

2Q 2015 Business Results & Outlook

September 2015



Disclaimer

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	'14.2Q	'15.1Q	'15.2Q	YoY	QoQ
Sales	5,869	4,915	5,073	-13.6%	3.2%
Operating Profit	360	362	563	56.7%	55.7%
(%)	(6.1)	(7.4)	(11.1)		
Pre-tax Income	290	324	493	70.0%	52.1%
(%)	(4.9)	(6.6)	(9.7)		
Net Income	227	246	353	55.6%	43.3%

Financial Position

(Unit: KRW bn)

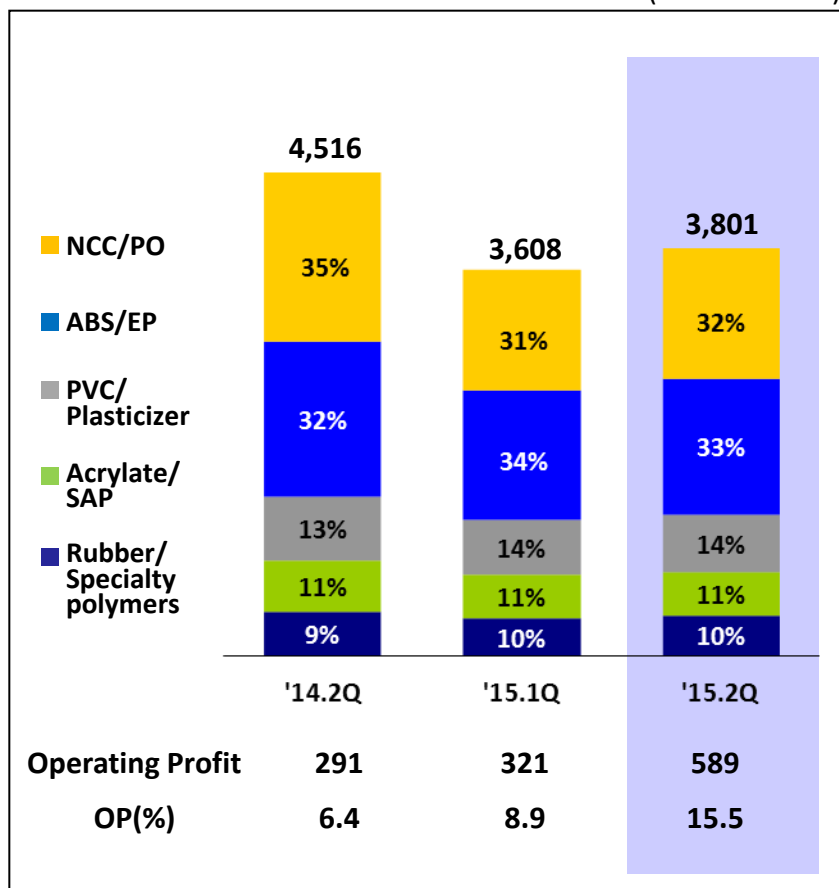
Classification	'14	'15.2Q	Change
Asset	18,128	18,346	1.2%
Cash and equivalents	1,748	2,100	20.2%
Liabilities	5,862	5,734	-2.2%
Borrowings	2,934	2,972	1.3%
Shareholder's Equity	12,266	12,612	2.8%
EBITDA	2,444	1,530	

Financial Ratios

Classification	'14	'15.2Q	Change
Total Liabilities/ Equity (%)	47.8	45.5	-2.3%p
Borrowings / Equity (%)	23.9	23.6	-0.3%p
Interest Coverage Ratio (x)	16.6	29.4	12.8
ROE (%)	7.1	9.6	2.5%p
ROA (%)	4.8	6.6	1.8%p

Business results

(Unit: KRW bn)



Analysis

Analysis

- **Earnings improved with seasonal demand and premium products sales**

- NCC/PO : In spite of maintenance shutdown at Daesan NCC, earnings improved based on product price rises and premium PO sales
- ABS/EP : Maintained profitability through increased premium ABS sales despite narrowed spread
- PVC/Plasticizer : Stable product price continued despite excessive supply
- Acrylate/SAP : Continued solid earnings based on stable sales to top tier customers
- Rubber/Specialty Polymers : Volume growth with stable sales to major customers despite weak tire demand

