

2018 2nd Quarter Earnings Release

Hyosung Chemical

CREATIVITY
INSPIRED
HYOSUNG

HYOSUNG CHEMICAL 

<http://www.hyosungChemical.com>

CONTENTS

- I. Income Status
- II. Financial Status
- III. Cash Flow Status
- IV. Performance by Division

Appendix

- Quarterly Operating Profit
- Vietnam Project
- Flow of Raw Material/Selling Price

2018 2nd Quarter 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

Quarterly Income Statement (Consolidated)

(Unit: Hundred Million KRW)

	2017.2Q	2018.1Q	2018.2Q	QoQ	YoY
Sales Revenue	4,164	4,406	4,424	18	260
Gross Profit	555	415	594	179	39
(Gross Profit Margin)	(13.3%)	(9.4%)	(13.4%)	(4.0%)	(0.1%)
Operating Profit	158	190	375	185	217
(Operating Profit Margin)	(3.8%)	(4.3%)	(8.1%)	(3.8%)	(0.0%)
Interest Expense	▲46	▲81	▲55	26	▲9
Loss due to Foreign Exchange/Derivatives	▲158	18	▲162	▲180	▲4
Income before Tax	13	101	211	110	198
Net Income	19	83	177	94	158
EBITDA	566	594	783	189	217

II. Financial Status

Statement of Financial Position (Consolidated)

(Unit: Hundred Million KRW)

	2018.6.1 (Beginning F/S)	2018.6.30 (Ending F/S)	Increase/ Decrease
Asset	16,877	16,521	▲356
Current Asset	5,258	4,745	▲513
Cash&Cash Equivalents	(2,759)	(1,840)	(▲919)
Non Current Asset	11,619	11,776	157
Liability	13,419	12,983	▲436
Current Liability	7,162	6,543	▲619
Non-Current Liability	6,257	6,440	183
Equity	3,458	3,538	80
Borrowings	11,096	10,290	▲806
Net Borrowings	8,337	8,450	113
Debt Ratio	(388.1%)	(367.0%)	(▲21.1%)

Financial Ratios (Consolidated)

(Unit: %, Multiple)

