

# 3Q 2015 Business Results & Outlook

November, 2015



# Disclaimer

**The business results for the third quarter of 2015 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 are amended to reflect "Guidance for public announcements of business results" reported by KAI(Korea Accounting Institute) on Feb 18<sup>th</sup> 2013.**

**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.**

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(Unit: KRW bn)

Classification	'14.3Q	'15.2Q	'15.3Q	YoY	QoQ
<b>Sales</b>	<b>5,664</b>	<b>5,073</b>	<b>5,178</b>	-8.6%	2.1%
<b>Operating Profit</b>	<b>358</b>	<b>563</b>	<b>546</b>	52.8%	-3.0%
<b>(%)</b>	(6.3)	(11.1)	(10.6)		
<b>Pre-tax Income</b>	<b>294</b>	<b>493</b>	<b>440</b>	49.7%	-10.8%
<b>(%)</b>	(5.2)	(9.7)	(8.5)		
<b>Net Income</b>	<b>232</b>	<b>353</b>	<b>342</b>	47.6%	-3.0%

## Financial Position

(Unit: KRW bn)

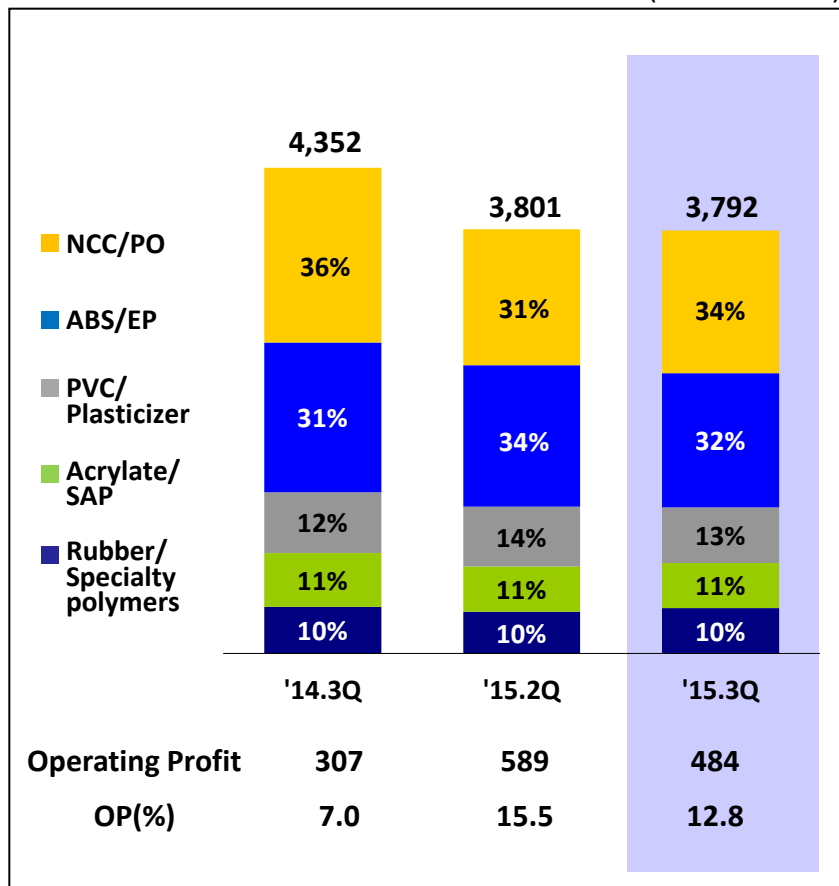
Classification	'14	'15.3Q	Change
<b>Asset</b>	<b>18,128</b>	<b>18,447</b>	1.8%
Cash and equivalents	1,748	2,158	23.5%
<b>Liabilities</b>	<b>5,862</b>	<b>5,468</b>	-6.7%
Borrowings	2,934	2,738	-6.7%
<b>Shareholder's Equity</b>	<b>12,266</b>	<b>12,980</b>	5.8%
<b>EBITDA</b>	<b>2,444</b>	<b>2,401</b>	

## Financial Ratios

Classification	'14	'15.3Q	Change
<b>Total Liabilities/ Equity (%)</b>	47.8	42.1	-5.7%p
<b>Borrowings / Equity (%)</b>	23.9	21.1	-2.8%p
<b>Interest Coverage Ratio (x)</b>	16.6	32.0	15.4
<b>ROE (%)</b>	7.1	9.9	2.8%p
<b>ROA (%)</b>	4.8	6.9	2.1%p

