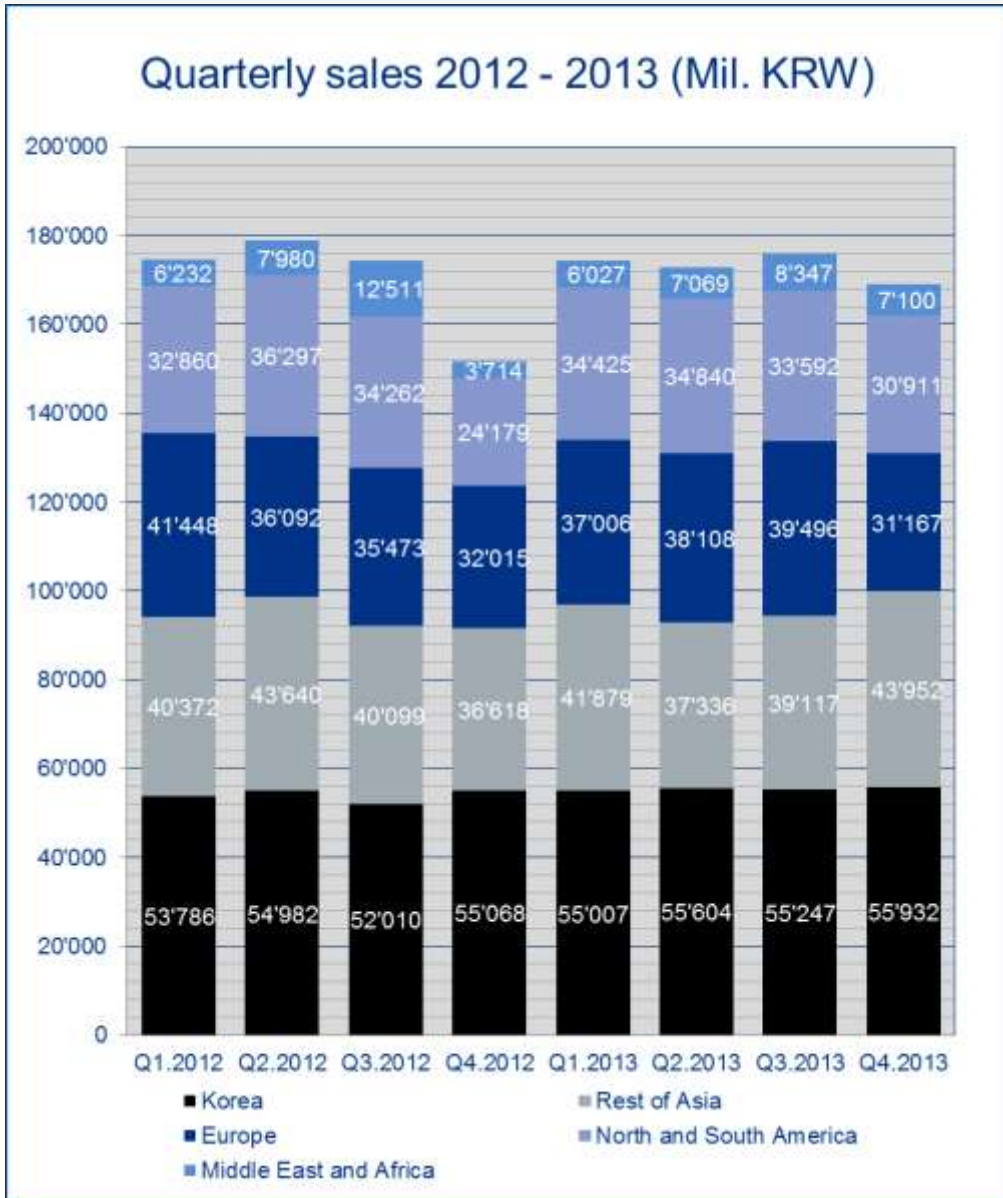
- Korea Investors Service and Korea Ratings Corporation assigned a credit rating BBB+ in August 2013 (up from BBB-)

Key financial data

in Mil. KRW	2013	2012	Δ%
Sales	692,164	679,637	1.8%
Gross profit	133,291	131,999	1.0%
<i>Gross profit margin</i>	19.3%	19.4%	
Operating profit	44,045	57,652	-23.6%
EBITDA	78,653	67,495	16.5%
<i>EBITDA margin</i>	11.4%	9.9%	
EBIT	47,387	37,147	27.6%
<i>EBIT margin</i>	6.8%	5.5%	
Profit before tax	31,865	24,336	30.9%
Profit for the year	22,927	20,459	12.1%

