

4Q 2011 Business Results & Outlook

Jan 31, 2012



The business results for the fourth quarter of 2011 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.

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

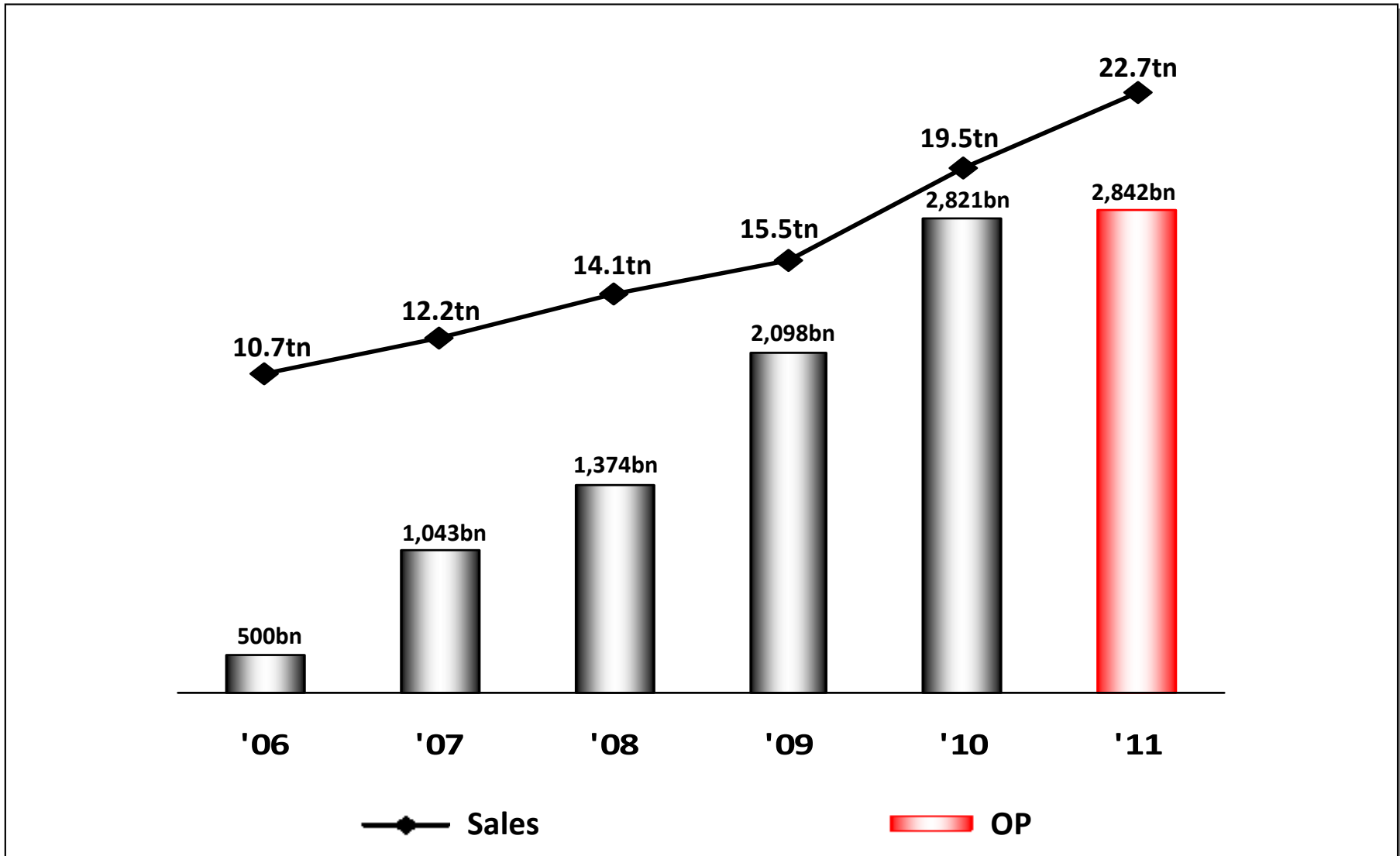
From 2010, the business results are subject to the IFRS(International Financial Reporting Standards).

