OCI is a global producer of value-added chemicals and materials for a broad range of industries. Since our founding in 1959, we have leveraged our technical expertise, process know-how, and highly efficient manufacturing capabilities to develop a diversified portfolio of world-class products and solutions. We are now meeting the needs of customers in numerous countries around the globe with a portfolio that spans the fields of basic chemicals, petrochemicals, carbon materials, renewable energy, and advanced materials. Looking ahead, we continue to strategically invest in tomorrow’s technologies to make the future a better place as we fulfill our vision of being a global leading green energy and chemical company.

**Economic performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (USD)</th>
<th>Sales (KRW)</th>
<th>Operating income (USD)</th>
<th>Operating income (KRW)</th>
<th>Net income (USD)</th>
<th>Net income (KRW)</th>
<th>EBITDA (USD)</th>
<th>EBITDA (KRW)</th>
<th>Capital expenditures (USD)</th>
<th>Capital expenditures (KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2,856</td>
<td>3,218</td>
<td>137</td>
<td>155</td>
<td>11</td>
<td>13</td>
<td>618</td>
<td>699</td>
<td>661</td>
<td>744</td>
</tr>
<tr>
<td>2013</td>
<td>2,699</td>
<td>2,956</td>
<td>(97)</td>
<td>(106)</td>
<td>13</td>
<td>13</td>
<td>385</td>
<td>422</td>
<td>542</td>
<td>571</td>
</tr>
<tr>
<td>2014</td>
<td>2,981</td>
<td>3,140</td>
<td>44</td>
<td>46</td>
<td>40</td>
<td>42</td>
<td>452</td>
<td>571</td>
<td>661</td>
<td>698</td>
</tr>
</tbody>
</table>

In USD mn and KRW bn. USD figures are based on the average 2014 KRW-USD exchange rate of 1,053.22.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets (USD)</th>
<th>Total assets (KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6,800</td>
<td>7,283</td>
</tr>
<tr>
<td>2013</td>
<td>6,919</td>
<td>7,302</td>
</tr>
<tr>
<td>2014</td>
<td>6,749</td>
<td>7,419</td>
</tr>
</tbody>
</table>

In USD mn and KRW bn. USD figures are based on the average 2014 KRW-USD exchange rate of 1,099.20 as of Dec. 31, 2014.

<table>
<thead>
<tr>
<th>Financial ratio</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>0.2%</td>
<td>(3.9%)</td>
<td>0.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>0.3%</td>
<td>(8.3%)</td>
<td>1.3%</td>
</tr>
<tr>
<td>Net debt-to-equity ratio</td>
<td>39.5%</td>
<td>61.8%</td>
<td>66.6%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>123%</td>
<td>123%</td>
<td>128%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Accident frequency rate</th>
<th>Accident severity rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.25</td>
<td>0.06</td>
</tr>
<tr>
<td>2013</td>
<td>0.40</td>
<td>0.03</td>
</tr>
<tr>
<td>2014</td>
<td>0.69</td>
<td>0.04</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ emissions (in tons)</th>
<th>Waste recycling</th>
<th>Water consumption (in tons)</th>
<th>Social responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2,630,916</td>
<td>63%</td>
<td>11,933,064</td>
<td>Total donations (in KRW bn) 2.6</td>
</tr>
<tr>
<td>2013</td>
<td>2,571,186</td>
<td>75.6%</td>
<td>11,178,659</td>
<td>Total volunteer hours 5,654</td>
</tr>
<tr>
<td>2014</td>
<td>2,718,437</td>
<td>68.4%</td>
<td>11,412,786</td>
<td></td>
</tr>
</tbody>
</table>

In USD mn and KRW bn. USD figures are based on the average 2014 KRW-USD exchange rate of 1,053.22.
This annual report provides an overview of our economic, environmental, and social performance in 2014. For the latest OCI information or to download a copy of this report, please visit www.oci.co.kr.
Our way

Innovation
Competency to explore future growth by attempting and suggesting new business opportunities through creative methods and expanding core businesses.

Operational excellence
Competency to continuously accumulate knowledge on production and technology and improve operational efficiency and productivity.

Core technical leadership
Competency to develop core technologies to produce differentiated and high value-added products which respond to the needs of our customers.

Resource optimization
Competency to generate optimum quantitative and qualitative services, technologies, and products by actively utilizing all resources available.

Openness in corporate culture
Competency to create a culture with openness, diversity, and mutual respect whereby we will maximize our capabilities.

Our values

Chance
The future is for those who find and seize the chance. We should take the chance when we are prepared to embrace future opportunities by swiftly responding to changing market, customer, and business circumstances.

Challenge
A greater future is achieved when we are brave enough to face a challenge with progressive and entrepreneurial minds and spirits to overcome difficulties.

Change
Innovation through change is essential for growth. We embrace continuous change to reach the same goal and attain success together.

Our strategy

Sustainable growth
Develop through systematic organizational management and activities in the areas of environment, safety, and health.

Focus on core businesses
Turn existing competitive technological capabilities and new technologies into key businesses and promote them into growth businesses.

Talent development
Nurture all employees into globally competitive talents.

Customer-focused
Satisfy and impress customers through insightful understanding of their needs, adoption of a customer-first approach, and prompt response to their requests.

Social contribution
Fulfill the role as a corporate citizen trusted by other members of society to enrich their lives.

Company vision

‘Global Leading Green Energy and Chemical Company’

Constantly innovate to produce green energy and chemical products with the highest level of satisfaction for our employees, customers, shareholders, and stakeholders.

Seize the CHANCE with thorough preparation and with the spirit to CHALLENGE for continuous CHANGE for a greater future.
CEO’s review

WooHyun Lee President and CEO OCI Company

OCI Company President and CEO WooHyun Lee shares his thoughts on 2014 and insights on 2015 and beyond.

How did OCI perform in 2014?

In 2014, we returned to operating profit and laid the foundation for growth going forward. A 10% increase in polyisocyanate prices combined with a solid customer base and active marketing helped boost sales. Solid sales of products such as NMI and soda ash by our subsidiaries also helped improve overall results. I am particularly proud of the dramatic cost reductions we were able to make in the polyisocyanate field as we proactively prepared for recovering demand in that market.

In addition to the independent power production business we launched last year, we continued to accelerate efforts to develop businesses that will drive future growth. Toward that end, we have stepped up our carbon materials business in China while ensuring these investments do not negatively impact financial soundness.

We have joined forces with major local partners and broken ground for a 350,000 metric ton coal tar distillation plant in Anyhui Province and an 80,000 metric ton carbon black plant in Shandong Province, enabling us to actively pursue new customers in this market that has huge potential.

When the coal tar distillation plant is completed in 2016, the aggregate capacity of our plants in Korea and China will reach 11.8 million metric tons, making us the global No. 3 producer.

Our 400 MW Alamo solar project in the US also continued to make steady progress. Since March 2013, we have completed four solar PV plants with a total capacity of over 100 MW. In conjunction with the project, we continued to bolster competitiveness in the US solar market with the opening of new plants to produce high-efficiency N-type solar modules and dual axis trackers to maximize harvesting efficiency throughout the day. We also continued efforts to streamline our business portfolio by selling off non-core businesses and assets as we focused on enhancing long-term financial soundness.

What were the primary challenges OCI faced in 2014?

Although we achieved a remarkable recovery from 2013, the steady appreciation of the Korean won against the US dollar in the second and third quarters combined with falling oil prices started in the third quarter took a major toll on the operating profitability of our carbon materials business.

While the global polyisocyanate market enjoyed stability and a relative price recovery in 2014, emerging market leader China fell short of growth expectations. More generally, oversupply in the chemical market continued to push prices downward, reaffirming the necessity of new application and technology development.

Instability in currency markets led by the weak Japanese yen, euro, and US dollar continued to push the Korean won higher. This became an increasingly disadvantageous factor given that more than 60% of our sales are from overseas markets. However, beginning with the dramatic USD 5/kg reduction in polyisocyanate manufacturing cost we achieved, we see competitiveness improving as we flexibly adapt to market uncertainty. We believe these cost innovation efforts will also spread to our other core businesses, improving profitability going forward.

What is your outlook for OCI’s core businesses in 2015?

The global solar industry is projected to install 53 GW of capacity in 2015, up 21% from the 44 GW added last year. The completion of the 9.3 GW polyisocyanate project in the first quarter of the year will give us the ability to actively respond to this growth opportunity. When completed, the project will increase nameplate capacity by 10,000 metric tons to 52,000 metric tons. It will also simultaneously reduce overall manufacturing costs by USD 2/kg, giving us an additional cost edge in this competitive market.

We will continue to actively pursue development opportunities in the global solar power market, an area we believe is an emerging market. We also expect to lead growth in China. Among these, we will be focusing on China, a market that is steadily diversifying beyond utility scale projects to small-scale residential projects.

We are now executing a two-track strategy to counter the unfavorable impact of low global oil prices on our coal chemical businesses. As we continue to pursue new market opportunities and diversify our feedstock sources in China, we are also focusing on reducing investment in our coal chemical plants in Korea to shift production to high-value-added products.

What can we expect from OCI’s new businesses in the coming year and beyond?

Assuming our Alamo solar project in the US and Saemangeum cogeneration project in Korea are completed on schedule in 2016, these projects will be joining the bottom line starting next year. We are committed to making independent power production a key growth field in the coming years.

Our energy storage system (ESS) business currently has systems in testing and is rapidly nearing the commercialization stage. Demand for electric vehicles and power generation systems is expected to continue to grow, and we are moving rapidly to take advantage of emerging opportunities in the ESS market.

What efforts is OCI making in the social, environmental, and safety areas?