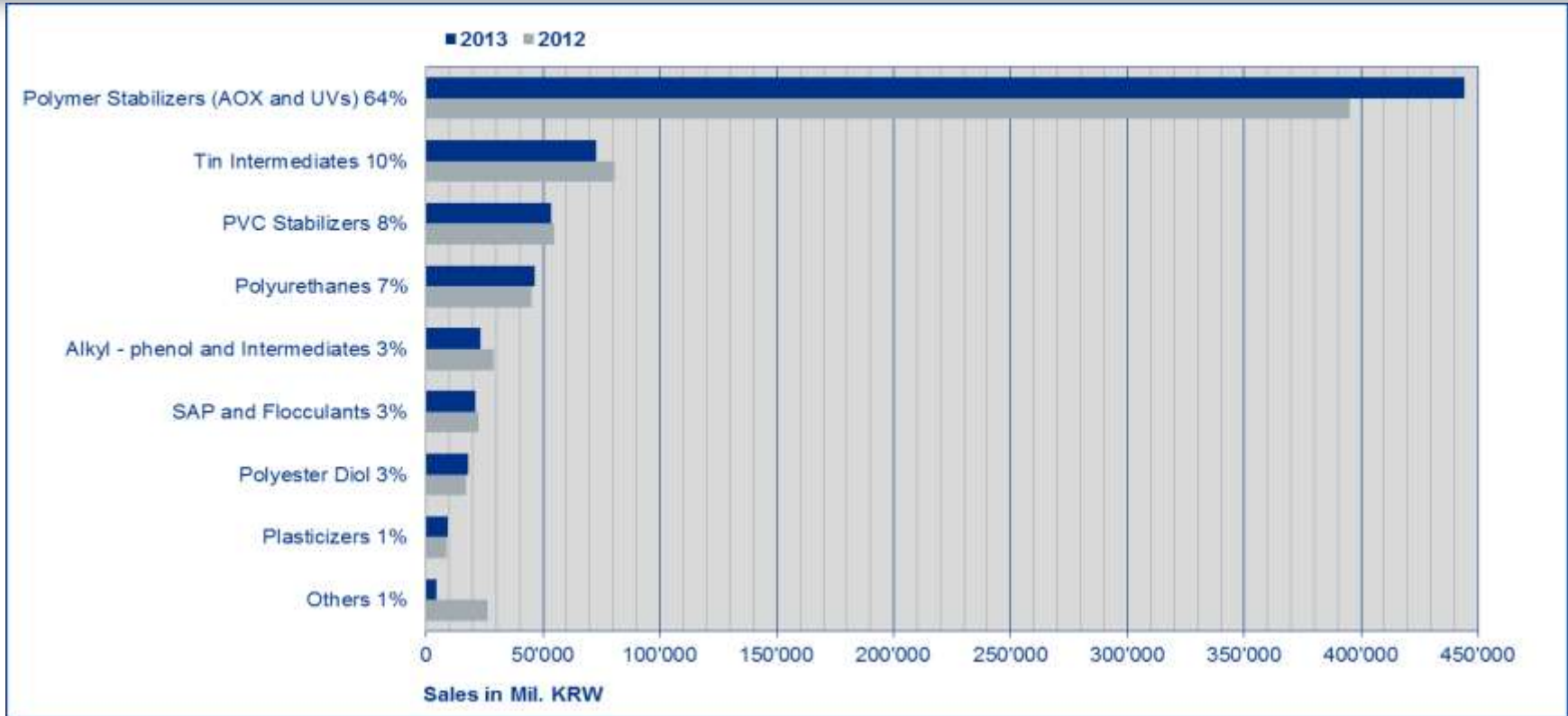
- Sales increased by 1.8% despite challenging market conditions and discontinuation of certain product lines
- Gross profit slightly increased although 2013 is impacted by higher COGS caused by change in capacity variance calculation – adjusted gross profit increased significantly by 8.4% vs 2012
- Operating profit impacted by higher COGS (capacity variance) and significant investments in development of corporate organization
- Profit for the year increased by 12.1% supported by savings of interest expenses and income from sale of business lines

Sales development – By region



- Solid sales performance achieved quarter over quarter despite challenging market conditions in different regions
- Q4/2013 and Q3/2013 impacted by discontinuation of certain products

