



SONGWON

FINANCIAL RESULTS
Preliminary, unaudited

Q4 & YEAR
ENDING December 31

2015

About this report

This report contains Songwon Industrial Group's preliminary, unaudited financial results for the three months (Q4/2015) and twelve months (FY 2015) ending December 31, 2015.

All the disclosed figures are preliminary and may be subject to change during the audit of the annual financial statements by the Group's auditor, Ernst & Young Han Young. Songwon Industrial Group will publish final audited annual financial statements for the year 2015, prepared in accordance with the Korean International Financial Reporting Standards ("K-IFRS"), by mid-March 2016 after being audited by the Group auditor.

The financial information in this annual report reflects the consolidated figures in Mil. KRW unless otherwise stated.

For further information about Songwon Industrial Group, please visit: www.songwon.com or write to us at: ir@songwon.com.

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.

Key Financial Data

	Q4 2015	Q4 2014	Δ%	12 months ending Dec. 31		
	Million KRW	Million KRW		2015	2014	Δ%
Sales	166,470	164,822	1.0%	654,421	665,498	-1.7%
Gross profit*	43,785	18,386	138.1%	140,581	88,584	58.7%
<i>Gross profit margin</i>	26.3%	11.2%		21.5%	13.3%	
Operating profit*	18,333	-2,621	n/a	49,391	3,398	1,354%
EBITDA	21,320	6,685	218.9%	92,564	38,577	139.9%
<i>EBITDA margin</i>	12.8%	4.1%		14.1%	5.8%	
EBIT	12,513	-1,853	n/a	58,058	5,878	887.7%
<i>EBIT margin</i>	7.5%	-1.1%		8.9%	0.01%	
Profit / (loss) before tax	16,820	-6,565	n/a	44,840	-8,716	n/a
Profit / (loss) for the period	10,575	-4,764	n/a	28,730	-13,391	n/a
Total assets				846,868	855,857	-1.1%
Total equity				316,498	288,627	9.7%
<i>Equity ratio</i>				37.4%	33.7%	
Headcounts				788	781	0.01%

Sales development

Products

Sales by product (in Mil. KRW)	Q4 2015	Q4 2014	Variance	12 months ending Dec. 2015	12 months ending Dec. 2014	Variance
Alkyl - phenol & Intermediates	-	1'192	-100.0%	1'872	4'228	-55.7%
Plasticizers	2'319	2'138	8.5%	7'977	8'275	-3.6%
Polyester Diols	2'564	3'475	-26.2%	12'001	13'459	-10.8%
Polymer Stabilizers (AOX & UVs)	114'825	112'100	2.4%	450'643	445'367	1.2%
Polyurethanes	11'980	12'513	-4.3%	44'592	48'139	-7.4%
PVC Stabilizers	12'658	11'917	6.2%	46'381	48'919	-5.2%
SAP & Flocculants	3'182	4'023	-20.9%	12'316	17'959	-31.4%
Tin Intermediates	18'942	16'445	15.2%	71'235	76'022	-6.3%
Others	-	1'019	-100.0%	7'404	3'130	136.6%
Total Sales	166'470	164'822	1.0%	654'421	665'498	-1.7%

Regions

Sales by geographical region (in Mil. KRW)	Q4 2015	Q4 2014	Variance	12 months ending Dec. 2015	12 months ending Dec. 2014	Variance
Korea	49'111	49'456	-0.7%	189'936	198'546	-4.3%
Rest of Asia	38'510	38'426	0.2%	139'759	149'015	-6.2%
Europe	35'864	34'594	3.7%	149'167	157'860	-5.5%
North and South America	31'913	31'243	2.1%	136'541	125'781	8.6%
Australia	640	366	74.8%	2'855	2'302	24.0%
Middle East and Africa	10'432	10'737	-2.8%	36'163	31'994	13.0%
Total Sales	166'470	164'822	1.0%	654'421	665'498	-1.7%

Business development

In Q4/2015 ending December 31, 2015, Songwon Industrial Group achieved consolidated sales of 166,470 Mil. KRW. Compared to sales for Q4/2014 (164,822 Mil. KRW), revenue increased by 1.0%. The Group reported a net profit of 10,575 Mil. KRW compared to a loss of -4,764 in relation to Q4/2014. During Q4, Songwon's gross profit margin widened to 26.3% from 11.2% in Q4/2014. Year-to-date, the Group realized consolidated sales of 654,421 Mil. KRW and a net profit of 28,730 Mil. KRW.

Throughout Q4/2015, Songwon's polymer stabilizers business remained in line with expectations across all regions due to stable demand. In line with stock reduction for year-end closure across the value chain, sales experienced a general decline when compared to Q3/2015. Although sales were still affected by a weakened Euro, the complementary effect of the price increases implemented during the year, and decreased raw material costs in all regions ensured that Songwon could achieve an acceptable margin level for polymer stabilizers globally.

In terms of volumes sold, Q4/2015 proved to be a strong quarter for non-polymer stabilizer products. Even though the trend in the raw material price development went down in 2015 and sales prices subsequently followed this trend due to the applied sales price formulas, non-polymer stabilizer products nevertheless met the expected gross margin targets. In order to cope with the impact of the FX rate resulting from the Euro and JPY, Songwon reviewed the current price formulas with customers.

The 2015 YTD results indicate an overall successful year for Songwon Industrial Group. Throughout the year, sales continued to remain fairly stable and in line with expectations. Thanks to careful price/volume management and the positive impact of lower raw material costs, margins experienced constant improvement. During 2015, the high volatility of the Euro and JPY, as well as the price of crude oil were the dominant factors that required close scrutiny throughout the year. Songwon will continue to observe currency and raw material volatility.

All of Songwon's manufacturing facilities operated steadily and at high utilization rates throughout the 2015 enabling Songwon to achieve acceptable margin results for the year. EBITDA and EBIT margins increased to 12.8% and to 7.5% respectively during Q4/2015 compared to Q4/2014, as well as to 14.1% and 8.9% for the entire reporting period 2015.

Outlook

Throughout 2015 and beyond, Songwon continues to build strong customer and supplier relationships by understanding and anticipating market needs, and consolidating our competitive position through focusing on Songwon's market offering. Our efforts to build an even broader business portfolio, especially for specialty chemical applications is starting to give the expected results and will continue to do so in the coming year.

Our joint venture in China with Qingdao Long Fortune Chemical & Auxiliary Co., Ltd. (QLF) which includes investment into a state-of-the-art OPS plant will provide us with a manufacturing presence in China and further strengthen our ambition to become a leading polymer stabilizer supplier in this important region.

At the beginning of 2016, our joint venture manufacturing plant in Abu Dhabi will also be operational and puts Songwon in a stronger position to better meet the needs of current and future customers in the Middle East – one of the fastest growing markets for polyolefin and already a major consumer of OPS. We also expect the regional partnerships Songwon entered into in 2015 to result in significant growth in market share and enable us to offer an even higher level of customer service.

Looking ahead, we anticipate that further uncertainties in medium and long term economic growth scenarios, continued political instability in some regions of the world and forex instability to contribute to an overall volatile outlook in economic activities and determine the dynamics for 2016. However, although the growth outlook remains weak and unpredictable, we believe that the preparations Songwon made in 2014 and 2015 will form a sound basis for us to remain on track and deliver our targets for the coming year.