

# 1Q 2014 Business Results & Outlook

April 18, 2014



# Disclaimer

**The business results for the first quarter of 2014 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	'13.1Q	'13.4Q	'14.1Q	YoY	QoQ
<b>Sales</b>	<b>5,721</b>	<b>5,641</b>	<b>5,673</b>	-0.8%	0.6%
<b>Operating Profit</b>	<b>409</b>	<b>316</b>	<b>362</b>	-11.4%	14.5%
<b>(%)</b>	(7.1)	(5.6)	(6.4)		
<b>Pre-tax Income</b>	<b>415</b>	<b>236</b>	<b>354</b>	-14.6%	50.0%
<b>(%)</b>	(7.2)	(4.2)	(6.2)		
<b>Net Income</b>	<b>340</b>	<b>177</b>	<b>286</b>	-16.0%	61.7%

## Financial Position

(Unit: KRW bn)

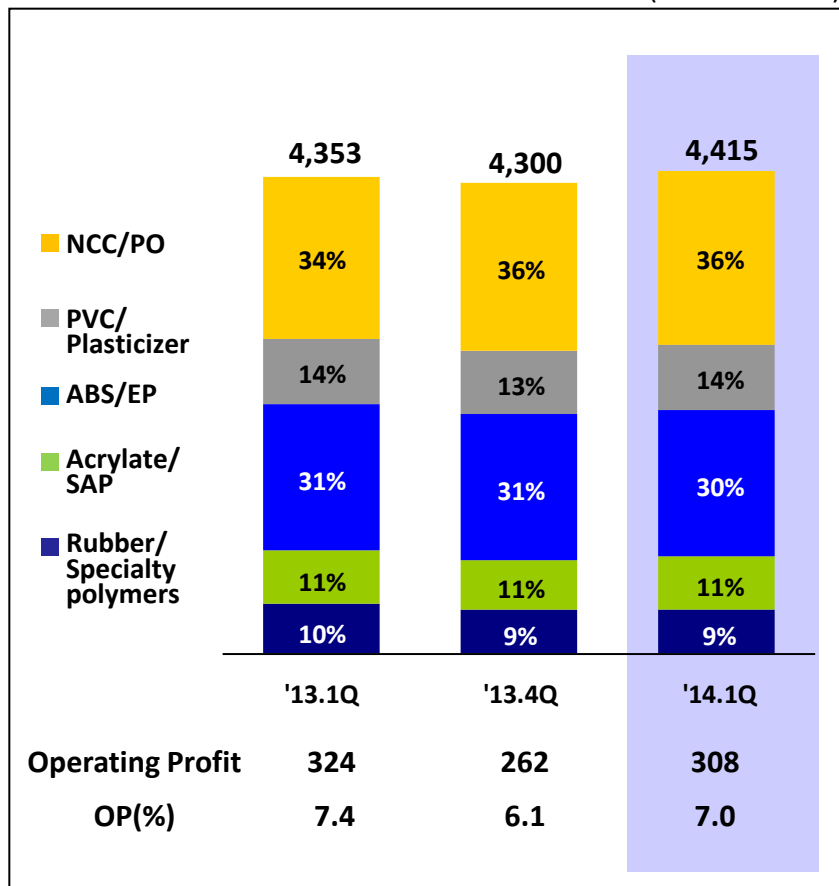
Classification	'13	'14.1Q	Change
<b>Asset</b>	<b>17,447</b>	<b>18,288</b>	4.8%
Cash and equivalents	1,909	2,147	12.5%
<b>Liabilities</b>	<b>5,721</b>	<b>6,594</b>	15.3%
Borrowings	3,011	3,348	11.2%
<b>Shareholder's Equity</b>	<b>11,726</b>	<b>11,694</b>	-0.3%
<b>EBITDA</b>	<b>2,788</b>	<b>632</b>	

## Financial Ratios

Classification	'13	'14.1Q	Change
<b>Total Liabilities/ Equity (%)</b>	48.8	56.4	7.6%p
<b>Borrowings / Equity (%)</b>	25.7	28.6	2.9%p
<b>Interest Coverage Ratio (x)</b>	26.7	17.9	-8.8
<b>ROE (%)</b>	11.3	9.8	-1.5%p
<b>ROA (%)</b>	7.5	6.4	-1.1%p

## Business results

(Unit: KRW bn)



## Analysis

### • Analysis

■ **Earnings improved by differentiated product mix despite the slow recovery of market**