Sales development – By products



- Total sales increase of 1.8% to 692 billion KRW
- Core business Polymer Stabilizers grew 12.5% (despite discontinuation of AO FR/RD)
- Tin Intermediates sales temporary decreased due to plant outage (expansion of DOTO and reduction of DBTO)
- Alkyl Phenols decreased due to discontinuation of marginal products

Polymer Stabilizers

- Again strong year over year performance (+12.5%), with a particularly strong growth of the new HALS and thioester product groups based on back-integration (joint venture with Tangshan Baifu) and distribution agreements (Sabo) despite:
 - Discontinuation of AO FR/RD
 - Weak global market conditions
 - Slow start of the OPS business (late approvals, late start up of the US plant and delayed construction of Abu Dhabi plant)

Tin Intermediates

- Plant outage (expansion of DOTO) lead to reduced capacity for 2013
- With increased DOTO capacity, we are well positioned for expected increased market needs for DOTO (driven by regulatory requirements)

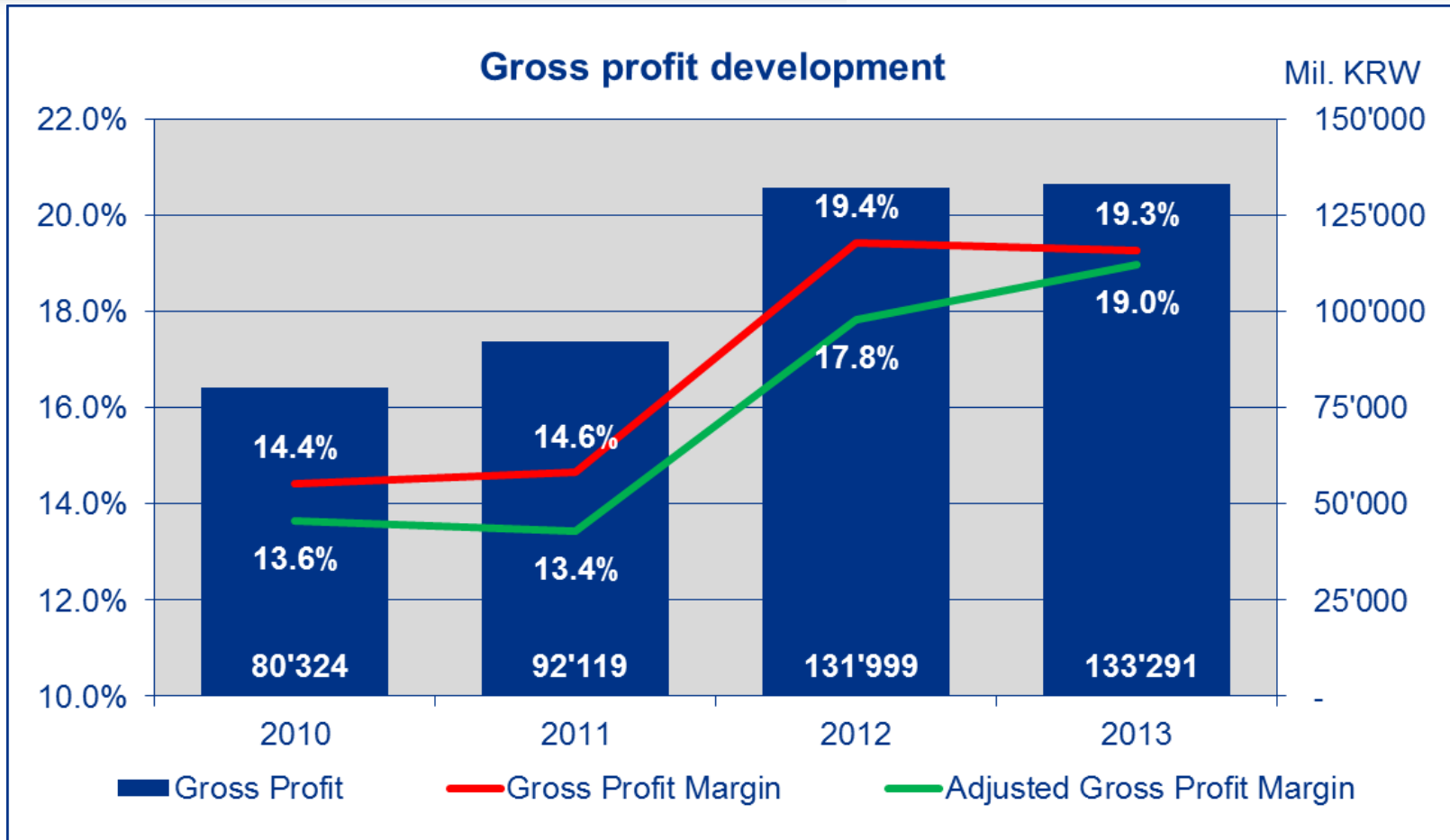
Alkyl Phenols

- Strategic review of all product lines lead to the decision to discontinue PTBP and Biphenols and consequent decreased sales for 2013 compared to 2012

