

# Economic review

\*All figures are K-IFRS consolidated basis unless noted.

## 2015 operating results

The business environment in 2015 continued to be challenging with steep price declines for both polysilicon and crude oil. We recorded sales revenue of KRW 2,302 billion for the year, a 5% decrease from 2014. EBITDA was KRW 139 billion, down 62% from the previous year due to poor performances by both the basic chemicals and petrochemicals and carbon materials segments.

Despite the continuing supply and demand imbalance in the polysilicon industry, basic chemicals sales rose slightly for the year, bolstered by increased sales volume following the completion of the P3.9 polysilicon debottlenecking. Petrochemicals and carbon materials sales declined as average selling prices dropped across the board along with falling oil prices.

## Financial information

### Major financial indicators

As previously mentioned, EBITDA

decreased by 62% in 2015 primarily due to poor performances by the basic chemicals and petrochemicals and carbon materials segments. The polysilicon business, the flagship product of the basic chemicals segment, was impacted by declining average selling prices and lower capacity utilization following a gas leak accident in the first-half of the year. The petrochemicals and carbon materials segment continued to see margins shrink as declines in raw material input costs lagged declines in average selling prices. Net income increased 330% in 2015, boosted by the divestiture of US soda ash subsidiary OCI Resources. Overall, this enabled ROA and ROE to reach 2.5% and 5.6% respectively at the end of 2015 compared to 0.6% and 1.3% in 2014. The net debt-to-equity ratio at year-end was 65.3%, a 1.3-point decrease, while our leverage ratio was 125%, a 3-point decrease.

### Funding strategy

• **Liquidity risk management:** We have historically been able to satisfy our cash requirements from cash flows from operations and debt and equity financing. We have established short-term and long-

term fund management plans and reviews. We monitor actual cash outflows and budget to match the maturity profiles of financial assets and liabilities.

• **Interest rate risk management:** We use an appropriate mix of fixed- and floating-rate loans to flexibly respond to interest rate fluctuations. In addition, we partially hedge our floating rate financial assets and liabilities to ensure interest rate exposure is properly managed.

• **Foreign exchange risk management:** We are exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than our functional currency, the Korean won (KRW). We enter into forward foreign exchange contracts and cross currency swap contracts to manage a portion of our foreign currency risk from receivables and payables. In addition, we enter into foreign currency forwards in order to manage certain foreign currency risks related to future expected sales and purchases in foreign currencies.

### Capital expenditures

Total capital expenditures increased to

KRW 876 billion in 2015 compared to KRW 698 billion in 2014. We continued to strategically focus capex spending on energy solutions projects during the year, including the Alamo solar PV project in the US and the Saemangeum cogeneration power plant in Korea.

### Stock information

As of December 30, 2015, 30.13% of OCI common stock was owned by the Company founders, 12.54% by foreign investors, and 57.33% by domestic institutional investors and individuals.

### Dividend

The board of directors decided not to declare a dividend for 2015 to preserve cash for future business expansion.

## 2016 outlook

The global economic outlook continues to remain uncertain as we head into 2016. Slowing growth in China, continued volatility in oil prices, and the start of a US interest rate hike cycle are among the many headwinds facing the global

economy. Despite these macroeconomic challenges, we will strive for growth and a return to profitability by focusing on selective capital allocation, new business integration, and profitability improvement.

Given the uncertain global macroeconomic outlook, we aim to maintain a strong balance sheet by selectively allocating our capital. During the past year, we have made several divestiture decisions regarding non-core assets to raise funds for future investment and improve our balance sheet. We will continue to focus on maximizing our return on investment as well as a return to both top- and bottom-line growth.

We will begin to reap substantial returns from our recent investments in 2016. The successful integration of these new businesses will be one of our key strategic objectives. A number of major projects are nearing completion and will begin generating revenue, starting with revenue recognition from the Alamo 7 sale in the US in the first quarter, the start up of the Saemangeum cogeneration power plant in Korea in the second quarter, and the start up of our joint-venture China carbon materials projects in the second half of the

year. We aim to minimize start-up costs and maximize earnings from day one through the successful ramp up of these major projects.

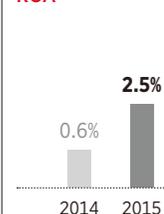
Improving the profitability of our core business will be another key focus in 2016. Despite growth in the global solar PV market, polysilicon average selling prices deteriorated dramatically in 2015 due to excess inventory and overcapacity. Although the polysilicon supply-demand balance looks to improve in 2016, we will strive to boost profitability through ongoing cost reduction, regardless of any possible rebound in selling prices. Conditions for our petrochemical and carbon materials segment look challenging as well given the current oil price volatility. We will focus on lowering earnings volatility and maintaining sufficient profit margins with an emphasis on process improvement and feedstock input cost management.

## Financial results by segment

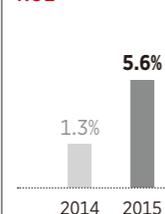
In KRW bn

	Sales revenue	Operating income	EBITDA
Basic chemicals	1,512	(57)	153
Petrochemicals & Carbon materials	903	(12)	23
Energy solutions	52	(42)	(20)
Others	64	(33)	(16)
<b>Total</b>	<b>2,531</b>	<b>(144)</b>	<b>140</b>
Inter-company adjustment	(229)	(1)	(1)
<b>Grand total</b>	<b>2,302</b>	<b>(145)</b>	<b>139</b>

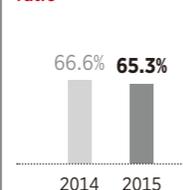
### ROA



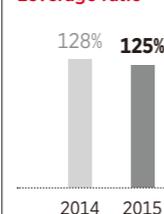
### ROE



### Net debt-to-equity ratio

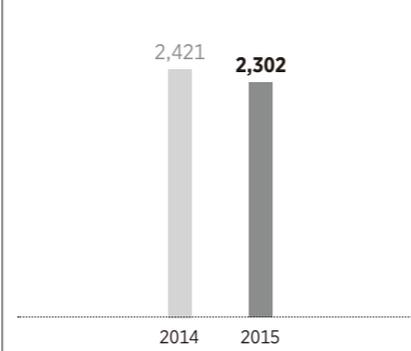


### Leverage ratio



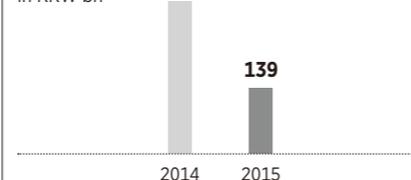
## Sales revenue

In KRW bn



## EBITDA

In KRW bn



## Interest expense

In KRW bn

	2014	2015
Interest expense	81	74
Interest rate	3.77%	3.82%

## Dividend

K-IFRS parent basis

	2014	2015
Net income (in KRW mn)	22,168	(191,075)
EPS (in KRW)	929	(8,012)
Dividend per share (in KRW)	200	-
Total dividends (in KRW mn)	4,770	-
Dividend payout ratio	21.52%	-
Dividend yield	0.25%	-

## Stock information

	2014	2015
Common shares outstanding	23,849,371	23,849,371
Foreign investor holdings	19.16%	12.54%

## OCI share price

In KRW

