

2019 Earnings Release

Hyosung Chemical

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2019 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 KRW)

| | 2017 | 2018 | 2019 | YoY |
|--|---------|---------|----------------|--------|
| Sales Revenue | 16,673 | 18,638 | <i>18,125</i> | ▲513 |
| Gross Profit | 2,310 | 1,963 | <i>2,442</i> | 479 |
| (Gross Profit Margin) | (13.9%) | (10.5%) | <i>(13.5%)</i> | (2.9%) |
| Operating Profit | 1,088 | 1,092 | <i>1,545</i> | 453 |
| (Operating Profit Margin) | (6.5%) | (5.9%) | <i>(8.5%)</i> | (2.7%) |
| Interest Expense | ▲297 | ▲317 | ▲360 | ▲43 |
| Loss due to Foreign Exchange/Derivatives | 301 | ▲67 | ▲23 | 44 |
| Income before Tax | 681 | 555 | <i>1,106</i> | 551 |
| Net Income | 521 | 438 | <i>884</i> | 446 |
| EBITDA | 2,721 | 2,653 | 3,113 | 460 |

II. Financial Status

Statement of Financial Position (Consolidated)

(Unit: Hundred Million KRW)

| | 2018.06.01 | 2018.12.31 | 2019.12.31 | YoY |
|-------------------------|------------|------------|------------|--------|
| Asset | 16,877 | 16,533 | 20,635 | 4,102 |
| Current Asset | 5,258 | 4,417 | 4,461 | 44 |
| (Cash&Cash Equivalents) | (2,759) | (793) | (1,158) | 365 |
| Non-Current Asset | 11,619 | 12,116 | 16,174 | 4,058 |
| Liability | 13,419 | 12,860 | 16,088 | 3,228 |
| Current Liability | 6,979 | 6,860 | 4,313 | ▲2,547 |
| Non Current Liability | 6,440 | 6,000 | 11,775 | 5,775 |
| Equity | 3,458 | 3,673 | 4,547 | 874 |
| Borrowings | 11,103 | 9,831 | 13,428 | 3,597 |
| Net Borrowings | 8,344 | 9,038 | 12,270 | 3,232 |
| Debt Ratio | (388.1%) | (350.1%) | (353.8%) | (3.7%) |

III. Cash Flow Status

Cash Flow Statement

(Unit: Hundred Million KRW)

Cash Flow from Operations 1,675

| | |
|----------------------------|-------|
| • Retained Earnings | 2,440 |
| • Net Income | 884 |
| • Depreciation Expense | 1,556 |
| • A/R, Inventory, A/P, etc | ▲765 |

Cash Flow from Investing ▲4,907

| | |
|---|--------|
| • Acquisition of Tangible/Intangible Assets | ▲4,868 |
| • Hyosung Vina Chemical Co.,Ltd | ▲4,354 |
| • Increase in investment securities | ▲39 |