## Business results

(Unit: KRW bn)



## Analysis

### Analysis

- Despite oil prices drop, high profitability maintained based on wide spreads and differentiated product portfolio

-NCC/PO : High profitability maintained through solid spreads and increased differentiated products sales

-ABS/EP : Recorded stable results based on premium ABS and EP despite weak downstream industry

-PVC/Plasticizer : Product prices decreased by excessive supply and monsoon season effects

-Acrylate/SAP : Continued solid earnings based on stable sales to top tier customers

-Rubber/Specialty Polymers : Continued oversupply and weak tire demand

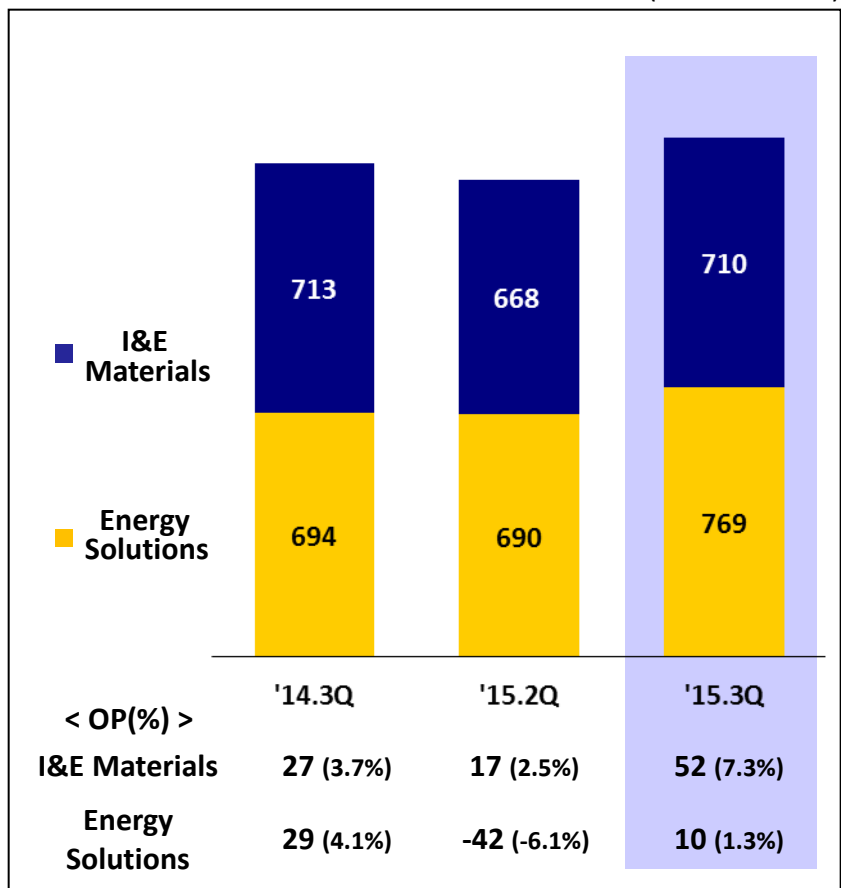
### Outlook

- Expect stable product spreads with low feedstock costs despite weak seasonality
- Enhance competitive edge through diversified product portfolio and sales increase of high margin product

## Business results

## Analysis

(Unit: KRW bn)



### Analysis

- **I&E Materials** : Earnings improved by increased utilization rate of Chinese polarizer lines with demand growth of large size panel
- **Energy Solutions** : Earnings of Mobile battery improved with rise of new application product sales;  
Sales of Automotive battery increased by new customers' volume growth

### Outlook

- **I&E Materials** : Secured stable profitability through increased market share in China and cost competitiveness
- **Energy Solutions** : Expect volume growth of Mobile Battery with expanding market share in major customers;  
Sales expansion of Automotive battery by customers' volume growth

(Unit: KRW bn)

