

4Q 2013 Business Results & Outlook

Jan 27, 2014



Disclaimer

The business results for the forth 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 are amended to reflect revisions of "K-IFRS, No. 1001" decided on 19th regular Financial Services Commission's meeting on October 17th 2012 and "Guidance for public announcements of business results" reported by KAI(Korea Accounting Institute) on Feb 18th 2013.

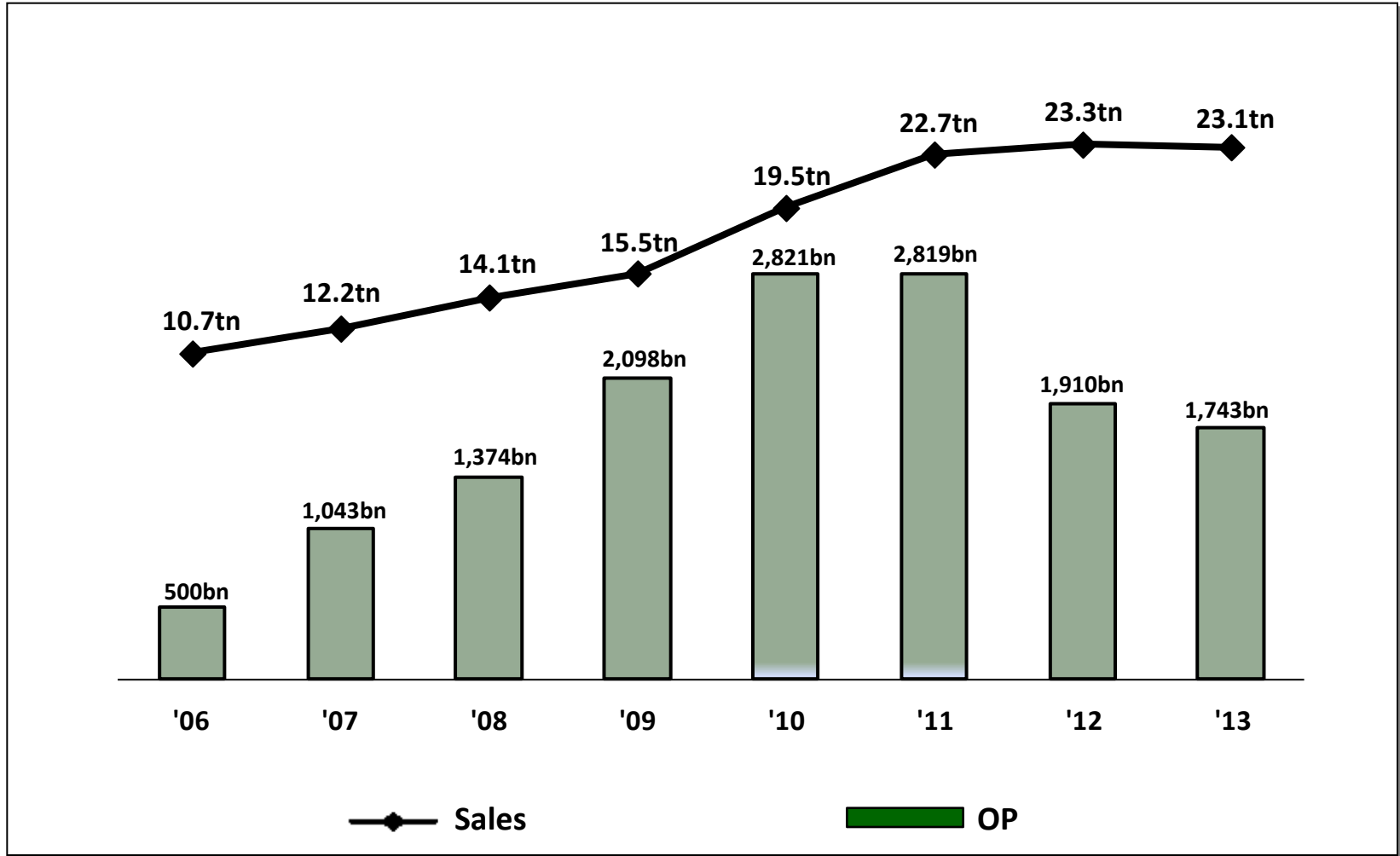
Forecasts and projections contained in this material are based on current business environments and management's strategies, and they may differ from the actual results upon changes and unaccounted variables.