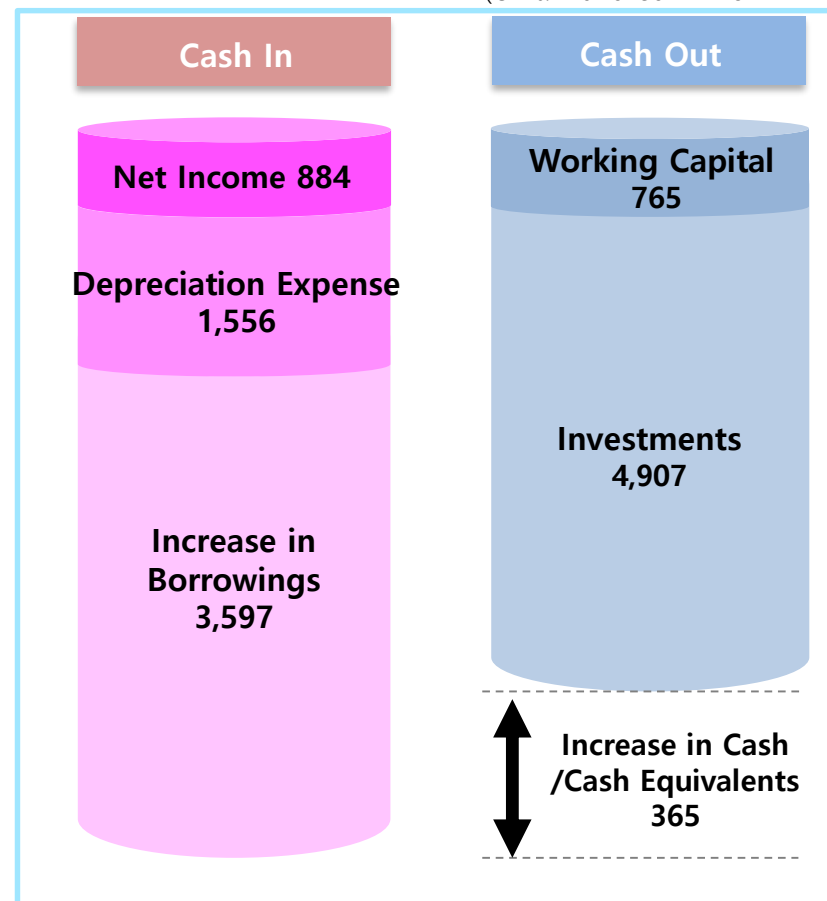
Cash Flow from Financing 3,597

| | |
|--------------------------|-------|
| • Increase in Borrowings | 3,597 |
|--------------------------|-------|

Increase/Decrease in Cash 365

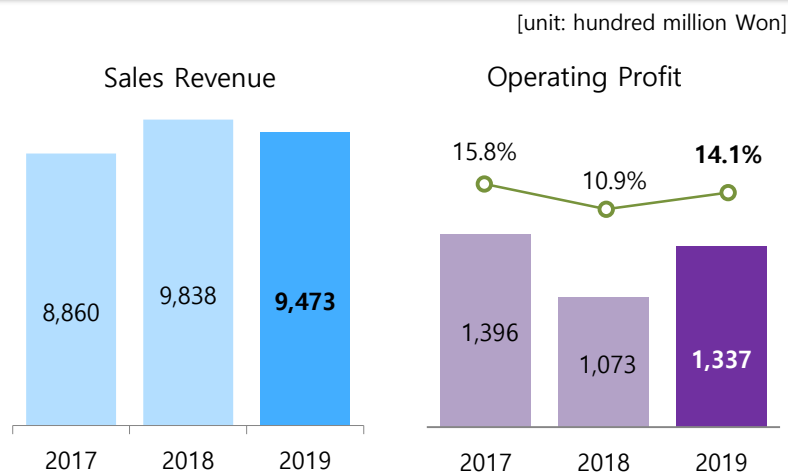
Net Cash Flow

(Unit: Hundred Million KRW)



IV. Performance by Business Division

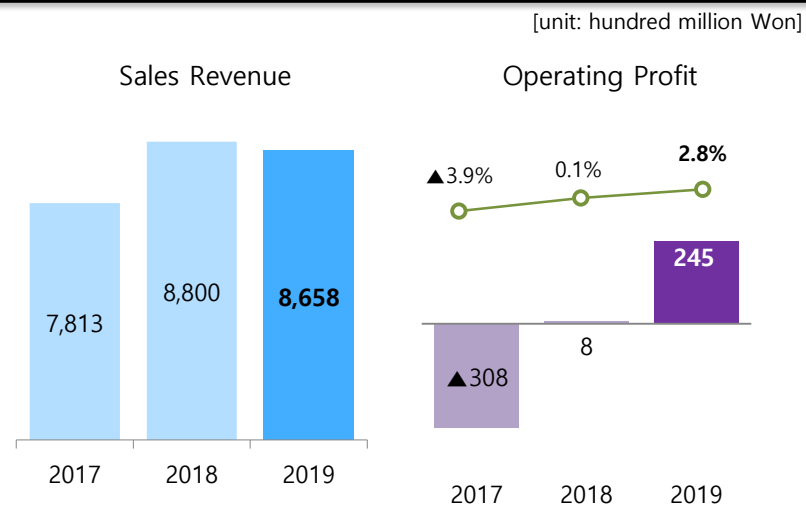
PP/DH_ Profitability improvement by rising specialty product premium



