

2018 Earnings Release

Hyosung Chemical

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2018 consolidated earnings and past consolidated earnings presented in this presentation are based on K-IFRS accounting standards. Historical data is provided for comparison purposes.

Information in this presentation has not been audited nor reviewed yet, and thus, is subject to change during the audit or review. Forward looking statements have been made with consideration of current status of the business environment and are also subject to change according to changes in the business environment, as well as the company's strategy.

I. Income Status

Income Statement (Consolidated)

(Unit: Hundred Million Korean Won)

	2017	2018	YoY
Sales Revenue	16,673	18,638	1,965
Gross Profit	2,310	1,963	▲347
(Gross Profit Margin)	(13.9%)	(10.5%)	(▲3.4%)
Operating Profit	1,088	1,092	4
(Operating Profit Margin)	(6.5%)	(5.9%)	(▲0.6%)
Interest Expense	▲297	▲317	▲20
Expense due to Foreign Exchange / Derivatives	301	▲67	▲368
Income before Tax	681	555	▲126
Net Income	521	438	▲83
EBITDA	2,721	2,653	▲68

II. Financial Status

Statement of Financial Position (Consolidated)

(Unit: Hundred Million Korean Won)

	2018.6.1 (Beginning F/S)	2018.12.31 (Ending F/S)	Increase/ Decrease
Asset	16,877	16,533	▲344
Current Asset	5,258	4,417	▲841
Cash&Cash Equivalents	(2,759)	(793)	(▲1,966)
Non-Current Assets	11,619	12,116	497
Liability	13,419	12,860	▲559
Current Liability	6,979	7,260	281
Non-Current Liability	6,440	5,600	▲840
Equity	3,458	3,672	214
Borrowings	11,103	9,831	▲1,272
Net Borrowings	8,344	9,037	693
Debt Ratio	(388.1%)	(350.2%)	(▲37.9%)

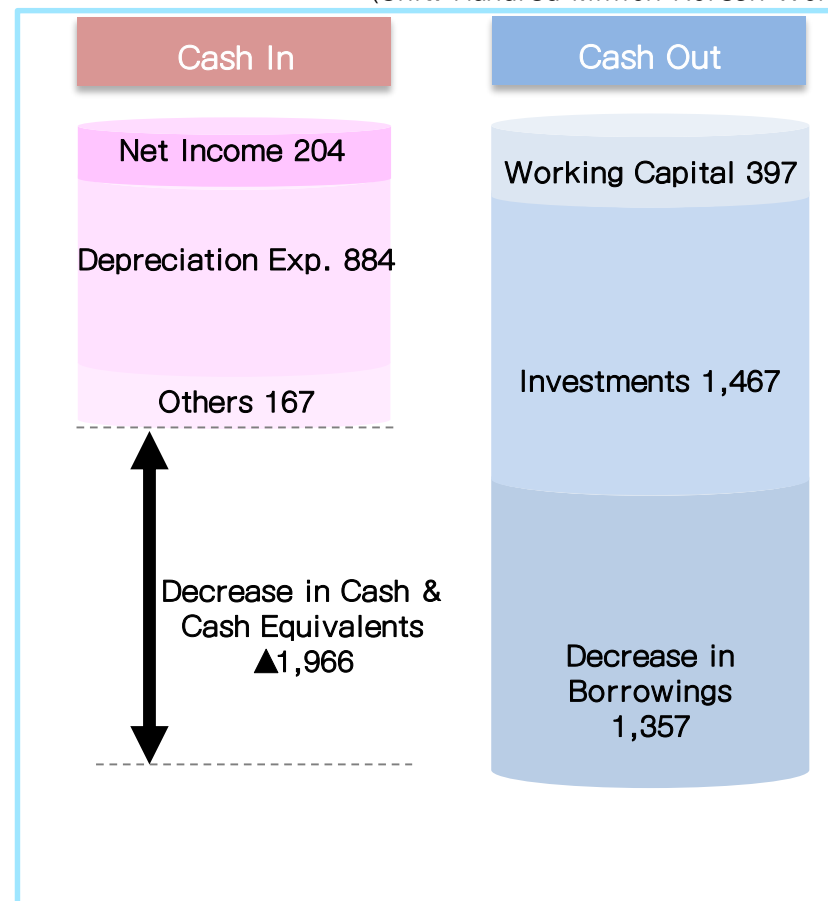
III. Cash Flow for June ~ December of 2018

