

3Q 2014 Business Results & Outlook

October 20, 2014



Disclaimer

The business results for the third 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 18th 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	'13.3Q	'14.2Q	'14.3Q	YoY	QoQ
Sales	5,865	5,869	5,664	-3.4%	-3.5%
Operating Profit	516	360	358	-30.8%	-0.6%
(%)	(8.8)	(6.1)	(6.3)		
Pre-tax Income	441	290	294	-33.4%	1.3%
(%)	(7.5)	(4.9)	(5.2)		
Net Income	352	227	232	-34.2%	2.2%

Financial Position

(Unit: KRW bn)

Classification	'13	'14.3Q	Change
Asset	17,447	18,262	4.7%
Cash and equivalents	1,909	2,066	8.2%
Liabilities	5,721	6,166	7.8%
Borrowings	3,011	3,198	6.2%
Shareholder's Equity	11,726	12,096	3.2%
EBITDA	2,788	1,910	

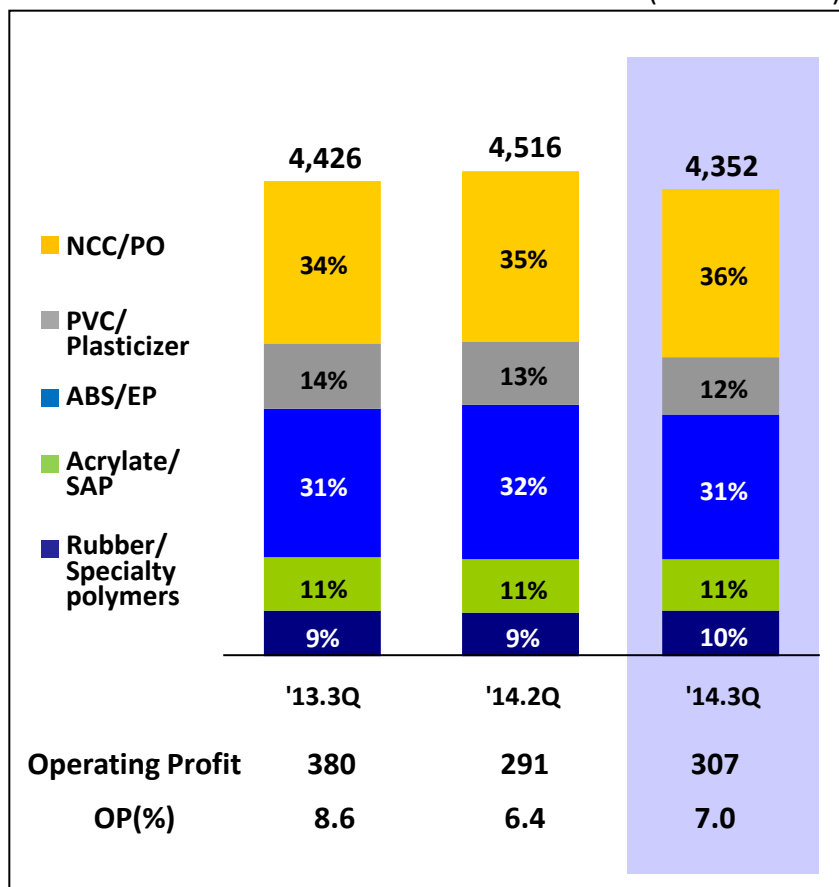
Financial Ratios

Classification	'13	'14.3Q	Change
Total Liabilities/ Equity (%)	48.8	51.0	2.2%p
Borrowings / Equity (%)	25.7	26.4	0.7%p
Interest Coverage Ratio (x)	26.7	17.6	-9.1
ROE (%)	11.3	8.3	-3.0%p
ROA (%)	7.5	5.6	-1.9%p

Business results

Analysis

(Unit: KRW bn)



• Analysis

• Although revenue declined due to delayed market recovery and strong Korean won, profitability improved slightly based on differentiated product mix

-NCC/PO : Robust spreads maintained thanks to tight ethylene & BPA earnings improved due to better supply-demand

