

# 2Q 2013 Business Results & Outlook

July 22, 2013



# Disclaimer

**The business results for the second quarter of 2013 currently under audit review are presented here for investors' convenience. Hence, please be advised that some of their contents may be altered in the course of audit.**

**The business results are subject to the IFRS(International Financial Reporting Standards) from 2010. In addition, operating profits for 2011 and 2012 are amended to reflect revisions of “K-IFRS, No. 1001” decided on 19<sup>th</sup> regular Financial Services Commission's meeting on October 17<sup>th</sup>, 2012.**

**Forecasts and projections contained in this material are based on current business environments and management's strategies, and they may differ from the actual results upon changes and unaccounted variables.**

# Table of Contents

<b>2Q 2013 Business Results</b>	<b>1</b>
<b>Divisional Results &amp; Outlook</b>	<b>3</b>
<b>Appendix</b>	<b>5</b>
- Divisional Sales & Operating Profit	
- Borrowings & Cash Flow	
- CAPEX Plan & Results	
- Quarterly Price Trends	
- Monthly Price Trends	

(Unit: KRW bn)

Classification	'12.2Q	'13.1Q	'13.2Q	YoY	QoQ
<b>Sales</b>	5,996	5,721	5,917	-1.3%	3.4%
<b>Operating Profit</b>	499	409	502	0.5%	22.6%
<b>(%)</b>	(8.3)	(7.1)	(8.5)		
<b>Pre-tax Income</b>	480	415	510	6.2%	22.9%
<b>(%)</b>	(8.0)	(7.2)	(8.6)		
<b>Net Income</b>	374	340	401	7.2%	17.8%

## Financial Position

(Unit: KRW bn)

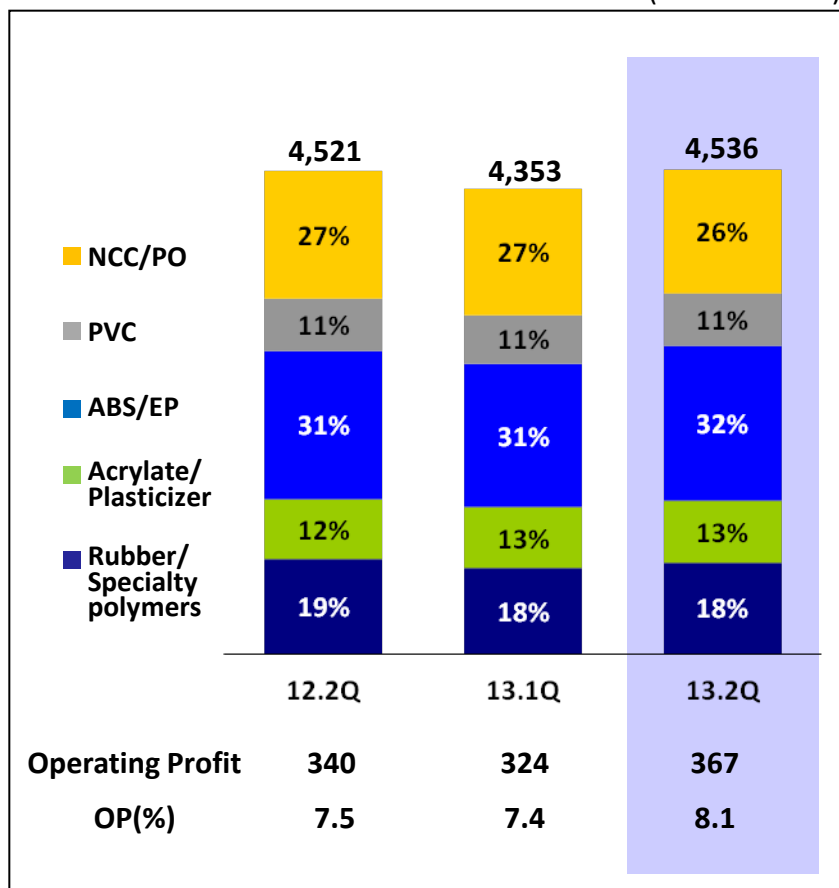
Classification	'12	'13.2Q	Change
<b>Asset</b>	<b>16,581</b>	<b>17,959</b>	8.3%
Cash and equivalents	1,341	2,033	51.6%
<b>Liabilities</b>	<b>5,816</b>	<b>6,646</b>	14.3%
Borrowings	2,947	3,307	12.2%
<b>Shareholder's Equity</b>	<b>10,765</b>	<b>11,313</b>	5.1%
<b>EBITDA</b>	<b>2,784</b>	<b>1,412</b>	