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Yearly Business Results

(Unit: KRW)



※ Results from '06~'08 are converted based on the IFRS without audit for investors' convenience.

(Unit: KRW bn)

Classification	'12.4Q	'13.3Q	'13.4Q	YoY	QoQ
Sales	5,681	5,865	5,641	-0.7%	-3.8%
Operating Profit	364	516	316	-13.1%	-38.7%
(%)	(6.4)	(8.8)	(5.6)		
Pre-tax Income	375	441	236	-37.1%	-46.5%
(%)	(6.6)	(7.5)	(4.2)		
Net Income	292	352	177	-39.5%	-49.8%

Financial Position

(Unit: KRW bn)

Classification	'12	'13	Change
Asset	16,581	17,447	5.2%
Cash and equivalents	1,341	1,909	42.4%
Liabilities	5,816	5,721	-1.6%
Borrowings	2,947	3,011	2.2%
Shareholder's Equity	10,765	11,726	8.9%
EBITDA	2,784	2,762	

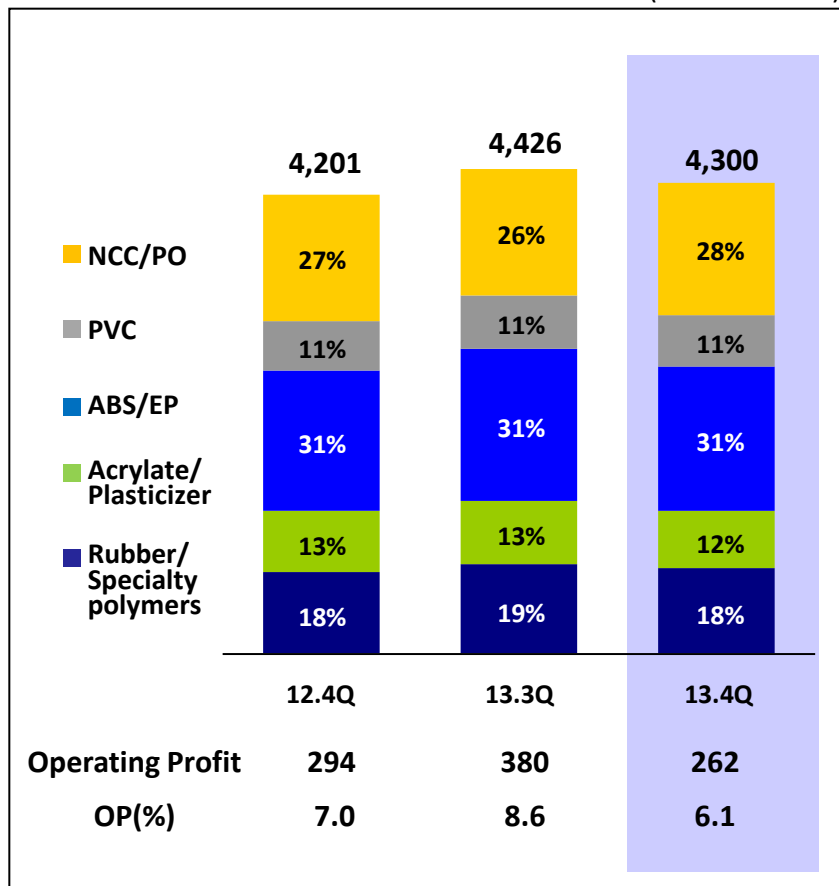
Financial Ratios

Classification	'12	'13	Change
Total Liabilities/ Equity (%)	54.0	48.8	-5.2%p
Borrowings / Equity (%)	27.4	25.7	-1.7%p
Interest Coverage Ratio (x)	26.2	26.7	0.5
ROE (%)	14.7	11.3	-3.4%p
ROA (%)	9.5	7.5	-2.0%p

