

# 1Q 2013 Business Results & Outlook

Apr 19, 2013



# Disclaimer

**The business results for the first 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 for 2011 and 2012 are amended to reflect revisions of “K-IFRS, No. 1001” decided on 19<sup>th</sup> regular Financial Services Commission’s meeting on October 17<sup>th</sup>, 2012.**

**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.**

# Table of Contents

<b>1Q 2013 Business Results</b>	<b>1</b>
<b>Divisional Results &amp; Outlook</b>	<b>3</b>
<b>Appendix</b>	<b>5</b>
- Divisional Sales & Operating Profit	
- Borrowings & Cash Flow	
- CAPEX Plan & Results	
- Quarterly Price Trends	
- Monthly Price Trends	

(Unit: KRW bn)

Classification	'12.1Q	'12.4Q	'13.1Q	YoY	QoQ
<b>Sales</b>	<b>5,753</b>	<b>5,681</b>	<b>5,721</b>	-0.6%	0.7%
<b>Operating Profit</b>	<b>447</b>	<b>364</b>	<b>409</b>	-8.5%	12.4%
<b>(%)</b>	(7.8)	(6.4)	(7.1)		
<b>Pre-tax Income</b>	<b>440</b>	<b>375</b>	<b>415</b>	-5.8%	10.6%
<b>(%)</b>	(7.7)	(6.6)	(7.2)		
<b>Net Income</b>	<b>381</b>	<b>292</b>	<b>340</b>	-10.6%	16.5%

## Financial Position

(Unit: KRW bn)

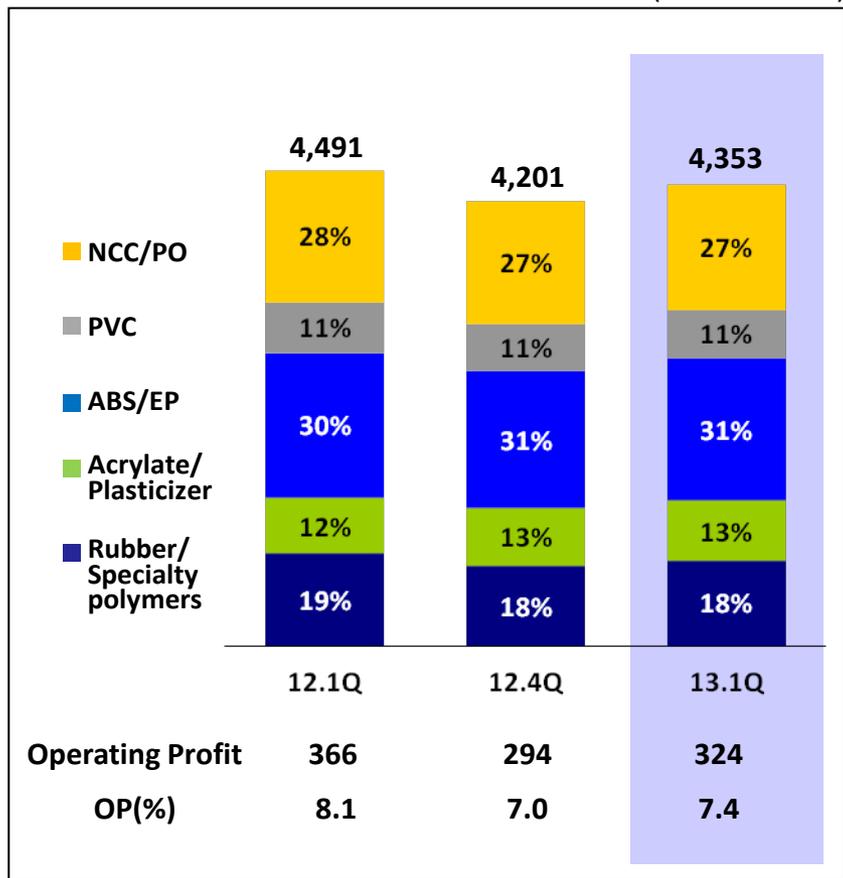
Classification	'12	'13.1Q	Change
<b>Asset</b>	<b>16,581</b>	<b>17,511</b>	5.6%
Cash and equivalents	1,341	1,557	16.1%
<b>Liabilities</b>	<b>5,816</b>	<b>6,642</b>	14.2%
Borrowings	2,947	3,102	5.2%
<b>Shareholder's Equity</b>	<b>10,765</b>	<b>10,869</b>	1.0%
<b>EBITDA</b>	<b>2,784</b>	<b>657</b>	

