

# 4Q 2014 Business Results & Outlook

January 26, 2015



# Disclaimer

**The business results for the forth 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.**

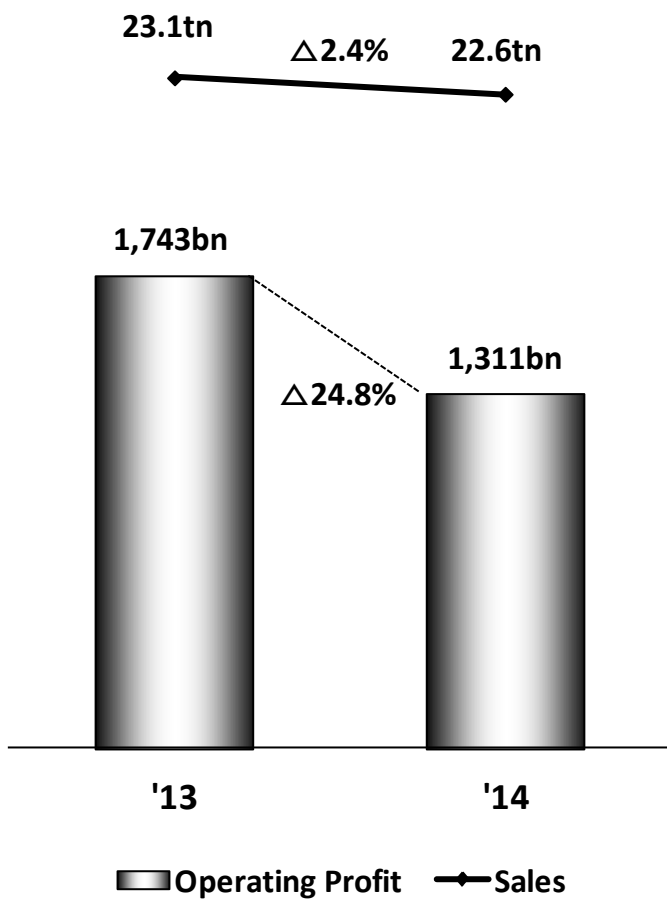
**The business results are subject to the IFRS(International Financial Reporting Standards) from 2010. In addition, operating profits are amended to reflect "Guidance for public announcements of business results" reported by KAI(Korea Accounting Institute) on Feb 18<sup>th</sup> 2013.**

**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



Classification	Sales (KRW tn)			Operating Profit (KRW bn)		
	'13	'14	change (%)	'13	'14	change (%)
Total	23.1	22.6	-2%	1,743 (7.5)	1,311 (5.8)	-25%
Petro-chemicals	17.6	17.3	-2%	1,332 (7.6)	1,117 (6.5)	-16%
I & E Materials	3.2	2.8	-11%	379 (12.0)	158 (5.6)	-58%
Energy Solutions	2.6	2.9	10%	32 (1.3)	65 (2.3)	101%

(Unit: KRW bn)

Classification	'13.4Q	'14.3Q	'14.4Q	YoY	QoQ
<b>Sales</b>	<b>5,641</b>	<b>5,664</b>	<b>5,372</b>	-4.8%	-5.1%
<b>Operating Profit</b>	<b>316</b>	<b>358</b>	<b>232</b>	-26.8%	-35.2%
<b>(%)</b>	(5.6)	(6.3)	(4.3)		
<b>Pre-tax Income</b>	<b>236</b>	<b>294</b>	<b>222</b>	-5.9%	-24.4%
<b>(%)</b>	(4.2)	(5.2)	(4.1)		
<b>Net Income</b>	<b>177</b>	<b>232</b>	<b>109</b>	-38.2%	-52.8%

## Financial Position

(Unit: KRW bn)