	2018. End of June
ROE	14.7
ROA	3.1
Interest Coverage Ratio	3.1
Net Borrowings/ EBITDA	3.1

III. 2018.6 Cash Flow Status

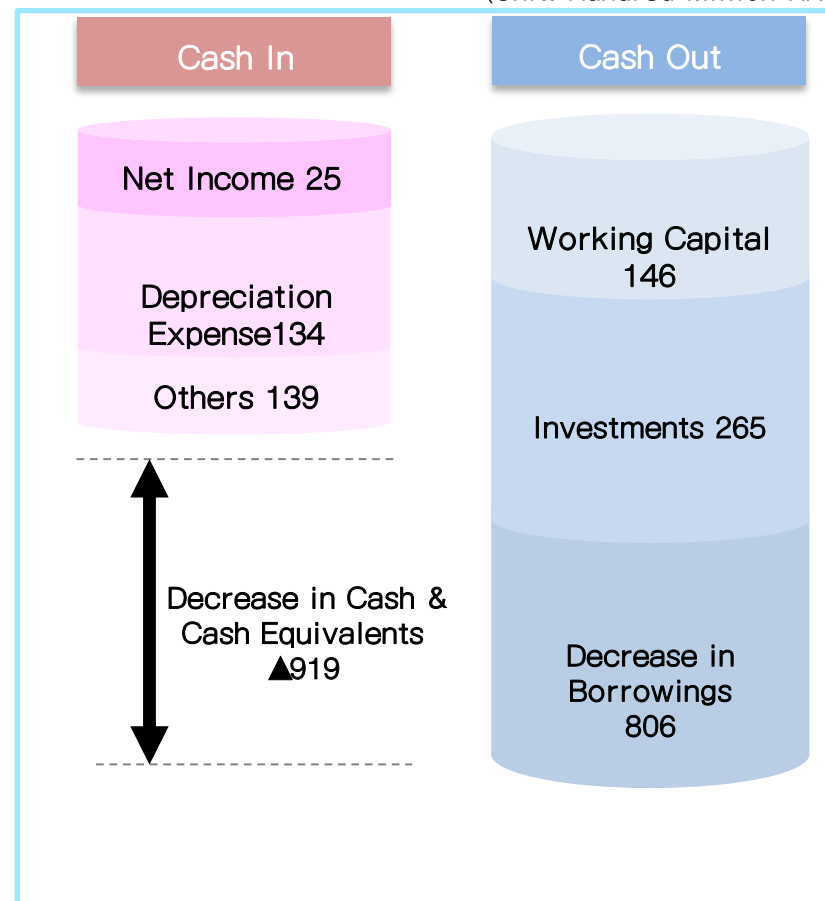
Cash Flow Statement

(Unit: Hundred Million KRW)

Cash Flow from Operations	152
<ul style="list-style-type: none"> ● Retained Earnings 159 <ul style="list-style-type: none"> • Net Income 25 • Depreciation Expense 134 ● A/R, Inventory, A/P ▲146 ● Etc. 139 	
Cash Flow from Investing	▲265
<ul style="list-style-type: none"> ● Acquisition of Tangible/Intangible Assets ▲241 ● Increase/Decrease in Investment Securities 2 ● Others ▲26 	
Cash Flow from Financing	▲806
<ul style="list-style-type: none"> ● Increase/Decrease in Borrowings ▲806 	
Increase/Decrease in Cash	▲919

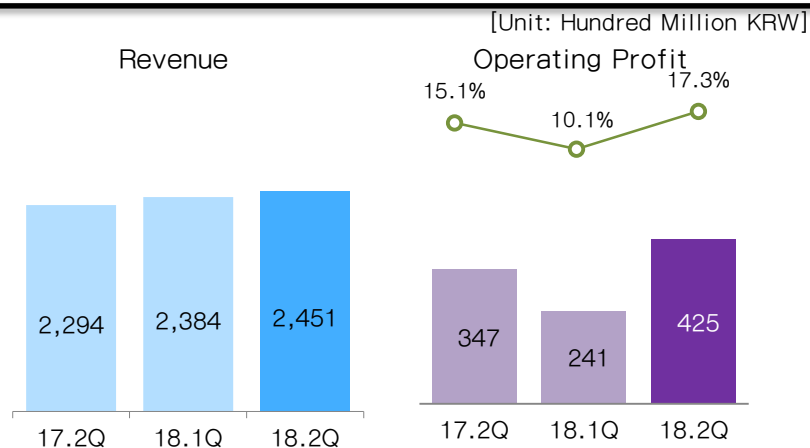
Net Cash Flow

(Unit: Hundred Million KRW)



VI. Performance by Division

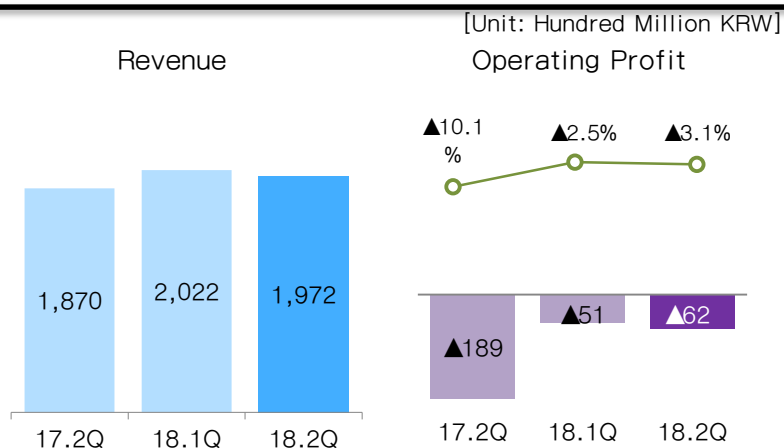
PP/DH_Increase M/S by acquiring additional Capa



<PP/DH>

- Increase in sales from expansion of facilities
- Increase production capabilities through establishment of Hyosung Corporation in Vietnam
- Increase in Profitability by producing differentiated quality products while decreasing raw material costs
- Stabilizing in the early stages new products

Others_Secure profitability by stabilizing businesses



<NF₃>

- Decrease in profitability due to an expected decline in demand, coupled with an increase in raw material costs.
- Expect an increase in profit due to predicted improvements in demand