## Financial Ratios

Classification	'12	'13.1Q	Change
<b>Total Liabilities/ Equity (%)</b>	54.0	61.1	7.1%p
<b>Borrowings / Equity (%)</b>	27.4	28.5	1.1%p
<b>Interest Coverage Ratio (x)</b>	26.2	24.6	-1.6
<b>ROE (%)</b>	14.7	12.6	-2.1%p
<b>ROA (%)</b>	9.5	8.0	-1.5%p

### Business results

(Unit: KRW bn)



### Analysis

#### • Analysis

■ **Earnings improved QoQ by increased shipment and higher product price despite rising feedstock costs and slow recovery**

-NCC/PO : Maintained profitability through increased productivity while a wait-and-see stance continued

-PVC : Margin squeezed due to cost burden of ethylene and plunged caustic soda price

-ABS/EP : Improved margin by enhancing market position with shipment increases

-Acrylate/Plasticizer : Achieved robust earnings on the back of favorable SAP market condition

-Rubber/Specialty Polymers : Secured solid rubber's profit through top-tier tire customers, while the recovery of BPA slowed down

#### • Outlook

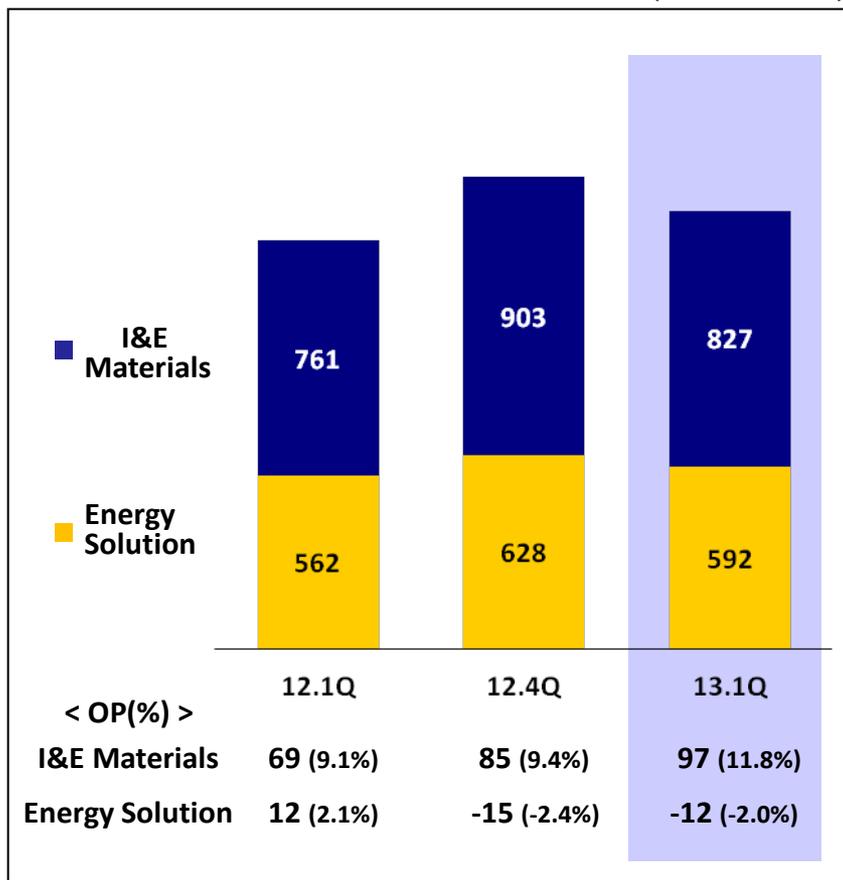
■ **Overall margin improvement by reflecting stabilized feedstock costs and the recovery of product price with seasonal demand**

■ **Expect better business results than peers through differentiated product portfolio**

## Business results

## Analysis

(Unit: KRW bn)



### • Analysis

■ **Despite sales decrease due to weak season, earnings improved thanks to new product sales increase and cost reduction**

- **I&E Materials** : Recorded improved profits thanks to new product sales & raw material cost drops
- **Energy Solution** : Low profitability with delayed recovery due to shipments decrease from weak season