Business results

Analysis

(Unit: KRW bn)



• Analysis

■ **Earnings declined due to weak seasonal demand, rising feedstock costs and strengthening Korean won, etc.**

- NCC/PO : Maintained profitability with strong PE spread despite rising naphtha costs and weak seasonal demand
- PVC : Margin squeezed by influx of offshore supplies and slow demand from emerging markets such as India
- ABS/EP : Secure solid profits through increased premium product sales amid weak seasonality
- Acrylate/Plasticizer : Earnings declined due to weak alcohol/plasticizer market while favorable Acrylates and SAP market continued
- Rubber/Specialty Polymers : Margin declined by slowdown of BPA & rubber markets

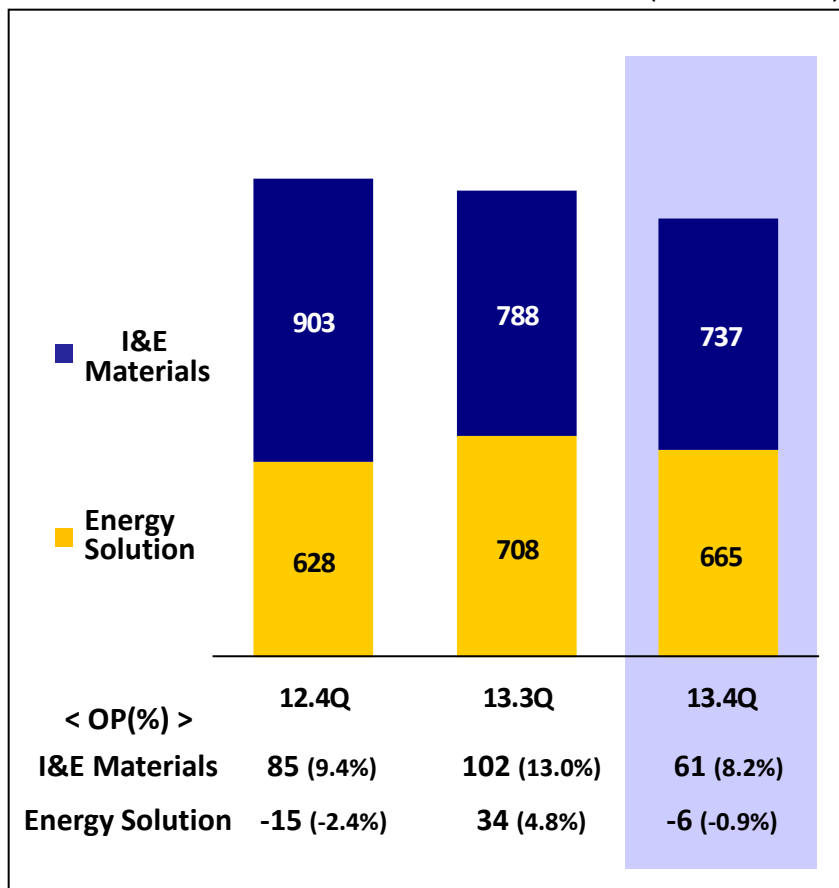
• Outlook

- Gradual market recovery with stabilized naphtha costs
- Expect better business results than peers through differentiated product portfolio such as SAP, SSBR, High EVA and m-PO, etc.