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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	'10.4Q	'11.3Q	'11.4Q	YoY	QoQ
Sales	4,999	5,886	5,605	12.1%	-4.8%
Operating Profits	562	724	507	-9.9%	-30.0%
(%)	(11.2)	(12.3)	(9.0)		
Pre-tax Income	557	668	508	-8.8%	-23.9%
(%)	(11.2)	(11.3)	(9.1)		
Net Income	437	512	382	-12.7%	-25.4%

Financial Position

(Unit: KRW bn)

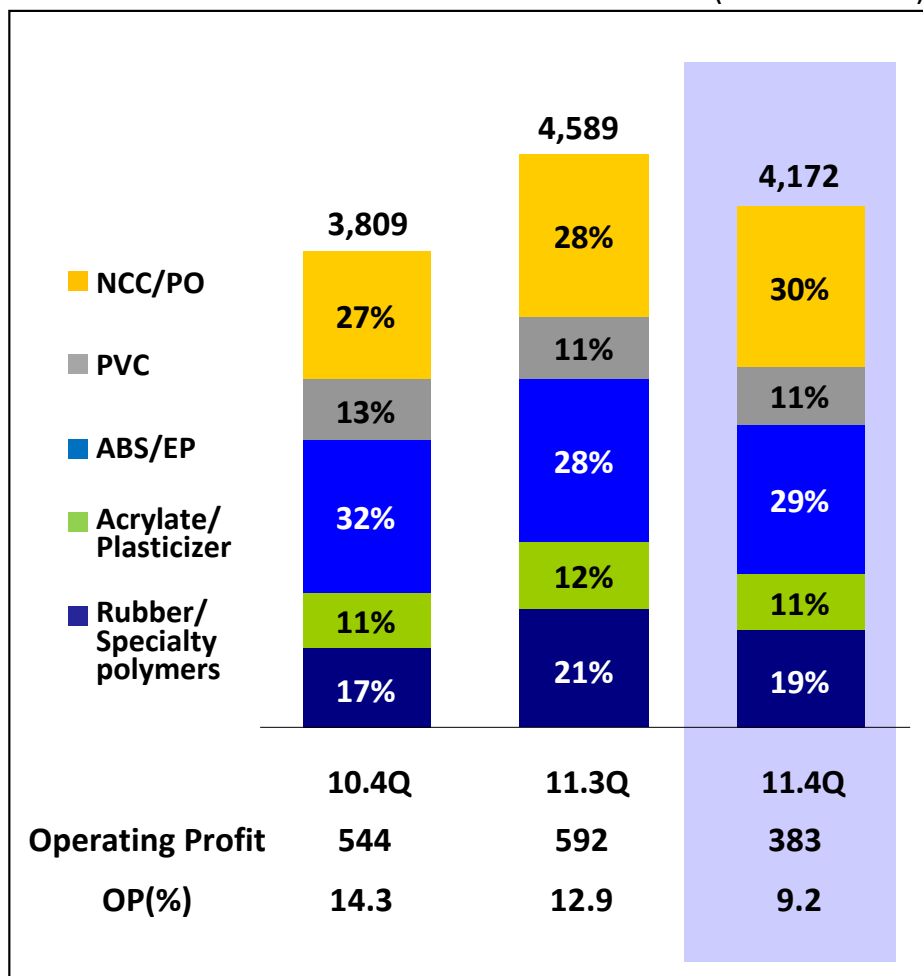
Classification	'10	'11	Change
Asset	12,674	15,292	20.7%
Cash and equivalents	1,368	1,379	0.8%
Liabilities	4,830	5,579	15.5%
Borrowings	2,101	2,527	20.3%
Shareholder's Equity	7,844	9,713	23.8%
EBITDA	3,495	3,599	

Financial Ratios

Classification	'10	'11	Change
Total Liabilities/ Equity (%)	61.6	57.4	-4.2%p
Borrowings / Equity (%)	26.8	26.0	-0.8%p
Interest Coverage Ratio (x)	46.0	42.4	-3.6
ROE (%)	31.9	24.8	-7.1%p
ROA (%)	19.0	15.6	-3.4%p

Business results

(Unit: KRW bn)



Analysis

• Analysis

■ **Weakened profitability by declined price and inventory losses amid weak seasonality & the global economic downturn**

-NCC/PO : Achieved favorable results by increasing premium PO sales despite wait-and-see market situation

-PVC : Margin squeeze due to influx of offshore supply and weak demand

-ABS/EP : Improved spread caused by stable feedstock price such as BD, AN, etc.

