

Basic chemicals



Delivering superior quality and purity to bring greater value to downstream industries

Sales fell 28% to KRW 1,512 billion in 2015, impacted by declining average selling prices in polysilicon business as well as an accident that idled our P2 polysilicon plant for two months. EBITDA fell 68.8% to KRW 153 billion due to the same factors mentioned above. The exchange rate was not a significant factor in either of these results.

Polysilicon

This raw material is the primary material used to manufacture solar PV cells and modules and semiconductor wafers.

Despite steady growth in demand in the global solar PV industry and rebounding prices for downstream products, the average selling prices

of polysilicon continued to trend downward in 2015 due to continued oversupply in the market.

We continued to push the boundaries of technology to sharpen our competitive edge during the year. In March 2015, we completed our P3.9 debottlenecking project, boosting nameplate production capacity by 10,000 metric tons to 52,000 metric tons with minimal new investment. Our ongoing cost reduction initiatives also helped us cut manufacturing costs by approximately 26% during the year through debottlenecking and process innovations and focused on reducing per-unit electricity and steam unit. While the above projects significantly enhanced our competitiveness, profitability was hit hard by a silicon chloride leak from a faulty valve at our P2 plant in June 2015.

Looking ahead to 2016, the growth prospects for solar PV energy have fresh momentum following the extension of the 30% investment tax credit in the United States and growing adoption of renewable energy standards around the globe in connection with commitments made at the COP 21 UN climate change conference held in Paris in December 2015. Downstream industry growth and the increased demand for polysilicon it drives are key to ultimately resolving

the industry's chronic oversupply issue. In the meantime, our innovations in production technologies will continue to enable us to maintain our cost leadership with an edge in per-unit consumption of electricity, steam, and raw materials. Our solar PV value-chain expansion strategy is focusing on the wafer OEM business, a segment which saw sales more than quadruple in 2015, enabling us to add value for value-chain partners as well as improve revenues and profitability.

Hydrogen peroxide

This chemical is used as an oxidizing agent in various applications such as bleaches, feedstocks, preservatives, sterilizers, and etching/cleaning agents in the manufacture of various electronic appliances.

In 2015, we successfully maintained our domestic market share while growing exports. Unfortunately, exports of high-purity H₂O₂ grades stalled, preventing us from achieving our sales target. Profitability improved marginally thanks to falling oil prices, which led to lower production costs for primary feedstock hydrogen.

Going forward, one of our key strengths is our extensive portfolio of products in various concentrations as well as purities.



Fumed silica

This white powder has extremely low bulk density and high surface area. It is used as a thickener or reinforcing filler in sealants, rubber, and adhesives.

Both sales and profitability improved in 2015 as we successfully expanded our customer base to manufacturers of chemical-mechanical planarization slurry, super-absorbent polymers, and insulation industries in Korea.

The market for fumed silica is becoming increasingly competitive as the silica feedstock supply becomes tighter. We continue to expand sales worldwide backed by efficient production base with plants in Gunsan, Korea and Tangshan, China, high quality products, and a diversified, global customer base.



Phosphoric acid

This chemical is used in etching semiconductors, industrial applications, and food additives.

We are the sole domestic supplier of phosphoric acid for the semiconductor industry, producing a full range of grades from feedstock to high-purity. Our high-purity phosphoric acid sales reached an all-time high in 2015 thanks to robust growth in the semiconductor industry and the completion of a new plant. However the rising costs of material imports due to the strong US dollar limited profit growth despite the strong sales performance.

This business is positioned for solid growth going forward. Our selection as a bulk supplier by Samsung Electronics for its new fab in 2015 creates new opportunities for additional sales. Our new hexachlorodisilane (HCDS) plant in Gunsan now produces high-purity precursor HCDS for use in semiconductor manufacturing. The plant uses the by-products of our polysilicon manufacturing process to produce HCDS for use in value-added applications such as the deposition of thin film layers of SiO₂ and SiN as well as a spacer.