-PVC/Plasticizer : Earnings decreased due to low product price stemming from ample Chinese carbide PVC & high ethylene price

-ABS/EP : Sales volume decreased because of summer vacation, but stable profit continued based on increased premium product sales

-Acrylate/SAP : Solid earnings with stable sales to strategic customers

-Rubber/Specialty Polymers : Weak rubber market continued because of weak buying sentiment

• Outlook

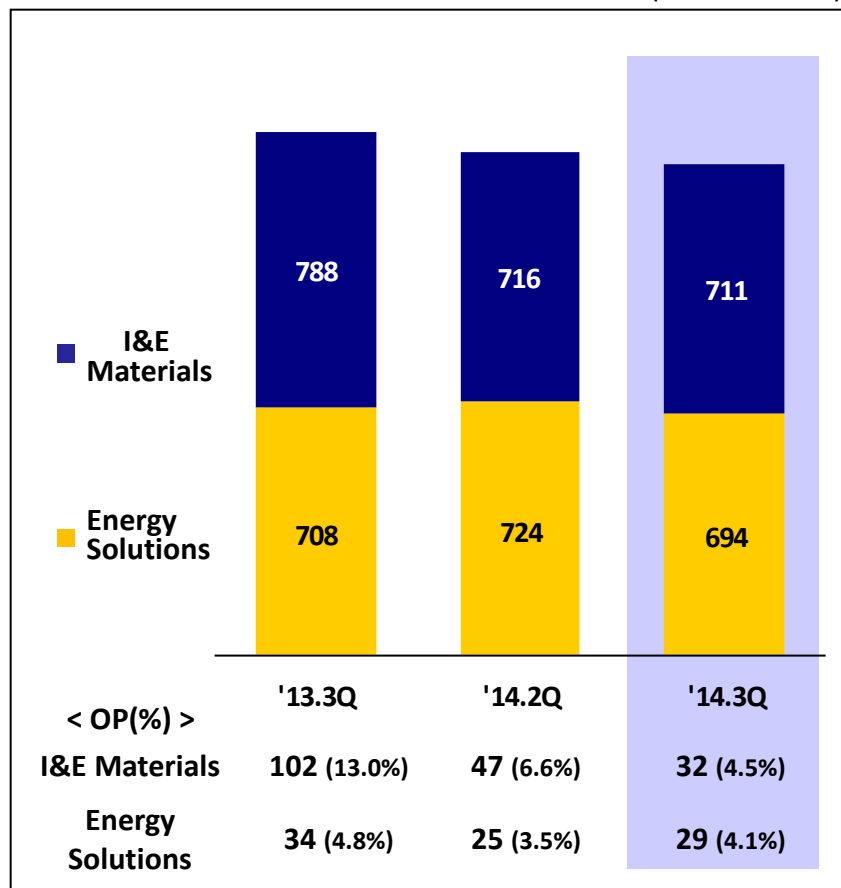
• Expect stable product spreads backed by stabilizing naphtha price despite weak seasonality

• Yeosu NCC's ethylene capacity will increase after maintenance (Ethylene 1mn → 1.15mn tons/yr)

Business results

Analysis

(Unit: KRW bn)



• Analysis

- **I&E Materials** : Earnings declined due to keen competition by weak yen and start-up cost of new polarizer line in China
- **Energy Solutions** : Business results of Mobile battery improved by increased shipments with customers' new product launch ; Shipments of Automotive battery declined while securing new customers(Audi, Chinese automakers)

• Outlook

- **I&E Materials** : Sales improvement by demand growth of large size panel and full scale production of Chinese polarizer line
- **Energy Solutions** : Expect Mobile battery sales growth by diversifying battery applications and polymer capacity additions & gradual recovery of Automotive battery sales