### • Outlook

■ **Secure profitability by entering peak season and changing product mix with high margin products**

- **I&E Materials** : Maintain sound profitability based on utilization rate rises and high margin products such as 3D FPR and ITO film
- **Energy Solution** : Expect improved profitability of consumer battery backed by polymer capacity additions & gradual rise in automotive battery sales thanks to customers' new car launches

(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				5,721
Operating Profit	447	499	601	364	1,910	409				409
Petrochemicals	4,491	4,521	4,366	4,201	17,579	4,353				4,353
NCC/PO	1,249	1,200	1,174	1,163	4,786	1,178				1,178
PVC	478	485	449	450	1,862	463				463
ABS	1,104	1,115	1,111	1,032	4,361	1,082				1,082
EP	267	281	262	257	1,067	265				265
Acrylate/Plasticizer	530	556	551	557	2,195	570				570
Synthetic Rubber/ Specialty Resin	864	883	819	743	3,310	795				795
Operating Profit	366	340	436	294	1,436	324				324
I&E Materials	761	864	923	903	3,452	827				827
Operating Profit	69	131	150	85	436	97				97
Energy Solution	562	677	611	628	2,479	592				592
Operating Profit	12	28	14	-15	39	-12				-12

※ ABS/EP business are divided into two parts from 2013. So business results for ABS and EP are amended to reflect the partition of business.

## Borrowings

(Unit : KRW bn)

Classification	'12	'13.1Q
<b>Total</b> (Overseas Subsidiaries)	<b>2,947</b> (1,024) 100%	<b>3,102</b> (1,070) 100%
<b>KRW Currency</b>	<b>812</b> 28%	<b>810</b> 26%
<b>C P</b>	598	598
<b>Others</b>	214	211
<b>Foreign Currency</b>	<b>2,135</b> 72%	<b>2,292</b> 74%
<b>Loan</b>	1,140	1,183
<b>Negotiation Borrowings</b>	994	1,109
<b>Short-term</b> (Overseas Subsidiaries)	<b>1,752</b> (739) 59%	<b>1,876</b> (757) 60%
<b>Long-term</b> (Overseas Subsidiaries)	<b>1,195</b> (286) 41%	<b>1,226</b> (312) 40%

\* The % is calculated to total borrowings.