<Film>

- Maintain profitability by reflecting the rise in raw material costs into selling price

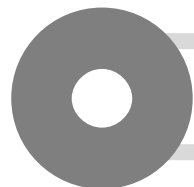
<TAC Film>

- Decrease in Loss due to increased sales volume

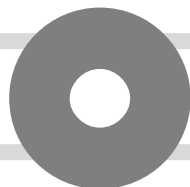
Appendix. Quarterly Operating Profit

		2017				
		1Q	2Q	3Q	4Q	Total
Revenue	PP/DH	1,980	2,294	2,336	2,250	8,860
	Others	1,895	1,870	1,925	2,123	7,813
Operating Profit	PP/DH	329	347	497	223	1,396
	Others	5	▲189	▲79	▲47	▲310
(Operating Profit Margin)	PP/DH	(16.6%)	(15.1%)	(21.3%)	(9.9%)	(15.8%)
	Others	(0.3%)	(▲10.1%)	(▲4.1%)	(▲2.2%)	(▲4.0%)
		2018				
		1Q	2Q	3Q	4Q	합계
Revenue	PP/DH	2,384	2,451			4,835
	Others	2,022	1,972			3,994
Operating Profit	PP/DH	241	425			666
	Others	▲51	▲50			▲101
(Operating Profit Margin)	PP/DH	(10.1%)	(17.3%)			(13.8%)
	Others	(▲2.5%)	(▲2.5%)			(▲2.5%)

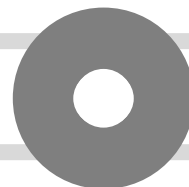
Appendix. Vietnam Project



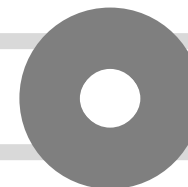
2018.May
Incorporation



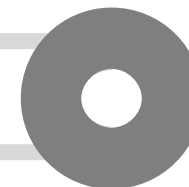
2018.Nov.
Foundation
Completed



2019.Sept.
Harbor
Completed
2019.Nov
PP 300K ton/yr
Completed



2020.Oct
Cavern
Completed



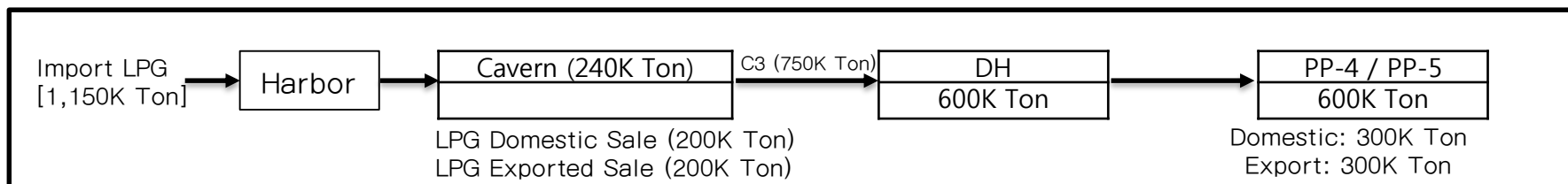
2020.Dec
PP 300K Ton/yr
Completed
PDH 600K Ton/yr
Completed

Expected Demand

PP(1000 Ton = K Ton)	Supply & Demand	2016	2021	CAGR ('16-'21)
Global	Capacity	74,522	93,451	4.6%
	Production	66,960	83,722	4.6%
	Demand	66,951	83,722	4.6%
	Production - Demand	9	0	
Southeast Asia	Capacity	5,361	7,181	6.0%
	Production	4,839	6,475	6.0%
	Demand	5,483	7,039	5.1%
	Production - Demand	▲644	▲564	
Vietnam	Capacity	150	520	28.2%
	Production	138	479	28.3%
	Demand	1,072	1,559	7.8%
	Production - Demand	▲934	▲1,080	

Appendix. Vietnam Project

Project Outline



Harbor

Harbor constructed to allow large transport ship VLGC to come alongside the harbor

- ✓ Secured harbor for the import and export of LPG / Propylene / ethylene
- ✓ VLGC 44,000 Ton capable of coming alongside the harbor (Capable of 2 Ships sized 1,000~5,000 Ton)

Schedule: 2019. Sept. Completed

LPG

Distribution of LPG in Vietnam as well as entrance into LPG market in Southeast asia.