## Financial Ratios

Classification	'12	'13.2Q	Change
<b>Total Liabilities/ Equity (%)</b>	54.0	58.7	4.7%p
<b>Borrowings / Equity (%)</b>	27.4	29.2	1.8%p
<b>Interest Coverage Ratio (x)</b>	26.2	29.7	3.5
<b>ROE (%)</b>	14.7	13.4	-1.3%p
<b>ROA (%)</b>	9.5	8.6	-0.9%p

## Business results

(Unit: KRW bn)



## Analysis

### • Analysis

#### ■ Earnings improved based on stabilized feedstock costs and differentiated product mix

- NCC/PO : Increased profits with spread recovery by stabilized naphtha costs and increased premium PO sales
- PVC : Improved margin due to decreased ethylene costs and recovery of caustic soda price
- ABS/EP : Maintained profitability by extending sales in European market and premium product shipment increases
- Acrylate/Plasticizer : Maintained favorable business results by stable supply-demand balance
- Rubber/Specialty Polymers : Profit increased through expanding market share of non-Chinese areas despite weak tire demand continued

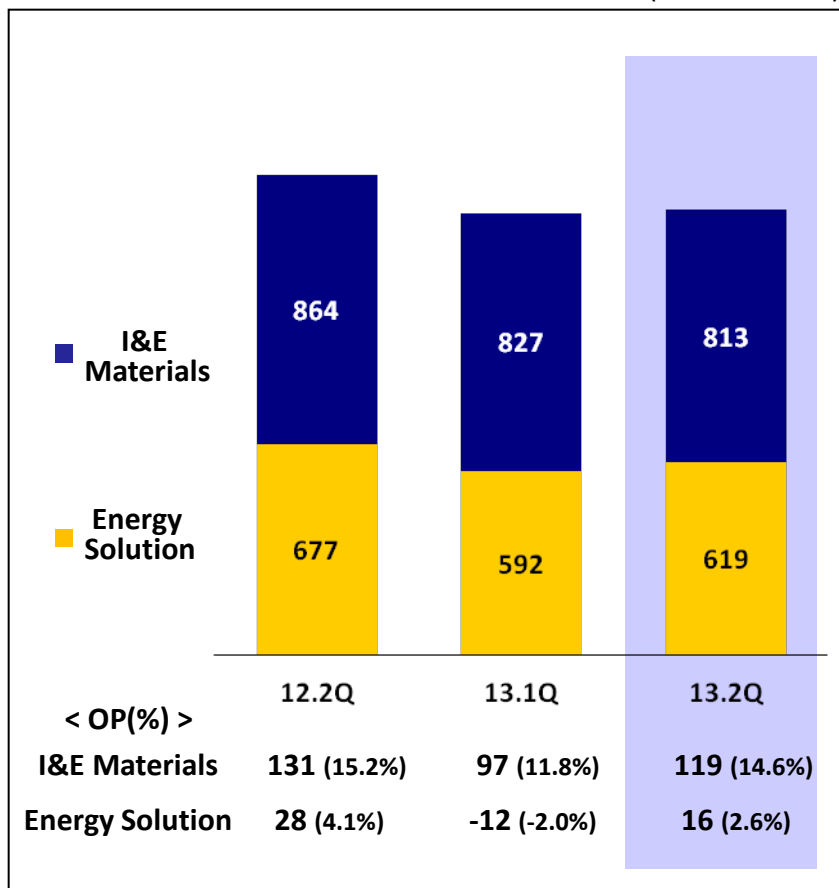
### • Outlook

- Expect gradual market recovery with seasonal demand growth and favorable business environment
- Solid profits continue with margin improvement by reflecting low feedstock costs and differentiated product portfolio

