

2Q 2016 Business Results & Outlook

August, 2016



Disclaimer

The business results for the Second quarter of 2016 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 K-IFRS(Korea International Financial Reporting Standards).

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	'15.2Q	'16.1Q	'16.2Q	YoY	QoQ
Sales	5,073	4,874	5,217	2.8%	7.0%
Operating Profit	563	458	616	9.3%	34.5%
(%)	(11.1)	(9.4)	(11.8)		
Pre-tax Income	493	423	504	2.3%	19.1%
(%)	(9.7)	(8.7)	(9.7)		
Net Income	353	338	386	9.3%	14.0%

Financial Position

(Unit: KRW bn)

Classification	'15	'16.2Q	Change
Asset	18,579	19,819	6.7%
Cash and equivalents	2,694	2,643	-1.9%
Liabilities	5,475	6,350	16.0%
Borrowings	2,659	3,292	23.8%
Shareholder's Equity	13,104	13,469	2.8%
EBITDA	3,070 (15.2%)	1,730 (17.1%)	

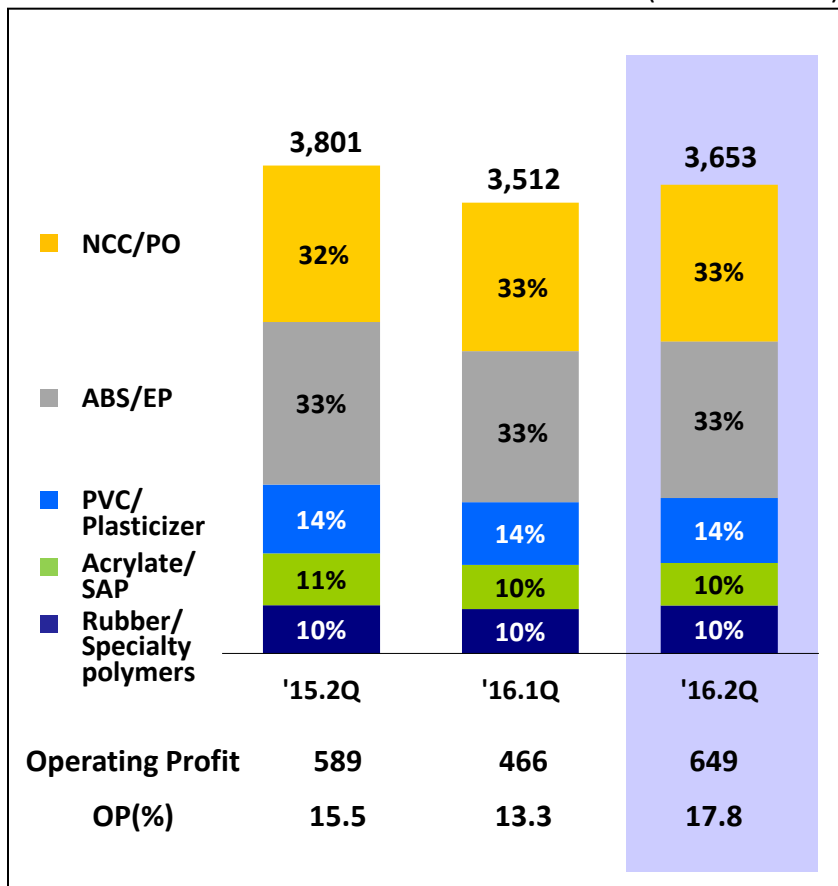
Financial Ratios

Classification	'15	'16.2Q	Change
Total Liabilities/ Equity (%)	41.8	47.1	5.3%p
Borrowings / Equity (%)	20.3	24.4	4.1%p
Interest Coverage Ratio (x)	31.4	27.6	-3.8
ROE (%)	9.1	10.9	1.8%p
ROA (%)	6.3	7.5	1.2%p

Business results

Analysis

(Unit: KRW bn)



Analysis

- **Earnings increased due to stable feedstock costs, tight supplies and robust downstream demands**
 - NCC/PO : Earnings increased by tight supplies driven by concentration of T/A in Asia and strong seasonal demands
 - ABS/EP : Profitability improved by wider spread due to weak feedstock costs and increased Auto related demands
 - PVC/Plasticizer : Profits increased thanks to robust demands in India and strong seasonality
 - Acrylate/SAP : Profitability declined by intense competition due to oversupply in the SAP market
 - Rubber/Specialty Polymers : Rubber profits declined due to slow recovery of demands and high feedstock prices. Specialty polymers maintained robust profits with construction related demands