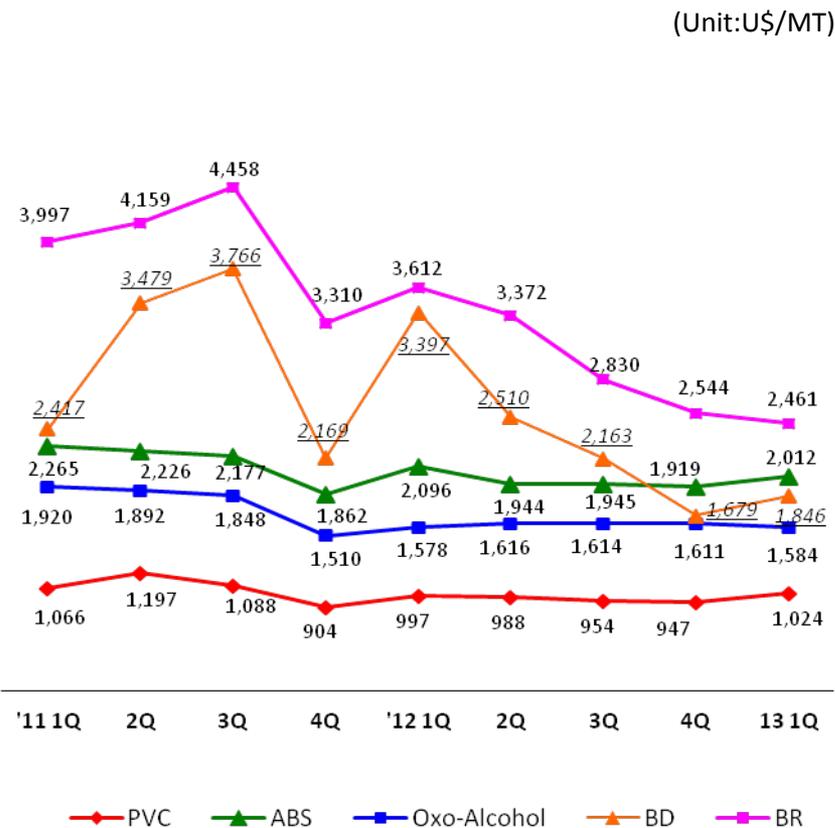
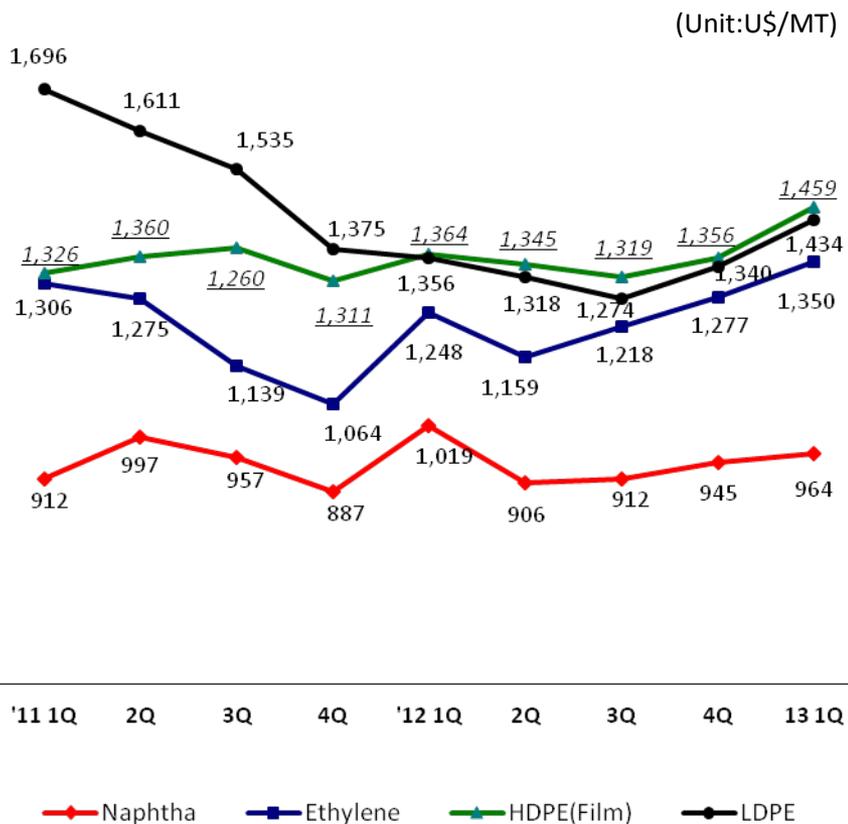
## Cash Flow

(Unit: KRW bn)

Classification	'12	'13.1Q
<b>Beginning Cash</b>	<b>1,379</b>	<b>1,341</b>
<b>Operating/Investing</b>	<b>-143</b>	<b>61</b>
<b>Net Income</b>	1,506	340
<b>Depreciation</b>	874	248
<b>Working Capital</b>	-147	-40
<b>CAPEX</b>	-2,075	-316
<b>Others</b>	-300	-171
<b>Financing</b>	<b>104</b>	<b>155</b>
<b>Borrowings</b>	420	155
<b>Dividends</b>	-316	-
<b>Ending</b>	<b>1,341</b>	<b>1,557</b>

(Unit: KRW bn)

Classification		'11	'12	'13 Plan	'13.1Q
Petrochemicals	New / Expansion	664	784	549	105
	Maintenance	296	226	245	42
	<b>Total</b>	<b>960</b>	<b>1,009</b>	<b>795</b>	<b>147</b>
I & E Materials	New / Expansion	332	242	744	71
	Maintenance	103	90	135	23
	<b>Total</b>	<b>434</b>	<b>332</b>	<b>878</b>	<b>94</b>
Energy Solution	New / Expansion	660	395	70	17
	Maintenance	176	138	202	31
	<b>Total</b>	<b>836</b>	<b>533</b>	<b>272</b>	<b>47</b>
Common Expenses	New / Expansion	-	16	-	-
	Maintenance	91	185	179	28
	<b>Total</b>	<b>91</b>	<b>201</b>	<b>179</b>	<b>28</b>
Total	New / Expansion	1,655	1,436	1,363	193
	Maintenance	665	639	761	124
	<b>Total</b>	<b>2,321</b>	<b>2,075</b>	<b>2,124</b>	<b>316</b>