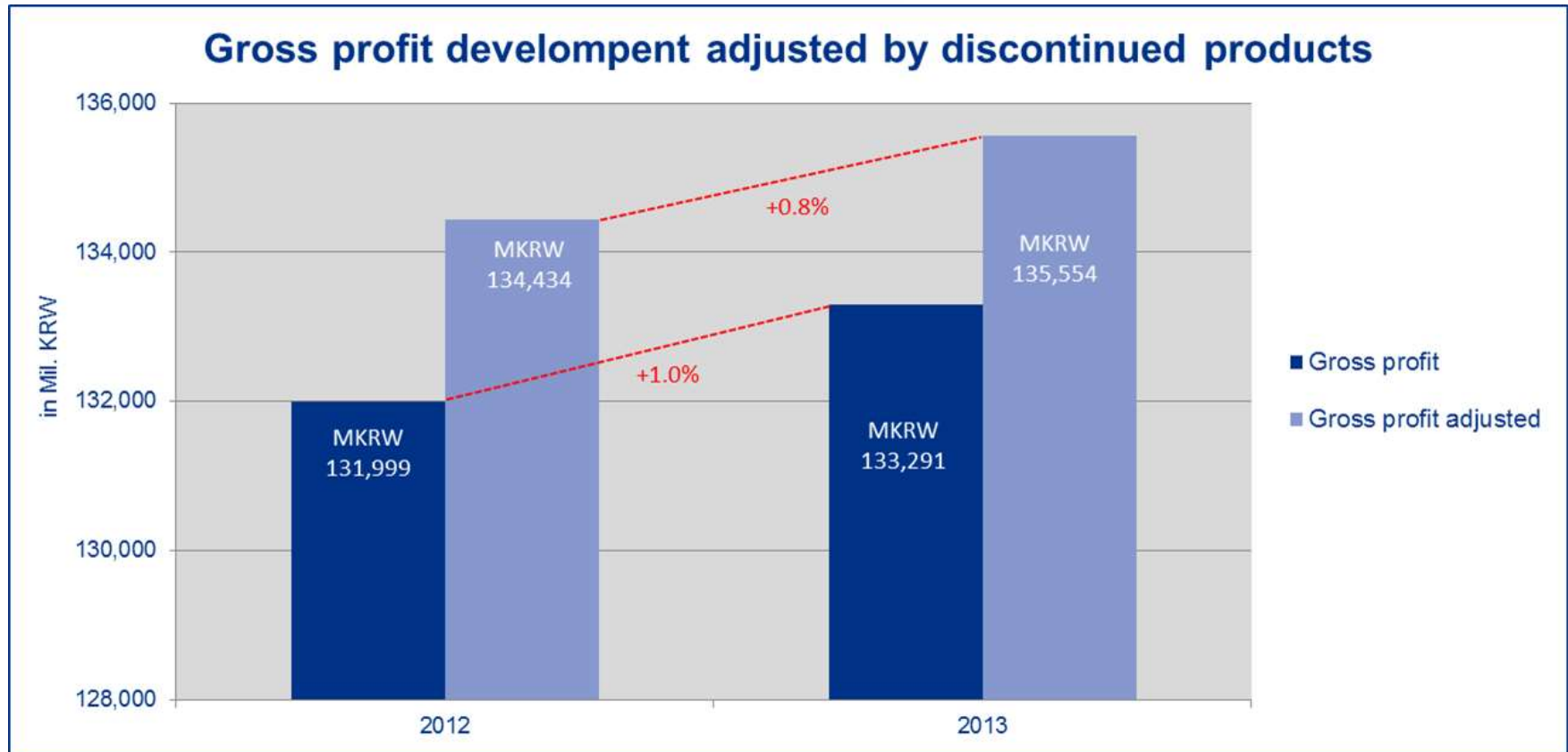


- Discontinued products accounted for approx. 45 bn KRW in 2012 and 34 bn KRW in 2013
- Sales growth of continued products is with 2.8% above overall sales growth of 1.8%