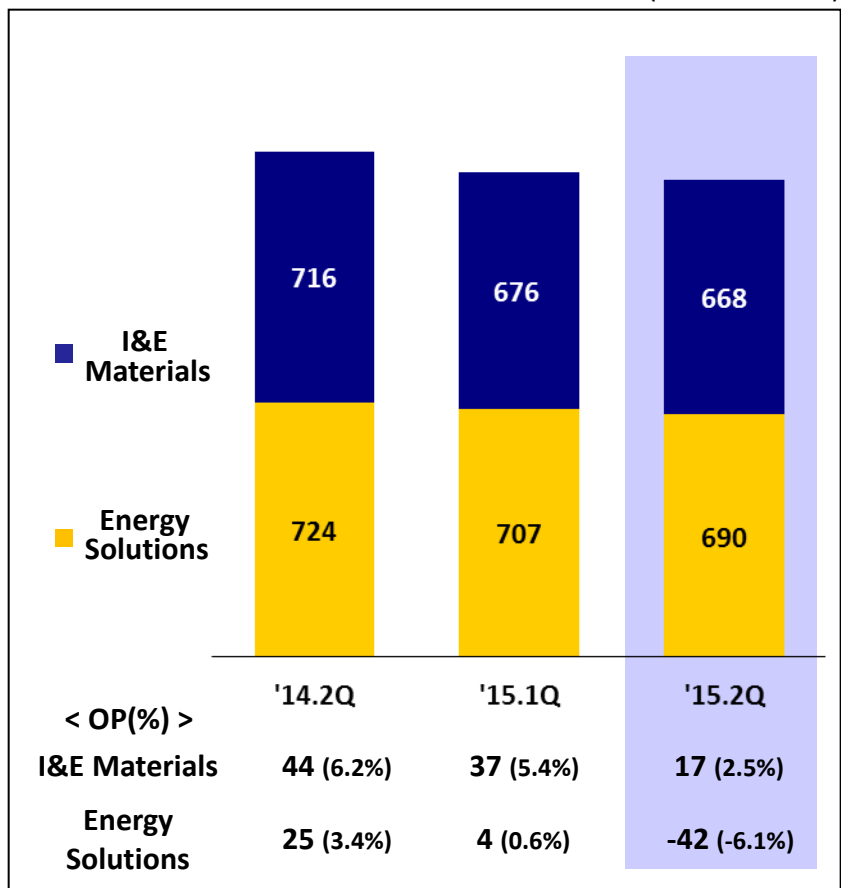
Outlook

- **Expect stable spreads with seasonal demand and stable feedstock costs**
- **Enhance competitive edge through cost competitiveness and sales increase of high margin product**

Business results

Analysis

(Unit: KRW bn)



Analysis

- **I&E Materials** : Earnings declined due to weaker-than-expected panel demand and LCD glass' cold repair, while strengthening market position through increased utilization rate of Chinese polarizer lines

- **Energy Solutions** : Margin squeezed due to sluggish sales of major Mobile battery customers and future investment of Automotive battery; Continue to develop new market of Automotive battery & ESS

Outlook

- **I&E Materials** : Continue to expand polarizer market share in China and improve cost leadership with efficiencies of polarizer lines

- **Energy Solutions** : Expect sales increase based on new products of Mobile battery customers, rise of Chinese commercial vehicle market and new customers' volume growth of Automotive battery

(Unit: KRW bn)