NCC/PO

PVC

ABS/EP

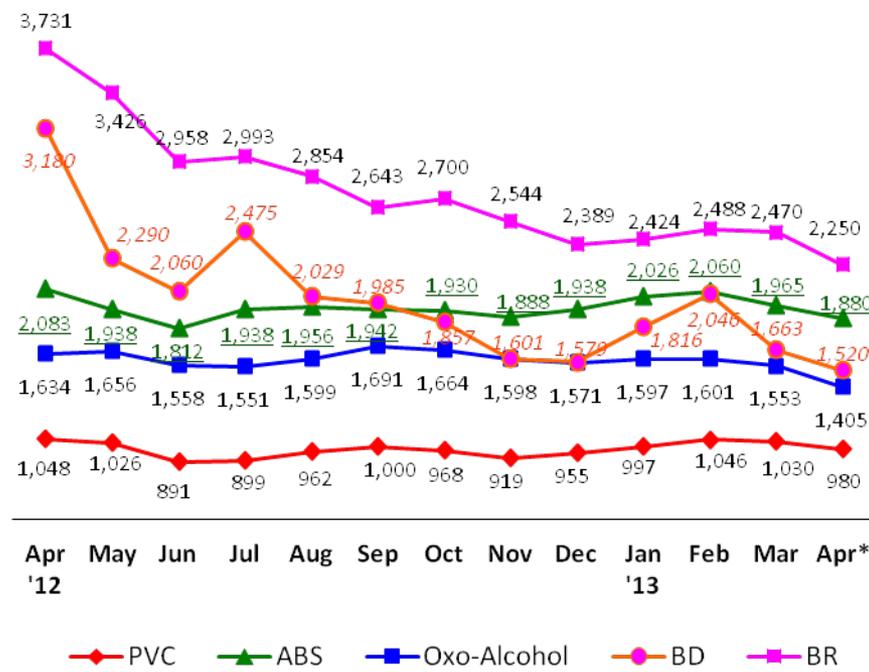
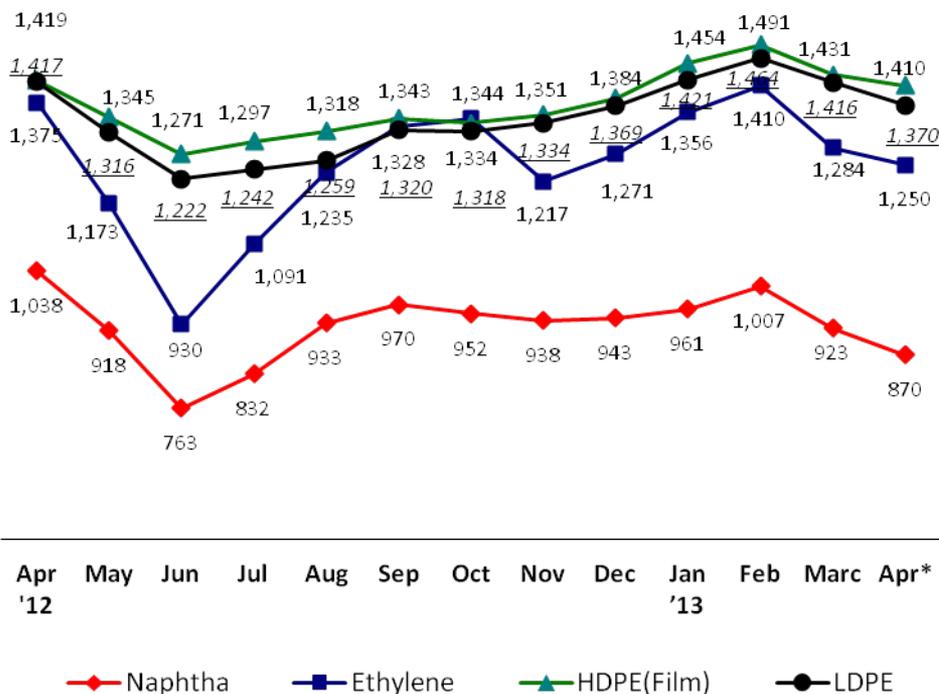
Acrylate/  
Plasticizer

Rubber/  
Specialty Polymers

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

(Unit:U\$/MT)

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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.

\* Shows the prices on Apr 12, 2013