-Acrylate/Plasticizer : Margin contraction by weak demand

-Rubber/Specialty polymers : Worsen profitability by product price drop with feedstock price (BD) plunges and weak seasonality

• Outlook

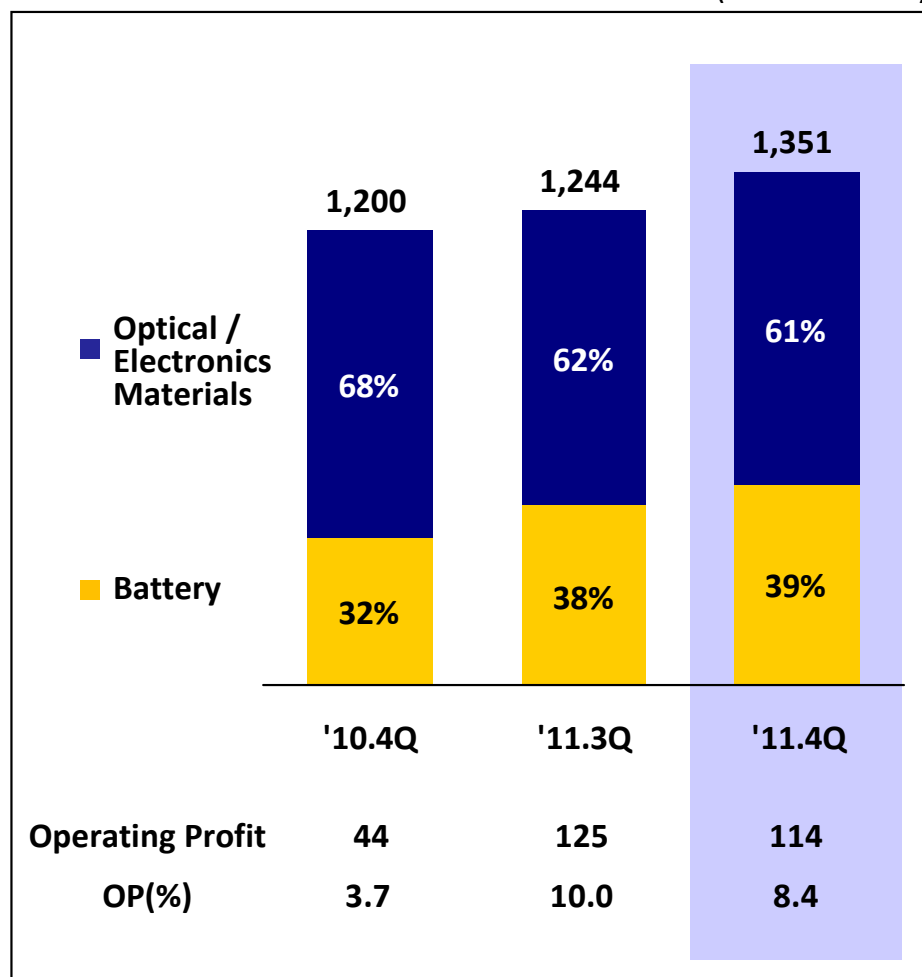
■ **Market sentiment agreed the product prices bottom out**

■ **Recovery of profitability thanks to Chinese re-stocking demand**

■ **Supply tightening ahead of maintenance shut-down in the Spring**

Business results

(Unit: KRW bn)



Analysis

• Analysis

■ Even though sales increased thanks to customers' new product releases & growing year-end demand, profitability dropped slightly due to one-off expenses

-Optical : Sales rise propelled by increased utilization rate Materials and 3D FPR sales

-Battery : Increased sales thanks to customers' launch of new products such as 4G LTE phones and Ultrabooks & sales expansion in strategic customers (Apple, Nokia, etc.)