Classification	2014					2015				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,673	5,869	5,664	5,372	22,578	4,915	5,073			9,988
Operating Profit	362	360	358	232	1,311	362	563			925
OP Margin	6.4%	6.1%	6.3%	4.3%	5.8%	7.4%	11.1%			9.3%
Basic Materials & Chemicals	4,415	4,516	4,352	3,982	17,265	3,608	3,801			7,409
NCC/PO	1,593	1,583	1,565	1,314	6,055	1,135	1,219			2,353
ABS	1,066	1,148	1,045	996	4,255	920	976			1,896
EP	283	298	297	287	1,165	289	290			579
PVC/Plasticizer	601	595	543	525	2,264	514	536			1,051
Acrylate/SAP	474	485	482	437	1,877	400	404			803
Rubber/Specialty Polymer	399	407	420	422	1,648	350	376			726
Operating Profit	308	291	307	212	1,117	321	589			911
OP Margin	7.0%	6.4%	7.0%	5.3%	6.5%	8.9%	15.5%			12.3%
I&E Materials	670	716	713	713	2,812	676	668			1,343
Operating Profit	37	44	27	27	134	37	17			54
OP Margin	5.5%	6.2%	3.7%	3.7%	4.8%	5.4%	2.5%			4.0%
Energy Solutions	681	724	694	753	2,853	707	690			1,397
Operating Profit	17	25	29	-6	65	4	-42			-39
OP Margin	2.6%	3.4%	4.1%	-0.8%	2.3%	0.6%	-6.1%			-2.8%

- Divisional name has been changed to 「Basic Materials & Chemicals」 from 「Petrochemicals」
- 2014 I&E Materials business results are amended due to reflect the inclusion of Water Solution business.

Borrowings

(Unit : KRW bn)

Classification	'14	'15.1H
Total (Overseas Subsidiaries)	2,934 (1,244) 100%	2,972 (1,239) 100%
KRW Currency	601 20%	540 18%
C P	399	300
Others	202	241
Foreign Currency	2,333 80%	2,432 82%
Loan	1,348	1,348
Negotiation Borrowings	985	1,084
Short-term (Overseas Subsidiaries)	2,206 (817) 75%	2,293 (897) 77%
Long-term (Overseas Subsidiaries)	728 (427) 25%	679 (342) 23%

The % is calculated to total borrowings.

Cash Flow

(Unit: KRW bn)

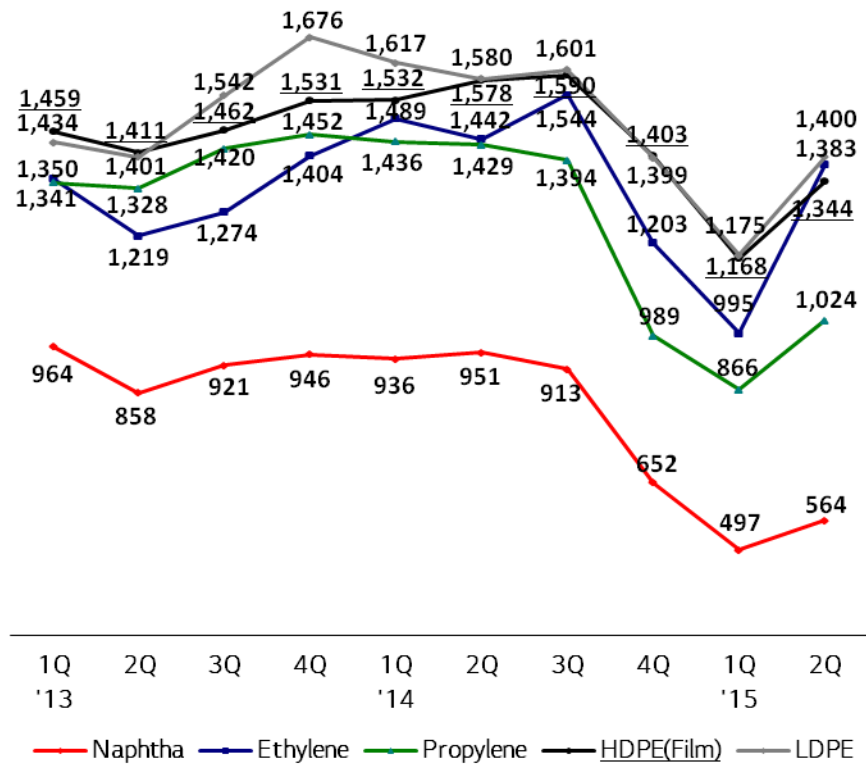
Classification	'14	'15.1H
Beginning Cash	1,909	1,748
Operating/Investing	215	608
Net Income	854	599
Depreciation	1,133	605
Working Capital	-96	134
CAPEX	-1,582	-994
Others	-94	264
Financing	-377	-256
Borrowings	-77	39
Dividends	-300	-295
Ending	1,748	2,100