Chlor alkali

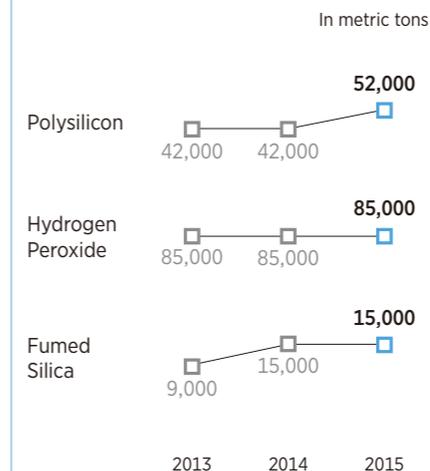
Our chlor alkali business produces caustic soda, hydrogen, and chlorine, which are further compounded to produce hydrochloric acid and sodium hypochlorite. We produce 120,000 metric tons of chlor alkali products annually for both captive use and sale to domestic and international customers.

The Korean chlor alkali market is extremely competitive. For example, total domestic caustic soda production capacity stood at 2.1 million metric tons in 2015 while domestic demand was only 1.2 million metric tons. This oversupply situation led to a

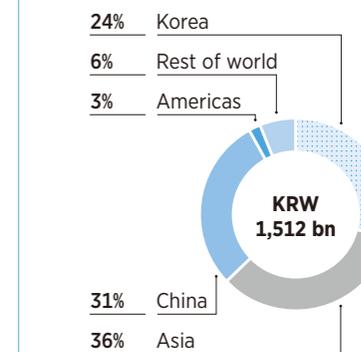
steep decline in selling prices during the year. Despite these formidable challenges, we believe that voluntary production cuts combined with our ongoing cost-reduction efforts will help us steadily enhance profitability and gain market share going forward. The long-term supply contract we signed with Toray Advanced Materials Korea in August 2015 to provide caustic soda and chlorine for use in polypropylene sulfide (PPS) production is just one example of why we are optimistic about the market prospects for this business.

Anhydrous hydrochloric acid is a by-product of our toluene diisocyanate (TDI) production process that is used as a feedstock in our Gunsan polysilicon plants after being processed in a separate purification process to make it suitable for use in high-quality polysilicon production. In November 2015, we completed a high-purity anhydrous hydrochloric acid compounding tower that began supplying higher-quality product to our polysilicon plants beginning in 2016, enabling us to boost product quality while reducing operating costs, improving the profitability of our polysilicon, TDI, and chlor alkali businesses.

Capacities

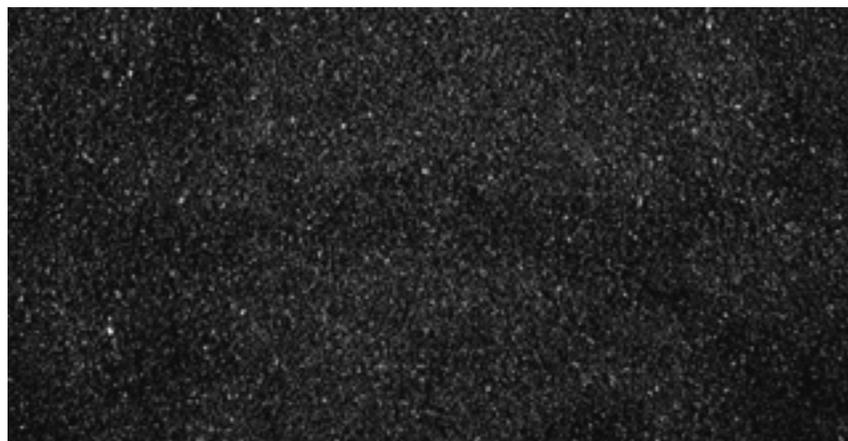


Sales by market



*Before adjustment for consolidation

Petrochemicals & Carbon materials



Investing to meet the growing needs of industry with world-class quality and capacity

Sales fell 22.6% to KRW 903 billion in 2015, impacted by the continued fall in oil prices and global oversupply in key businesses. EBITDA fell 77.5% to KRW 23 billion due to lower average selling prices driven by the above factors. The exchange rate was not a significant factor in either of these results.