• Outlook

■ Expect better profitability based on gradual IT demand recovery and capacity expansion of 3D FPR & polymer battery

-Optical : Expect gradual polarizer's utilization rate increase and Materials 3D FPR demand rise thanks to growing 3D TV market

-Battery : Sales increase through high capacity polymer battery sales rise due to demand growth of new devices and polymer battery capacity expansion

2012 Business Plan

Business Plan

(Unit: KRW bn)

Classification	'11	'12 Plan
Sales	22,680	24,550
Petro-chemicals	17,400	18,300
I&E Materials	3,340	3,740
Battery	1,960	2,900
Operating Profits	2,840	-
CAPEX	2,320	2,550

☞ 2011 Battery sales don't include automotive battery.

Business Strategy

- ☐ **Petrochemicals : Activate the profitable business and strengthen core business and competence**
 - **Sustainable profits through the cost leadership, etc**
 - Reducing energy consumption unit, enhancing premium product mix
- ☐ **I&E Materials : Diversify product portfolio & build up initiation platform specialized materials business**
 - **Display Materials : Diversify product portfolio**
 - Expanding product lines including polarizers for Tablet PC and 3D FPR
 - **Film/Battery Materials**
 - Film : Strengthen film business by developing films for OLED, etc.
 - Battery Materials : Stretch product lines by producing a separator
 - **LCD Glass : Reinforce capabilities of production tech. and product development**
 - Secure cost competitiveness
 - Early achievement of production yield on a par with competitors through optimization of manufacturing process
- ☐ **Battery : Strengthen global leading position & differentiated competitiveness**
 - **Consumer Battery**
 - Enhance polymer battery's competitiveness and secure profitability
 - **Automotive Battery**
 - Sales rise in earnest with new customers
 - Reinforce top position through cost competitiveness and product differentiation

2012 Business Plan

Cash Flow

(Unit: KRW bn)

Class		Amounts
Cash Inflow		3,240
	From Operating	2,340
	Depreciation	900
Cash Outflow		3,230
	CAPEX	2,550
	Working Capital & others	360
	Dividend	320
Net Cash Flow		10

CAPEX

Class		Amounts
Total		2,550
Type	New / Expansion	1,750
	Maintenance	800
Divisional	Petrochemicals	960
	I&E Materials	620
	Battery	610
	Common	360

Key Investments

(Unit: KRW bn)

- Petrochemicals** 740
 - Yeosu : Expansions of acrylate, SAP and CA/EDC
 - Daesan : Expansions of elastomer and synthetic rubber

- I&E Materials** 540
 - Expansions of LCD glass substrates
 - 3D FPR, separator, ITO film, etc.

- Battery** 470
 - Expansions of polymer battery and automotive battery

(Unit: KRW bn)

Classification	2010					2011				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	4,423	5,028	5,021	4,999	19,471	5,491	5,700	5,886	5,605	22,682
Operating Profit	652	828	779	562	2,821	835	775	724	507	2,842
Petrochemicals	3,309	3,765	3,768	3,809	14,651	4,293	4,345	4,589	4,172	17,398
NCC/PO	948	1,082	1,068	1,018	4,116	1,108	1,152	1,298	1,285	4,843
PVC	453	455	455	489	1,852	500	517	502	455	1,974
ABS/EP	998	1,173	1,142	1,228	4,540	1,347	1,318	1,293	1,208	5,166
Acrylate/Plasticizer	401	451	478	429	1,760	549	550	546	441	2,085
Synthetic Rubber/ Specialty Resin	509	605	626	644	2,383	789	808	950	783	3,330
Operating Profit	490	624	621	544	2,279	736	642	592	383	2,353
I & E Materials	1,153	1,285	1,271	1,200	4,909	1,193	1,331	1,244	1,351	5,119
Optical/Electronic	843	917	913	832	3,504	807	891	800	845	3,343
Battery	347	414	394	399	1,552	432	500	485	543	1,960
Operating Profit	175	211	171	44	600	113	139	125	114	491

