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YEARS

2015 Financial Statements

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Independent Auditor's Report

To the Board of Directors and Shareholders of Hyosung Corporation

We have audited the accompanying separate financial statements of Hyosung Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2015 and 2014, and the separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea
March 10, 2016



This report is effective as of March 10, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

December 31, 2015 and 2014
(in millions of Korean won)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	22,006	65,832
Trade and other receivables	896,135	933,621
Due from customers for contract work	75,509	169,481
Other financial assets	111	6,149
Other current assets	100,836	111,471
Inventories	599,928	647,979
Non-current assets held-for-sale	-	25,990
	1,694,525	1,960,523
Non-current assets		
Long-term trade and other receivables	253,993	209,446
Property, plant and equipment	3,368,749	3,267,496
Investment property	460,065	482,085
Intangible assets	93,790	100,930
Investment in subsidiaries and associates	1,585,531	1,540,488
Other non-current financial assets	266,045	170,921
Other non-current assets	23,735	23,696
	6,051,908	5,795,062
Total assets	7,746,433	7,755,585
Liabilities		
Current liabilities		
Trade and other payables	1,004,443	1,058,146
Due to customers for contract work	102,311	101,059
Borrowings	1,682,270	1,943,052
Other financial liabilities	24,815	24,397
Current tax liabilities	25,484	51,172
Other current liabilities	147,697	155,672
	2,987,020	3,333,498
Non-current liabilities		
Long-term trade and other payables	61,997	55,782
Long-term borrowings	1,393,523	1,297,265
Retirement benefit obligations	20,390	39,288
Deferred income tax liabilities	232,521	231,401
Other non-current financial liabilities	11,199	5,192
Other non-current liabilities	49,336	71,461
	1,768,966	1,700,389
Total liabilities	4,755,986	5,033,887
Equity		
Capital stock	175,587	175,587
Capital surplus	130,826	130,826
Retained earnings	2,378,108	2,143,603
Other components of equity	305,926	271,682
Total equity	2,990,447	2,721,698
Total liabilities and equity	7,746,433	7,755,585

Hyosung Corporation

Separate Statements of Income

Years Ended December 31, 2015 and 2014
(in millions of Korean won, except per share amounts)

	2015	2014
Revenue	8,033,110	8,532,153
Cost of sales	(6,850,173)	(7,552,802)
Gross profit	1,182,937	979,351
Selling and administrative expenses	(608,890)	(661,859)
Research and development expenses	(100,697)	(112,745)
Operating profit	473,350	204,747
Other income	220,802	382,847
Other expenses	(166,451)	(108,877)
Other income (expenses), net	54,351	273,970
Finance income	251,755	238,618
Finance expenses	(376,784)	(405,358)
Finance income (expenses), net	(125,029)	(166,740)
Impairment loss on investment in subsidiaries and associates	(26,399)	(49,105)
Profit before income tax	376,273	262,872
Income tax expense	(58,547)	(78,000)
Profit for the year	317,726	184,872
Basic earnings per share	9,550	5,557

Separate Statements of Comprehensive Income

Years Ended December 31, 2015 and 2014
(in millions of Korean won)

	2015	2014
Profit for the year	317,726	184,872
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	(16,684)	(19,532)
Items that may be subsequently reclassified to profit or loss		
Gains (losses) on valuation of available-for-sale financial assets	33,095	1,641
Currency translation differences	1,149	690
Other comprehensive income (loss) for the year, net of tax	17,560	(17,201)
Total comprehensive income for the year	335,286	167,671

Hyosung Corporation

Separate Statements of Changes in Equity

Years Ended December 31, 2015 and 2014
(in millions of Korean won)