Transparency and integrity have been the foundation of our business philosophy from the very beginning. Over the years, we have continued to make the world a better place through our donations of solar PV systems in both Korea and Nepal as well as a wide range of activities serving local communities. These and other efforts won us a place on the Dow Jones Sustainability Asia/Pacific Index for a fifth consecutive year in 2014. We will continue to make every effort to be a respected member of the communities we operate in.

As a green energy and chemical company, our first and foremost priority is safety and environmentally friendly operations. Following a new safety management roadmap, our training, crisis management simulations, and other efforts have enabled us to raise our International Safety Rating System (ISRS) rating by two levels over the past two years. Our goal over the next two years is to put in place a world-class safety system and culture. We will also be striving to reduce greenhouse gas emissions as we continue to improve how we recover and reuse energy, material, and other resources to help protect the environment and pave the way for sustainable growth, market supply and demand are balanced by selling products at reasonable prices and optimizing production levels based on accurate demand forecasting.

We also aim to make the most of our assets by selling non-core and idle business assets when appropriate to strengthen core businesses. In 2014, we divested our stake in subsidiary OCI-SNP to our partner. We also successfully sold our plants in plants 2, 3, and 4 of the Alamo solar project in the US. Together, these sales have improved our financial position and given us the liquidity needed for future investments.

Looking forward, we continue to deliver products that satisfy customers with superior quality at competitive prices as we respond proactively to market uncertainty and strive to be a global leader in each of our business fields.

“We will consistently deliver products that satisfy our customers with superior quality at competitive prices as we respond proactively to market uncertainty.”

What are your key strategies going forward?

When we make investments, we will do so in a way that enables us to maintain a sound financial footing. We will also pursue new business opportunities through active, win-win collaboration with our partners. Although market conditions may be challenging, our goal is to help foster a competitive environment where supplies and demand are balanced by selling products at reasonable prices and optimizing production levels based on accurate demand forecasting.

OCI Annual Report 2014
Economic review

2014 operating results

The business environment in 2014 was challenging due to fast-changing market environments and plunging oil prices. Nevertheless, we were able to minimize the effects of these challenges to achieve sales revenue of KRW 3,140 billion, a 6% increase from 2013. We recorded an operating profit of KRW 46 billion compared to an operating loss of KRW 106 billion in 2013. EBITDA was KRW 571 billion, up 33% from the previous year mainly due to reduced losses from our polysilicon business.

Despite the continuing supply and demand imbalance in the solar PV industry, basic chemical sales rose for the year, boosted by an improving business environment, particularly for specialty gases. Petrochemical and carbon materials sales declined as average selling prices dropped along with falling oil prices.

Financial information

Major financial indicators

EBITDA increased by 35% in 2014 primarily due to the recovery of the polysilicon, specialty gas, and soda ash businesses, more than offsetting reduced margins in the petrochemical and carbon material businesses as the average market price of most chemical products declined throughout the year. Profitability was further impacted by a KRW 57 billion accounts receivable write-off in the third quarter of the year due to the bankruptcy of a polysilicon customer. Overall, this performance enabled ROA and ROE to reach 0.6% and 1.3% respectively at the end of 2014 from -3.9% and -8.3% in 2013. The net debt-to-equity ratio at year-end was 67%, a 5-point increase, while the leverage ratio was 128%, a 5-point increase.

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 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 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 698 billion in 2014 compared to KRW 419 billion in 2013. We strategically focused capex spending on power generation projects during the year, including the Alamo solar project in the US and the OCI SE cogeneration power plant in Korea.

Stock information

As of December 30, 2014, 3.13% of OCI common stock was owned by the Company founders, 19.08% by foreign investors, and 50.79% by domestic institutional investors and individuals.

Dividend

OCI paid a cash dividend of KRW 200 per share of common stock in 2014. The total dividend was KRW 4,770 million, which represents 21.52% of net income (K-IFRS parent basis) and a dividend yield of 0.25% based on the December 31 closing share price of KRW 75,600.

2015 outlook

As we head into a new year, we are facing a variety of uncertainties in the global economy, format of which is falling oil prices. We are taking steps to deal with these uncertain market conditions and are well aware of the business volatilities that must be surmounted. We intend to put OCI back onto a growth track by focusing on the basics as we reinforce the competitiveness of existing businesses and build growth momentum in new ones.

In the global solar PV market, we expect demand to rise from 44 GW in 2014 to 53 GW in 2015 and value-chain supply and demand to approach balance. Accordingly, we will complete the P3.9 polysilicon debottlenecking project in early 2015, which will set the stage for us to simultaneously boost sales revenue and reduce costs.

We expect to see challenging conditions in the petrochemical and carbon materials markets due to continued low oil prices. We will focus on taking our market leadership to the next level as we pursue cost reduction at all levels to counteract downward pressure on selling prices.

Financial results by segment

Sales revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>2014 (in KRW bn)</th>
<th>2013 (in KRW bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic chemical</td>
<td>2,107</td>
<td>1,366</td>
</tr>
<tr>
<td>Petrochemical &amp; carbon materials</td>
<td>1,057</td>
<td>84</td>
</tr>
<tr>
<td>Others</td>
<td>37</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>3,191</td>
<td>2,467</td>
</tr>
<tr>
<td>Inter-company adjustments</td>
<td>227</td>
<td>46</td>
</tr>
<tr>
<td>Grand total</td>
<td>3,418</td>
<td>2,513</td>
</tr>
</tbody>
</table>

Operating income

<table>
<thead>
<tr>
<th>Segment</th>
<th>2014 (in KRW)</th>
<th>2013 (in KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>490</td>
<td>102</td>
</tr>
<tr>
<td>ROA</td>
<td>0.6%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>ROE</td>
<td>1.3%</td>
<td>-8.3%</td>
</tr>
<tr>
<td>Net debt-to-equity ratio</td>
<td>61.8%</td>
<td>66.6%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>123%</td>
<td>128%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>422</td>
<td>571</td>
</tr>
</tbody>
</table>

Interest expense

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013 (in KRW mn)</th>
<th>2014 (in KRW mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>87.5</td>
<td>96.7</td>
</tr>
<tr>
<td>Interest rate</td>
<td>3.93%</td>
<td>3.77%</td>
</tr>
</tbody>
</table>

EPS (in KRW)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013 (in KRW)</th>
<th>2014 (in KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>(10.156)</td>
<td>22,186</td>
</tr>
<tr>
<td>EPS (in KRW)</td>
<td>(12,863)</td>
<td>939</td>
</tr>
</tbody>
</table>

Dividend per share (in KRW)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013 (in KRW)</th>
<th>2014 (in KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total dividends (in KRW)</td>
<td>-</td>
<td>4,770</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>-</td>
<td>21.52%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>-</td>
<td>0.25%</td>
</tr>
</tbody>
</table>

OCI share price

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013 (in KRW)</th>
<th>2014 (in KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCI share price</td>
<td>23,849,371</td>
<td>23,849,371</td>
</tr>
</tbody>
</table>

OEI Annual Report 2014
Our focus on the basics is returning us to growth and profitability as we build a sustainable future as a global leading green energy and chemical company.

1. **Investment rationalization**

We focus on new growth engines such as solar PV energy while strengthening existing businesses. While cost reduction is an ongoing priority in all OCI businesses, we have been particularly successful in the polysilicon field. The price of solar-grade polysilicon continued to hover in the USD 20/kg range in 2014.

Following the completion of the 10,000 metric ton P3 polysilicon plant in 2010, we boosted nameplate capacity to 42,000 metric tons through two debottlenecking projects in 2011 at roughly one-half the per-kg cost. With the polysilicon market showing signs of recovery in 2014, we launched the P3.9 debottlenecking project to add 10,000 metric tons of capacity in 2015 at roughly one-seventh the per-kg cost, further enhancing our market competitiveness.

During the year, we signed an agreement with Maanshan Iron & Steel Company to build a 350,000 metric ton coal tar distillation plant in Anhui Province. Our joint venture with Zaokuang Group broke ground for the 80,000 metric ton first phase of a 120,000 metric ton carbon black plant in Shandong Province. We also completed a 30,000 metric ton expansion at the Shandong OCI coal tar distillation plant, laying the groundwork for us to expand our customer base in this important market.

During the year, we focused on debottlenecking and operational tuning. FCR has already achieved its target through savings in fixed costs and operational tuning.

Innovative production technologies give us a very competitive manufacturing cost structure in all of our core businesses. We have reduced polysilicon manufacturing costs by 23% since 2010, even taking into account unfavorable foreign exchange trends. The largest portion of this savings—19%—has come from the FCR initiative. An acronym for “five-dollar cost reduction”, FCR has already achieved its target through savings in fixed costs and operational tuning.

2. **Active alliances with our partners**

We actively seek opportunities for strategic alliances and partnerships to create a better and more competitive business platform. In recent years, we have established a growing production network in China through joint ventures with local partners. We were particularly active in the carbon materials field in 2014 with three major developments.

In 2014, we took a majority stake in OCI-SNF, a producer of wastewater treatment chemicals, to the joint-venture partner. Although that company has long been profitable and generated a steady cash flow, in the course of our ongoing business review, we reached the divestment decision due to the non-core nature of that business and limited opportunities for synergy with other businesses. We believe this opportunity to refocus on our core businesses will be a net plus for us going forward.

During the year, we signed an agreement with Maanshan Iron & Steel Company to build a 350,000 metric ton coal tar distillation plant in Anhui Province. Our joint venture with Zaokuang Group broke ground for the 80,000 metric ton first phase of a 120,000 metric ton carbon black plant in Shandong Province. We also completed a 30,000 metric ton expansion at the Shandong OCI coal tar distillation plant, laying the groundwork for us to expand our customer base in this important market.

FCR targets, we believe we can attain a high-single-digit reduction in utility costs thanks to optimizations that will significantly reduce electricity consumption, the largest component of variable costs.