Carbon black

This material is produced by the incomplete combustion of hydrocarbon fuels. It is primarily used as a reinforcing filler in tires and other rubber products as well as a color pigment in plastics, paints, and inks.

Continued oversupply in the Asian market combined with falling oil prices put steady downward pressure on carbon black selling prices in

2015, leading to lower sales for the year. While falling feedstock prices enabled our Korean operations to gain a competitive edge over imports from China, low oil prices negatively impacted the export competitiveness of our carbon black subsidiaries in China which use coal tar-based feedstocks.

Our focus on higher-value-added markets and the completion of a low-grit production facility in Korea in May 2015 enabled us to significantly boost sales to both the specialty black and mechanical rubber goods markets. Specialty black sales rose 150% to 5,000 metric tons, primarily due to robust sales of conductive carbon black. Mechanical rubber goods sales rose 12% to 14,000 metric tons.

In terms of capacity expansion, we expect Shandong OCI-Jiayang Carbon Black to begin commercial operation of an 80,000 metric ton carbon black plant in the city of Zaozhuang in China's Shandong Province in the first-half of 2016. The new plant will serve local auto and tire industries and boost our global production capacity to 350,000 metric tons.

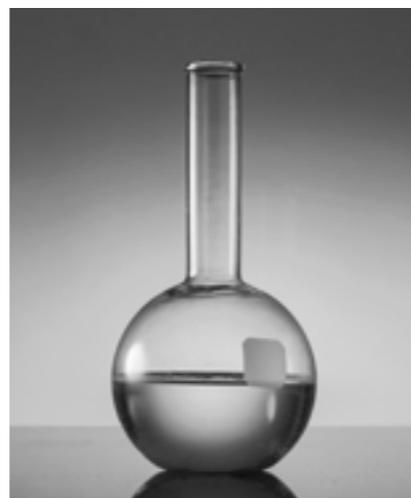
Toluene di-isocyanate (TDI)

This chemical is normally reacted with polyol to produce polyurethane used

for slab and mold foam in furniture, automobiles, electronic components, and shoes as well as paints and resins. As a leading TDI provider in Korea with over 30% of the market, we also currently supply the product to over 200 customers in 70 countries across Asia, the Middle East, Africa, and South America.

The global TDI marketplace has grown increasingly competitive with the addition of 300,000 metric tons of capacity in each of the past two years by leading market players as well as slumping demand in 2015 in China, the world's largest market. That said, the 2016 market outlook is expected to improve as certain makers close plants or delay expansion plans.

We have a number of unique cost advantages in this business. We produce the primary chlorine and hydrogen feedstocks needed to make TDI. We have the capability to use the main production by-product, anhydrous hydrogen chloride, in other processes. We have also lowered our dinitrotoluene feedstock costs through long-term contracts. We continue to leverage these advantages as we steadily to shift our focus to higher-margin products and markets to improve profitability.



Pitch

This material is used as a binding agent in high-quality anodes for aluminum smelting, graphite electrodes, refractory bricks, and water-proofing products. Coal tar, the raw material used to make pitch, is also distilled to produce carbon black oil and naphthalene, key feedstocks used in our carbon black and phthalic anhydride businesses.

Sales volume grew 42% in 2015, enabling us to maintain a high capacity utilization rate to improve cost competitiveness. However, sales only rose 22% as selling prices continued to steadily decline, driven by the combination of falling oil prices, stiff competition from producers in China, and shrinking demand as the global economy slowed. Profitability improved slightly over 2014.

Looking ahead, we have a number of unique strengths in this business. We have long-term supply agreements with global top-tier aluminum smelters. Over 60% of our coal-tar based products are used as the primary feedstocks for our carbon black and phthalic anhydride businesses. Our two decades of experience in the business gives us the know-how to deliver quality pitch that meets customer requirements. Finally, our three coal tar distillation plants in East Asia, including Pohang and Gwangyang in Korea and Shandong province in China, give us the ability to flexibly adapt to fast-changing market conditions.

Our production network will get another major boost in 2016 when joint-venture Ma Steel-OCI Chemical completes a 350,000 metric ton plant in Anhui Province in China. The new plant will increase our China coal tar distillation capacity to 730,000 metric tons per year, positioning us to aggressively pursue new growth opportunities in this strategic market.