	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total
Balance at January 1, 2014	175,587	130,826	2,011,532	269,351	2,587,296
Comprehensive income					
Profit for the year	-	-	184,872	-	184,872
Change in value of available-for-sale financial assets	-	-	-	1,641	1,641
Remeasurements of net defined benefit liability	-	-	(19,532)	-	(19,532)
Currency translation differences	-	-	-	690	690
Transactions with equity holders of the Company					
Dividends	-	-	(33,269)	-	(33,269)
Balance at December 31, 2014	175,587	130,826	2,143,603	271,682	2,721,698
Balance at January 1, 2015	175,587	130,826	2,143,603	271,682	2,721,698
Comprehensive income					
Profit for the year	-	-	317,726	-	317,726
Change in value of available-for-sale financial assets	-	-	-	33,095	33,095
Remeasurements of net defined benefit liability	-	-	(16,684)	-	(16,684)
Currency translation differences	-	-	-	1,149	1,149
Transactions with equity holders of the Company					
Dividends	-	-	(66,537)	-	(66,537)
Balance at December 31, 2015	175,587	130,826	2,378,108	305,926	2,990,447

Separate Statements of Cash Flows

Years Ended December 31, 2015 and 2014
(in millions of Korean won)

	2015	2014
Cash flows from operating activities		
Cash generated from operations	769,228	369,798
Income tax paid	(88,355)	(110,017)
Interest paid	(97,768)	(112,104)
Interest received	2,536	2,615
Dividends received	132,765	77,009
Net cash inflow from operating activities	718,406	227,301
Cash flows from investing activities		
Decrease in short-term loans	16,433	12,400
Proceeds from disposal of short-term financial Instruments	-	3
Proceeds from disposal of available-for-sale financial assets	1,773	6,829
Decrease in long-term loans	7,038	11,409
Decrease in long-term deposits provided	7,694	7,060
Proceeds from disposal of property, plant and equipment	18,086	6,324
Government grants received	1,252	4,647
Proceeds from disposal of investment property	20,175	2,292
Proceeds from disposal of intangible assets	436	26,342
Proceeds from disposal of investment in subsidiaries and associates	57,703	28,788
Proceeds from disposal of non-current assets held for sale	25,965	51
Proceeds from disposal of other investments	-	415,000
Increase in short-term loans	(15,636)	(8,400)
Acquisition of short-term financial instruments	-	(2)
Acquisition of available-for-sale financial assets	(55,321)	(59,684)
Increase in long-term loans	(57,820)	(16,179)
Increase in long-term deposits provided	(25,409)	(3,387)
Purchases of property, plant and equipment	(346,720)	(404,086)
Purchases of investment property	(9)	(39,787)
Purchases of intangible assets	(7,920)	(68,100)
Acquisition of subsidiaries and associates	(96,826)	(16,809)
Acquisition of long-term financial instruments	(1,140)	(300)
Acquisition of other investments	(39)	-
Net cash outflow from investing activities	(450,285)	(95,589)
Cash flows from financing activities		
Proceeds from short-term borrowings	5,559,689	5,906,824
Proceeds from long-term borrowings	280,832	342,914
Proceeds from issuance of debentures	426,852	59,910
Government grants received	3,520	-
Repayment of short-term borrowings	(6,037,871)	(5,971,176)
Repayment of current portion of long-term borrowings	(460,766)	(479,989)
Repayment of long-term borrowings	(6,034)	-
Repayment of government grants	(11,632)	-
Payment of cash dividends	(66,537)	(33,269)
Net cash outflow from financing activities	(311,947)	(174,786)
Net increase decrease in cash and cash equivalents	(43,826)	(43,074)
Cash and cash equivalents at the beginning of year	65,832	108,906
Cash and cash equivalents at the end of year	22,006	65,832

Independent Auditor's Report

To the Board of Directors and Shareholders of Hyosung Corporation

We have audited the accompanying consolidated financial statements of Hyosung Corporation and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matter

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Seoul, Korea
March 10, 2016



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Consolidated Statements of Financial Position