- ✓ Obtain DH (750K Ton/yr) Distribute/Sell LPG (400K Ton/yr)
- ✓ Secure large storage location (Underground LPG Cavern 240K Ton)
- ✓ Recognize profit from stock

Composition: LPG 240K Ton Stored

Schedule: 2020. Sept. Completed

DH

Ability to obtain raw materials at competitive prices.

- ✓ Stable supply of PP
- ✓ Hyosung DH-3 method of construction applied : combination of our DH technology (effector technology, catalyst technology)with C2 Cracker Module

Composition:
- PDH: 600K Ton/Year

Schedule: 2020 Dec. Completed
(PP-4 supplied until the completion of DH-3)
(C2-/C3= Outside Sourcing)

PP

Expansion of PP business in Southeast Asia

- ✓ Expansion potential of PP business
- ✓ Secured favorable cost of goods sold for PP due to utilization of tariff law
- ✓ Differentiated PP Portfolio through reinforced Block products

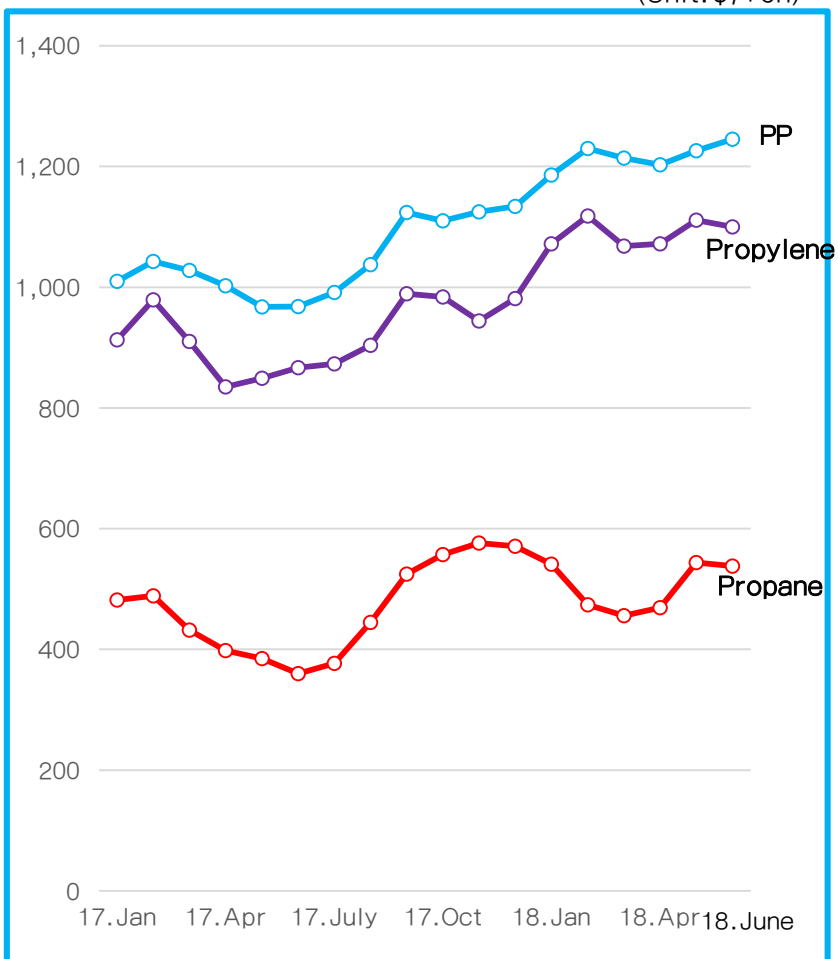
Composition:
- PP-4: 300k Ton/Year
- PP-5: 300k Ton/Year

Schedule:
- PP-4 :2019 Oct. Completed
- PP-5 :2020 Dec. Completed

Appendix. Flow of Raw Materials/Selling Price

PP-Propane

(Unit: \$/Ton)



PX-TPA

(Unit: \$/Ton)