(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	5,869	5,664		17,206
Operating Profit	409	502	516	316	1,743	362	360	358		1,079
OP Margin	7.1%	8.5%	8.8%	5.6%	7.5%	6.4%	6.1%	6.3%		6.3%
Petrochemicals	4,353	4,536	4,426	4,300	17,614	4,415	4,516	4,352		13,283
NCC/PO	1,470	1,509	1,517	1,540	6,036	1,586	1,583	1,565		4,734
PVC/Plasticizer	598	620	611	580	2,409	601	595	543		1,739
ABS	1,082	1,165	1,099	1,051	4,396	1,066	1,148	1,045		3,260
EP	265	282	284	271	1,102	282	298	297		877
Acrylate/SAP	492	511	504	460	1,966	474	485	482		1,440
Rubber/Specialty Polymer	446	450	412	398	1,706	406	407	420		1,233
Operating Profit	324	367	380	262	1,332	308	291	307		906
OP Margin	7.4%	8.1%	8.6%	6.1%	7.6%	7.0%	6.4%	7.0%		6.8%
I&E Materials	827	813	788	737	3,166	670	716	711		2,097
Operating Profit	97	119	102	61	379	37	47	32		116
OP Margin	11.8%	14.6%	13.0%	8.2%	12.0%	5.5%	6.6%	4.5%		5.5%
Energy Solutions	592	619	708	665	2,583	681	724	694		2,099
Operating Profit	-12	16	34	-6	32	17	25	29		71
OP Margin	-2.0%	2.6%	4.8%	-0.9%	1.3%	2.6%	3.5%	4.1%		3.4%

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

Borrowings

(Unit : KRW bn)

Classification	'13	'14.3Q
Total (Overseas Subsidiaries)	3,011 (1,172) 100%	3,198 (1,242) 100%
KRW Currency	803 27%	802 25%
C P	599	599
Others	205	203
Foreign Currency	2,207 73%	2,396 75%
Loan	1,272	1,342
Negotiation Borrowings	935	1,054
Short-term (Overseas Subsidiaries)	2,207 (1,074) 73%	2,561 (907) 80%
Long-term (Overseas Subsidiaries)	803 (98) 27%	636 (336) 20%

* The % is calculated to total borrowings.