Borrowings

(Unit : KRW bn)

Classification	'10	'11
Total (Overseas Subsidiaries)	2,101 (824) 100%	2,527 (1,044) 100%
KRW Currency	162 8%	475 19%
C P	150	448
Others	12	27
Foreign Currency	1,940 92%	2,052 81%
Loan	936	1,128
Negotiation Borrowings	865	924
FRN	139	-
Short-term (Overseas Subsidiaries)	1,621 (559) 77%	1,838 (679) 73%
Long-term (Overseas Subsidiaries)	481 (265) 23%	689 (365) 27%

The % is calculated to total borrowings.

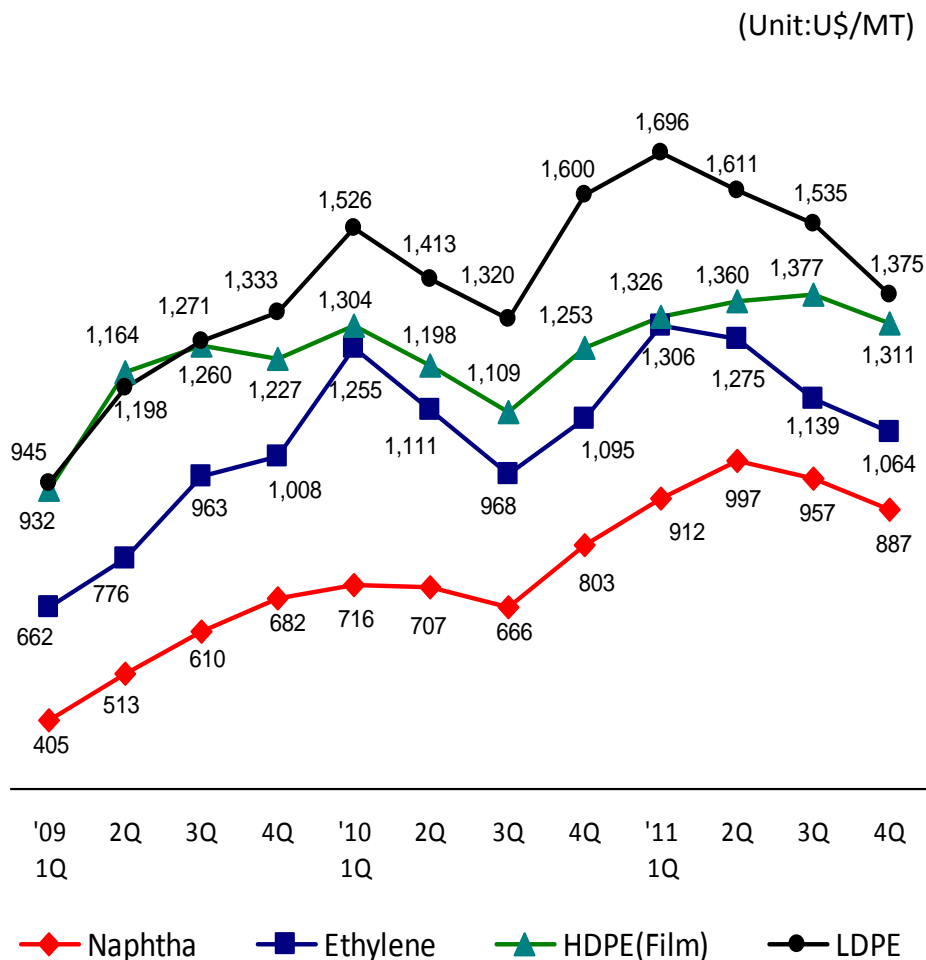
Cash Flow

(Unit: KRW bn)