3. **Optimizing operational scale**

We continuously seek the best operating scenario based on demand and market conditions, the seasonal impact on manufacturing costs, and working capital minimization.

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2014 in brief

OCI completes 2.8 MW Gangbuk solar PV plant in Namyangju
We completed our second solar PV plant in the Seoul region in as many years in 2014. Located on the premises of the Gangbuk-Arisu Water Purification Center east of Seoul in Namyangju, the plant will generate an estimated 5 GWh of power annually, enough to meet the needs of 850 families.

Sun Action Trackers completes 200 MW dual-axis tracker plant in Texas
This new US-based subsidiary began producing dual-axis trackers in San Antonio to supply the ongoing 400 MW Alamo project. The trackers continuously reposition solar modules to track the sun throughout the day to help solar plants achieve maximum efficiency year-round.

OCI Materials initiates NF₃ plant expansion project in Korea
This subsidiary moved forward with plans to increase NF₃ capacity by 1,000 metric tons based on improving market fundamentals. When completed in the second half of 2015, the project will increase OCI Material’s industry-leading capacity to 6,600 metric tons.

OCI renamed to DJSI Asia/Pacific Index for 5th year
We were named a component of the Dow Jones Sustainability Asia/Pacific Index for the fifth consecutive year. One of 40 Korean firms to be included in the 2014/2015 index. Consisting of the top 20% in terms of sustainability of the 600 largest companies operating in the Asia-Pacific region, the index is an important benchmark for global investment, evaluating corporate sustainability in terms of economic, environmental, and social performance.

Ma Steel-OCI Chemical breaks ground for coal tar distillation plant in China
This joint-venture with Maanshan Iron & Steel Company broke ground for a 350,000 metric ton coal tar distillation plant in China’s Anhui Province. Established in September, the 60:40 joint venture is scheduled to begin commercial production in early 2016, boosting our China coal tar production capacity to 730,000 metric tons.

OCi launches P3.9 polysilicon debottlenecking project in Korea
We began work on the previously announced P3.9 debottlenecking project in Gunsan, Korea to increase polysilicon production capacity by 10,000 metric tons. When completed in March 2015, the project will boost our total nameplate capacity to 52,000 metric tons and significantly improve cost-competitiveness in the market.

Mission Solar Energy completes 100 MW module plant in Texas
This new US-based subsidiary began producing high-performance N-type solar modules in San Antonio to serve the ongoing 400 MW Alamo project. The plant is the first in the US to produce modules with N-type solar cells. This new type of cell achieves a conversion efficiency rate that is approximately 15% higher than the typical 18% conversion efficiency of P-type cells, making the supplied modules among the most efficient in the industry.

Shandong OCI-Jianyang Carbon Black breaks ground for plant in China
This 51:49 joint venture with Zaskuang Group broke ground for an 80,000 metric ton carbon black plant in the city of Zaozhuang in China’s Shandong Province. When completed in early 2016, the plant will meet the growing needs of the local auto and tire industries.

OCI launches P3.9 polysilicon debottlenecking project in Korea

February
June
September
September

October
October
October
December

OCI Annual Report 2014
Building on our strengths

At OCI, we are building a better, greener future on a foundation of more than five decades of experience in the chemical industry, innovation-driven cost leadership, and a dedication to excellence.
In 2014, we passed the 100 MW milestone in our 400 MW Alamo project in the US as we stayed on track for completion in 2016. OCI Company Global Solar Department Head SeungMin Oh and OCI Solar Power President SeogHwan Yoon talk about the project’s progress and what lies ahead for OCI’s global energy business.

How did OCI get into the solar PV development business?

SMO: Back in the middle of the 2000s, we expanded our vision beyond being a global leading chemical company to being a global leading green energy company. At the time, our focus was on producing ultra-pure polysilicon, the key material in solar PV systems. Our move into the solar PV development industry came in January 2011 when we established OCI Solar Power in the United States. Since then, we have been hard at work pursuing project development opportunities around the globe.

Beyond promoting the adoption of clean solar power, our goal in the solar PV development business is to grow the market by working closely with local governments, utilities, and development partners. This collaborative win-win strategy is creating new opportunities for our partners across the solar PV value chain as it spurs adoption of solar energy, new job creation, and cleaner power for local communities.

How does the global solar market look from your perspective?

SHY: While the US is currently the main focus of our solar PV development business, we are actively evaluating and pursuing opportunities worldwide. China, South Africa, and Morocco are among the many global markets we are looking at that offer good sunshine, low country and development risk, and substantial growth potential.

In terms of the market situation, we see tough competition and falling costs across the board. When we entered the solar PV

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OCI Annual Report 2014
Can you comment on the financial aspect of this new business?

Solar development projects deliver stable, long-term revenue streams but require significant up-front capital investments. Low-cost financing is key to moving these projects forward. To date, we have relied exclusively on debt financing to provide the needed capital for these projects. That changed in 2014 when we sold an 80% equity stake in the 39.6 MW Alamo 4 project to one of the largest publicly-traded energy companies in the US. By monetizing our stake on favorable terms, this business is net-income positive for the year and we have secured capital that will help us complete the final three phases of the Alamo project on schedule.

Can you give us an update on the Alamo project?

The Alamo project in Texas continues to proceed on schedule. Since Alamo 1 began operations in December 2013, we have completed Alamo 2 (4.4 MW) in March and Alamo 4 (39.6 MW) in August. We also broke ground for Alamo 3 (5.5 MW) and Alamo 5 (100 MW). The latter is our largest project to date and the first of three final 100 MW phases we are on track to complete by the end of 2016.

In addition to delivering clean energy to Texans, we are also helping create new jobs. In 2014, we invested in two new partners that began delivering modules and equipment as the Alamo project neared 100 MW in installed capacity. Mission Solar Energy began supply high-efficiency N-type modules, while Sun Action Trackers delivered dual-axis trackers. Together with existing partners Kaco New Energy and Mortenson Construction, the project is on track to create some 800 permanent jobs across the region.

How is OCI’s solar power business doing outside the US?

While the global solar market is steadily growing, the Korean solar market continues to lag behind, accounting for only 10% of the national renewable energy market. The utility scale market has been sidelined by government policies that favor small producers and local use. We went into 2014 with the goal of completing projects totaling 80 MW, but were only able to install 15 MW of capacity, bringing total installed capacity to roughly 20 MW.

While we don’t have any projects in China at this point, we believe that situation will change in the near future. China is installing upwards of 10 GW of capacity annually, with distributed generation projects capturing roughly 20% of the market. Electricity is relatively expensive there, so solar PV makes sense for companies looking to reduce costs. China has also announced a new policy that favors projects up to 20 MW, a policy that will encourage growth in the distributed generation segment.

What is your near-term outlook for solar PV projects?

Like many new technologies, demand for renewable energy is driven by government policies and incentives. The policy landscape around the globe continues to change from year to year, adding to the challenges developers face. From a project perspective, we are seeing an unmistakable shift from large-scale utility projects to small-scale distributed systems, particularly rooftop installations. End users are becoming generators and selling back to the utilities. This is leading to challenges for grid operators as well as opening opportunities in areas such as reactive power, energy storage, and grid stability control.

In the US, the Alamo project will keep us busy for the next couple of years. In the meantime, the experience and contacts we have made will help us pursue leads for future projects as we continue to expand our presence in this stable growth market.

Elsewhere, we anticipate an ideal environment for development in Korea as the government moves toward a unified policy for both solar and non-solar renewables. In China, we expect demand to be higher as projects that were delayed due to policy uncertainty in 2014 move forward.

CO₂ reduction

<table>
<thead>
<tr>
<th>CO₂ reduction</th>
<th>Tons/yr</th>
</tr>
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<tbody>
<tr>
<td>736,000</td>
<td></td>
</tr>
<tr>
<td>140,000 less</td>
<td>cars on the road</td>
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<tr>
<td>17,120,000</td>
<td>nut pines planted</td>
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N-type mono cells and modules

Subsidiary Mission Solar Energy manufactures the first and only commercial N-type solar cells and modules in the USA.

N-type solar cell

N-type solar module

OCI Annual Report 2014

Management Review
How did OCI get started in the carbon chemicals business?

YSK: OCI’s carbon chemicals business dates back to 1976 when we opened Korea’s first coal tar distillation plant to process the waste by-product from the Pohang coke plant of Korean steelmaker POSCO into a variety of coal chemical products. The business grew rapidly. We added a pitch plant in 1978, naphthalene and tar acid plants in 1979, and a carbon black plant in 1981. Since then, we have continued to expand our product portfolio. Today, we have a diversified and vertically integrated lineup of carbon chemicals serving the electric, electronics, automobile, construction, and textile industries.

The technology and expertise we have gained over the past four decades are now enabling us to move into higher-value-added markets. Those same advantages have enabled us to expand production beyond Korea in recent years to pursue new business opportunities in key overseas markets. Our business in China is a case in point. Since 2008, we have partnered with a number of local companies to set up joint ventures to produce both coal tar and carbon black, key feedstocks for China’s booming industrial sector. We expect this trend to continue as we work to better serve customers in that growing market.

How did OCI’s carbon chemicals businesses perform in 2014?

YSK: Our carbon black, benzene, plasticizer, and pitch businesses faced a challenging economic environment characterized by declining demand, continued oversupply, and intense price competition as we grappled with the turmoil from the rapid decline in oil prices in the second-half of the year. Ongoing efforts to maximize plant operation, actively reduce costs, and shift production to higher-value-added products are key to the high degree of competitiveness we have in each of our businesses.

Where do you see future growth opportunities coming from?

YSK: Capacity expansion in the right markets and better products are crucial to driving growth in these businesses. We continue to strategically increase coal tar distillation and carbon black production capacity in both Korea and China to meet the specific needs and requirements of those markets.