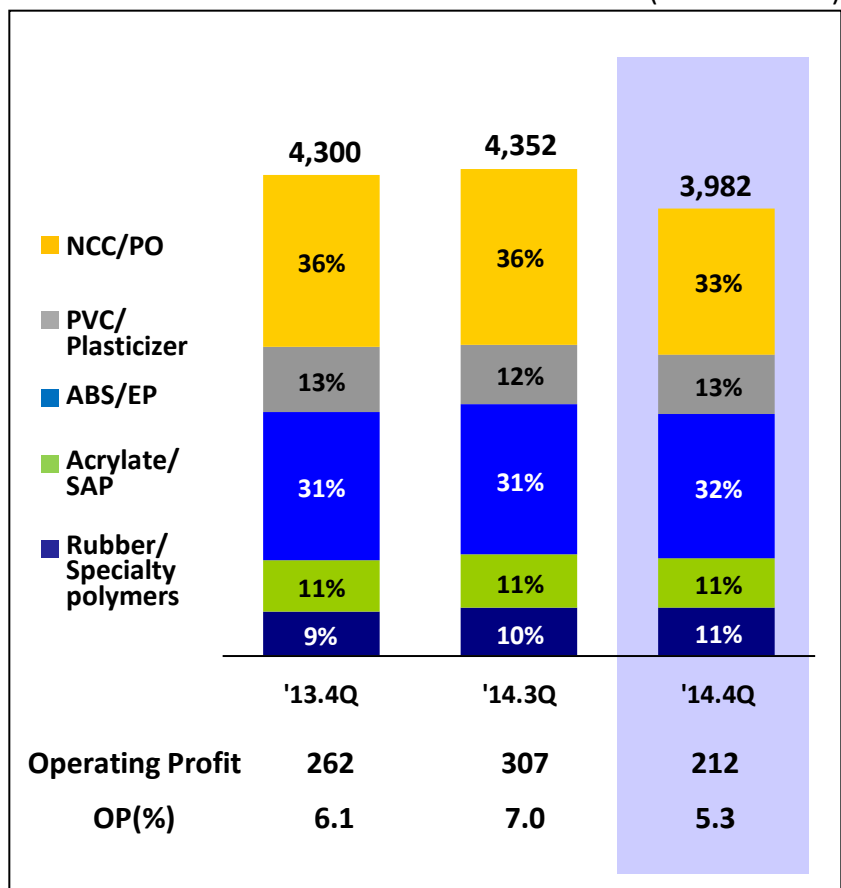
Classification	'13	'14	Change
<b>Asset</b>	<b>17,447</b>	<b>18,128</b>	3.9%
Cash and equivalents	1,909	1,748	-8.5%
<b>Liabilities</b>	<b>5,721</b>	<b>5,862</b>	2.5%
Borrowings	3,011	2,934	-2.6%
<b>Shareholder's Equity</b>	<b>11,726</b>	<b>12,266</b>	4.6%
<b>EBITDA</b>	<b>2,788</b> (12.0%)	<b>2,444</b> (10.8%)	

## Financial Ratios

Classification	'13	'14	Change
<b>Total Liabilities/ Equity (%)</b>	<b>48.8</b>	<b>47.8</b>	-1.0%p
<b>Borrowings / Equity (%)</b>	<b>25.7</b>	<b>23.9</b>	-1.8%p
<b>Interest Coverage Ratio (x)</b>	<b>26.7</b>	<b>16.6</b>	-10.1
<b>ROE (%)</b>	<b>11.3</b>	<b>7.1</b>	-4.2%p
<b>ROA (%)</b>	<b>7.5</b>	<b>4.8</b>	-2.7%p

### Business results

(Unit: KRW bn)



### Analysis

#### • Analysis

- **Business results decreased due to weak seasonality, oil price plunges and maintenance shutdown**

-NCC/PO : Earnings decreased due to maintenance shutdown at Yeosu NCC despite robust spreads

-PVC/Plasticizer : Profits turned into losses because of supply increases from the U.S. and inventory losses

-ABS/EP : Earnings improved thanks to widened spreads even in the off season

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

-Rubber/Specialty Polymers : Improved profitability with further price drops of raw materials vs. product prices