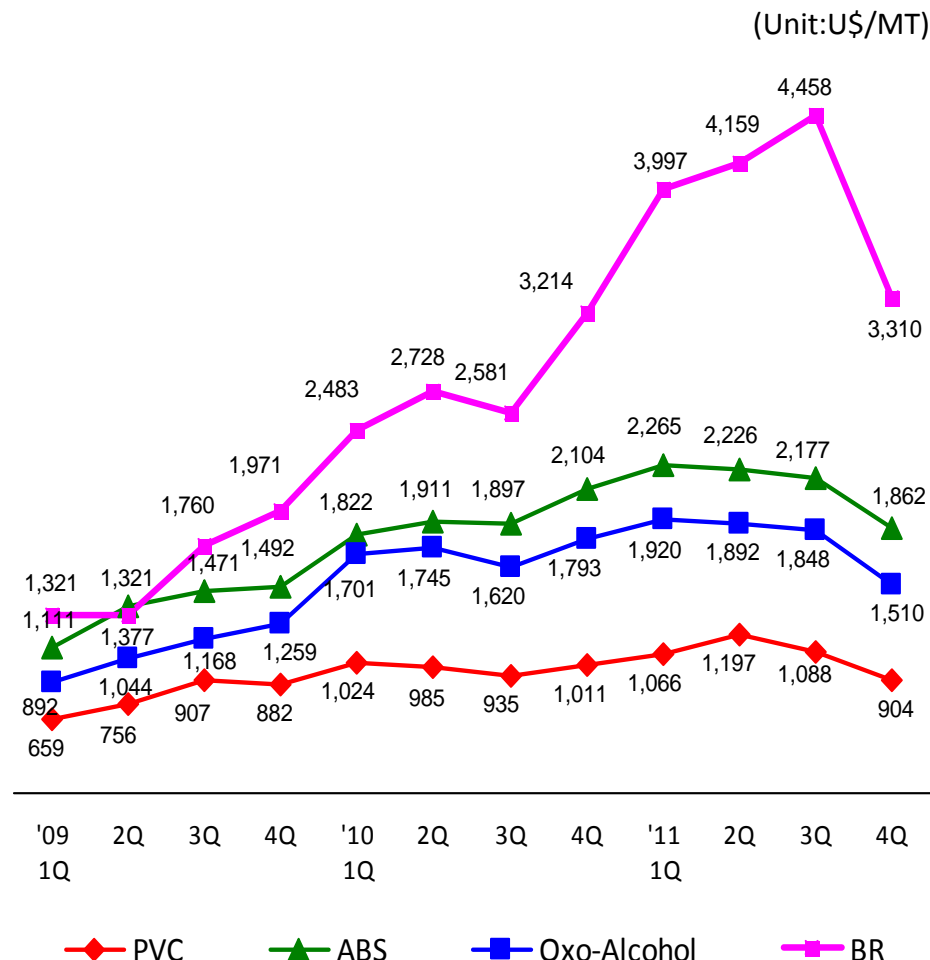
Classification	'10	'11
Beginning Cash	1,107	1,368
Operating/Investing	810	-92
Net Income	2,200	2,175
Depreciation	656	757
Working Capital	-617	-684
CAPEX	-1,702	-2,321
Others	273	-19
Financing	-549	104
Borrowings	-269	426
Dividends	-280	-322
Ending	1,368	1,380

(Unit: KRW bn)

Classification		'09	'10	'11 Plan	'11
Petrochemicals	New / Expansion	158	324	762	664
	Maintenance	132	237	263	259
	Total	290	560	1,025	923
I & E Materials	New / Expansion	472	814	973	992
	Maintenance	81	135	223	179
	Total	553	948	1,196	1,171
Common Expenses	New / Expansion	22	-	-	-
	Maintenance	198	193	145	227
	Total	221	193	145	227
Total	New / Expansion	652	1,138	1,735	1,656
	Maintenance	411	564	631	665
	Total	1,063	1,702	2,366	2,321