More specifically, we are pursuing a specialization and diversification strategy that we believe will significantly enhance our flexibility to adapt to changing market conditions going forward. In general, we use China as our primary production base for high-volume, general-grade products. Korea will be our hub for technical innovation as well as the primary production base for higher-end products such as safer plasticizers, specialty black, and mechanical rubber goods.
China has been a strategic focus for us since we began operations at the joint venture Shandong OCI coal tar distillation plant in Shandong Province in 2008. In 2011, we opened OCI China in Shanghai to serve as a central tower for local investment and operations. In 2012, subsidiary OCI Materials opened an NF3 specialty gas plant in Jangsu Province. In 2013, we opened a joint venture fused silica plant in Tangshan. And we are now building joint venture carbon black and coal tar distillation plants in Shandong and Anhui Provinces, respectively.

How did OCI advance its strategy in China in 2014?

JFS: We moved on several fronts to expand coal tar and carbon black production capacity in China during the year. In September, we partnered with Maanshan Iron & Steel Company—one of China’s major steelmakers—to set up a joint venture 350,000 metric ton capacity coal tar distillation plant in Anhui Province. In October, we broke ground for an 80,000 metric ton carbon black plant with Zaskiya Group in the city of Zaozhuang in Shandong Province. In November, we completed an expansion project at the joint venture Shandong OCI coal tar distillation plant that raised capacity from 350,000 to 380,000 metric tons. Combined, these and other upcoming projects position us to expand our footprint in local downstream industries such as carbon black.

What is your business outlook for 2015?

YSK: Looking ahead, we expect market conditions to remain bearish as low oil prices continue to put downward pressure on selling prices. In this challenging environment, we see raw materials sourcing diversification and cost reduction as key tasks as we work to expand sales and profitability. In addition to actively exploring opportunities to diversify coal tar sourcing to prepare for a potential change in suppliers, we continue to improve production processes to enhance our ability to flexibly use either oil- or coal-based feedstocks to maximize cost competitiveness. We will also continue to pursue cost reduction at all levels, leveraging the insights gained from our expanding production operations in both China and Korea.

From a product perspective, we will increase production and sales of higher-value-added products such as specialty black and mechanical rubber goods. We also expect our innovative custom container transport system to boost carbon black sales to Japanese tiremakers.

Laying a solid foundation in the carbon chemicals field

OCI entered the carbon chemicals field in 1976 when we opened Korea’s first coal tar distillation plant. Today we are a growing global player with an expanding manufacturing base in both Korea and China, meeting the needs of industry with quality.

OCI Annual Report 2014
Another factor in our success was improvements in monthly forecasting. We were able to precisely and efficiently coordinate the plant-wide effort based on continuous team feedback on their cost-reduction effort progress.

Second, this was a comprehensive team effort. The Gunsan plant has more than 30 teams. Those teams came up with more than 100 cost reduction ideas to help us achieve this result. The ideas came from every area of the workplace, ultimately enabling us to reduce the raw materials input for 1 kg of polysilicon to just 1.06 kg. This alone is a remarkable accomplishment considering that the global top-tier makers require between 1.15 kg and 1.2 kg of raw materials in their processes. We also made dramatic reductions in the area of electricity consumption. If we assume the per-unit cost of electricity for China-based manufacturers represents the 100% level, we were able to lower our cost from 70% in 2013 to 66% in 2014.

Third, we set up a dedicated team to systematically manage the project. Putting target setting and performance evaluation under the direct management of the FCR team improved efficiency and enabled the project to move steadily forward throughout the year.

Where do your cost reduction efforts go from here?

We have set a goal of reducing polysilicon manufacturing costs by an additional 39% over the next five years, excluding the impact of exchange rate fluctuations and other external factors. We also expect to see another major drop in manufacturing cost starting in 2016 after the P1 polysilicon plant is fully depreciated at the end of 2015. Our cost innovation also continues with the P3.9 debottlenecking project scheduled for completion in February 2015. When we built our first polysilicon plant, the capex cost was USD 84/kg. Since then, we have expanded capacity four times, reducing capex cost by more than 87% along the way. The P3.9 project is expected to have a capex cost of just USD 11/kg, setting a new benchmark for the industry.

Where did the “FCR” project name come from and what were your results?

FCR is an acronym for “five-dollar cost reduction”. The name is a reference to our original goal to reduce the per-kg manufacturing cost of polysilicon by USD 5.

Taking into account costs that were beyond our control such as foreign exchange rates, utility rates, raw materials costs, and depreciation costs, we have achieved a 23% reduction in manufacturing costs since 2010. If the effects of those previously mentioned costs are excluded, we achieved a 33% reduction.

Why was OCI’s polysilicon business the focus of your cost reduction efforts?

Materials cost, processing and operating costs, fixed costs, and variable costs all play a part in determining how much it costs to manufacture a product. Like most companies, cost reduction is an ongoing process at OCI. However, the extended global slump and oversupply in the solar PV industry that started in 2011 has pushed polysilicon selling prices down 75% from USD 80/kg to the current USD 20/kg level, making radical cost-reduction a top priority.

How did you achieve such dramatic results?

There were three basic reasons. First, we focused on qualitative rather than quantitative performance measurement. One of the key drivers was a paradigm shift in target setting. Rather than setting some absolute figure, we set a ratio. In practice, we calculated the unit cost for each cost factor and then set a cost reduction ratio for each factor and encouraged the teams responsible to achieve those targets.
Great place to work

Safety requires constant vigilance. The Safety Culture Improvement project has significantly improved safety and sustainability across our operations over the past two years. Today, we are well on the way to achieving world-class safety performance to protect our employees, communities, and the environment.

Commitment to safety

Over the past two years since we launched the Safety Culture Improvement (SCI) project with DNV GL in 2012, we have made significant progress in improving safety and sustainability across all aspects of operations. As the SCI project came to a close at the end of 2014, DNV GL once again conducted a comprehensive review of our safety management system, upgrading our International Safety Rating System (ISRS) level from Level 3 to Level 5 and Safety Culture Assessment (SCA) level from Level C (Calculative) to Level B (Proactive). While we are pleased with this rapid improvement, we realize that world-class safety performance doesn’t happen overnight. We are committed to investing the time and ongoing effort to achieve the highest level of safety to protect our employees, communities, and the environment.

During 2014, we focused on helping plant personnel correctly recognize and respond to safety factors through weekly training sessions as well as setting monthly safety themes to reinforce safety practices. From a monitoring and evaluation standpoint, we expanded our safety management system performance objectives from 9 to 11 areas to include supplier and subcontractor safety management. We also re-evaluated all processes to identify particularly risky processes that require approval and supervision, established a central crisis response headquarters, and carried out emergency response drills at our plants to prepare for specific accident scenarios.

A total of five safety incidents occurred at our Korean manufacturing facilities in 2014, none of which resulted in fatalities or hospitalizations. We attribute this improved performance in large part to the new safety mindset now firmly ingrained across the organization. We also continued to reduce our accident severity rate from 0.033 to 0.030. The accident frequency rate was up slightly for the year due to our strengthened reporting system.

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Upgrading our safety performance

In 2013, a safety incident at OCI Materials prompted us to review the safety of all OCI plants in Korea that year. While no additional serious deficiencies were found, the review provided a timely opportunity to upgrade our safety posture, procedures, and facilities.

The Yeongju plant of OCI Materials experienced a safety incident in 2013 that prompted a thorough review of our safety management system and safety at all plants in Korea. Between November 2013 and September 2014, we invested KRW 22 billion to upgrade the safety and environmental facilities of the plant to prevent future incidents. Among the key facilities installed were scrubber systems to handle vent gas and enclosure systems with water curtains and scrubber systems to prevent and contain any spills during the product loading process. The Yeongju plant resumed production in the final quarter of 2014 and has been incident-free since.

Mission Solar Energy, Texas, USA

Safety management roadmap

Since initially measured by DNV GL in 2012, our International Safety Rating System level has risen from Level 3 to Level 5. At the same time, our Safety Culture Assessment level has improved from Calculative to Proactive. Our long-term goal is to achieve world-class performance in each of these benchmarks.
Great place to work

A company can only be as great as its people. In every aspect of operations, we are working to create an environment that fosters collaboration, excellence, and personal growth to empower our people to achieve their full potential so we can achieve ours.

Commitment to people

As an employer with subsidiaries around the globe, we understand the power of diversity in building a world-class organization. We actively recruit and hire high-caliber candidates from diverse backgrounds. Our Korea headquarters staff includes a growing pool of talent from the United States, United Kingdom, Belgium, South Africa, Columbia, China, France, Germany, and Singapore. We are also investing in women’s leadership development to help them reach their career development goals.

We operate a number of systematic talent development programs to equip our people with the skills and knowledge they need to succeed in the global marketplace. These programs include an immersive 6-week induction program and bi-annual workshops for first-year employees, mandatory and specialized programs for each position level, and the OCI-MBA program for managers and team managers. We also have overseas training programs for our engineers. Since 1986, we have sent chemical engineers to the US to participate in a 6-week program. We are planning to add similar programs for mechanical and electrical engineers in the near future.

Our ongoing organizational focus is on promoting what we call the “3-UPs”. These include “Basics-up” focusing on expertise, “Idea-up” focusing on creativity, and “Health-up” focusing on self-management. We believe that being a recognized expert in our respective fields is of the utmost importance. In 2014 we focused on training in business essentials such as cost accounting and Chinese language proficiency. We began working to foster a more-conducive environment for brainstorming and collaboration.

We also declared OCI to be a smoke-free workplace and continued to encourage employees to maintain healthy lifestyles by being physically fit.