(Unit: KRW bn)

Classification		'13	'14	'15 Plan	'15.1H
Basic Materials & Chemicals	New / Expansion	416	402	303	237
	Maintenance	213	329	360	256
	Total	629	731	662	493
I & E Materials	New / Expansion	269	285	219	180
	Maintenance	94	122	150	72
	Total	363	407	369	252
Energy Solutions	New / Expansion	104	150	239	82
	Maintenance	106	140	158	90
	Total	209	290	397	172
Common Expenses	New / Expansion	116	88	262	56
	Maintenance	64	66	95	21
	Total	180	154	357	77
Total	New / Expansion	904	925	1,022	554
	Maintenance	476	657	763	440
	Total	1,380	1,582	1,785	994

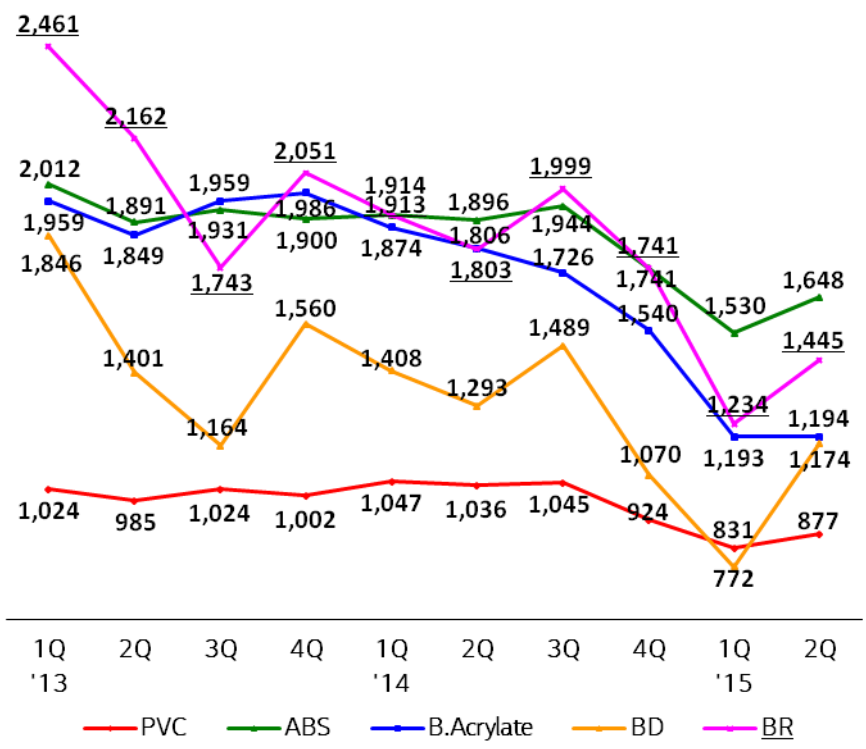
※ "New/Expansion" includes R&D investments.

(Unit : USD/MT)



NCC/PO

(Unit : USD/MT)