Business results

Analysis

(Unit: KRW bn)



• Analysis

■ Earnings decreased due to weak seasonality and stronger KRW

- **I&E Materials** : Recorded sluggish earnings due to weak display market and strengthening KRW
- **Energy Solution** : Diminished results due to reduced demand for IT devices such as notebook PCs and feature phones & strong KRW

• Outlook

■ Strengthening global market position through increasing sales of high margin products & shares in Chinese customers

- **I&E Materials** : Achieve stable profitability based on capacity additions of polarizer and ITO film & cost reduction
- **Energy Solution** : Continue to increase shares in chinese customers despite slow season for IT devices in 1Q & secure new customers of automotive battery

2014 Business Plan

Business Plan

(Unit: KRW bn)

Classification	'13	'14 Plan
Sales	23,140	23,920
Petro-chemicals	17,610	17,800
I&E Materials	3,170	3,500
Energy Solution	2,580	2,840
Operating Profits	1,740	-
CAPEX	1,380	1,950

Business Strategy

- Petrochemicals : Sustainable growth with profitability through technology and expanding overseas complex**
 - **Strengthen technology-based products and cost competitiveness**
 - Secure world-best technology(SAP, SSBR) & enhance global #1 NCC energy efficiency
 - **Expand overseas complex and develop eco-friendly materials**
 - Kick-off Kazakhstan PE plant and promote eco-friendly materials
- I&E Materials : Focus on growing markets in display material industry & strengthen future growth engines**
 - **Reduce costs & Increase M/S by expanding major customers esp. in China**
 - Strengthening #1 position by increasing acryl-based polarizer production & capacity additions of polarizers in China
 - **Develop new materials related OLED(RGB, OLED lighting) and Flexible display**
 - **Stabilize production of LCD glass substrates and materials for touch screens to expand new business**
- Energy : Secure major customers for automotive battery & Reinforce Solution competitiveness of mobile polymer battery**
 - **Mobile Battery : Expand sales in premium markets based on stepped/curved ones**
 - **Automotive Battery : Secure major customers in Europe, US and Japan & Improve production efficiency**
 - **ESS : Achieve dominant position in getting supply contracts for Smart Grid & UPS**

2014 Business Plan

Cash Flow

(Unit: KRW bn)

Classification	Amounts
Cash Inflow	2,660
From Operating	1,510
Depreciation	1,150
Cash Outflow	2,370
CAPEX	1,950
Working Capital & others	110
Dividend	310
Net Cash Flow	290

CAPEX

Classification	Amounts	
Total	1,950	
Type	New / Expansion	960
	Maintenance, etc.	990
Divisional	Petrochemicals	930
	I&E Materials	600
	Energy Solution	210
	Common	210

Key Investments

(Unit: KRW bn)

<New & Expansion>	960
<ul style="list-style-type: none"> ■ Petrochemicals <u>480</u> - Yeosu : NCC, SAP, and AA - Daesan : Kazakhstan PE 	
<ul style="list-style-type: none"> ■ I&E Materials <u>410</u> - LCD glass substrates - Polarizer and ITO film 	
<ul style="list-style-type: none"> ■ Energy Solution <u>60</u> - Mobile polymer battery 	
<Ordinary investments>	990
<ul style="list-style-type: none"> ■ Maintenance <u>350</u> ■ R&D <u>180</u> ■ Safety/Environment <u>140</u> 	

(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	5,865	5,641	23,144
Operating Profit	447	499	601	364	1,910	409	502	516	316	1,743
Petrochemicals	4,491	4,521	4,366	4,201	17,579	4,353	4,536	4,426	4,300	17,614
NCC/PO	1,249	1,200	1,174	1,163	4,786	1,178	1,165	1,156	1,204	4,703
PVC	478	485	449	450	1,862	463	489	485	473	1,910
ABS	1,104	1,115	1,111	1,032	4,361	1,082	1,165	1,099	1,051	4,396
EP	267	281	262	257	1,067	265	282	284	271	1,102
Acrylate/Plasticizer	530	556	551	557	2,195	570	591	577	525	2,263
Synthetic Rubber/ Specialty Resin	864	883	819	743	3,310	795	845	825	776	3,241
Operating Profit	366	340	436	294	1,436	324	367	380	262	1,332
I&E Materials	761	864	923	903	3,452	827	813	788	737	3,166
Operating Profit	69	131	150	85	436	97	119	102	61	379
Energy Solution	562	677	611	628	2,479	592	619	708	665	2,583
Operating Profit	12	28	14	-15	39	-12	16	34	-6	32

※ Operating profits for 2012 are amended to reflect revisions of "K-IFRS, No. 1001" decided on 19th regular Financial Services Commission's meeting on October 17th, 2012.