Gross profit development

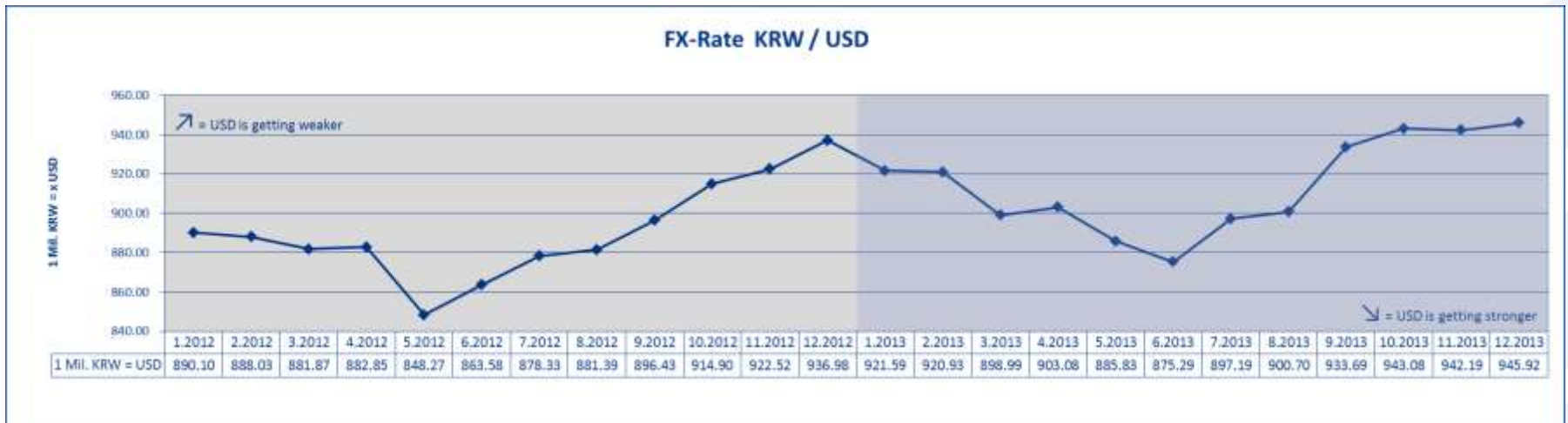


- Solid business performance of 2012 is confirmed 2013
- Gross profit margin for the year 2013 is with 19.3% slightly below prior year (19.4%) due to change in capacity variance calculation



- Discontinuation of products is mainly driven by negative gross profit margins of respective products
- Therefore gross profit excluding contribution of discontinued products is higher compared to overall gross profit

FX development – Korean Won vs. USD



- Although the Korean Won against the US Dollar as of Dec. 31, 2013 is at a similar level than as of Dec. 31, 2012, significant fluctuations occurred during the year 2013
- If the US Dollar is getting stronger (against Korean Won), the results of Songwon Industrial Group are basically negatively impacted
- Therefore, in the first half of 2013, net profit was negatively impacted by FX developments. In the second half of 2013, FX developments had a positive impact on our profit
- For the entire year 2013, FX impact is with 395 Mil. KRW overall not significant