We also made some significant organizational changes in 2014. We initiated a consolidation process to integrate teams in order to strengthen work efficiency across the organization, taking into account the expertise of each team. This led to a 20% reduction in team count during the year.

MBA program
- 319 graduates
- 12-week, 188-hour program

Programs for engineers
- 6-week overseas training program for chemical engineers
- 4-6 week program for electrical and mechanical engineers, including 2 weeks in-field experience in US operations (Starting in 2015)

Encouraging professional career development

Helping lead the way

Steve Elliott
Plant Manager, OCI Alabama

What’s the secret to being a successful manager?

It’s not a secret, but the key to success is the philosophy of “management by walking around.” Getting out in the plant, being visible and available to employees, letting them ask questions, listening to what they have to say—you’ll always find new ideas and suggestions for improvements if you just walk around and talk to people, get to know them. Being fair and objective goes a long way, too.

What accomplishments are you particularly proud of?

When we achieved the 1 million safe man-hours without a lost-time incident. We’ve now gone over 12 years without a lost-time incident. I’m really proud of the team here at OCI Alabama, what we’ve been able to accomplish in turning the business around, and that we’re profitable.
Environmental commitment

Every business activity has an impact on the environment. Through operational and environmental excellence across the organization, we aim to reduce the amount of resources we consume as well as the emissions and waste we generate to help preserve the environment for future generations.

Commitment to the environment

We believe that environmental stewardship is good business. We are actively working to reduce our environmental impact at each plant site, taking a comprehensive approach that focuses on reducing resource usage and pollution emissions of all kinds. We are using process innovations and optimizations as well as increased utilization of by-products and recycling to systematically reduce per-unit consumption of energy, materials, and water across all manufacturing operations.

In the area of energy consumption, usage rose 17.6% to 46,377 TJ in 2014. This overall increase was driven by increased production across our product portfolio, led by the polysilicon business.

In the area of materials consumption, the overall waste recycling ratio fell from 75.6% to 68.4% in 2014. However, we succeeded in reducing the waste generated per unit at the Pohang plant by recycling waste oil and scrap wood and the lisan plant by optimizing the alumina catalyst replacement frequency.

Maintaining high standards for air and water quality at all plants is another core component of our environmental strategy. While standards vary by plant and process, the specialty chemicals line at the Gunsan plant limits NOx emissions to 80% of the legal limit. Similarly, the Pohang plant limits the chemical oxygen demand value for water to 30% of the legal limit. In 2014, we continued to invest in state-of-the-art pollution control and abatement facilities to further improve the environmental performance of our operations. We launched projects to upgrade the wastewater treatment facilities at the Gunsan, Pohang, and Gwangyang plants. We also invested in facilities to prevent leaks of hazardous materials to improve safety at the lisan plant.

The Korean government operates the Green Company and Green Technology certification programs to promote the development of environmentally friendly products and technologies. In 2014, we received Green Technology certification for our polysilicon and fumed silica vacuum insulation panels. We also received Green Company certification in 2014, a designation awarded to companies that generate over 30% of overall sales from Green Technology-certified products.

The year 2015 will usher in a new regulatory regime for chemical makers as Korea’s Act on the Registration & Evaluation of Chemicals known as K-REACH comes into force. Aimed at protecting public health and the environment, the act imposes strict reporting and screening requirements that we will be devoting significant resources to comply with over the next few years.

GHG mitigation strategy

We are an active participant in Korea’s efforts to reduce both direct and indirect greenhouse gas emissions. In each of the three years since we completed implementation of GHG emissions monitoring and management at all Korean manufacturing sites in 2012, we have met emissions and energy consumption reduction targets set by the Korean government. As Korea’s cap-and-trade emissions trading scheme launches in 2015, we are moving forward with over 90 GHG reduction projects that will enable us to operate within our emissions permit allocation during the scheme’s initial three-year period running through 2017.

In 2014, our operations emitted approximately 2.72 million tons of CO₂ roughly 5.7% more than the previous year primarily due to a 33% increase in polysilicon production volume. The fact that CO₂ emissions increased only a fraction of this major increase in volume is a testimony to the success of our cost reduction programs in achieving dramatic reductions in energy usage in our polysilicon operations.

In February 2015, we officially completed the cleanup and remediation of pre-existing soil and groundwater contamination issues discovered at the Pohang and Gwangyang plants in 2010 and 2011.

Soil remediation projects completed

Although the issues pre-dated our purchase of the plant sites in 2000, we felt a moral responsibility to take care of them. Launched in 2012, the KRW 10.4 billion cleanup effort covered 41,478 m² at the two plants. Our EverOX product for soil remediation played a key role in the cleanup. We also installed facilities to process contaminated groundwater and removed contaminated soil at the point of contamination and surrounding areas. In March 2015, we reported the completion of the project to local environmental authorities and received a clean bill of health following final inspections.
Social responsibility

Businesses are in a unique position to make a positive difference in their local communities. In 2014, we invested over KRW1.2 billion in community service, welfare, education and scholarships, and culture and the arts to make our local communities better places to live and grow.

Community engagement

Although social investment declined 50% to KRW 1.2 billion in 2014 due to the challenging business environment and the conclusion of certain projects, our people continued to take the lead in reaching out to their local communities, increasing their volunteer hours by over 10%.

The Angel campaign and volunteer organization is the public face of our community service efforts. Launched back in 2006, it gives OCI employees and their families the opportunity to use their money, time, and talents to brighten their local communities. Through the Angel campaign, employees donate a small portion of each paycheck to benefit worthy charities and individuals, raising nearly KRW 1.6 billion in 2014. Angel volunteers spent over 5,000 hours lending a helping hand wherever needed during the year. They delivered 20 kg of rice to 100 families in Seoul’s Seongbuk-dong neighborhood. They visited Halt Iisan Town and treated special needs residents to a day out at local attractions. They served as guide runners for the blind at two fun runs. They baked bread with the Korea Red Cross, served meals to the elderly and homeless, and assisted at the Summer Special Olympics.

They made winter a little warmer in Korea by collecting and distributing unused clothing and delivering coal briquettes. They also knitted hats for infants in undeveloped countries as part of a new initiative started in 2014. A total of 240 hats were donated to the Children in December for distribution in Ethiopia, Uganda, and Tajikistan to help keep infants warm through daily temperature ups and downs.

SongAm Foundation

Founded in 1979, the foundation operates two scholarship programs to help worthy high school and university students pursue their educational dreams. In 2014, the SongAm Foundation Scholarship presented awards to 14 high-school and 26 university students selected for their outstanding academic performance. The SongAm Multi-Cultural Family Scholarship separately presented awards to 86 high-school and 14 university students from low-income, multi-cultural families during the year.

The museum’s third bi-annual touring event since the program was launched in 2010 to bring more cultural opportunities to regions not normally on the cultural circuit where we have operations. Featuring 30 works encompassing paintings, sculptures, and video works from 18 artists in the Young Creatives and artist-in-residency programs, the eclectic exhibition visited the cities of Gwangyang, Pohang, Yeongju, and Gumsan for two-week runs between April 3 and May 28.

Solar responsibility

The Solar School project installed solar PV systems at a total of 22 primary schools across Korea in 2014, including 17 in North Chungcheong Province and 5 in South Chungcheong Province. We have now installed systems at 182 schools to date and expect to complete installation at 60 more in 2015.

We launched this KRW 10.5 billion initiative in 2011 with the goal of donating and installing free solar PV systems at a total of 300 primary schools across Korea through 2016. (Beyond providing the practical benefit of meeting a portion of each school’s power needs, the project aims to teach students the principles and process of solar power generation to increase awareness of renewable energy as well as help inspire the next generation of creative engineers and scientists.)

The Solar School project took an international dimension in February 2014 when we traveled to Nepal to install 1.1 kW solar PV systems at schools in the remote mountain villages of Nangi and Paudwar in the Annapurna region. In addition to the systems, we also provided the schools with a notebook computer, projector, LED lighting, and basic medications to help improve the educational environment in this underdeveloped region.

Dr. Mahabir Pun is a Nepalese educator and the founder of Nepal Wireless Networking Project (NWNP). Through this project, Pun uses wireless technologies to develop remote villages in the Himalayas. His efforts to enhance people’s standard of living has been recognized internationally.

How is PV facility installation a practical help to remote villages?

More than 50% of the villages in the remote high mountains of Nepal don’t have electricity. Even if there is electricity, there is a chronic shortage of power primarily due to government rationing that limits energy transmission to less than 12 hours a day. Solar PV installations can greatly help resolve this hardship, allowing people to continue their activities at night by bringing light and water into their homes. Another issue is that people living in these areas can be easily isolated due to difficult geographical reasons. Wireless networks powered by PV facilities enable them to connect to the outside world and reduce the information gap problem as well. Support for solar PV installations is a great help for the villagers.

Dr. Mahabir Pun
Founder | Program director
Haribah Education Foundation

OCI Annual Report 2014
Sales rose 15.2% to KRW 2,107 billion in 2014, positively impacted by an increase in polysilicon average selling prices as well as increased sales of specialty gases and soda ash. EBITDA rose 55.8% to KRW 490 billion, benefiting from significant cost reductions achieved by our polysilicon business as well as increased profitability in the previously mentioned businesses.

### Basic chemical

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

#### Polysilicon

This raw material is the primary material used to manufacture solar PV cells and modules and semiconductor wafers. Improving market supply fundamentals helped boost polysilicon prices in the first quarter of 2014. However, reduced profits in downstream industries put downward pressure on prices starting in the second quarter. In the fourth quarter, prices began to rise again as China announced new incentives, spurring delayed projects to move forward and local governments to focus on promoting distributed generation projects.