Borrowings

(Unit : KRW bn)

Classification	'12	'13
Total (Overseas Subsidiaries)	2,947 (1,024) 100%	3,011 (1,172) 100%
KRW Currency	812 28%	803 27%
C P	598	599
Others	214	205
Foreign Currency	2,135 72%	2,207 73%
Loan	1,140	935
Negotiation Borrowings	994	1,272
Short-term (Overseas Subsidiaries)	1,752 (739) 59%	2,207 (1,074) 73%
Long-term (Overseas Subsidiaries)	1,195 (286) 41%	803 (98) 27%

* The % is calculated to total borrowings.

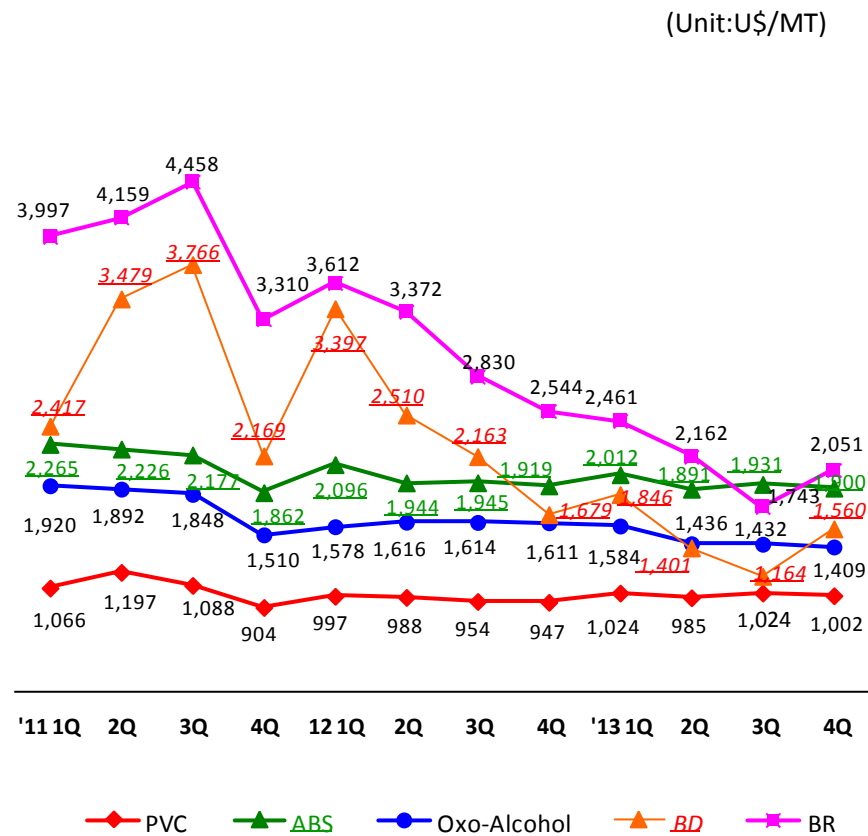
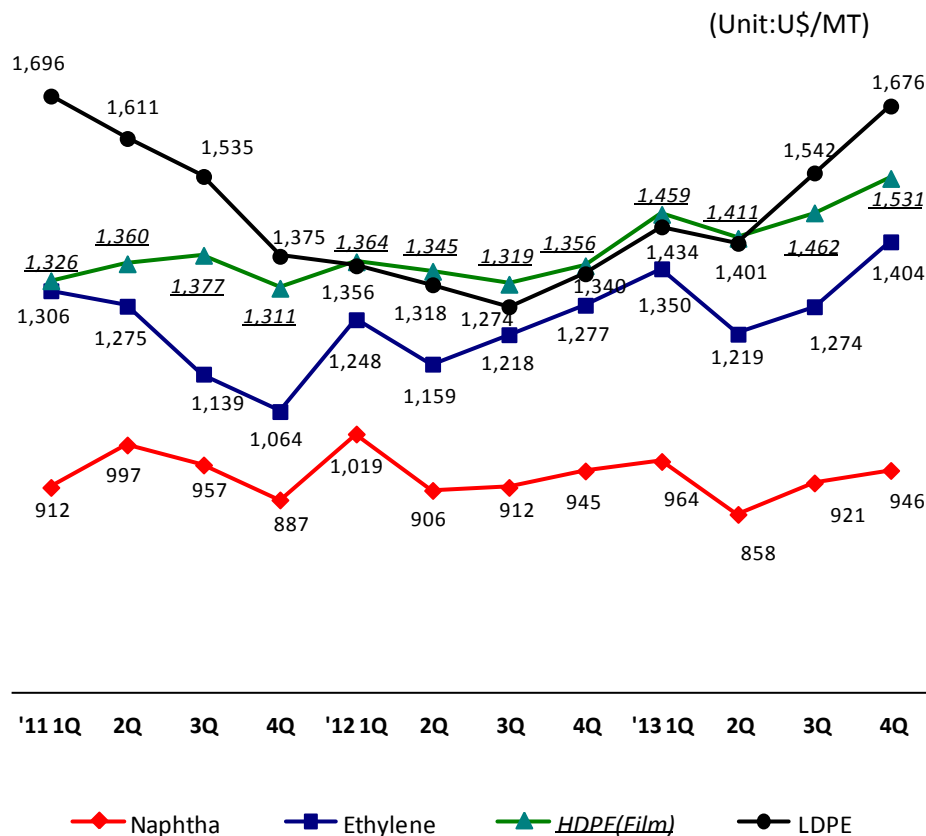
Cash Flow