- NCC/PO : Earnings improved with strong PE spread maintained by supply tightness amid maintenance shut-down
- PVC/Plasticizer : Recovery of profits slowed due to weak demand and cost burden of ethylene
- ABS/EP : Margin Improved through increased premium product sales
- Acrylate/SAP : Secured solid profits by capacity expansion of SAP
- Rubber/Specialty Polymers : Price decreased due to weak tire demand continued

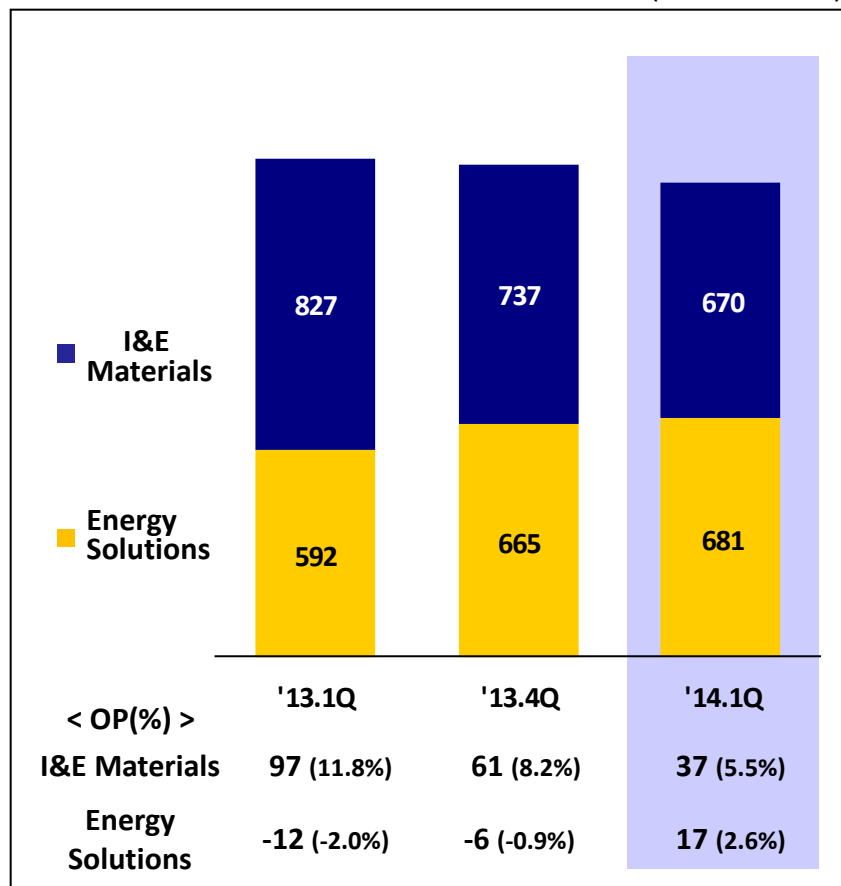
### • Outlook

- Expect gradual market recovery with seasonal demand
- Expect better business results than peers through expanding premium products sales

## Business results

## Analysis

(Unit: KRW bn)



### • Analysis

■ **I&E earnings decreased due to slow panel demand, while Energy Solutions recorded sound results thanks to operating ratio rises of mobile batteries**

- **I&E Materials** : Recorded sluggish earnings due to polarizer shipments decrease stemming from inventory adjustment of panels
- **Energy Solutions** : Improved results with utilization rate rises of mobile batteries despite the off-season

### • Outlook

■ **Improving performances due to the beginning of peak season and the benefit of capacity additions**

- **I&E Materials** : Achieve better results based on the operation start of new polarizer line in Nanjing & production stabilization
- **Energy Solutions** : Continue to diversify applications such as power tools and power banks, while increasing shipments of polymer and large-size prismatic & expand sales of automotive battery

(Unit: KRW bn)

Classification	2013					2014				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,721	5,917	5,865	5,641	23,144	5,673				5,673
Operating Profit	409	502	516	316	1,743	362				362
Petrochemicals	4,353	4,536	4,426	4,300	17,614	4,415				4,415
NCC/PO	1,470	1,509	1,517	1,540	6,036	1,586				1,586
PVC/Plasticizer	598	620	611	580	2,409	601				601
ABS	1,082	1,165	1,099	1,051	4,396	1,066				1,066
EP	265	282	284	271	1,102	282				282
Acrylate/SAP	492	511	504	460	1,966	474				474
Rubber/ Specialty Polymer	446	450	412	398	1,706	406				406
Operating Profit	324	367	380	262	1,332	308				308
I&E Materials	827	813	788	737	3,166	670				670
Operating Profit	97	119	102	61	379	37				37
Energy Solutions	592	619	708	665	2,583	681				681
Operating Profit	-12	16	34	-6	32	17				17

※ 2013 Petrochemicals business results are amended to reflect reorganization of the division.