## Business results

## Analysis

(Unit: KRW bn)



### • Analysis

■ Despite limited seasonal demand increase, earnings improved thanks to sales increase of strategic products & cost reduction stemming from weak JPY

- **I&E Materials** : Recorded improved profitability based on stable LCD industry, profitable product sales increase such as FPR, ITO film and cost reduction
- **Energy Solution** : Earnings improvement due to polymer capacity additions

### • Outlook

■ Strengthen global market position through diversifying customers and applications & increasing profitable product sales

- **I&E Materials** : Maintain sound profitability with high margin product sales such as ITO film
- **Energy Solution** : Expect polymer shipments increase thanks to customers' new product releases & rise in automotive battery sales

(Unit: KRW bn)

Classification	2012					2013				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,753	5,996	5,834	5,681	23,263	5,721	5,917			11,638
Operating Profit	447	499	601	364	1,910	409	502			910
Petrochemicals	4,491	4,521	4,366	4,201	17,579	4,353	4,536			8,889
NCC/PO	1,249	1,200	1,174	1,163	4,786	1,178	1,165			2,342
PVC	478	485	449	450	1,862	463	489			953
ABS	1,104	1,115	1,111	1,032	4,361	1,082	1,165			2,246
EP	267	281	262	257	1,067	265	282			547
Acrylate/Plasticizer	530	556	551	557	2,195	570	591			1,161
Synthetic Rubber/ Specialty Resin	864	883	819	743	3,310	795	845			1,640
Operating Profit	366	340	436	294	1,436	324	367			691
I&E Materials	761	864	923	903	3,452	827	813			1,641
Operating Profit	69	131	150	85	436	97	119			216
Energy Solution	562	677	611	628	2,479	592	619			1,210
Operating Profit	12	28	14	-15	39	-12	16			4

※ ABS/EP business are divided into two parts from 2013. So business results for ABS and EP are amended to reflect the partition of business.



## Borrowings

(Unit : KRW bn)

Classification	'12	'13.2Q
<b>Total</b> (Overseas Subsidiaries)	<b>2,947</b> (1,024) 100%	<b>3,307</b> (1,245) 100%
<b>KRW Currency</b>	<b>812</b> 28%	<b>807</b> 24%
<b>C P</b>	598	598
<b>Others</b>	214	208
<b>Foreign Currency</b>	<b>2,135</b> 72%	<b>2,501</b> 76%
<b>Loan</b>	1,140	1,355
<b>Negotiation Borrowings</b>	994	1,145
<b>Short-term</b> (Overseas Subsidiaries)	<b>1,752</b> (739) 59%	<b>2,106</b> (961) 64%
<b>Long-term</b> (Overseas Subsidiaries)	<b>1,195</b> (286) 41%	<b>1,201</b> (285) 36%

\* The % is calculated to total borrowings.