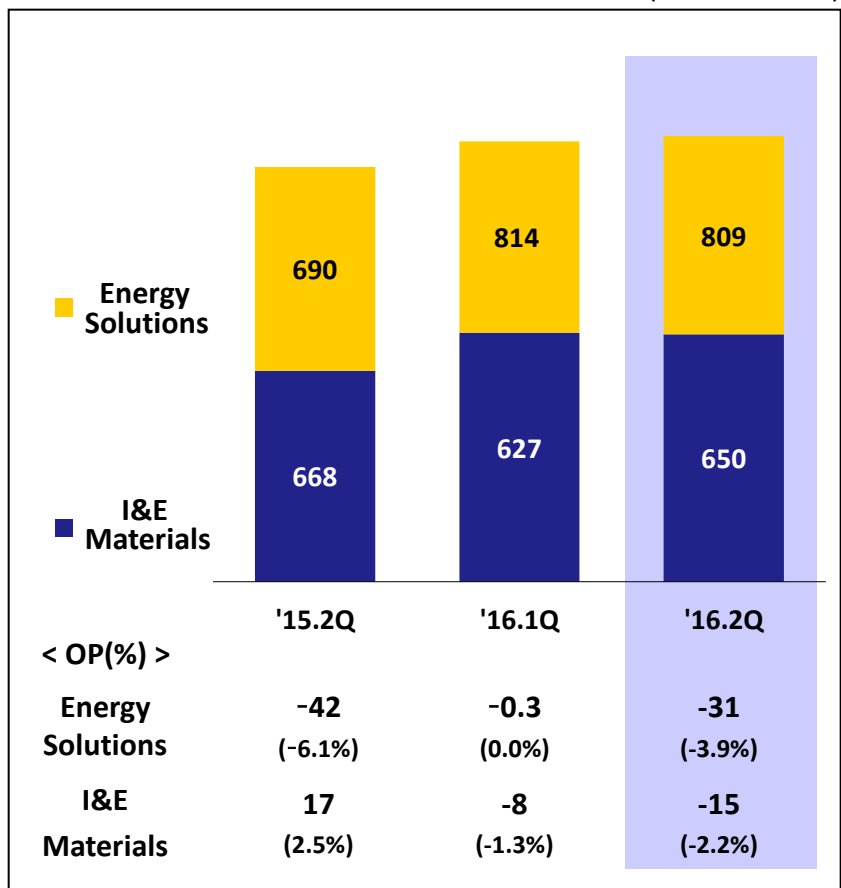
Outlook

- **Continuing satisfactory profits through sales increase in high margin specialty products and stable feedstock costs**

Business results

Analysis

(Unit: KRW bn)



Analysis

- **Energy Solutions** : Declined profitability due to sluggish sales of major smartphone customers and increased investment costs for the future in Automotive battery
- **I&E Materials** : Decreased profitability by continuous price drop due to weak front-line industry

Outlook

- **Energy Solutions** : Recovery of profitability in small size battery with full running of expanded lines in China and Customers' new products launch. Continuous increase in volume of Automotive/ESS battery driven by new customers' models
- **I&E Materials** : Continuing investment in new business (RO filter & functional film) despite slow recovery of earnings this year

(Unit: KRW bn)

Classification	2015					2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	4,915	5,073	5,178	5,041	20,207	4,874	5,217			10,091
Operating Profit	362	563	546	352	1,824	458	616			1,074
OP Margin	7.4%	11.1%	10.6%	7.0%	9.0%	9.4%	11.8%			10.6%
Basic Materials & Chemicals	3,608	3,801	3,792	3,432	14,633	3,512	3,653			7,165
NCC/PO	1,135	1,219	1,279	1,167	4,799	1,156	1,221			2,377
ABS	920	976	896	817	3,610	877	920			1,797
EP	289	290	305	275	1,159	298	299			597
PVC/Plasticizer	514	536	499	482	2,032	489	508			997
Acrylate/SAP	400	404	406	344	1,553	345	331			676
Rubber/Specialty Polymer	350	376	407	347	1,480	347	374			721
Operating Profit	321	589	484	282	1,677	466	649			1,115
OP Margin	8.9%	15.5%	12.8%	8.2%	11.5%	13.3%	17.8%			15.6%
Energy Solutions	707	690	769	985	3,150	814	809			1,623
Operating Profit	4	-42	10	29	1	0	-31			-32
OP Margin	0.6%	-6.1%	1.3%	2.9%	0.0%	0.0%	-3.9%			-1.9%
I&E Materials	676	668	710	711	2,764	627	650			1,277
Operating Profit	37	17	52	41	146	-8	-15			-23
OP Margin	5.4%	2.5%	7.3%	5.8%	5.3%	-1.3%	-2.2%			-1.8%