## Borrowings

(Unit : KRW bn)

Classification	'13	'14.1Q
<b>Total</b> (Overseas Subsidiaries)	<b>3,011</b> (1,172) 100%	<b>3,348</b> (1,324) 100%
<b>KRW Currency</b>	<b>803</b> 27%	<b>803</b> 24%
<b>C P</b>	599	599
<b>Others</b>	205	204
<b>Foreign Currency</b>	<b>2,207</b> 73%	<b>2,545</b> 76%
<b>Loan</b>	1,272	1,423
<b>Negotiation Borrowings</b>	935	1,122
<b>Short-term</b> (Overseas Subsidiaries)	<b>2,207</b> (1,074) 73%	<b>2,531</b> (1,115) 76%
<b>Long-term</b> (Overseas Subsidiaries)	<b>803</b> (98) 27%	<b>817</b> (209) 24%

\* The % is calculated to total borrowings.

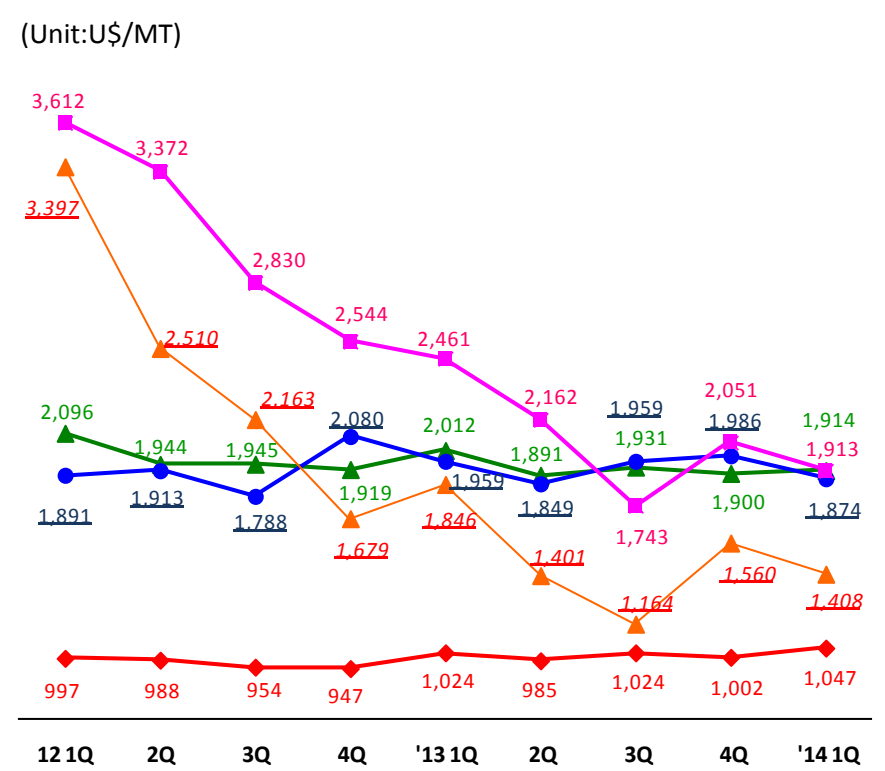
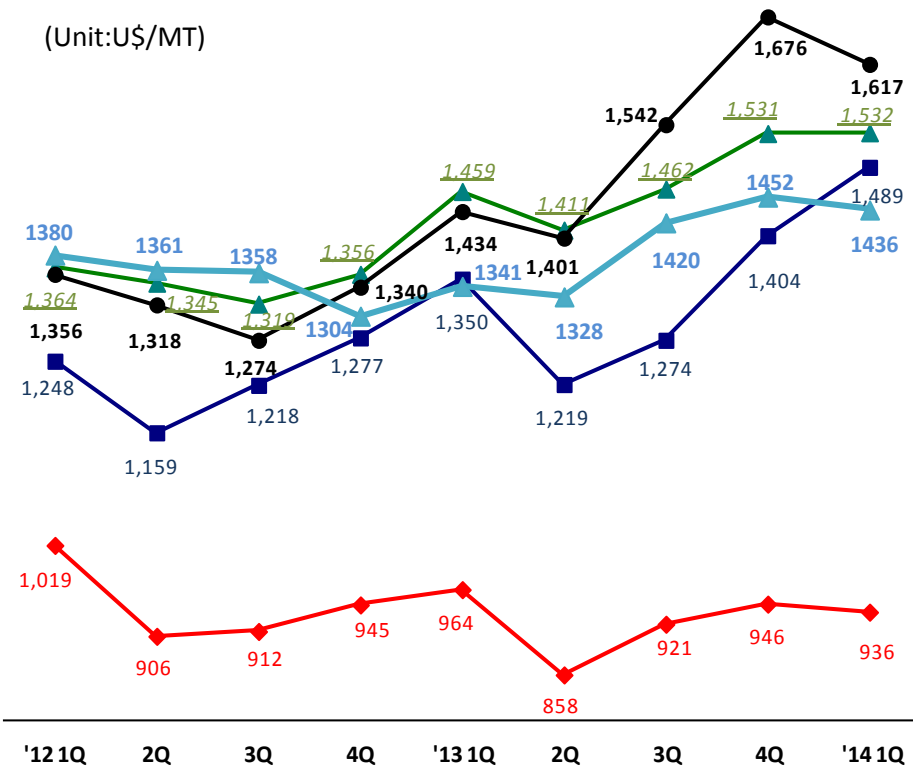
## Cash Flow