<PP/DH>

- *Selling prices fell as oil prices fell due to trade disputes between the US and China and decreased demand in China*
- *Increase production and sales by improving production efficiency*
- *Raw material (propane) price declines due to increased exports of LPG to the U.S.*
- *Specialty average premium(\$/ton) (2018: \$129 → 2019: \$172)*

Others _ Profitability improvement through productivity improvement and cost reduction



<TPA>

- *Sales and profitability decline due to remuneration (operation suspension) in the 2nd Half of the year and falling sales prices*

<Flim>

- *Continued productivity improvement and cost decline*

<NF3>

- *Profitability improvement by stabilizing raw material prices downward, improving yield through parts replacement, and expanding special gas (F2N2) sales*

<TAC Flim: LCD polarizer protective film>

- *Reduced sales due to the withdrawal of the main customer*

<POK>

- *Decrease in fixed cost per unit as sales volume increases*

Appendix. Quarterly Operating Profit

Quarterly Income Statement

[unit: hundred million Won]

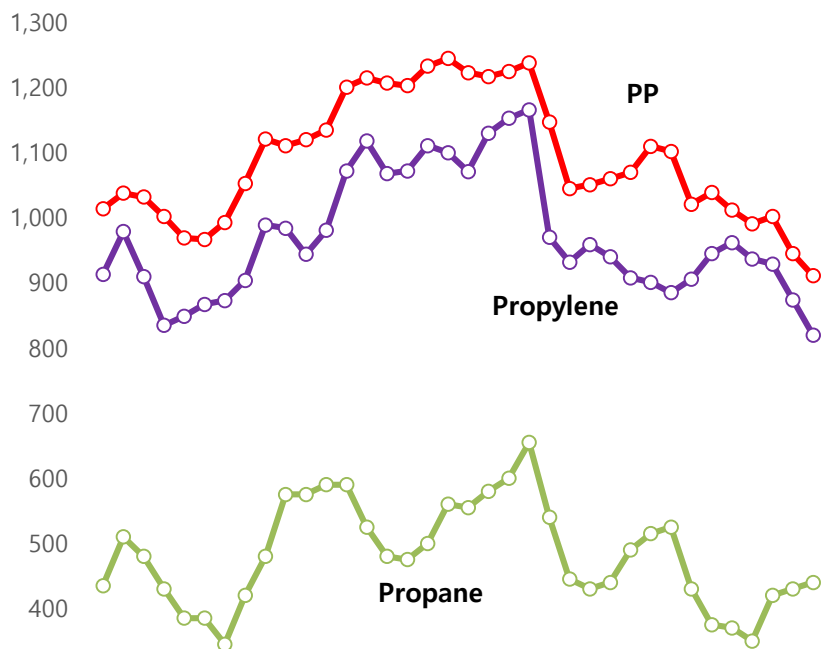
| | | 2018 | | | | |
|------------------|--------|---------|---------|---------|--------|---------|
| | | 1Q | 2Q | 3Q | 4Q | |
| Revenue | PP/DH | 2,384 | 2,451 | 2,524 | 2,479 | 9,838 |
| | Others | 2,022 | 1,972 | 2,394 | 2,413 | 8,801 |
| Operating Profit | PP/DH | 241 | 425 | 340 | 67 | 1,073 |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

| | | 2019 | | | | |
|------------------|--------|--------|---------|---------|---------|---------|
| | | 1Q | 2Q | 3Q | 4Q | |
| Revenue | PP/DH | 2,198 | 2,530 | 2,473 | 2,272 | 9,473 |
| | Others | 2,317 | 2,350 | 2,089 | 1,902 | 8,658 |
| Operating Profit | PP/DH | 210 | 396 | 457 | 274 | 1,337 |
| | Others | 50 | 105 | 98 | ▲9 | 244 |
| (Margin,%) | PP/DH | (9.6%) | (15.7%) | (18.5%) | (12.1%) | (14.8%) |
| | Others | (2.2%) | (4.5%) | (4.7%) | (▲0.5%) | (2.8%) |

Appendix. Flow of Raw Materials

PP – Propylene - Propane

(unit:\$/ton)



PX - TPA

(unit:\$/ton)