Classification	2014					2015				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,673	5,869	5,664	5,372	22,578	4,915	5,073	5,178		15,166
Operating Profit	362	360	358	232	1,311	362	563	546		1,472
OP Margin	6.4%	6.1%	6.3%	4.3%	5.8%	7.4%	11.1%	10.6%		9.7%
<b>Basic Materials &amp; Chemicals</b>	<b>4,415</b>	<b>4,516</b>	<b>4,352</b>	<b>3,982</b>	<b>17,265</b>	<b>3,608</b>	<b>3,801</b>	<b>3,792</b>		<b>11,201</b>
NCC/PO	1,593	1,583	1,565	1,314	6,055	1,135	1,219	1,279		3,632
ABS	1,066	1,148	1,045	996	4,255	920	976	896		2,793
EP	283	298	297	287	1,165	289	290	305		884
PVC/Plasticizer	601	595	543	525	2,264	514	536	499		1,550
Acrylate/SAP	474	485	482	437	1,877	400	404	406		1,209
Rubber/Specialty Polymer	399	407	420	422	1,648	350	376	407		1,133
Operating Profit	308	291	307	212	1,117	321	589	484		1,395
OP Margin	7.0%	6.4%	7.0%	5.3%	6.5%	8.9%	15.5%	12.8%		12.5%
<b>I&amp;E Materials</b>	<b>670</b>	<b>716</b>	<b>713</b>	<b>713</b>	<b>2,812</b>	<b>676</b>	<b>668</b>	<b>710</b>		<b>2,054</b>
Operating Profit	37	44	27	27	134	37	17	52		105
OP Margin	5.5%	6.2%	3.7%	3.7%	4.8%	5.4%	2.5%	7.3%		5.1%
<b>Energy Solutions</b>	<b>681</b>	<b>724</b>	<b>694</b>	<b>753</b>	<b>2,853</b>	<b>707</b>	<b>690</b>	<b>769</b>		<b>2,166</b>
Operating Profit	17	25	29	-6	65	4	-42	10		-28
OP Margin	2.6%	3.4%	4.1%	-0.8%	2.3%	0.6%	-6.1%	1.3%		-1.3%

- Divisional name has been changed to 「Basic Materials & Chemicals」 from 「Petrochemicals」
- 2014 I&E Materials business results are amended due to reflect the inclusion of Water Solution business.



## Borrowings

(Unit : KRW bn)

Classification	'14	'15.3Q
<b>Total</b> (Overseas Subsidiaries)	<b>2,934</b> (1,244) 100%	<b>2,738</b> (1,374) 100%
<b>KRW Currency</b>	<b>601</b> 20%	<b>341</b> 12%
C P	399	300
Others	202	41
<b>Foreign Currency</b>	<b>2,333</b> 80%	<b>2,397</b> 88%
<b>Loan</b>	1,348	1,369
<b>Negotiation Borrowings</b>	985	1,028
<b>Short-term</b> (Overseas Subsidiaries)	<b>2,206</b> (817) 75%	<b>2,121</b> (1,093) 77%
<b>Long-term</b> (Overseas Subsidiaries)	<b>728</b> (427) 25%	<b>617</b> (281) 23%

The % is calculated to total borrowings.

## Cash Flow

(Unit: KRW bn)

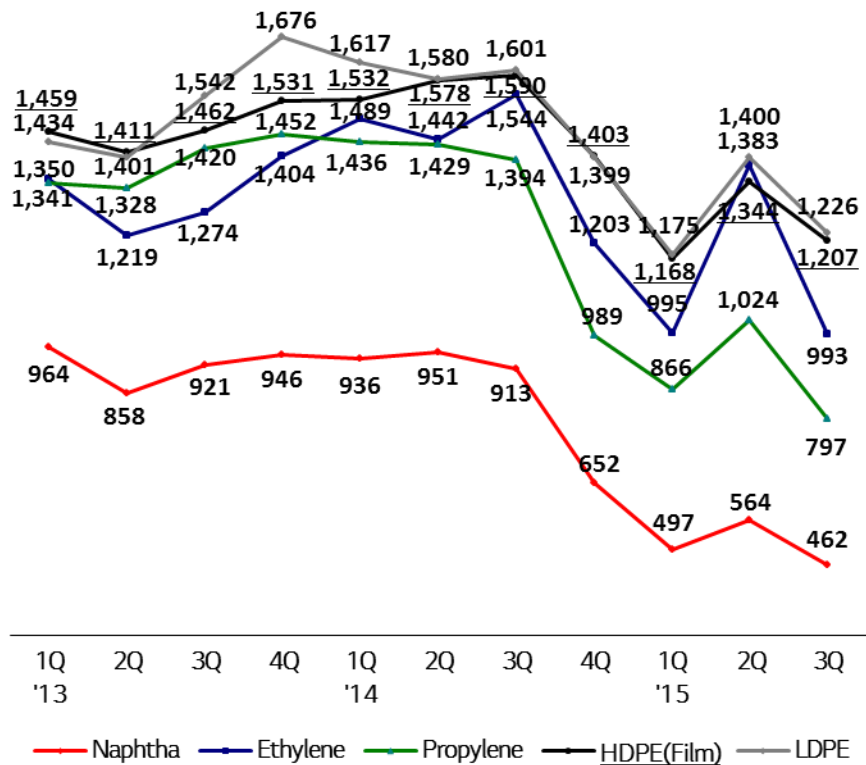
Classification	'14	'15.3Q
<b>Beginning Cash</b>	<b>1,909</b>	<b>1,748</b>
<b>Operating/Investing</b>	<b>215</b>	<b>915</b>
<b>Net Income</b>	854	942
<b>Depreciation</b>	1,133	930
<b>Working Capital</b>	-96	25
<b>CAPEX</b>	-1,582	-1,284
<b>Others</b>	-94	302
<b>Financing</b>	<b>-377</b>	<b>-505</b>
<b>Borrowings</b>	-77	-196
<b>Dividends</b>	-300	-309
<b>Ending</b>	<b>1,748</b>	<b>2,158</b>