We achieved our highest production and sales volume to date in 2014, operating at full capacity to meet demand from long-term customers. This enabled us to reduce per-kilogram fixed costs and contain manufacturing costs in the face of steadily increasing industrial electricity prices. We continue to actively focus on efficiency improvements in this area that accounts for the largest portion of manufacturing costs.

Our innovative production technologies continue to make us a cost leader in the market as we deliver the consistently high quality that wins and keeps customers. The new FCRI or five-dollar cost reduction initiative launched in 2014 has resulted in a permanent cost savings of USD 200 million, and we continue to pursue savings in all areas of production. Another strength is our portfolio of long-term supply contracts that helps insulate us from short-term market volatility.

Looking ahead, we launched a USD 110 million debottlenecking project at the P3 plant in Gunsan, Korea in March 2014 that will raise production capacity by 10,000 metric tons. When the P3.9 project is completed in February 2015, total nameplate capacity will rise to 52,000 metric tons, further reducing per-kilogram fixed and variable costs to enhance our cost competitiveness.

#### Soda ash

This basic raw material is widely used to manufacture glass, chemicals, and detergents. Unlike the United States where the majority of soda ash is produced from natural trona, soda ash produced elsewhere is often the product of energy-intensive synthetic processes. The high cost of those processes puts synthetic soda ash producers at a competitive disadvantage, leading to a number of plant shutdowns across the industry in 2014.

Operated by OCI Resources, our US soda ash business continues to be one of the most competitive producers in the natural soda ash industry. In 2014, OCI Resources once again achieved solid growth as market prices rose 2.9% and sales volume rose 2.3%.

#### Nitrogen trifluoride (NF3)

This gas is used to etch silicon wafers and clean semiconductor, LCD panel, and photovoltaic cell manufacturing equipment.

We profited from rising demand and prices for NF3 in 2014. OCI Materials launched an expansion project at its No. 5 plant in Yeongju in October 2014. When completed in the second half of 2016, the project will boost capacity by 1,000 metric tons, expanding the company’s industry-leading capacity to 6,600 metric tons as well as enhancing its ability to win business from major semiconductor manufacturers across the region.

#### Hydrogen peroxide (H2O2)

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.

Continued global oversupply and increased production costs negatively influenced this business in 2014. Aggressive marketing by regional competitors pushed down average selling prices, while rising imported feedstock costs and utility prices led to higher manufacturing costs.

Notwithstanding these difficulties, this business is steadily recovering its profitability. We increased sales of high-value-added electronic grade H2O2 and strengthened ties with major customers in the paper, PCB, and textile industries. We also launched EvenOx, a hydrogen peroxide-based soil remediation product. EvenOx is a unique product because it was developed entirely with in-house technology in response to a specific need for a soil remediation solution.

Continued global oversupply and increased production costs negatively influenced this business in 2014. Aggressive marketing by regional competitors pushed down average selling prices, while rising imported feedstock costs and utility prices led to higher manufacturing costs.

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**Petrochemical and Carbon materials**

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

Sales were down 8.2% to KRW 1,166 billion in 2014, impacted by the steep fall in oil prices as well as global oversupply in key businesses. EBITDA was down 19.5% to KRW 122 billion due to lower average selling prices triggered by the previously mentioned 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.
  - The global carbon black market continued to see tough competition in 2014 due to stagnant growth in the global tire industry and growing competition from low-cost producers in China. Despite the unfavorable market, we achieved solid profitability backed by a competitive edge in feedstock procurement, cost savings in logistics and other areas, and a steady shift in our product portfolio toward higher-value-added products. We also broke ground in October for an 80,000 metric ton plant in Shandong, China to meet growing demand in the region. When completed in early 2016, the 80,000 metric ton first phase will boost global production capacity to 350,000 metric tons.
  - Given the fundamental oversupply situation in the global carbon black market, we continue to strategically shift our focus to higher-value-added markets such as specialty black and mechanical rubber goods. We expect this strategy to begin to deliver results in 2015 as we complete the upgrade and expansion of a low-grit production facility in Korea and step up R&D to target new opportunities in these more profitable markets.
  - Looking ahead, we continue to refine and improve production processes to enable us to flexibly utilize either oil- or coal-based feedstocks to maximize cost competitiveness in any market environment. We expect to significantly grow sales to Japanese tiremakers thanks to the custom shipping container system we have developed to eliminate logistics issues as a barrier to sales. We also expect to see sales rise in 2015 as one of our major customers in Korea completes an expansion project.

- **Toluene di-isocyanate (TDI)**
  - This chemical is normally reacted with polyol to produce polyurethane for applications ranging from furniture, automobiles, electronic components, and shoes to paints and resins.
  - Higher export prices and growing sales to markets in Africa, the Middle East, and South America helped us grow both sales and profitability in 2014. We sold 50,000 metric tons of TDI during the year, equaling our nameplate production capacity. While approximately 75% of sales came from overseas, we also captured more than 50% of the Korean market despite increasing competition and falling prices.
  - 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 by recently signing a long-term contract. Together, these advantages position us for future growth.

- **Pitch**
  - This material is used as a binding agent in high-quality adhesives for aluminum smelting, graphite electrodes, refractory linings, and water-proofing products.
  - As the sluggish global economy in 2014 dampened demand for aluminum, we continued to maintain a high capacity utilization rate to improve cost competitiveness despite falling prices.
  - We also continued to expand our coal tar distillation capacity with a focus on China in 2014. In September, we partnered with Henanshan Iron & Steel Company to set up a joint venture 350,000 metric ton plant in Anyhui Province.

- **Other aromatics**
  - Phthalic anhydride is used in plastics and unsaturated polyester resins. Plasticizers are used to soften PVC plastics to produce products such as wire insulation, wallpaper, floorcoverings, and automotive sealers.
  - Phthalic anhydride prices declined during the year as demand in China stalled. However, falling orthoxylene and naphthalene feedstock prices had a positive impact on profitability. This, combined with relatively high selling prices in Korea, helped us improve our 2014 performance.
  - Phthalic anhydride prices also declined further in 2014 due to a decrease in prices for raw materials such as octanol and phthalic anhydride. However, a 15% increase in sales volume helped us improve profitability for the year.

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**Capacities**

<table>
<thead>
<tr>
<th>Chemical</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon black</td>
<td>50,000</td>
<td>270,000</td>
<td>370,000</td>
</tr>
<tr>
<td>Toluene</td>
<td>180,000</td>
<td>190,000</td>
<td>210,000</td>
</tr>
<tr>
<td>Indene oil</td>
<td>200,000</td>
<td>210,000</td>
<td>230,000</td>
</tr>
<tr>
<td>BTX</td>
<td>160,000</td>
<td>170,000</td>
<td>180,000</td>
</tr>
</tbody>
</table>

**Sales by market**

- Asia: 65.9%
- Rest of world: 34.1%
- Korea: 0.2%

**Our products**

- Carbon black
- Toluene di-isocyanate (TDI)
- Pitch
- Benzene, Toluene, Xylene (BTX)
- Naphthalene
- ISO quinoline
- Indene oil
- Xylene
- Quinoline
- Cresol
- Phenol
- Wash oil

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**OCI Annual Report 2014**

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**Image 286x446 to 540x699**

**Image 551x-51 to 639x788**

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**36 Business Review**

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**OCI Annual Report 2014**
IPP Business – Solar energy

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

The Alamo project in the US state of Texas surpassed the 100 MW milestone in 2014 as we stayed on schedule to complete the 400 MW project in 2016. Together with our partners, we continue to develop the new technologies that will enable us to lead in delivering more efficient and cost-effective solutions for an industry that is expected to grow an average of over 10% annually through the rest of the decade.

We boosted capacity in operation in the US market from 47 MW to 92 MW with the completion of three projects in 2014, including Alamo 2 (4.4 MW) and Alamo 4 (39.6 MW) in Texas and Lavonia (10.8 MW) in Georgia. We broke ground for Alamo 3 (15.5 MW) and Alamo 5 (100 MW) in Texas as we accelerated progress on the 400 MW Alamo project. We also monetized our investment in the Alamo 4 plant by selling 80% of our equity interest.

In Korea, the solar PV market suffered a major setback as the domestic price of renewable energy certificates fell sharply and the system marginal price dropped below 2013 levels. We completed three projects during the year, including a 5MW plant for the Dongwon Group, the 2.8MW Gangbuk plant, and the 700KW Jichuk plant, bringing capacity in operation to 19.3MW.

China is already a large market for solar PV energy and the new policy announced in September 2014 favoring projects up to 20MW will drive further development in the distributed generation market. We are currently laying the groundwork to tap the immense potential of this fast-growing market in the years ahead.

In 2014, we established the Global Solar Department to oversee all solar-related companies and operations and coordinate our advance into new markets. With the exception of projects in the Americas, which are managed by San Antonio-based OCI Solar Power, all planning is now being handled from our Seoul headquarters with a focus on developing opportunities in Japan, China, India and North Africa.

IPP Business – Cogeneration plant

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

The new Saemangeum cogeneration plant is a key part of the infrastructure at a new industrial complex now taking shape on Korea’s western coast. Slated to begin commercial operation in 2016, the state-of-the-art plant will deliver high-quality, low-cost power and steam to give customers a fundamental competitive advantage.

Blocked by expertise gained in building and operating captive cogeneration plants at the Incheon, Gwangyang, and Pohang plants over the past five decades, we are currently building a state-of-the-art cogeneration plant in the Saemangeum Industrial Complex through subsidiary OCI SE. Located on 162,153 square meters of reclaimed land on Korea’s west-central coast, the Saemangeum cogeneration project leverages our expertise in the field and the best available technology to build the nation’s cleanest and greenest coal-fired cogeneration plant to date.