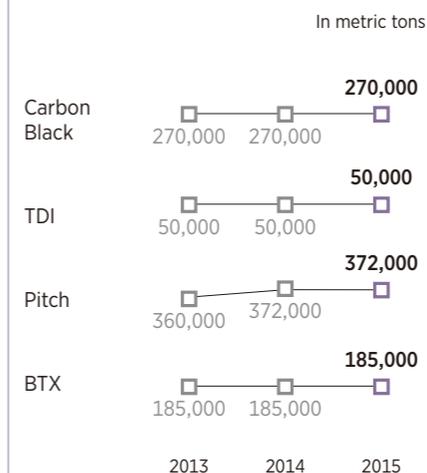
BTX

These three chemicals are the mainstay aromatic hydrocarbon feedstocks of the chemical industry used to make countless other petrochemicals. Benzene is used in styrene monomer, phenol, cyclohexane, and aniline. Toluene and xylene are used as organic solvents or as a raw material in synthetic detergents, pigments, and resins.

The global BTX market was negatively impacted by falling oil prices during the year and a related decline in consumer spending. Another factor was that a number of benzene plants completed in the second half of 2014 ramped up to full production in 2015, increasing supply and leading to sharp declines market prices for the year that significantly impacting sales. Profitability also took a major hit as declines in selling prices outstripped modest declines in feedstock prices, with operating profit staying just positive.

We are Korea's only manufacturer of coal-based BTX products with stable domestic feedstock sources that give us a competitive edge in the marketplace.

Capacities



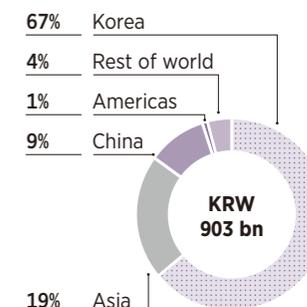
Other aromatics

Phthalic anhydride is used in plasticizers, unsaturated polyester resins, paints, and pigments. Plasticizers are used to soften PVC plastics to produce products such as wire insulation, synthetic leather, film, automotive sealer, and building materials.

The phthalic anhydride and plasticizer markets were also negatively impacted by falling oil prices during the year and a related slump in consumer spending. Another factor was the ongoing construction market downturn in China, the world's largest consumer of aromatics. As with other areas, rapidly falling market prices had a major impact on sales. Again, declines in feedstock prices were far exceeded by the decline in selling prices, with operating profit going negative.

We are Korea's sole supplier of naphthalene-based phthalic anhydride. We source our feedstocks internally, giving us a competitive edge over the competition. In 2016, we are scheduled to complete a new plant in Pohang that will produce 15,000 metric tons of our new eco-friendly plasticizer products that will help improve the profitability of our aromatics product lineup.

Sales by market



*Before adjustment for consolidation

Energy solutions: Solar PV energy

Partnering to promote renewable energy, create jobs, and improve quality of life



4.4 MW Alamo 2, Texas, USA

We are a global solar PV project developer with a growing presence in key markets around the world including the United States, China, Mexico, India, Africa, and other emerging solar markets. The global solar market continued to show strong growth in 2015, maintaining a robust double-digit pace to install over 57 GW, led by China, Japan, the US, the UK, and Germany. Our global project pipeline stood at over 800 MW at year-end with projects totaling 200 MW in operation and 600 MW in development or under construction.