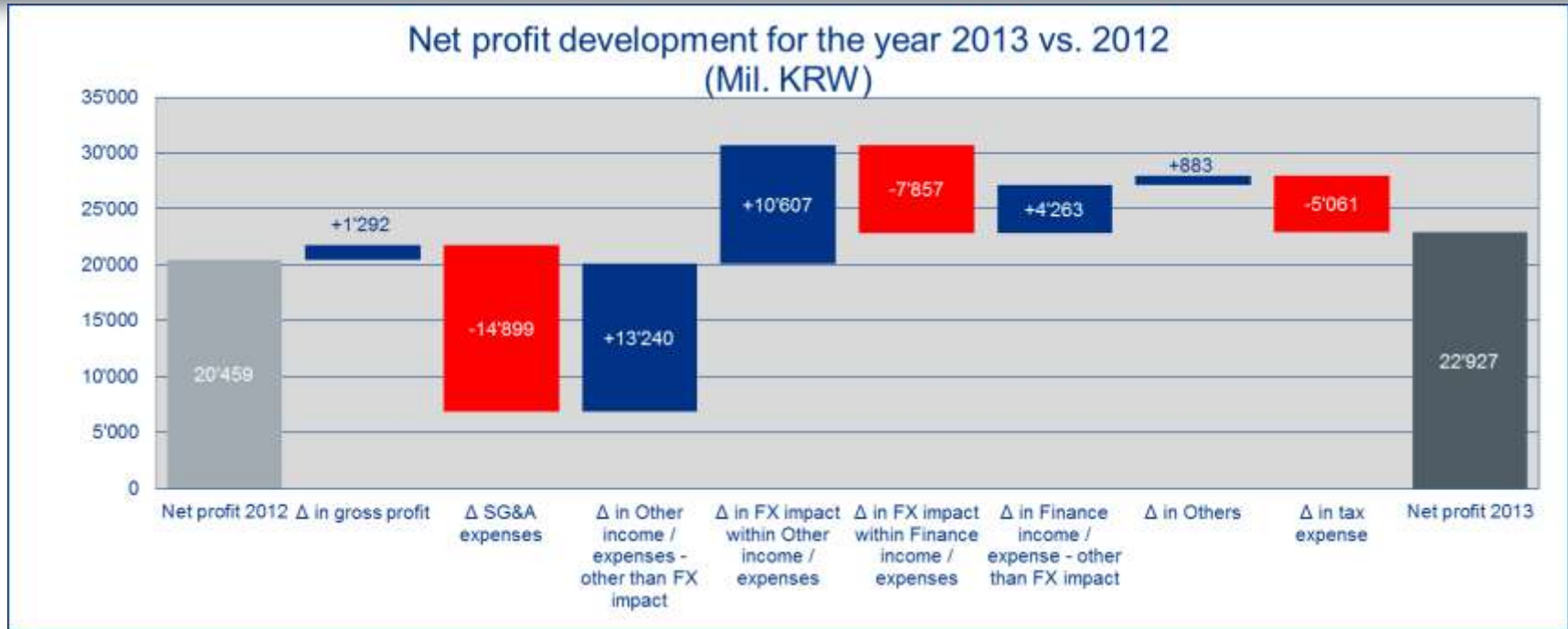


FX development – Impact on profit 2013

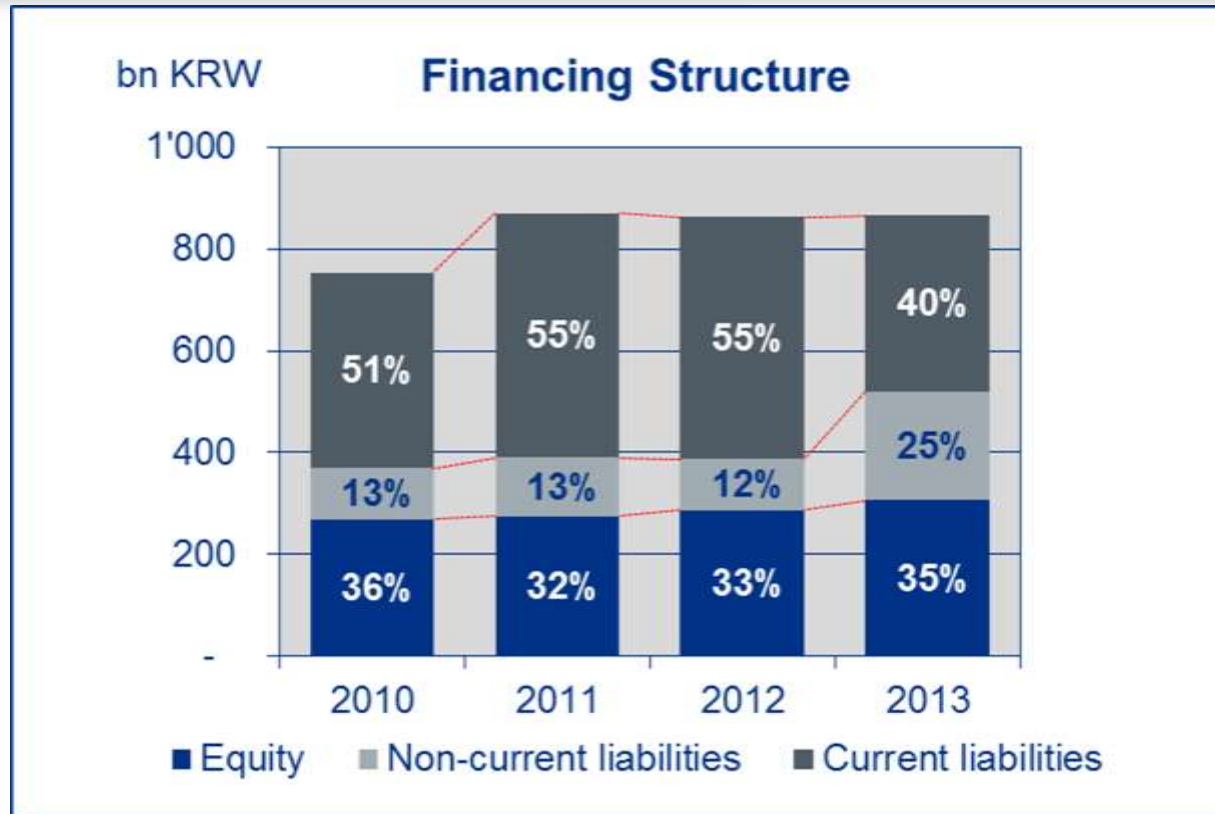
FX impact on net profit for the year 2013			
<i>Mil. KRW</i>	As reported	FX impact included	Net of FX impact
Operating profit	44,045	-	44,045
Other income	17,757	11,534	6,223
Other expenses	-14,415	-10,844	-3,571
EBIT	47,387	690	46,697
Share of result from invest. accounted for using the equity method	923	-	923
Finance costs	-36,813	-16,505	20,308
Finance income	20,368	16,210	4,158
Profit before tax	31,865	395	31,470
Income tax expense	-8,938	-	-8,938
Profit for the year	22,927	395	22,532