December 31, 2015 and 2014
(in millions of Korean won)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	513,262	526,920
Trade and other receivables	1,859,542	1,780,287
Due from customers for contract work	93,748	183,644
Other financial assets	70,232	70,569
Other current assets	166,344	164,744
Inventories	1,498,284	1,372,164
Current tax assets	15,755	20,595
	4,217,167	4,118,923
Non-current assets		
Long-term trade and other receivables	278,457	251,901
Property, plant and equipment	5,628,843	5,485,728
Investment property	620,004	593,856
Intangible assets	452,656	409,768
Investments in associates	110,941	212,492
Other financial business assets	2,058,256	2,205,796
Other non-current financial assets	549,803	292,989
Other non-current assets	54,126	54,011
Deferred tax assets	42,925	36,610
	9,796,011	9,543,151
Total assets	14,013,178	13,662,074
Liabilities		
Current liabilities		
Trade and other payables	1,491,379	1,452,579
Due to customers for contract work	108,120	106,741
Borrowings	4,722,373	5,220,188
Other financial liabilities	24,815	27,242
Current tax liabilities	42,104	73,854
Other current liabilities	329,520	345,569
	6,718,311	7,226,173
Non-current liabilities		
Long-term trade and other payables	367,690	419,978
Long-term borrowings	3,055,933	2,701,376
Net defined benefit liability	35,566	53,103
Deferred tax liabilities	252,121	300,851
Other non-current financial liabilities	8,184	5,697
Other non-current liabilities	103,260	59,628
	3,822,754	3,540,633
Total liabilities	10,541,065	10,766,806
Equity attributable to owners of the Parent		
Capital stock	175,587	175,587
Capital surplus	130,826	130,826
Retained earnings	2,660,446	2,256,086
Other components of equity	291,399	229,539
	3,258,258	2,792,038
Non-controlling interest	213,855	103,230
Total equity	3,472,113	2,895,268
Total liabilities and equity	14,013,178	13,662,074

Hyosung Corporation and subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2015 and 2014
(in millions of Korean won, except per share amounts)

	2015	2014
Revenue	12,458,454	12,177,134
Cost of sales	(10,429,796)	(10,565,608)
Gross profit	2,028,658	1,611,526
Selling and administrative expenses	(957,004)	(887,004)
Research and development expenses	(121,485)	(124,176)
Operating profit	950,169	600,346
Other income	118,405	325,047
Other expenses	(212,836)	(144,479)
Other income (expenses), net	(94,431)	180,568
Finance income	367,161	273,515
Finance expenses	(637,060)	(576,610)
Finance income (expenses), net	(269,899)	(303,095)
Share of profit of associates	11,451	(9,130)
Profit before income tax	597,290	468,689
Income tax expense	(71,399)	(176,699)
Profit for the year	525,891	291,990
Profit attributable to:		
Owners of the parent		
Profit for the year attributable to owners of Controlling Company	492,691	269,229
Non-controlling interests		
Profit for the year attributable to non-controlling interests	33,200	22,761
	525,891	291,990
Earnings per share		
attributable to the equity holders of the Controlling Company during the year		
Basic earnings per share	14,809	8,093

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2015 and 2014
(in millions of Korean won)

	2015	2014
Profit for the year	525,891	291,990
Other comprehensive income(loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liability	(19,089)	(21,423)
Share of remeasurements of net defined benefit liability of associates	(880)	(1,281)
Items that may be subsequently reclassified to profit or loss		
Change in valuation of available-for-sale financial assets	38,603	(8,330)
Share of other comprehensive income of associates	8,401	(19,967)
Translation of foreign currency financial statements	13,372	14,808
Other comprehensive income (loss) for the year, net of tax	40,407	(36,193)
Total comprehensive income for the year	566,298	255,797
Attributable to:		
Equity holders of the Controlling Company	533,412	232,395
Non-controlling interest	32,886	23,402
Total comprehensive income for the year	566,298	255,797

Hyosung Corporation and subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2015 and 2014
(in millions of Korean won)