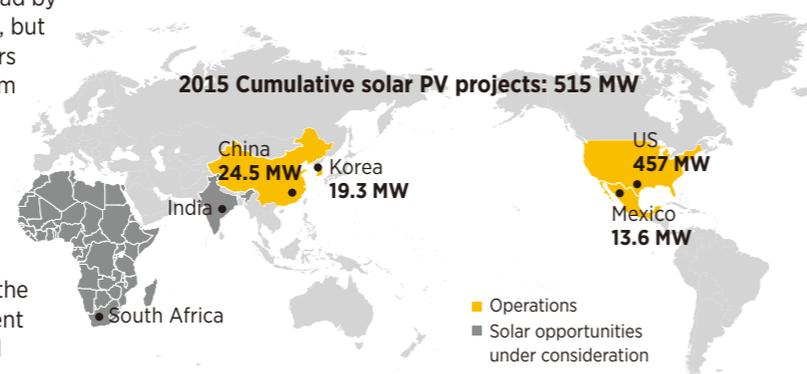
In the US, total cumulative projects completed to date stood at approximately 190 MW at the end of 2015. We had over 280 MW under construction as part of our Alamo project in 2015, including Alamo 5 (95 MW), Alamo 6 (110.2 MW), Project Pearl (50 MW), and Alamo 7 (106.4 MW), all on-schedule for completion by the end of 2016. We also monetized our investments in Alamo 3, Alamo 5, and Alamo 7 during the year by selling our stakes to ConEdison Development.

We entered two new markets and exited an existing one in 2015. In China, capacity in operation reached 18 MW as we successfully entered the local distributed generation market and closed the year with a 120 MW pipeline. We also booked the 13.6 MW Los Santos distributed generation project in Mexico on our way to closing our first year in that market with a 26.2 MW pipeline. We exited the Korean market by monetizing our entire project portfolio totaling 19.3 MW. We also moved forward with preparations to establish holding companies in China and India to take the lead in our advance into those fast-growing solar markets.

While the global solar industry is projected to continue to enjoy brisk growth in 2016 with installations reaching 66 GW, the market leaders are expected to change. China will continue to lead by large margins, but the US appears poised to claim the No. 2 position from Japan with new growth driven by the scheduled expiration of the 30% investment tax credit and

rising renewable portfolio standards. Another key development is that India is expected to surpass the former European solar leaders to take the No. 4 position as the government promotes solar to overcome power shortages and reduce dependence on imported coal.

Although there is plenty of room for growth in today's markets, our focus is on project profitability rather than project volume. Toward that end, we have set a target internal rate of return of at least 10% as we strive to build a healthy, sustainable business model for us and our partners. Going forward, we will continue to expand in the Americas through US-based OCI Solar Power and globally through Hong Kong-based OCI Global. In addition to our focus on China and India, we expect to advance into new markets on the African continent in 2016, starting with South Africa and Ethiopia.



Energy solutions: Cogeneration power plant

Building the energy infrastructure that will power tomorrow's industries in Saemangeum



Cogeneration power plant, Saemangeum, Korea

Subsidiary OCI SE is a special-purpose company established to build and operate a state-of-the-art cogeneration power plant on 162,153 square meters of reclaimed land in the new Saemangeum Industrial Complex on Korea's west-central coast. The project is backed by extensive expertise gained in building and operating captive cogeneration power plants at our Incheon, Gwangyang, and Pohang plants over the past five decades.

In December 2015, the commissioning of the 303 MW Saemangeum cogeneration power plant was well underway ahead of schedule with the goal of launching commercial power and steam sales in the first quarter of 2016. Despite falling prices for LNG and wholesale power in the wake of falling oil prices, we expect a rapid ramp-up to nameplate capacity to enable us to offer cost-competitive power and steam utility rates to our customers and achieve a solid operating profit in the first year of operation. Our initial customers include Korea Electric Power, Solvay, and Toray Advanced Materials Korea.

We have adopted the best available technologies to ensure that the plant is as environmentally friendly as possible. These technologies will enable us to set new standards for cogeneration power plant NO_x, SO_x, and dust emissions as we provide cleaner energy to help power regional economic development. During commissioning, plant emissions are measuring at less than 60% of the legal limit. Dust production is also 60% lower than the legal limit.

The Saemangeum cogeneration power plant has created dozens of good-paying jobs for Gunsan residents. Training and safety are top priorities as we work to successfully launch this new business. We are also proud of our perfect safety record during the 30-month construction period, a record we aim to extend indefinitely through comprehensive safety and environmental management and oversight.

	Construction period	Capex	Plant capacity
Phase 1	Q4 2013 - Q1 2016	KRW 590 bn	Power 303 MW Steam 860 tons/hr
Phase 2	2017 -	To be determined	To be determined