Cash Flow Statement

(Unit: Hundred Million Korean Won)

Cash Flow from Operations	858
<ul style="list-style-type: none"> • Retained Earnings 1,088 <ul style="list-style-type: none"> • Net Income 204 • Depreciation Expense 884 • A/R, Inventory, A/P, Etc. ▲397 • Others 167 	
Cash Flow from Investing	▲1,467
<ul style="list-style-type: none"> • Acquisition of Tangible/Intangible Assets ▲1,456 • Acquisition of Investment Securities - • Others ▲11 	
Cash Flow from Financing	▲1,357
<ul style="list-style-type: none"> • Increase/Decrease in Borrowings ▲1,272 • Decrease in Capital ▲85 	
Increase/Decrease in Cash	▲1,966

(Unit: Hundred Million Korean Won)

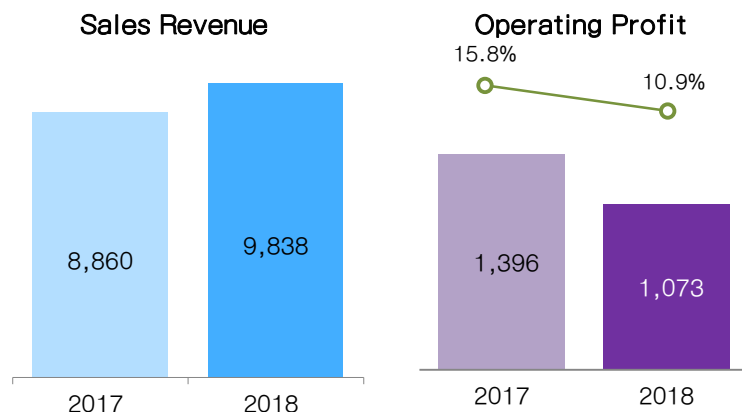


VI. Performance by Business Divisions

PP/DH_Increase profit through the sale of specialized products



[Unit: Hundred Million KRW]



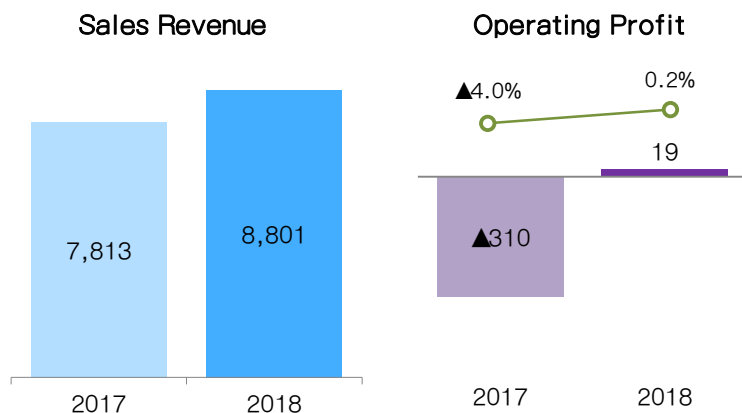
<PP/DH>

- Profitability for PP/DH decreased due to the decline in purchase orders by our customers as an effect of the plummet in the price of propane.
- Although the price of propane increased throughout 2018, PP showed weak trends, and with the increased competitiveness of the PPR market, coupled with weak sales, profitability declined.
- In 2019, we expect to increase profitability by decreasing raw material costs. In addition, an increase in sales and profitability will be achieved by PPR and RTPO due to increased sales as well as the increase in production capabilities, as a result of the factory in Vietnam.

Others_Increase profits by securing the turnaround of incubating businesses



[Unit: Hundred Million KRW]



<NF>

- Although profitability for 2018 fell short of expectations due to sudden decreases in raw material costs, we expect to see a positive trend in profits by improving the production efficiency of our products.

<TPA>

- Increased profits due to miscarriages in production by major competing nations
- Although we expect a bullish market for PX in 2019, by taking the initiative regarding the price of our products, we will maintain the profitability of TPA

<Film>

- Due to delays in transfer of increases in raw material costs to selling prices, we saw a decrease in sales in 2018. However, we are seeking an uptrend in profits by increasing our competitiveness for raw material costs.