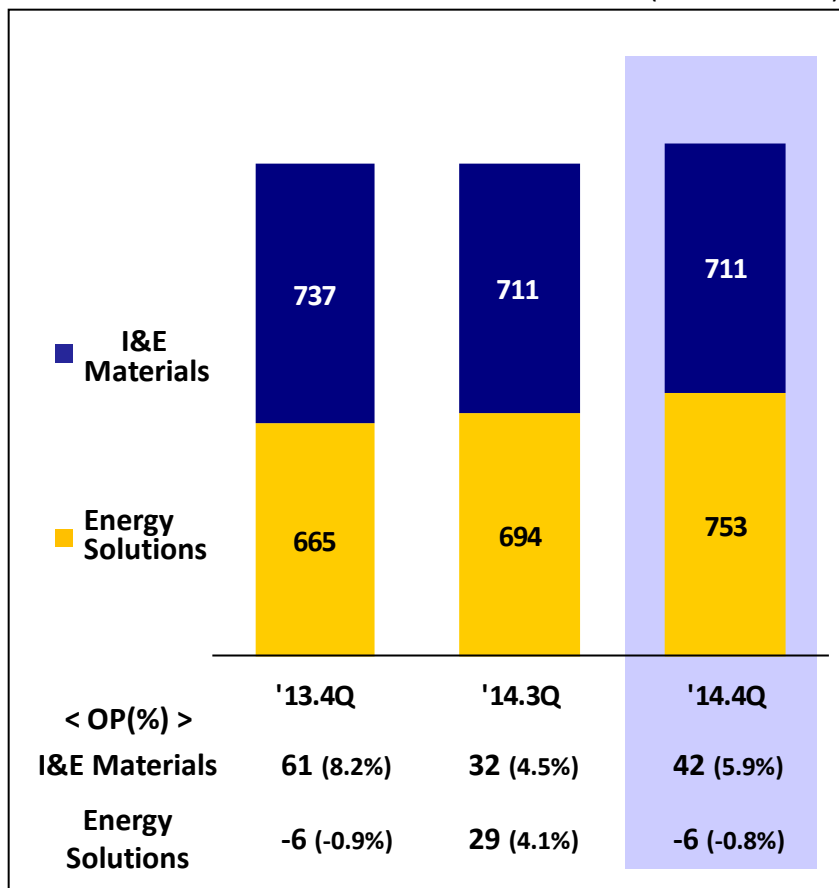
#### • Outlook

- **Expect improved spreads thanks to low naphtha price**
- **Total ethylene capacity of 2.2 million tons/yr with vertical integration (Yeosu NCC 1.15mn tons & Daesan NCC 1.05mn tons)**
- **Enhance competitive edge through cost competitiveness and differentiated product portfolio**

## Business results

## Analysis

(Unit: KRW bn)



### • Analysis

- **I&E Materials** : Despite weak seasonality, earnings improved due to strong panel market and increased utilization rate of Chinese new polarizer lines
- **Energy Solutions** : Sales of Mobile battery was stable while profits declined by one-off expenses  
Sales of Automotive battery improved with recovery of major customers' shipments

### • Outlook

- **I&E Materials** : Firm polarizer demand continues through the growth of large size panel amid weak seasonality
- **Energy Solutions** : Improved Earnings of Mobile battery with ramping up new polymer line and expanding M/S through major Chinese customers ; continue to be market leader through product competitiveness in Automotive battery



# 2015 Business Plan

## Business Plan

(Unit: KRW bn)

Classification	'14	'15 Plan
Sales	22,580	22,480
Petro-chemicals	17,260	16,700
I&E Materials	2,810	3,000
Energy Solutions	2,850	3,150
Operating Profits	1,310	-
CAPEX	1,580	1,790

## Business Strategy

- Petrochemicals : Enhance profitability & develop technology-based products**
  - **Develop high quality products with leading-edge technology**
    - Secure differentiated products such as m-PE, EP and SAP & global major customers
  - **Strengthen cost competitiveness & global leading position**
    - Enhance global #1 NCC energy efficiency & #1 position in ABS market
- I&E Materials : Secure Polarizer's profitability and develop new business**
  - **Secure profitability by launching value-added polarizer and LCD materials**
    - Enhancing Large-sized & Mobile polarizer production
  - **Strengthen advanced materials and prepare for OLED lightning**
    - expanding product line-up by developing OLED materials / OLED lighting
- Energy : Enhance profitability of Mobile battery & prepare for 2<sup>nd</sup> stage Solutions xEV market**
  - **Mobile Battery : Enhancing profitability by diversifying battery applications & expanding M/S through Chinese customers**
  - **Automotive Battery : Prepare for successful launch of 2<sup>nd</sup> stage xEV market & develop market-leading product**
  - **ESS : Maintain market leadership by expanding contracts for Smart Grid & Residential System**