(Unit: KRW bn)

Classification	'12	'13
Beginning Cash	1,379	1,341
Operating/Investing	-143	813
Net Income	1,506	1,271
Depreciation	874	1,019
Working Capital	-147	-280
CAPEX	-2,075	-1,380
Others	-300	184
Financing	104	-245
Borrowings	420	64
Dividends	-316	-308
Ending	1,341	1,909

(Unit: KRW bn)

Classification		'11	'12	'13 Plan	'13
Petrochemicals	New / Expansion	664	784	549	405
	Maintenance	296	226	245	250
	Total	960	1,009	795	655
I & E Materials	New / Expansion	330	242	744	254
	Maintenance	100	82	135	118
	Total	430	324	878	371
Energy Solution	New / Expansion	660	395	70	96
	Maintenance	105	101	202	119
	Total	765	496	272	215
Common Expenses	New / Expansion	-	16	-	6
	Maintenance	166	230	179	133
	Total	166	246	179	139
Total	New / Expansion	1,654	1,436	1,363	761
	Maintenance	666	639	761	619
	Total	2,321	2,075	2,124	1,380



NCC/PO

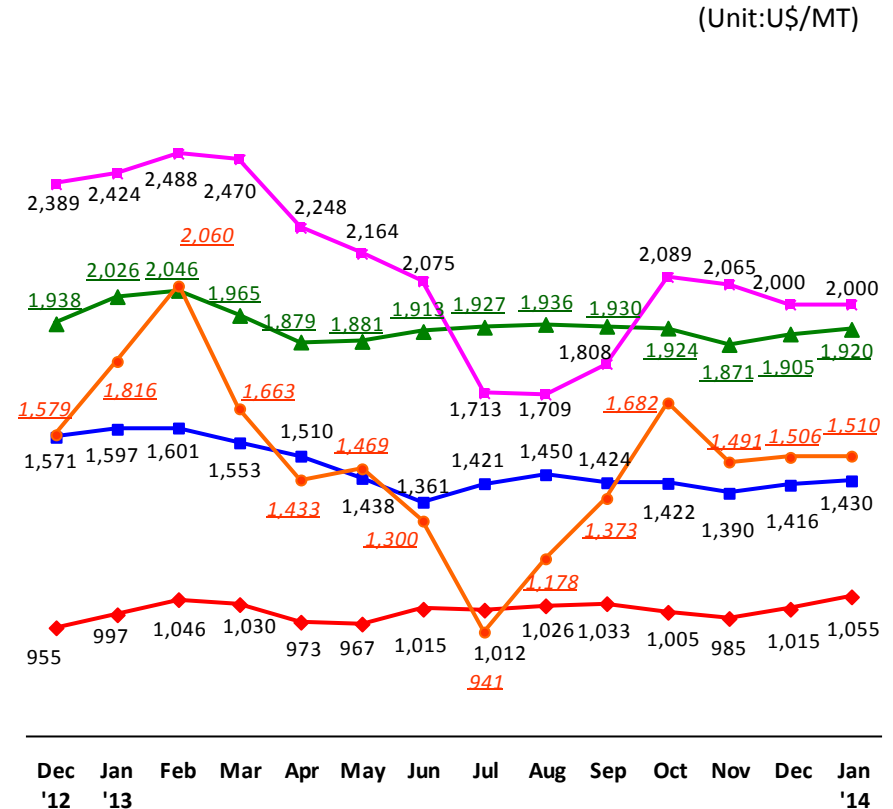
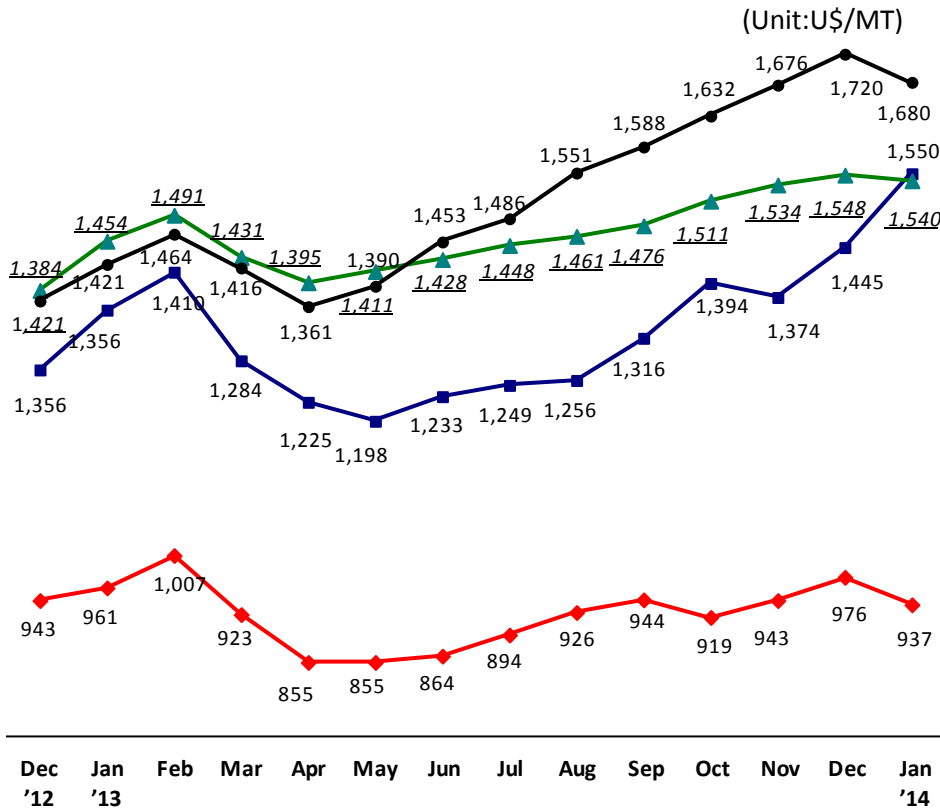
PVC

ABS/EP

Acrylate/
Plasticizer

Rubber/
Specialty Polymers

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



◆ Naphtha ■ Ethylene ▲ HDPE(Film) ● LDPE

NCC/PO

◆ PVC ▲ ABS ■ Oxo-Alcohol ● BD ◆ BR

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 Jan 17, 2014