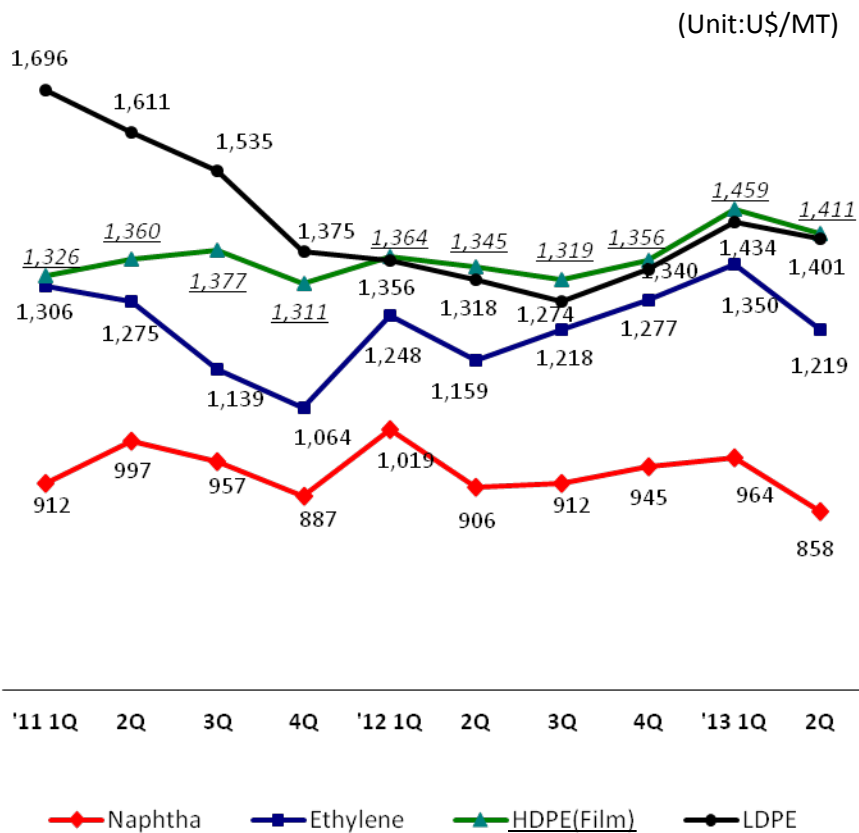
## Cash Flow

(Unit: KRW bn)

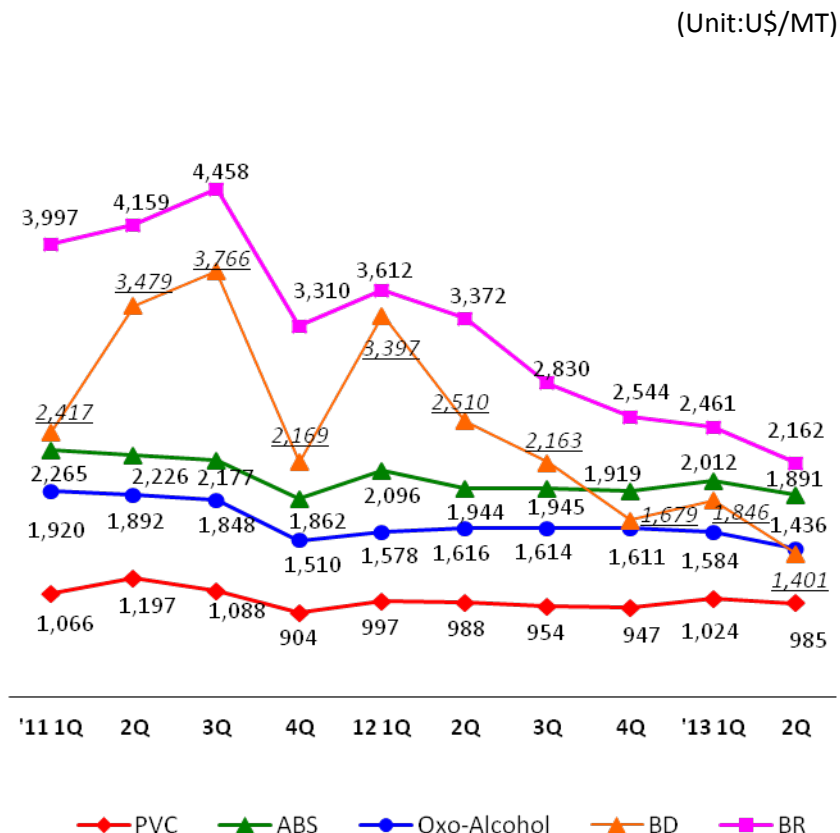
Classification	'12	'13.2Q
<b>Beginning Cash</b>	<b>1,379</b>	<b>1,341</b>
<b>Operating/Investing</b>	<b>-143</b>	<b>627</b>
<b>Net Income</b>	1,506	741
<b>Depreciation</b>	874	502
<b>Working Capital</b>	-147	-156
<b>CAPEX</b>	-2,075	-721
<b>Others</b>	-300	260
<b>Financing</b>	<b>104</b>	<b>66</b>
<b>Borrowings</b>	420	360
<b>Dividends</b>	-316	-295
<b>Ending</b>	<b>1,341</b>	<b>2,033</b>