	Attributable to equity holders of the Controlling Company					Non-controlling Interest	Total Equity
	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total		
Balance at January 1, 2014	175,587	130,826	2,042,726	249,708	2,598,847	75,233	2,674,080
Comprehensive income							
Net Income	-	-	269,229	-	269,229	22,761	291,990
Remeasurements of net defined benefit liability	-	-	(20,948)	-	(20,948)	(475)	(21,423)
Share of remeasurements of net defined benefit liability of associates	-	-	(1,281)	-	(1,281)	-	(1,281)
Losses on valuation of available-for-sale financial assets	-	-	-	(8,240)	(8,240)	(90)	(8,330)
Share of other comprehensive income of associates	-	-	-	(19,967)	(19,967)	-	(19,967)
Translation of foreign currency financial statements	-	-	-	13,601	13,601	1,207	14,808
Transactions with equity holders of the Company :							
Dividends	-	-	(33,269)	-	(33,269)	(5,705)	(38,974)
Changes in other additional capital	-	-	-	472	472	-	472
Changes in other capital adjustments	-	-	-	49	49	-	49
Others	-	-	(371)	-	(371)	3,261	2,890
Changes in share ratio of subsidiaries and others	-	-	-	(6,084)	(6,084)	7,095	1,011
Changes in scope of consolidation	-	-	-	-	-	(57)	(57)
Balance at December 31, 2014	175,587	130,826	2,256,086	229,539	2,792,038	103,230	2,895,268
Balance at January 1, 2015	175,587	130,826	2,256,086	229,539	2,792,038	103,230	2,895,268
Comprehensive income							
Net Income	-	-	492,691	-	492,691	33,200	525,891
Remeasurements of net defined benefit liability	-	-	(18,185)	-	(18,185)	(904)	(19,089)
Share of remeasurements of net defined benefit liability of associates	-	-	(880)	-	(880)	-	(880)
Losses on valuation of available-for-sale financial assets	-	-	-	38,617	38,617	(14)	38,603
Share of other comprehensive income of associates	-	-	-	8,401	8,401	-	8,401
Translation of foreign currency financial statements	-	-	-	12,769	12,769	603	13,372
Transactions with equity holders of the Company :							
Dividends	-	-	(66,537)	-	(66,537)	(10,597)	(77,134)
Changes in other additional capital	-	-	(1,028)	2,434	1,406	-	1,406
Changes in other capital adjustments	-	-	-	-	-	-	-
Others	-	-	(1,701)	(361)	(2,062)	(576)	(2,638)
Changes in share ratio of subsidiaries and others	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	88,913	88,913
Balance at December 31, 2015	175,587	130,826	2,660,446	291,399	3,258,258	213,855	3,472,113

Consolidated Statements of Cash Flows

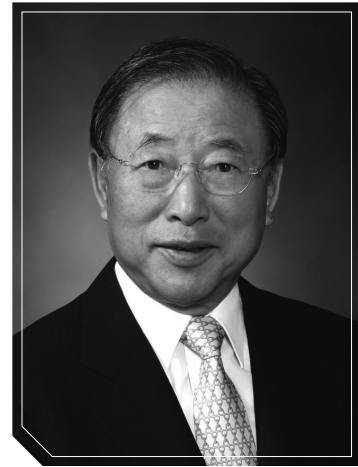
Years Ended December 31, 2015 and 2014
(in millions of Korean won)