Cash Flow

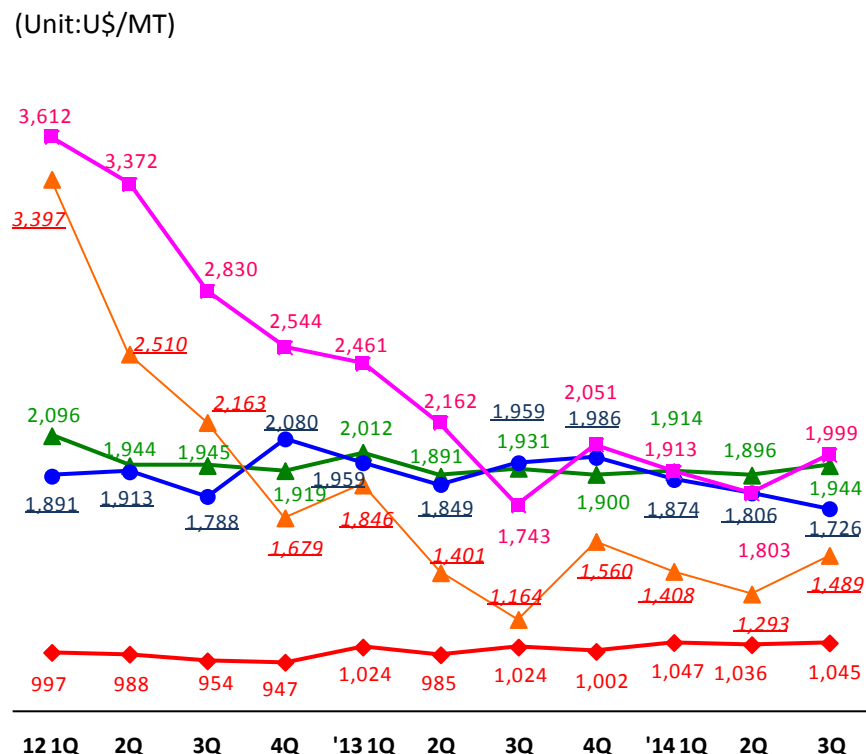
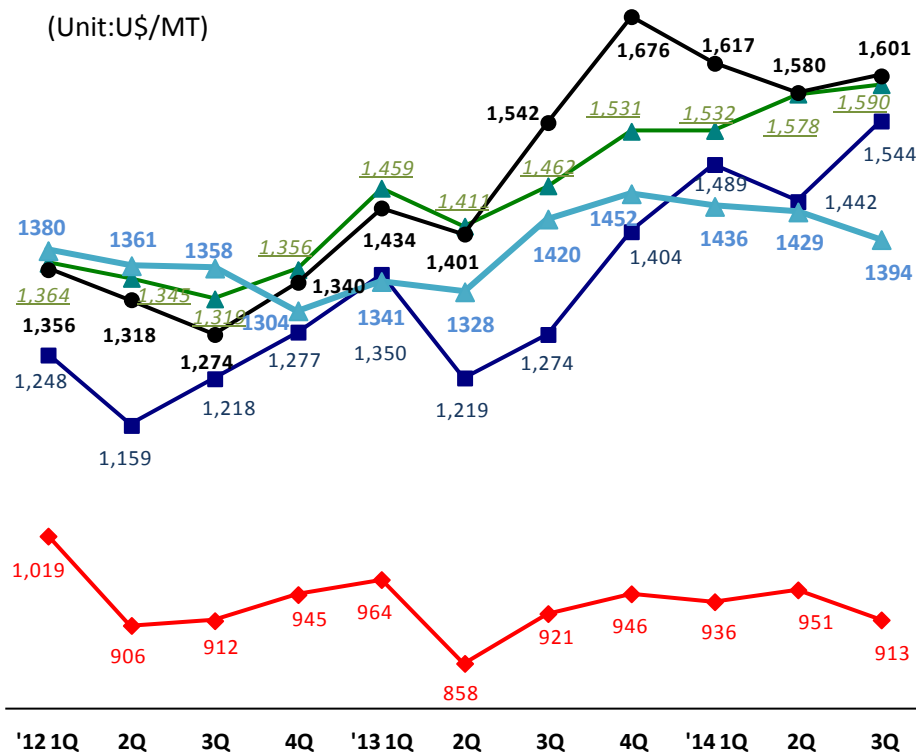
(Unit: KRW bn)

Classification	'13	'14. 3Q
Beginning Cash	1,341	1,909
Operating/Investing	813	270
Net Income	1,271	745
Depreciation	1,045	831
Working Capital	-280	-63
CAPEX	-1,380	-1,100
Others	157	-144
Financing	-245	-113
Borrowings	64	187
Dividends	-308	-300
Ending	1,909	2,066

(Unit: KRW bn)

Classification		'12	'13	'14 Plan	'14.3Q(YTD)
Petrochemicals	New / Expansion	791	416	499	266
	Maintenance	177	213	394	181
	Total	969	629	894	448
I & E Materials	New / Expansion	253	269	454	98
	Maintenance	71	94	132	92
	Total	324	363	586	190
Energy Solutions	New / Expansion	408	104	76	122
	Maintenance	106	106	125	105
	Total	515	209	200	226
Common Expenses	New / Expansion	162	116	181	198
	Maintenance	105	64	91	39
	Total	267	180	271	236
Total	New / Expansion	1,615	904	1,210	684
	Maintenance	460	476	741	417
	Total	2,075	1,380	1,951	1,100