<TAC Film>

- Maintained profitability through expansion of sales overseas as well as increased sales for Acryl Film

Appendix. Quarterly Operating Profit

Quarterly Income Statement

(Unit: Hundred Million Korean Won)

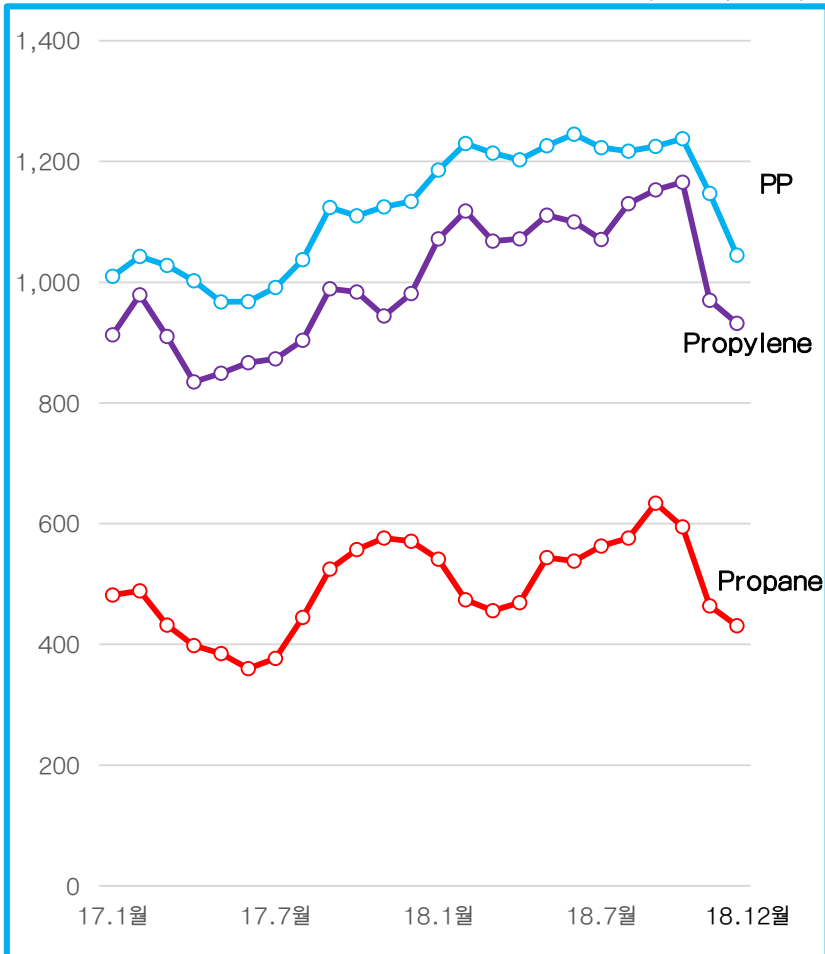
		2017				합계
		1Q	2Q	3Q	4Q	
Revenue	Heavy Industry	1,980	2,294	2,336	2,250	8,860
	Construction	1,895	1,870	1,925	2,123	7,813
Operating Profit	Heavy Industry	329	347	497	223	1,396
	Construction	5	▲189	▲79	▲47	▲310
(Operating Profit Margin)	Heavy Industry	(16.6%)	(15.1%)	(21.3%)	(9.9%)	(15.8%)
	Construction	(0.3%)	(▲10.1%)	(▲4.1%)	(▲2.2%)	(▲4.0%)

		2018				합계
		1Q	2Q	3Q	4Q	
Revenue	Heavy Industry	2,384	2,451	2,524	2,479	9,838
	Construction	2,022	1,972	2,394	2,413	8,801
Operating Profit	Heavy Industry	241	425	340	67	1,073
	Construction	▲51	▲50	23	97	19
(Operating Profit Margin)	Heavy Industry	(10.1%)	(17.3%)	(13.5%)	(2.7%)	(10.9%)
	Construction	(▲2.5%)	(▲2.5%)	(1.0%)	(4.0%)	(0.2%)

Appendix. Flow of Raw Materials

PP-Propane

(Unit: \$/Ton)



PX-TPA

(Unit: \$/Ton)