# 2015 Business Plan

## Cash Flow

(Unit: KRW bn)

Classification		Amounts
<b>Cash Inflow</b>		<b>2,120</b>
	From Operating	910
	Depreciation	1,210
<b>Cash Outflow</b>		<b>2,070</b>
	<b>CAPEX</b>	<b>1,790</b>
	Working Capital & others	-20
	Dividend	300
<b>Net Cash Flow</b>		<b>50</b>

## CAPEX

Classification		Amounts
<b>Total</b>		<b>1,790</b>
Type	<b>New / Expansion</b>	<b>730</b>
	<b>R &amp; D</b>	<b>300</b>
	<b>Maintenance, etc.</b>	<b>760</b>
Divisional	Petrochemicals	660
	I&E Materials	340
	Energy Solutions	400
	Corporate	390

## Key Investments

<New & Expansion> (Unit: KRW bn)

<ul style="list-style-type: none"> <li>■ Petrochemicals <span style="float: right;">290</span></li> <li style="padding-left: 20px;">- SAP 80KT, AA 160KT</li> <li>■ I&amp;E Materials <span style="float: right;">150</span></li> <li style="padding-left: 20px;">- LCD glass polishing line</li> <li style="padding-left: 20px;">- OLED lighting, etc.</li> <li>■ Energy Solutions <span style="float: right;">200</span></li> <li style="padding-left: 20px;">- Mobile polymer battery</li> <li style="padding-left: 20px;">- China xEV battery plant</li> </ul>
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<Ordinary investments>

<ul style="list-style-type: none"> <li>■ Maintenance, T/A <span style="float: right;">360</span></li> <li>■ Safety/Environment, Energy <span style="float: right;">130</span></li> <li>■ Product Development <span style="float: right;">60</span></li> </ul>
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(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	5,372	22,578
Operating Profit	409	502	516	316	1,743	362	360	358	232	1,311
OP Margin	7.1%	8.5%	8.8%	5.6%	7.5%	6.4%	6.1%	6.3%	4.3%	5.8%
<b>Petrochemicals</b>	<b>4,353</b>	<b>4,536</b>	<b>4,426</b>	<b>4,300</b>	<b>17,614</b>	<b>4,415</b>	<b>4,516</b>	<b>4,352</b>	<b>3,982</b>	<b>17,265</b>
NCC/PO	1,470	1,509	1,517	1,540	6,036	1,586	1,583	1,565	1,314	6,048
PVC / Plasticizer	598	620	611	580	2,409	601	595	543	525	2,264
ABS	1,082	1,165	1,099	1,051	4,396	1,066	1,148	1,045	996	4,256
EP	265	282	284	271	1,102	282	298	297	287	1,164
Acrylate / SAP	492	511	504	460	1,966	474	485	482	437	1,877
Rubber / Specialty Polymer	446	450	412	398	1,706	406	407	420	422	1,655
Operating Profit	324	367	380	262	1,332	308	291	307	212	1,117
OP Margin	7.4%	8.1%	8.6%	6.1%	7.6%	7.0%	6.4%	7.0%	5.3%	6.5%
<b>I&amp;E Materials</b>	<b>827</b>	<b>813</b>	<b>788</b>	<b>737</b>	<b>3,166</b>	<b>670</b>	<b>716</b>	<b>711</b>	<b>711</b>	<b>2,807</b>
Operating Profit	97	119	102	61	379	37	47	32	42	158
OP Margin	11.8%	14.6%	13.0%	8.2%	12.0%	5.5%	6.6%	4.5%	5.9%	5.6%
<b>Energy Solutions</b>	<b>592</b>	<b>619</b>	<b>708</b>	<b>665</b>	<b>2,583</b>	<b>681</b>	<b>724</b>	<b>694</b>	<b>753</b>	<b>2,853</b>
Operating Profit	-12	16	34	-6	32	17	25	29	-6	65
OP Margin	-2.0%	2.6%	4.8%	-0.9%	1.3%	2.6%	3.5%	4.1%	-0.8%	2.3%