Since breaking ground in October 2013, the project has met all construction milestones to pass the 67% completion milestone at the end of 2014. Scheduled to begin commercial operations in early 2016, the first phase of the plant will produce 303 MW of power and 860 tons/hr of steam for industrial customers, generating at least KRW 200 billion in sales and a solid operating profit.

Beyond the solid revenue prospects, we view this project as an opportunity to make a significant contribution to local development and quality of life in the Gunsan region, an area that is also home to our polysilicon, TDI, and fumed silica production facilities. By delivering high-quality, low-cost power and steam, the cogeneration plant will help make the Saemangeum Industrial Complex an attractive place for manufacturers to locate as well as advance a number of national priorities such as energy efficiency and greenhouse gas reduction.

The Alamo 1, Texas, USA

Q4 2013 - Q1 2016

Phase 1

KRW 550 bn

Phase 2

To be determined

Construction period

Capex

Plant capacity

Power: 303 MW

Steam: 860 tons/hr

OCIPower

Projects in progress

Korea

North America

Emerging markets

Total

Capacity in operation

Korea

North America

20

400

170

590

2015

2016

To be determined

To be determined

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38 Business Review
Research & Development

Developing and refining the technologies and processes that help us lead our industries in quality and cost structure.

The OCI R&D Center is our hub of innovation. Building on a core technical foundation in chemicals and chemical engineering, the center’s multi-disciplinary expertise spanning the electrical, mechanical, metals, and nanomaterials fields is now enabling us to achieve our cost reduction goals, prepare products and processes for commercial production, and create the new products that will drive future growth and profitability.

2014 activities

In 2014, we laid the foundation for greater collaboration between our businesses, plants, and R&D center as we focused on upgrading our organization and processes to the next level. We implemented a select-and-focus strategy to advance key R&D projects and realigned our R&D portfolio to facilitate closer collaboration. We adopted a functional-matrix organizational structure to enhance flexibility and create synergy and a research specialist program to foster specialization and ownership. We also worked to improve planning to sharpen our business feasibility evaluation capabilities and improve R&D outcomes.

We had a number of significant R&D achievements during the year. Our ongoing cost reduction efforts were particularly successful in the polysilicon field, where we achieved major reductions in energy consumption through process innovations and optimizations. We created a promising new revenue stream by developing a high-purity precursor hexachlorodisilane used in semiconductor chip manufacturing. We also continued to make steady progress in the energy storage system field by completing development and initiating testing of a prototype 125 kW-class vanadium redox flow battery (VFB), one of the largest produced to date in Korea.

2015 plans

Looking ahead, we will continue to build on the progress made in 2014 as we focus on generating outcomes that contribute directly to the bottom line. We will step up support for business projects and take a more proactive approach to collaboration. Toward that end, we have launched a project focused on upgrading the competitiveness of our chemicals and carbon materials businesses through improved processes and products. The carbon black business will be an area of particular focus as we continue to closely coordinate R&D efforts with each business to better support their mid- to long-term business strategy.

Intellectual property

As of the end of 2014, we held a total of 124 patents, including 31 in countries other than Korea. Our intellectual property portfolio continued to steadily grow as we filed 57 patent applications in Korea, up 72% from the 33 we filed in 2013. Two of the key patents we were granted in Korea covered optimizations for vanadium redox flow batteries and coal pitch properties.

R&D network

We continued to lay the groundwork for a global R&D network in 2014. In 2015, we plan to set up a joint R&D center with US-based subsidiaries OCI Solar Power, Mission Solar Energy, and Sun Action Trackers in the San Antonio, Texas area to pursue joint projects that build on the combined experience and expertise of these firms in the solar PV development field. We will also continue to expand ties with outside organizations through a wide range of research projects. We currently have projects underway in partnership with institutions such as Oxford University in the UK and Southwest Research Institute in the US state of Texas.

Recently commercialized products

<table>
<thead>
<tr>
<th>Sapphire materials capacity</th>
<th>ENERVAC capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 million mm of TIE units</td>
<td>1,000,000 m²</td>
</tr>
</tbody>
</table>

Applications

- LED lighting
- Optical windows
- Mobile devices
- Building insulation
- Refrigerators
- Temperature-controlled packaging
- Cold and hot water purifiers
Governance

The OCI board’s scope of authority includes setting the agenda for the general shareholders’ meeting, decisions and changes regarding the company’s fundamental management direction, and all matters related to finance and investments. It is composed of a total of seven directors, four of whom are outside directors. These outside directors serve staggered three-year terms to enable them to evaluate issues with a longer-term view as well as foster specialization. This group currently includes a lawyer and professors in the fields of technology-based management and economics, giving us valuable expertise and feedback on our strategic direction and current issues from a broad spectrum of perspectives.

The board is chaired by the chairman. While the chair has sole authority to convene meetings, individual directors can request that meetings be convened by submitting their proposals and rationale to the chair. Board decisions require the presence of a simple majority of the directors and approval of a majority of those present. Directors are prohibited from voting on any particular agenda item in which they may have a potential conflict of interest.

In addition to its monthly meetings, the OCI board holds additional meetings on an as-needed basis. In 2014, the board met 16 times and the Audit Committee met 6 times.

Board committees

Outside director nomination committee
SangSeung Yi / SooYoung Lee / YongHwan Kim / JongSin Kim / JahngShick Bahn

Audit committee
JongSin Kim / YongHwan Kim / SangSeung Yi / JahngShick Bahn

Steering committee
SooYoung Lee / WooSug Baik / WooHyun Lee / JongSin Kim

Compensation committee
YongHwan Kim / SooYoung Lee / SangSeung Yi / JahngShick Bahn

Strengthening the independence and transparency of our corporate governance to enhance corporate value and ensure sound, transparent decision-making

Board of directors

Inside directors

SooYoung Lee
Chairman and Representative Director
- Former Chairman, OCI Enterprises
- Former Chairman, Korea Employers’ Federation
- Former Chairman, Incheon Chamber of Commerce & Industry

WooSug Baik
Vice Chairman and Representative Director
- Former Executive Vice President, Oriental Chemical Industry
- Former President and CEO, eTEC E&C Limited

WooHyun Lee
President and Representative Director
- Former Senior Executive Vice President, OCI Company
- Former Vice President, CSFB (Hong Kong)
- Former Managing Director, Capital Z Partners (Seoul)

Outside directors

YongHwan Kim
- Representative Lawyer, Law Office of Kim & Park Co
- Former Director, KT&G Social Welfare Foundation
- Former Prosecutor
- Former Advisor, Korea International Trade Law Association

JongSin Kim
- Former President, Industry-Academia-Government Collaborative Education Course, Sanhakyeon Center
- Former Secretary-General, The Board of Audit and Inspection of Korea
- Former Commissioner and Acting Chairman, The Board of Audit and Inspection of Korea

SangSeung Yi
- Professor, Economics, Seoul National University
- Former Associate Professor, Economics, Sogang University
- Former Assistant Professor, Economics, Dartmouth College

JahngShick Bahn
- Dean, Sogang Graduate School of Management of Technology
- Former Dean, Sogang Institute of Advanced Technology
- Former Vice Minister, Ministry of Planning and Budget

OCI Annual Report 2014
Global network

Subsidiaries

1. OCI MATERIALS CO., LTD.

2. OCI SPECIALTY CO., LTD.

3. OCI POWER CO., LTD.

4. OCI INFORMATION & COMMUNICATION CO., LTD.

5. OCI SE CO., LTD.

6. OCI CHINA CO., LTD.

7. TANGSHAN OCI SUNFAR CHEMICAL CO., LTD.

8. SHANDONG OCI CHEMICAL CO., LTD.

9. OCI CHEMICAL CORP.

10. OCI SOLAR POWER LLC

11. OCI WYOMING LLC

12. OCI ALABAMA LLC

13. OCI JAPAN CO., LTD.

14. OCI VIETNAM CO., LTD.

15. OCI CHEMICAL EUROPE N.V.

16. ORDEG CO., LTD.

17. OCI-FERRO CO., LTD.

18. SHANDONG OCI-JIANYANG CARBON BLACK CO., LTD.

19. MA STEEL-OCI CHEMICAL DI-LTD.

20. EKO PEROXIDE LLC

21. MISSION SOLAR ENERGY LLC

22. SUN ACTION TRACKERS LLC

23. PHILKO PEROXIDE CORP.
Product list

Category | Product Name | Molecular Formulas | CAS No. | Characteristics
--- | --- | --- | --- | ---
Basic chemical | Acrylic | C3H4O2 | 627-85-5 | Yellow or light-yellow liquid, 35%~36% purity

Carbon black | C | 1332-44-4 | Derivatives | Carbon or carbon black powder, 32-40 or 40-50 grade

Carbon black oil | C3H4O2 | 627-85-5 | Powder | Light-yellow to yellow liquid, 35%~36% purity

Other | Acrylic | CH2=CHCOOH | 107-03-3 | White powder, >97.0% purity

Silicon | Si | 7440-21-3 | Ingot | Shandong, China

Carbon chemical | Carbon black | C | 1332-44-4 | Carbon or carbon black powder, 32-40 or 40-50 grade

Carbon black oil | C3H4O2 | 627-85-5 | Powder | Light-yellow to yellow liquid, 35%~36% purity

Other | Acrylic | CH2=CHCOOH | 107-03-3 | White powder, >97.0% purity

Silicon | Si | 7440-21-3 | Ingot | Shandong, China
TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF OCI COMPANY LTD.:  

Report on the Financial Statements  
We have audited the accompanying consolidated financial statements of OCI Company (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and December 31, 2013, respectively, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, for the years ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial statements  
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility  
Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion  
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the OCI Company and its subsidiaries as of December 31, 2014 and December 31, 2013, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

Others  
We conducted our audit of consolidated financial statements of OCI Company and its subsidiaries as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