※ Business performances of Farm Hannong are included in the Total company's performances from 2Q, 2016

Borrowings

(Unit : KRW bn)

Classification	'15	'16.1H
Total (Overseas Subsidiaries)	2,659 (1,292) 100%	3,292 (1,542) 100%
KRW Currency	339 13%	665 20%
Corporate Bond	300	409
Others	39	256
Foreign Currency	2,320 87%	2,627 80%
Loan	1,287	1,546
Negotiation Borrowings	1,033	1,081
Short-term (Overseas Subsidiaries)	2,151 (1,018) 81%	2,955 (1,309) 90%
Long-term (Overseas Subsidiaries)	508 (274) 19%	336 (234) 10%

☞ The % is calculated to total borrowings.

Cash Flow

(Unit: KRW bn)

Classification	'15	'16.1H
Beginning Cash	1,769	2,694
Operating/Investing	1,683	269
Net Income	1,149	724
Depreciation	1,256	656
Working Capital	244	213
CAPEX	-1,490	-1,233
Others	524	-92
Financing	-758	-314
* Borrowings	-452	27
Dividends	-309	-347
Ending Cash	2,694	2,643

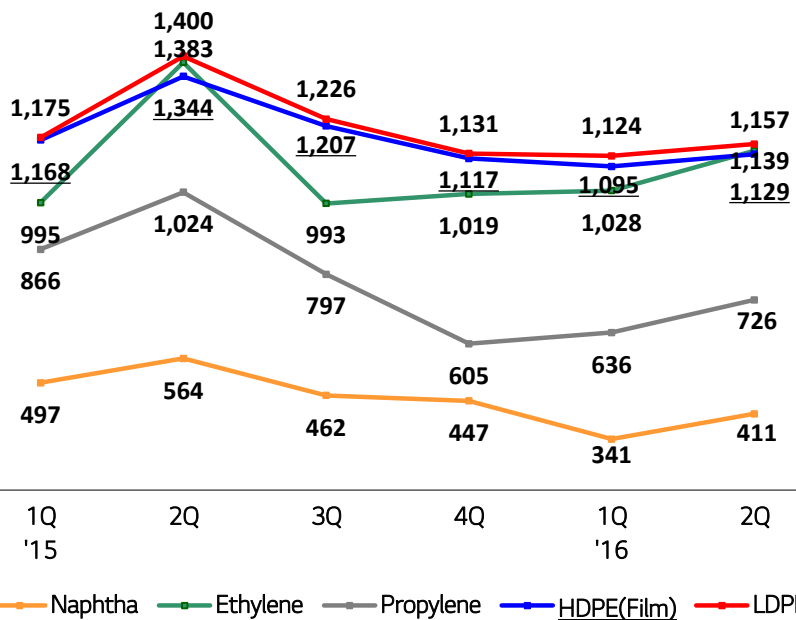
☞ Excluded non-cash transaction

(Unit: KRW bn)

Classification		'14	'15	'16.1H
Basic Materials & Chemicals	New / Expansion	395	328	45
	Maintenance	351	385	115
	Total	746	713	160
Energy Solutions	New / Expansion	152	265	211
	Maintenance	138	189	93
	Total	290	454	305
I & E Materials	New / Expansion	285	219	74
	Maintenance	122	141	51
	Total	407	360	125
Common Expenses	New / Expansion	88	133	547
	Maintenance	51	63	31
	Total	139	196	577
Total	New / Expansion	920	945	877
	Maintenance	661	778	290
	Total	1,582	1,723	1,167