(Unit: KRW bn)

Classification		'11	'12	'13 Plan	'13.1H
Petrochemicals	New / Expansion	664	784	549	247
	Maintenance	296	226	245	105
	<b>Total</b>	<b>960</b>	<b>1,009</b>	<b>795</b>	<b>352</b>
I & E Materials	New / Expansion	332	242	744	137
	Maintenance	103	90	135	50
	<b>Total</b>	<b>434</b>	<b>332</b>	<b>878</b>	<b>187</b>
Energy Solution	New / Expansion	660	395	70	58
	Maintenance	176	138	202	64
	<b>Total</b>	<b>836</b>	<b>533</b>	<b>272</b>	<b>122</b>
Common Expenses	New / Expansion	-	16	-	-
	Maintenance	91	185	179	60
	<b>Total</b>	<b>91</b>	<b>201</b>	<b>179</b>	<b>60</b>
Total	New / Expansion	1,655	1,436	1,363	442
	Maintenance	665	639	761	279
	<b>Total</b>	<b>2,321</b>	<b>2,075</b>	<b>2,124</b>	<b>721</b>



NCC/PO



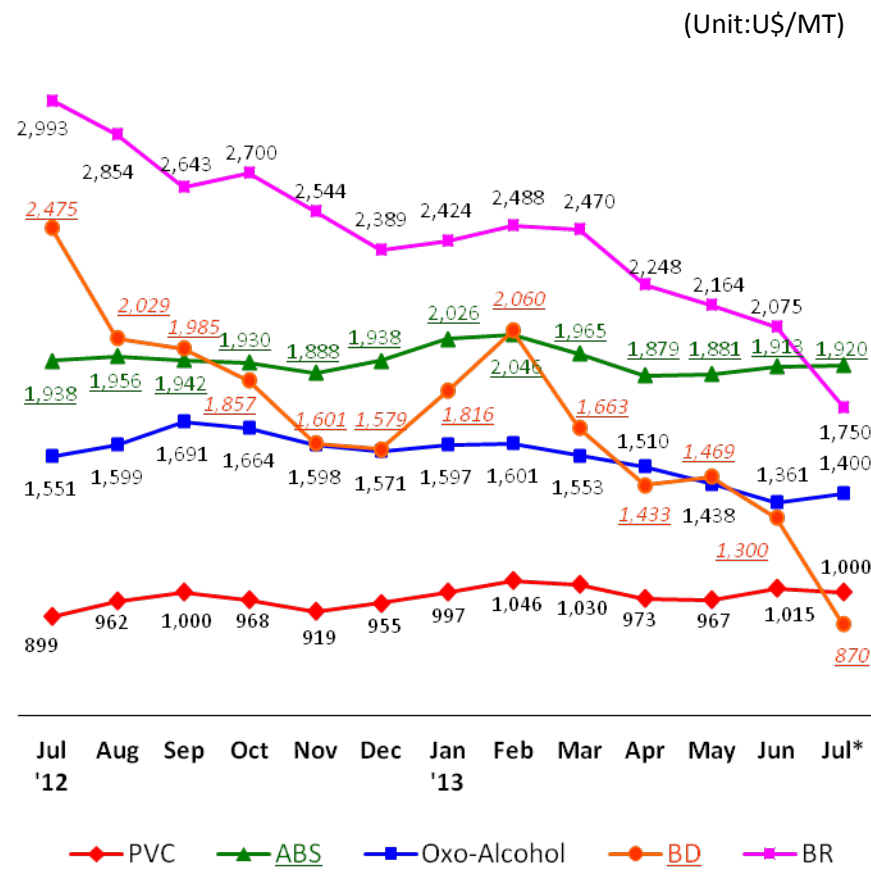
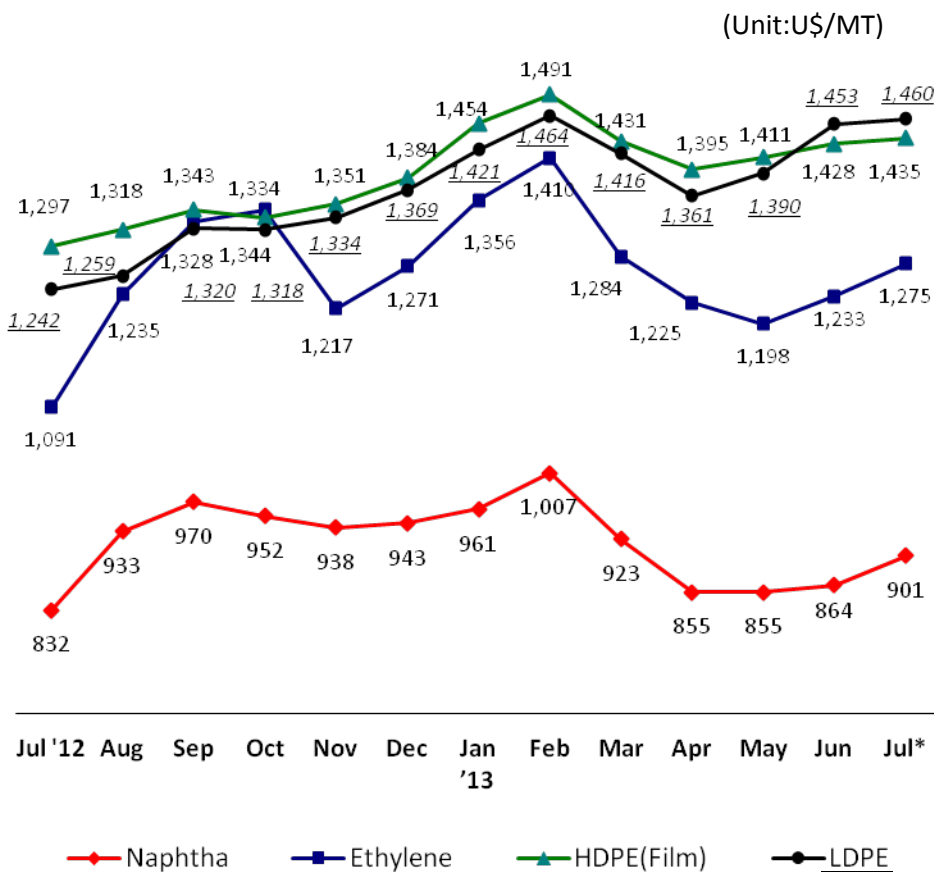
PVC

ABS/EP

Acrylate/  
Plasticizer

Rubber/  
Specialty Polymers

• The prices are average price of CFR FE Asia for general grade in each product group.



NCC/PO

PVC

ABS/EP

Acrylate/  
Plasticizer

Rubber/  
Specialty Polymers

• The prices are average price of CFR FE Asia for general grade in each product group.

\* Shows the prices on July 12, 2013