(Unit: KRW bn)

Classification	'13	'14.1Q
<b>Beginning Cash</b>	<b>1,341</b>	<b>1,909</b>
<b>Operating/Investing</b>	<b>813</b>	<b>-99</b>
<b>Net Income</b>	1,271	286
<b>Depreciation</b>	1,045	270
<b>Working Capital</b>	-280	-470
<b>CAPEX</b>	-1,380	-277
<b>Others</b>	157	92
<b>Financing</b>	<b>-245</b>	<b>337</b>
<b>Borrowings</b>	64	337
<b>Dividends</b>	-308	-
<b>Ending</b>	<b>1,909</b>	<b>2,147</b>

(Unit: KRW bn)

Classification		'12	'13	'14 Plan	'14.1Q
Petrochemicals	New / Expansion	784	405	483	72
	Maintenance	226	224	410	56
	<b>Total</b>	<b>1,009</b>	<b>628</b>	<b>894</b>	<b>128</b>
I & E Materials	New / Expansion	242	254	410	34
	Maintenance	90	109	176	38
	<b>Total</b>	<b>332</b>	<b>363</b>	<b>586</b>	<b>72</b>
Energy Solutions	New / Expansion	395	96	64	29
	Maintenance	138	110	132	28
	<b>Total</b>	<b>533</b>	<b>206</b>	<b>196</b>	<b>57</b>
Common Expenses	New / Expansion	16	6	9	-
	Maintenance	185	177	267	21
	<b>Total</b>	<b>201</b>	<b>184</b>	<b>276</b>	<b>21</b>
Total	New / Expansion	1,436	761	966	135
	Maintenance	639	619	985	143
	<b>Total</b>	<b>2,075</b>	<b>1,380</b>	<b>1,951</b>	<b>277</b>