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



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

◆ PVC ▲ ABS ● B.Acrylate ▲ BD ◆ BR

NCC/PO

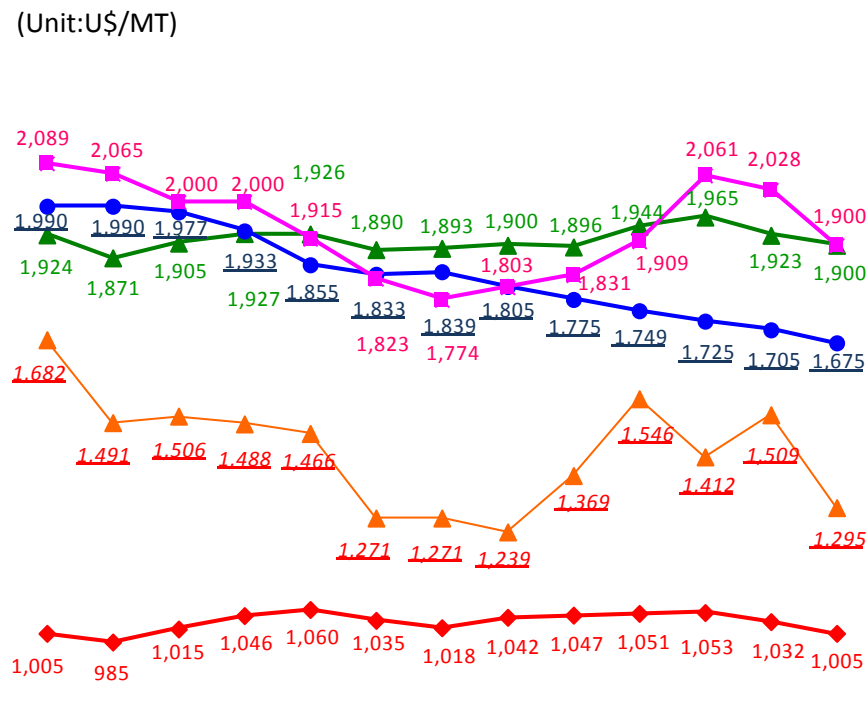
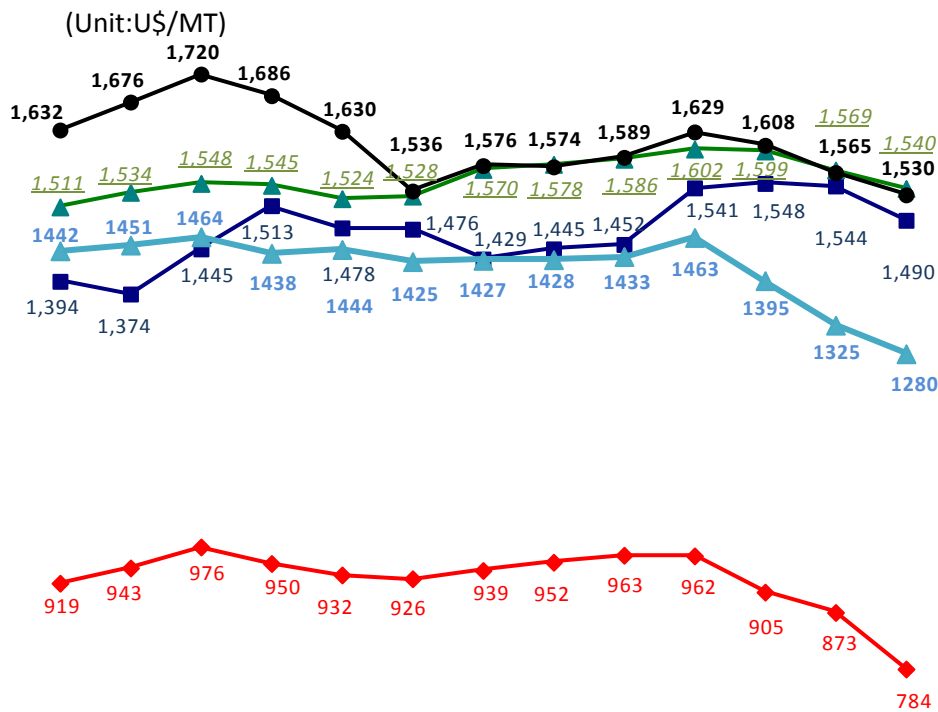
PVC/
Plasticizer

ABS/EP

Acrylate/
SAP

Rubber/
Specialty Polymers

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



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

◆ PVC ▲ ABS ● B.Acrylate ▲ BD ■ BR

NCC/PO

PVC/
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* Shows the prices on Oct 10, 2014