(Unit: KRW bn)

Classification		'13	'14	'15 Plan	'15.3Q (YTD)
Basic Materials & Chemicals	New / Expansion	416	395	303	286
	Maintenance	213	351	360	313
	<b>Total</b>	<b>629</b>	<b>746</b>	<b>662</b>	<b>598</b>
I & E Materials	New / Expansion	269	285	219	154
	Maintenance	94	122	150	117
	<b>Total</b>	<b>363</b>	<b>407</b>	<b>369</b>	<b>271</b>
Energy Solutions	New / Expansion	104	152	239	159
	Maintenance	106	138	158	138
	<b>Total</b>	<b>209</b>	<b>290</b>	<b>397</b>	<b>297</b>
Common Expenses	New / Expansion	116	88	262	70
	Maintenance	64	51	95	48
	<b>Total</b>	<b>180</b>	<b>139</b>	<b>357</b>	<b>118</b>
Total	New / Expansion	904	920	1,022	669
	Maintenance	476	661	763	615
	<b>Total</b>	<b>1,380</b>	<b>1,582</b>	<b>1,785</b>	<b>1,284</b>

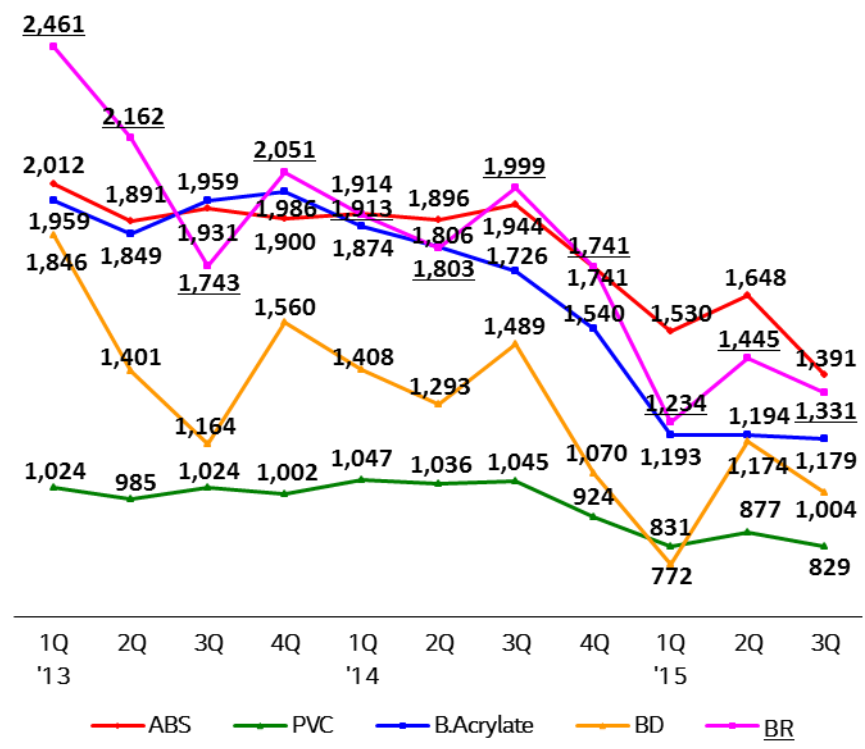
※ "New/Expansion" includes R&D investments.