◆ Naphtha 
 ■ Ethylene 
 ▲ HDPE(Film) 
 ● LDPE 
 ▲ Propylene

◆ PVC 
 ▲ ABS 
 ● B.Acrylate 
 ▲ BD 
 ■ BR

NCC/PO

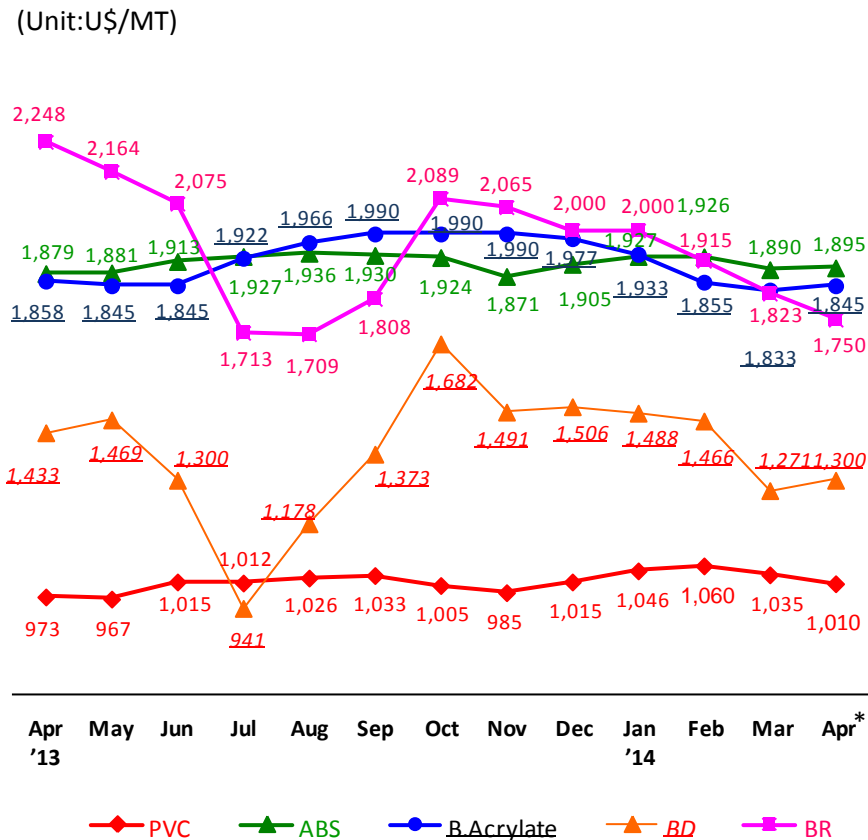
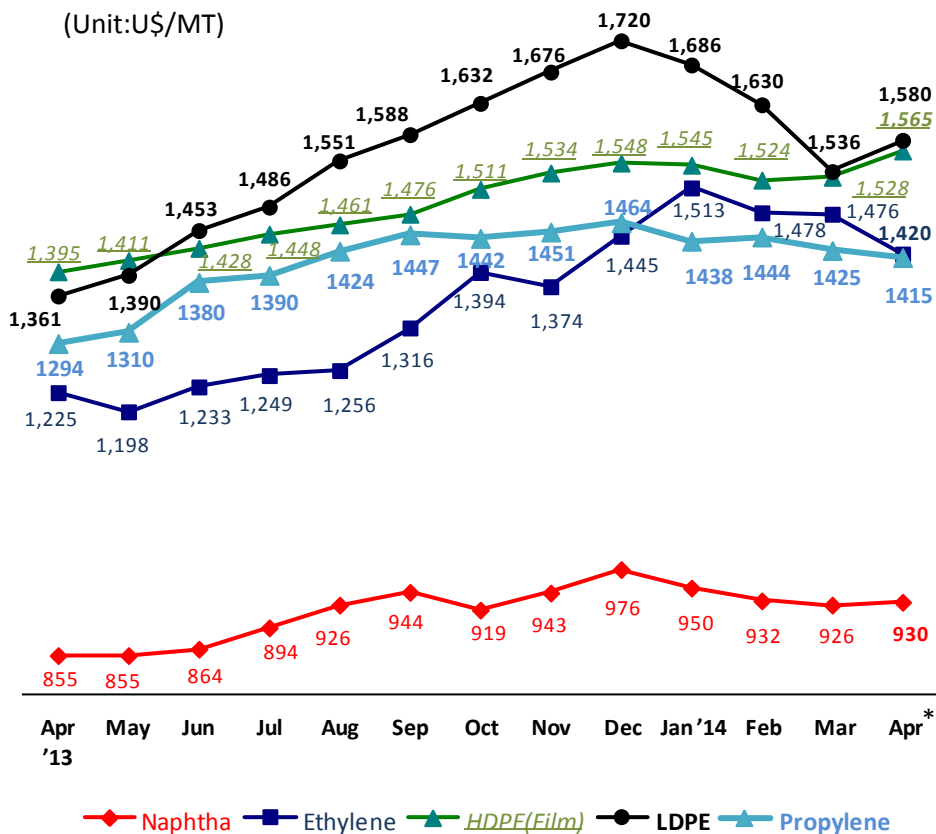
PVC/  
Plasticizer

ABS/EP

Acrylate/  
SAP

Rubber/  
Specialty Polymers

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



NCC/PO

PVC/  
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\* Shows the prices on Apr 11, 2014