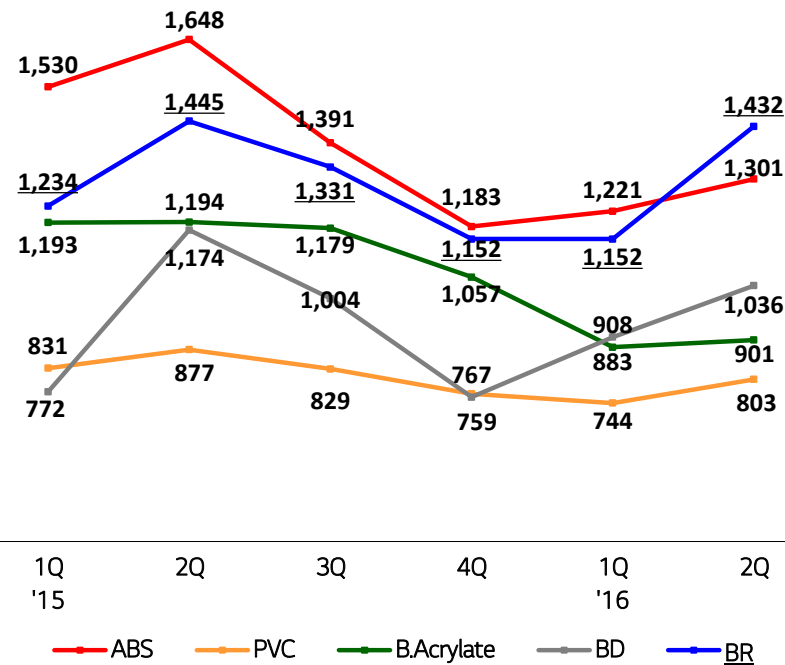
※ "New/Expansion" includes R&D investments.

(Unit:USD/MT)



NCC/PO

(Unit:USD/MT)



ABS/EP

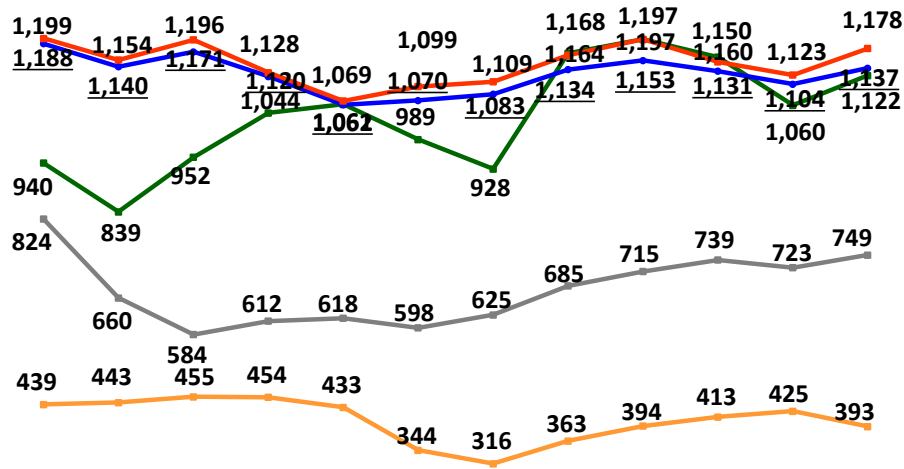
PVC/
Plasticizer

Acrylate/
SAP

Rubber/
Specialty Polymers

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

(Unit : USD/MT)

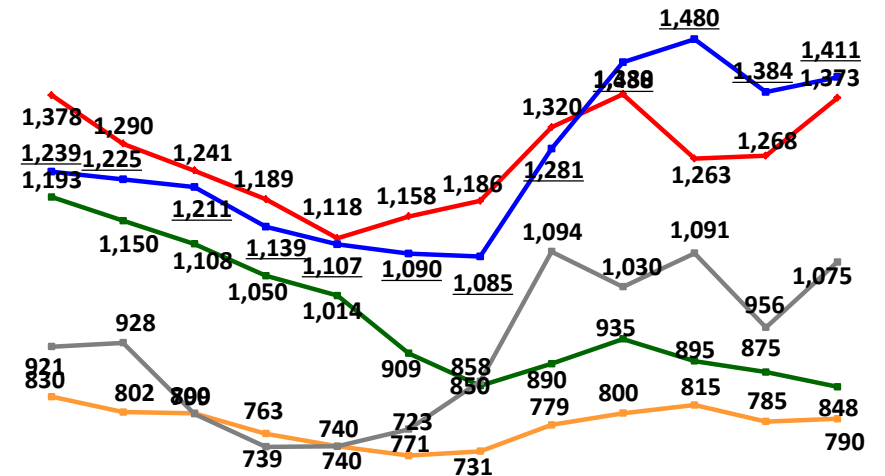


Aug '15 Sep Oct Nov Dec Jan '16 Feb Mar Apr May Jun July

Naphtha Ethylene Propylene HDPE(Film) LDPE

NCC/PO

(Unit : USD/MT)



Aug '15 Sep Oct Nov Dec Jan '16 Feb Mar Apr May Jun July

ABS PVC B.Acrylate BD BR

ABS/EP

PVC/Plasticizer

Acrylate/SAP

Rubber/Specialty Polymers

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