PVC/
Plasticizer

ABS/EP

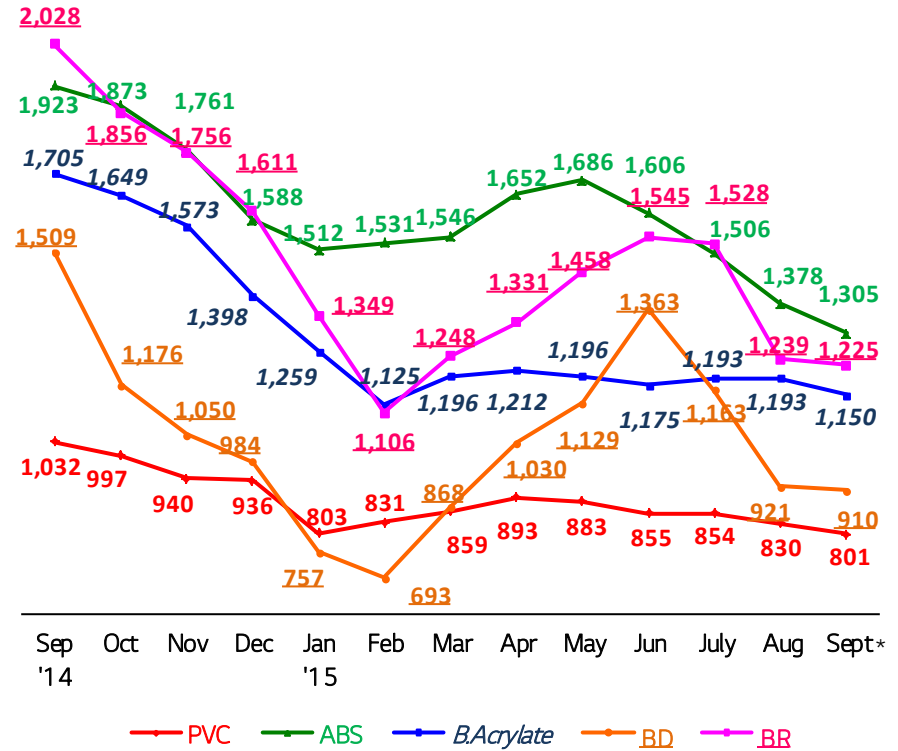
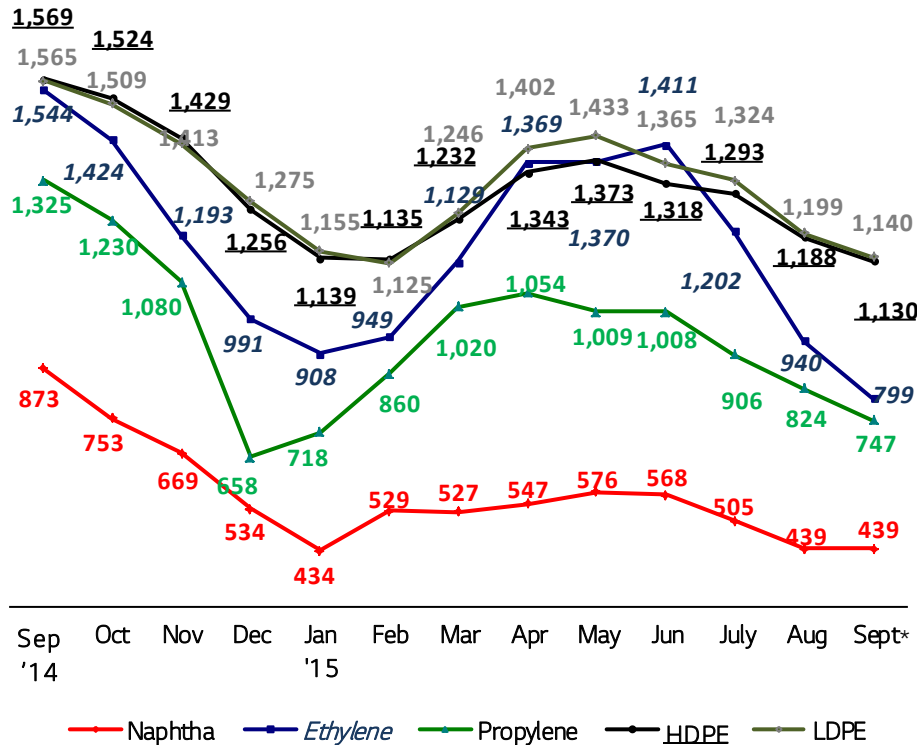
Acrylate/
SAP

Rubber/
Specialty Polymers

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

(Unit : USD/MT)

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NCC/PO

**PVC/
Plasticizer**

ABS/EP

**Acrylate/
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**Rubber/
Specialty Polymers**

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* shows the prices on September 4th, 2015