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

## Borrowings

(Unit : KRW bn)

Classification	'13	'14
<b>Total</b> (Overseas Subsidiaries)	<b>3,011</b> (1,172) 100%	<b>2,934</b> (1,244) 100%
<b>KRW Currency</b>	<b>803</b> 27%	<b>601</b> 20%
<b>C P</b>	599	399
<b>Others</b>	205	202
<b>Foreign Currency</b>	<b>2,207</b> 73%	<b>2,333</b> 80%
<b>Loan</b>	1,272	1,348
<b>Negotiation Borrowings</b>	935	985
<b>Short-term</b> (Overseas Subsidiaries)	<b>2,207</b> (1,074) 73%	<b>2,206</b> (817) 75%
<b>Long-term</b> (Overseas Subsidiaries)	<b>803</b> (98) 27%	<b>728</b> (427) 25%

☞ The % is calculated to total borrowings.

## Cash Flow

(Unit: KRW bn)

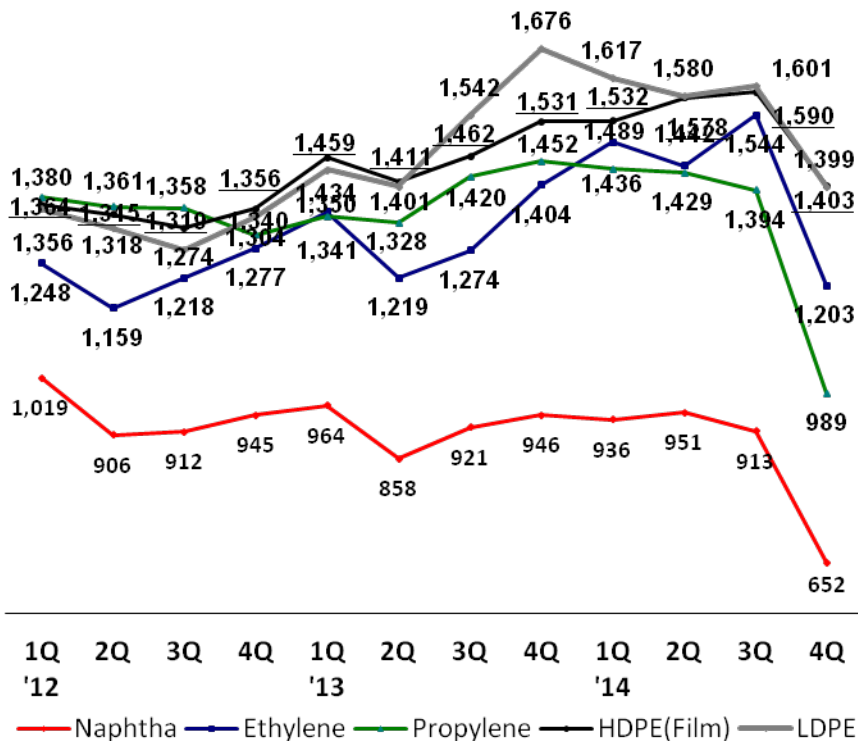
Classification	'13	'14
<b>Beginning Cash</b>	<b>1,341</b>	<b>1,909</b>
<b>Operating/Investing</b>	<b>813</b>	<b>215</b>
<b>Net Income</b>	1,271	854
<b>Depreciation</b>	1,045	1,133
<b>Working Capital</b>	-280	-96
<b>CAPEX</b>	-1,380	-1,582
<b>Others</b>	157	-94
<b>Financing</b>	<b>-245</b>	<b>-377</b>
<b>Borrowings</b>	64	-77
<b>Dividends</b>	-308	-300
<b>Ending</b>	<b>1,909</b>	<b>1,748</b>