- Overall, a favorable net FX impact of 395 Million KRW is included in the profit for the year 2013

Profit for the period – 2013 vs. 2012



- Increase gross profit due to sales growth as well as productivity improvements
- Investments in global expansion and further development of the Group lead to higher SG&A expenses
- Higher Other income (net) due to lower capacity variance and income from sale of business
- Favorable FX impact compared to prior year
- Positive impact from restructuring of borrowings
- Higher spending's on taxes due to increased profit before tax



- With the restructuring of borrowings performed in Q1/2013 (signing of syndicated loan agreement), the financing structure improved significantly
- Current borrowings were converted into non-current borrowings
- Significant savings on interest expenses due to lower interest rates (favorable development of market conditions)

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Outlook – Global & regional markets

Global market trends

- Expected global GDP growth of 3.6% for 2014
- Major growth driver still Asia (China, India and ME)
- US economy to improve overall
- European economy showing signs of recovery
- Polymer industry expected to pick up momentum. ME to continue to show highest growth rates. Great potential for petrochemical and polymer industries in North America (shale gas) in the years to come.

Songwon global and regional footprint

- Well positioned to benefit from improving market conditions through its well established global and regional networks
- Manufacturing facilities located in key growth areas: Korea, China, USA, Germany and Abu Dhabi (under construction).
- Continuous focus to develop opportunities to strengthen its local presence in key growth areas (China, India, ME, Americas etc.)

Outlook – Product portfolio

Continue to establish a balanced portfolio of profitable businesses

- Discontinuation of non-core/non-profitable businesses started in 2013 – further optimizations under constant evaluation
- Key resources in place (R&D, business development, application development) to identify and develop opportunities to successfully enter into new high growth, high profitable markets. Few promising opportunities already identified and under development.

Continue to focus on Polymer Stabilizer segment

- A seamless focus on technological improvements, manufacturing cost reductions and productivity gains, led and will continue to bring additional available capacities, which will allow us to support market growth in the medium term.
- Major growth is expected to come from
 - OPS: new technology in place in Greiz, US plant in operation, Abu Dhabi under construction. Upon completion of Abu Dhabi plant a total capacity of 30.000 tons will be installed.
 - Innovative products: Songxtend™ Line of Solution Products (launched in 2013) targeted at new and improved polymer applications in Automotive, Fiber and Film, and Recycle Polymer Segments, which will be complemented by additional new products.
 - Thioester business and HALS business

Tin Intermediates

- Growth expected for 2014: expansion of DOTO production put us in position to offer to the market the product of choice to substitute DBTO, going to be phased out progressively for Regulatory reasons.

Other Product Groups

- The other product groups (PVC, Polyurethanes, Polyester Diols, Plasticizers etc.) which are mainly positioned in the local market are projected to grow above Korean GDP