(Unit : USD/MT)



NCC/PO

(Unit : USD/MT)



ABS/EP

PVC/  
Plasticizer

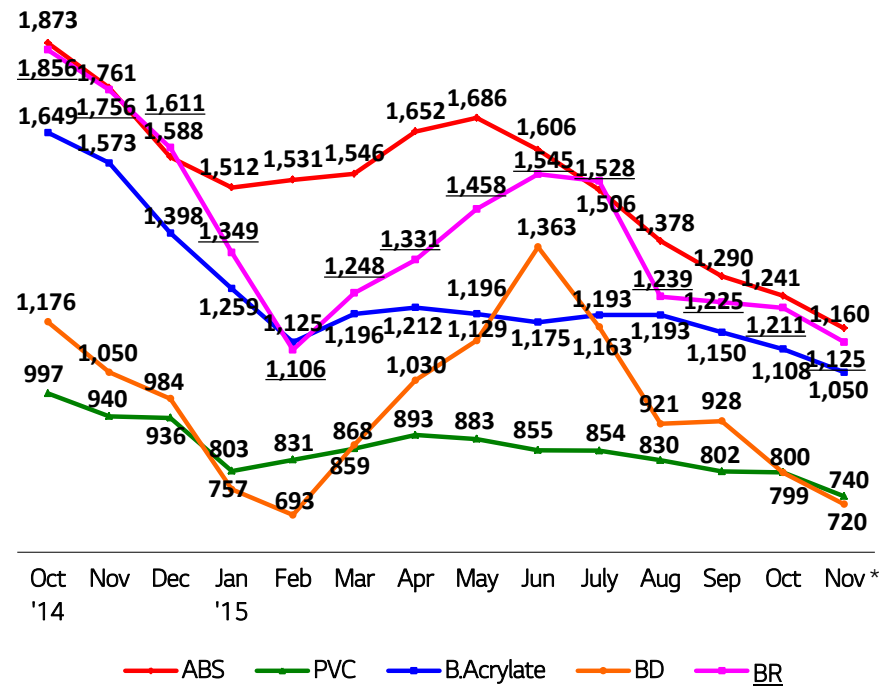
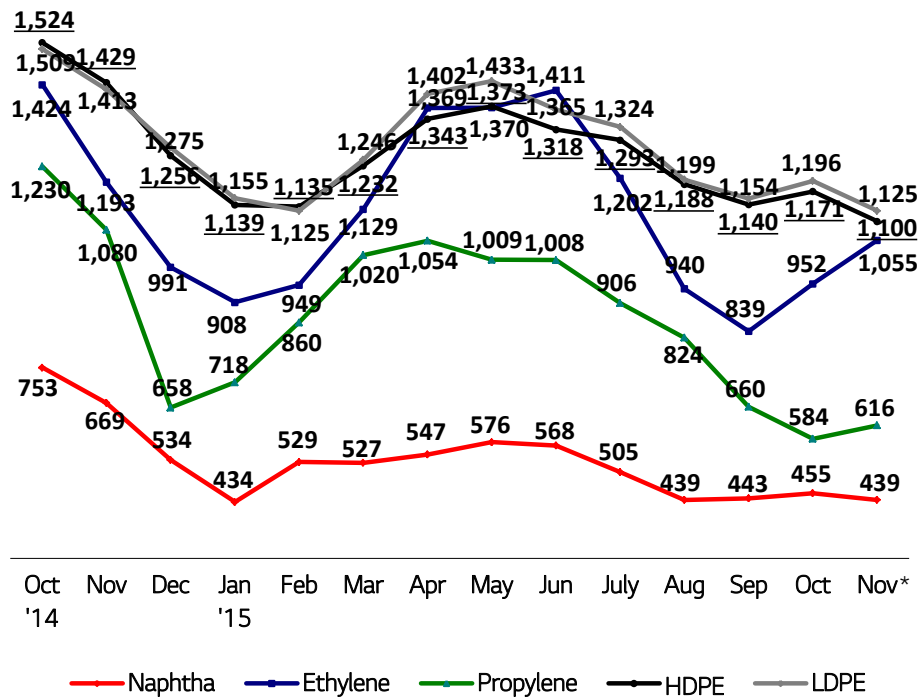
Acrylate/  
SAP

Rubber/  
Specialty Polymers

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

(Unit : USD/MT)

(Unit : USD/MT)



NCC/PO

ABS/EP

PVC/  
Plasticizer

Acrylate/  
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Rubber/  
Specialty Polymers

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

\* shows the prices on November 20, 2015