(Unit: KRW bn)

Classification		'12	'13	'14 Plan	'14
Petrochemicals	New / Expansion	791	416	499	402
	Maintenance	177	213	394	329
	<b>Total</b>	<b>969</b>	<b>629</b>	<b>894</b>	<b>731</b>
I & E Materials	New / Expansion	253	269	454	126
	Maintenance	71	94	132	122
	<b>Total</b>	<b>324</b>	<b>363</b>	<b>586</b>	<b>248</b>
Energy Solutions	New / Expansion	408	104	76	150
	Maintenance	106	106	125	140
	<b>Total</b>	<b>515</b>	<b>209</b>	<b>200</b>	<b>290</b>
Corporate	New / Expansion	162	116	181	247
	Maintenance	105	64	91	66
	<b>Total</b>	<b>267</b>	<b>180</b>	<b>271</b>	<b>313</b>
Total	New / Expansion	1,615	904	1,210	925
	Maintenance	460	476	741	657
	<b>Total</b>	<b>2,075</b>	<b>1,380</b>	<b>1,951</b>	<b>1,582</b>

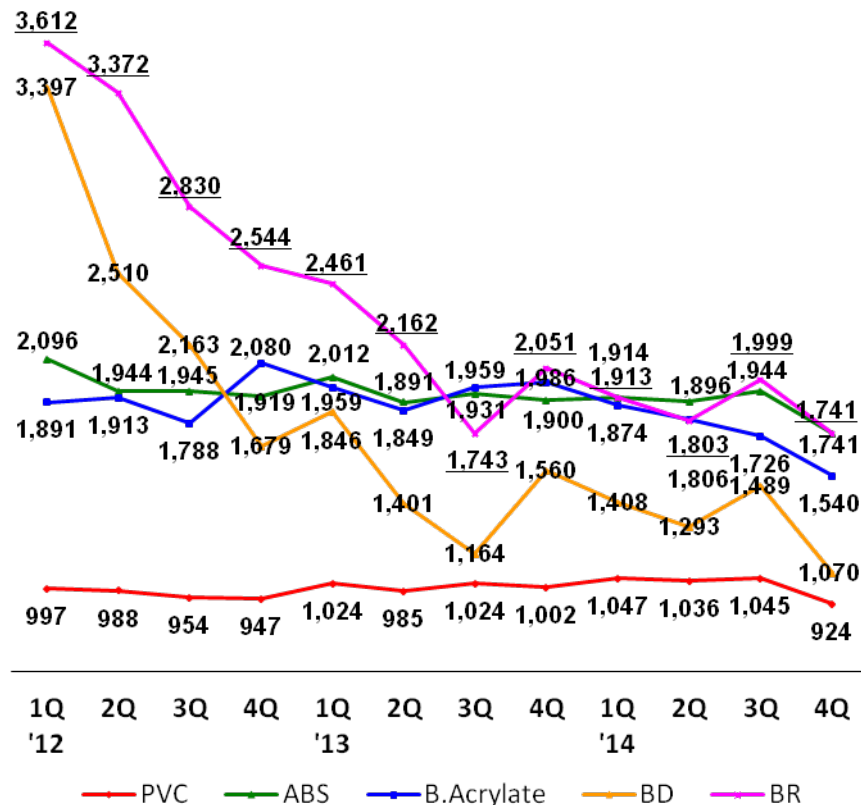
※ "New/Expansion" includes R&D investments.