Outlook – Financial targets

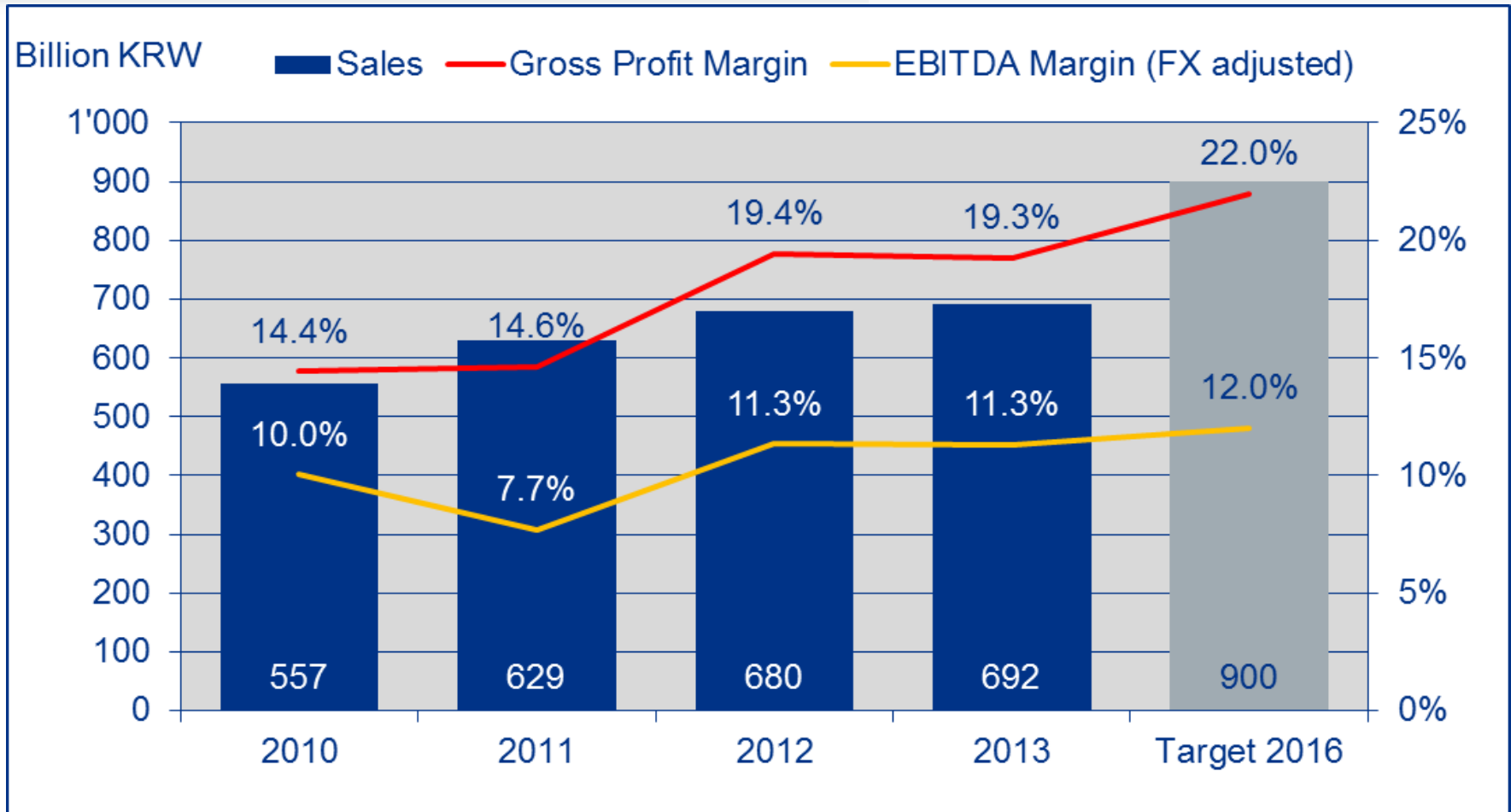
- Compared to sales, disproportionately low development of SG&A is expected as main investments in resources for the future were made in past two years
- Continued focus on the achievement of the strategic objectives and milestones announced in February 2013.

Financial Targets: Growth and Profitability

Growth rate 2013 (1.8%) did not track target trend line due to three main factors:

- Global economic recovery in 2013 was slower than anticipated and thus growth of the Polymer Industry was below expectations.
- Devaluation of the Japanese Yen resulted in reduced sales and gross margin compared to 2012 and 2013 expectations.
- Lost sales due to the rationalization of the product portfolio with the exit of the non-core Aminic AO's and DiAlkyl Phenols and the sale of the Biphenol Business. Although sales are negatively impacted, profitability improved by the rationalization of product portfolio.

Outlook – Financial targets



- Due to continued uncertainties regarding the global economic recovery, our Financial targets remain unchanged but achievement is not expected before 2016 (instead of 2015)

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Thank you for your attention!

**Further information including our
Annual Financial & Sustainability Report 2013
can be downloaded on www.songwon.com**