NCC/PO



PVC

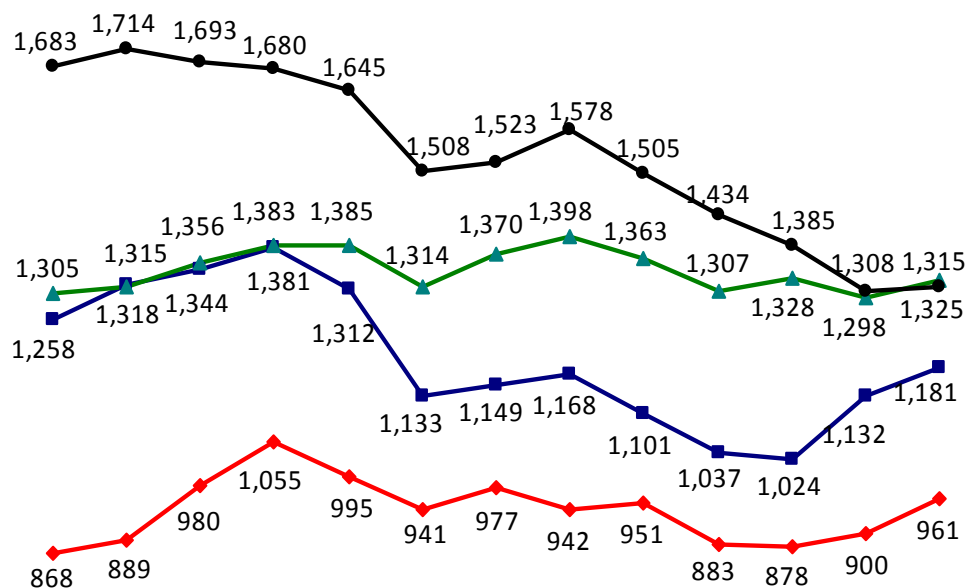
ABS/EP

Acrylate/Plasticizer

Rubber/Specialty Polymers

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

(Unit:U\$/MT)

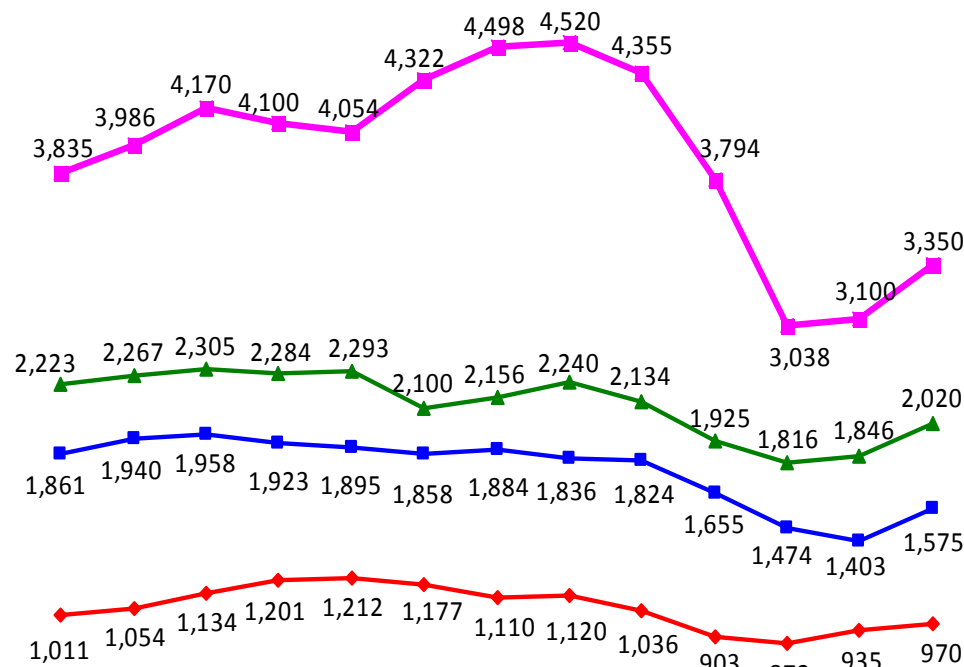


Jan '11 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan '12

◆ Naphtha ■ Ethylene ▲ HDPE(Film) ● LDPE

NCC/PO

(Unit:U\$/MT)



Jan '11 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan '12

◆ PVC ▲ ABS ■ Oxo-Alcohol ■ BR

PVC

ABS/EP

**Acrylate/
Plasticizer**

**Rubber/
Specialty Polymers**

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