(Unit:US\$/MT)



**NCC/PO**

(Unit:US\$/MT)



**PVC/  
Plasticizer**

**ABS/EP**

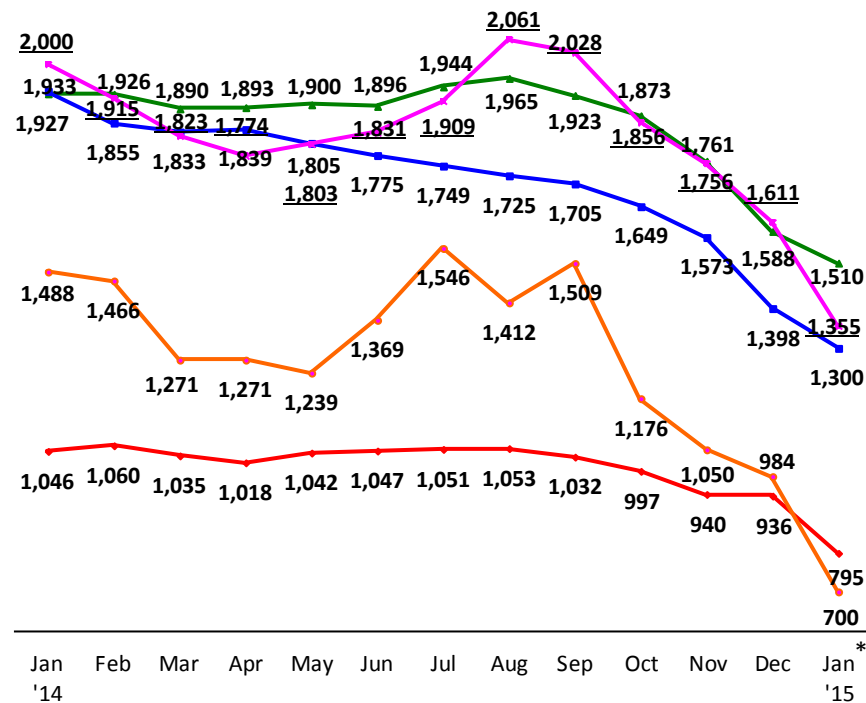
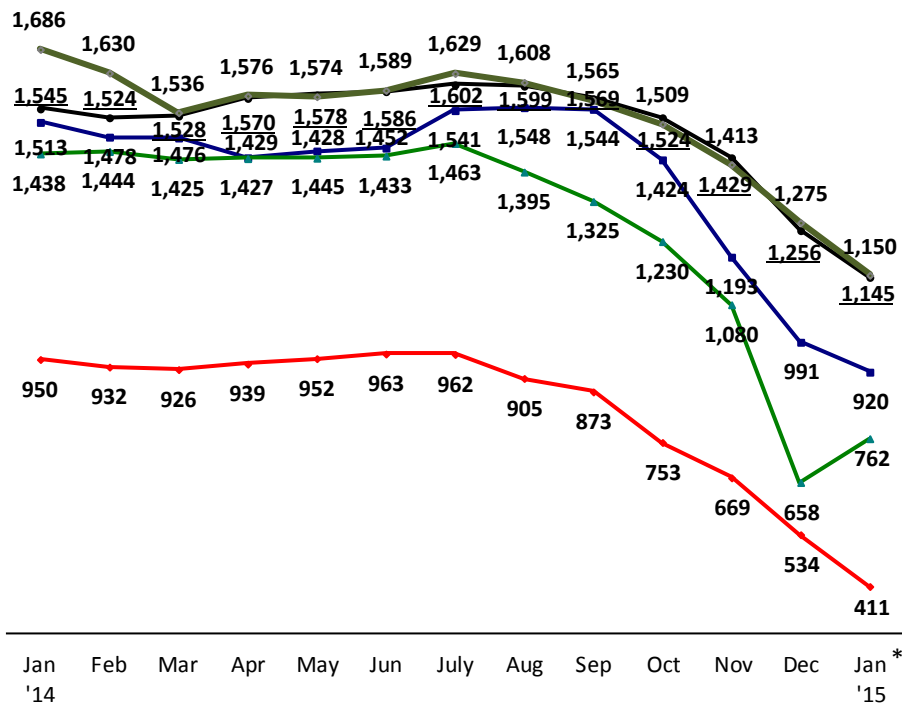
**Acrylate/  
SAP**

**Rubber/  
Specialty Polymers**

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

(Unit:U\$/MT)

(Unit:U\$/MT)



— Naphtha — Ethylene — Propylene — HDPE — LDPE

— 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.

\* Shows the prices on Jan 16, 2015