	2015	2014
Cash flows from operating activities		
Cash generated from operations	1,532,899	1,159,285
Income tax paid	(165,813)	(171,853)
Interest paid	(200,508)	(259,597)
Interest received	164,437	160,555
Dividends received	3,040	18,404
Net cash inflow from operating activities	1,334,055	906,794
Cash flows from investing activities		
Proceeds from disposal of other receivables	86,814	18,830
Proceeds from disposal of other financial assets	91,888	103,743
Proceeds from disposal of long-term other receivables	28,359	24,686
Proceeds from disposal of property, plant and equipment	45,161	18,262
Government grants received	20,447	4,508
Proceeds from disposal of investment property	20,278	2,292
Proceeds from disposal of intangible assets	2,317	27,473
Proceeds from disposal of investments in associates	5,717	34,214
Proceed from cease of control on subsidiaries, net of cash owned	55,551	-
Proceed from acquisition of subsidiaries, net of cash owned	16,027	-
Proceeds from disposal of other non-current assets	26,086	415,308
Acquisition of other receivables	(121,338)	(16,756)
Acquisition of other financial assets	(52,968)	(73,687)
Acquisition of long-term other receivables	(48,564)	(19,712)
Acquisition of other non-current financial assets	(148,128)	(150,487)
Purchases of property, plant and equipment	(702,244)	(776,790)
Purchases of investment properties	(9)	(39,787)
Purchases of intangible assets	(28,331)	(22,531)
Acquisition of investments in associates	(3,920)	(18,651)
Acquisition of other non-current assets	(296)	(373)
Net cash outflow from investing activities	(707,153)	(469,458)
Cash flows from financing activities		
Proceeds from short-term borrowings	10,406,185	9,752,836
Proceeds from long-term borrowings and issuance of debentures	3,352,788	2,542,695
Government grants received	3,520	-
Changes in non-controlling interest	-	(100)
Repayment of short-term borrowings	(10,868,266)	(10,771,765)
Repayment of long-term borrowings and debentures	(3,451,274)	(1,859,083)
Payment of cash dividends	(87,780)	(44,341)
Repayment of government grants	(11,632)	-
Net cash outflow from financing activities	(656,459)	(379,758)
Effect of cash and cash equivalent from exchange rate fluctuation	15,899	24,751
Net increase (decrease) in cash and cash equivalents	(13,658)	82,329
Cash and cash equivalents		
Beginning of the year	526,920	444,591
End of the year	513,262	526,920

Board of Directors

Corporate Management

Board of directors



S.R. Cho
Chairman of Hyosung Group



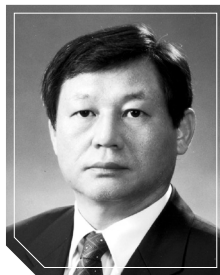
Sang-Woon Lee
Vice Chairman



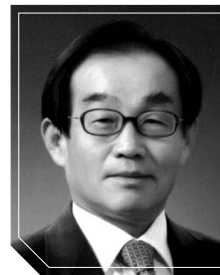
Hyun-Joon Cho
President, Corporate Strategy Center
President, Textile PG
President, Information & Communication PG



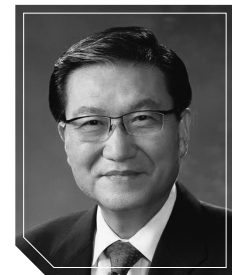
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President, Industrial Materials PG
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Executive Vice President, Corporate Strategy Center



Sang-Hee Kim
Outside Director
Attorneys-at-Law,
Kim Sang Hee Law Office
Former Vice-Minister,
the Ministry of Justice



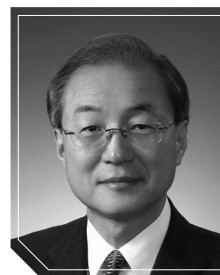
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the Korea Institute of Patent Information



Byung-Doo Sohn
Outside Director
Chairman of the board, Hoam Foundation
Former Chairman of the board, KBS



Byung-Ju Lee
Outside Director
Advisor for Bae, Kim & Lee LLC
Former member of a standing committee,
Fair Trade Commission



Tae-Ho Park
Professor, International Studies Seoul
National University
Former Trade Minister, the Ministry of
Foreign Affairs and Trade



Joong-Kyung Choi
Chair Professor, Public Administration
Dongguk University
Former Minister, the Ministry of
Knowledge Economy

Corporate management



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