March 5, 2015
## OCI COMPANY LTD. AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
#### AS OF DECEMBER 31, 2014 AND 2013

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2014</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term financial liabilities</td>
<td>₩979,613,531</td>
<td>₩643,108,094</td>
</tr>
<tr>
<td>Trade and other accounts payable</td>
<td>₩824,166,882</td>
<td>₩801,093,173</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>5,391,643</td>
<td>4,119,199</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>7,447,947</td>
<td>123,387,779</td>
</tr>
<tr>
<td>Liabilities related to assets held for sale</td>
<td>2,938,779</td>
<td>-</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,943,333</td>
<td>8,409,139</td>
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<tr>
<td><strong>TOTAL CURRENT LIABILITIES:</strong></td>
<td>₩1,822,502,115</td>
<td>₩1,580,117,384</td>
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<tr>
<td><strong>NON-CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term financial liabilities</td>
<td>₩1,758,648,979</td>
<td>₩1,732,446,824</td>
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<tr>
<td>Long-term trade and other accounts payable</td>
<td>33,986,649</td>
<td>39,579,992</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>-</td>
<td>240,984</td>
</tr>
<tr>
<td>Provisions</td>
<td>6,946,239</td>
<td>25,985,151</td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td>124,130,085</td>
<td>79,423,972</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>416,990,314</td>
<td>570,749,989</td>
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<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES:</strong></td>
<td>₩2,340,724,266</td>
<td>₩2,448,871,912</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES:</strong></td>
<td>₩4,163,226,381</td>
<td>₩4,028,989,296</td>
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<tr>
<td><strong>SHAREHOLDERS’ EQUITY:</strong></td>
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<tr>
<td>Capital</td>
<td>₩127,246,855</td>
<td>₩127,246,855</td>
</tr>
<tr>
<td>Other contributed capital</td>
<td>780,651,475</td>
<td>799,504,170</td>
</tr>
<tr>
<td>Other components of capital</td>
<td>(34,169,208)</td>
<td>(29,311,563)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,885,746,494</td>
<td>1,935,055,439</td>
</tr>
<tr>
<td><strong>TOTAL SHAREHOLDERS’ EQUITY:</strong></td>
<td>₩3,155,487,423</td>
<td>₩3,273,301,215</td>
</tr>
<tr>
<td><strong>NON-CONTROLLING INTERESTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY:</strong></td>
<td>₩7,418,713,804</td>
<td>₩7,302,290,651</td>
</tr>
</tbody>
</table>

### OCI COMPANY LTD. AND SUBSIDIARIES
#### CONSOLIDATED STATEMENTS OF INCOME
#### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>₩3,139,651,588</td>
<td>₩2,955,507,111</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,652,355,342)</td>
<td>(2,704,710,060)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>₩487,296,246</td>
<td>₩250,797,051</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>(441,355,678)</td>
<td>(356,997,041)</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>45,900,568</td>
<td>(16,199,990)</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>92,110,821</td>
<td>107,755,631</td>
</tr>
<tr>
<td><strong>Financial expense</strong></td>
<td>(137,287,627)</td>
<td>(165,066,279)</td>
</tr>
<tr>
<td>Share of profits of joint entities and associates</td>
<td>7,136,668</td>
<td>8,907,275</td>
</tr>
<tr>
<td>Other non-operating income</td>
<td>137,187,210</td>
<td>81,779,765</td>
</tr>
<tr>
<td>Other non-operating expense</td>
<td>(53,865,097)</td>
<td>(318,216,899)</td>
</tr>
<tr>
<td><strong>Income (loss) before income tax expense</strong></td>
<td>-49,192,558</td>
<td>(183,042,589)</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(6,857,856)</td>
<td>(104,734,754)</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>₩42,334,700</td>
<td>(287,777,262)</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS) ATTRIBUTABLE TO:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>₩(19,913,722)</td>
<td>₩(327,715,806)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>₩62,248,422</td>
<td>₩39,938,544</td>
</tr>
<tr>
<td><strong>Net loss per share (in Korean won): Basic and diluted</strong></td>
<td>₩(835)</td>
<td>₩(13,741)</td>
</tr>
</tbody>
</table>

(Korean won in thousands)
## OCI COMPANY LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<table>
<thead>
<tr>
<th>Year</th>
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<td>OTHER COMPREHENSIVE INCOME (LOSS):</td>
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<tr>
<td>Items that will not be reclassified subsequently to income (loss)</td>
<td>₩(32,525,933)</td>
<td>₩28,385,398</td>
</tr>
<tr>
<td>Remeasurement factor on defined benefit plans</td>
<td>₩18,498,720</td>
<td>₩(15,237,701)</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to income (loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on valuation of AFS financial assets</td>
<td>₩(685,783)</td>
<td>₩(18,107,989)</td>
</tr>
<tr>
<td>Share of other comprehensive income of jointly controlled entities and associates</td>
<td>₩1,061,703</td>
<td>₩183,736</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>₩(4,167)</td>
<td>₩(3,407,221)</td>
</tr>
<tr>
<td>COMPREHENSIVE INCOME (LOSS)</td>
<td>₩29,839,823</td>
<td>₩(291,184,483)</td>
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## OCI COMPANY LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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<tr>
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### OCI COMPANY LTD. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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#### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

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OCI COMPANY LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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<tr>
<th>Description</th>
<th>2014 (Korean won in thousands)</th>
<th>2013 (Korean won in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operating activities</td>
<td>380,855,067</td>
<td>327,304,927</td>
</tr>
<tr>
<td>Interest income received</td>
<td>13,828,053</td>
<td>16,759,127</td>
</tr>
<tr>
<td>Interest expense paid</td>
<td>(107,869,121)</td>
<td>(91,759,066)</td>
</tr>
<tr>
<td>Dividends income received</td>
<td>6,615,677</td>
<td>9,774,525</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(107,869,121)</td>
<td>(233,939,627)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>171,122,993</td>
<td>28,139,886</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in short-term financial instruments</td>
<td>471,500,000</td>
<td>1,470,400,000</td>
</tr>
<tr>
<td>Increase in short-term financial instruments</td>
<td>(301,242,827)</td>
<td>(1,370,768,854)</td>
</tr>
<tr>
<td>Decrease in short-term loans</td>
<td>3,060,499</td>
<td>10,035</td>
</tr>
<tr>
<td>Increase in short-term loans</td>
<td>(10,000)</td>
<td>(1,225,000)</td>
</tr>
<tr>
<td>Decrease in HTM financial investments</td>
<td>1,240,225</td>
<td>883,905</td>
</tr>
<tr>
<td>Increase in HTM financial investments</td>
<td>(78,020)</td>
<td>(117,165)</td>
</tr>
<tr>
<td>Decrease in AFS financial assets</td>
<td>-</td>
<td>40,405,781</td>
</tr>
<tr>
<td>Increase in long-term financial instruments</td>
<td>(1,051,445)</td>
<td>(56,348)</td>
</tr>
<tr>
<td>Decrease in long-term loans</td>
<td>644,046</td>
<td>4,318,827</td>
</tr>
<tr>
<td>Increase in long-term loans</td>
<td>(590,833)</td>
<td>(248,750)</td>
</tr>
<tr>
<td>Disposal of investment property</td>
<td>27,574,177</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of investment property</td>
<td>(274,150)</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of property, plant and equipment</td>
<td>13,189,277</td>
<td>7,597,745</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>(97,945,100)</td>
<td>(418,651,254)</td>
</tr>
<tr>
<td>Disposal of intangible assets</td>
<td>2,072,389</td>
<td>3,410,578</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(5,101,674)</td>
<td>(5,394,718)</td>
</tr>
<tr>
<td>Disposal of joint venture investment assets</td>
<td>91,759,066</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of joint ventures and associates</td>
<td>(144,800)</td>
<td>(4,411,605)</td>
</tr>
<tr>
<td>Decrease in other non-current assets</td>
<td>5,376,595</td>
<td>-</td>
</tr>
<tr>
<td>Increase in other non-current assets</td>
<td>-</td>
<td>(1,265,444)</td>
</tr>
<tr>
<td>Cash inflow from acquisition of subsidiaries</td>
<td>-</td>
<td>24,663,328</td>
</tr>
<tr>
<td>Cash inflow from disposal of subsidiaries</td>
<td>44,644,377</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in investment activities</strong></td>
<td>(143,679,106)</td>
<td>(252,271,597)</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014 (Korean won in thousands)</th>
<th>2013 (Korean won in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in short-term borrowings</td>
<td>516,982,869</td>
<td>181,493,915</td>
</tr>
<tr>
<td>Decrease in current portions of long-term financial liabilities</td>
<td>(388,812,407)</td>
<td>(91,726,943)</td>
</tr>
<tr>
<td>Increase in long-term borrowings</td>
<td>688,955,888</td>
<td>106,216,919</td>
</tr>
<tr>
<td>Decrease in long-term borrowings</td>
<td>(28,962,246)</td>
<td>(21,057,682)</td>
</tr>
<tr>
<td>Issuance of long-term debentures</td>
<td>29,900,790</td>
<td>139,699,500</td>
</tr>
<tr>
<td>Increase in government subsidies</td>
<td>3,778,531</td>
<td>18,589,866</td>
</tr>
<tr>
<td>Paid-in capital increase</td>
<td>11,727,747</td>
<td>92,804,057</td>
</tr>
<tr>
<td>Payment of dividends</td>
<td>(59,157,057)</td>
<td>(306,122,558)</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>(1,408,000)</td>
<td>(44,889,215)</td>
</tr>
<tr>
<td>Equity transaction with non-controlling interests</td>
<td>(3,885,340)</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>(510,620)</td>
<td>(152,449)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>326,064,613</td>
<td>131,055,277</td>
</tr>
</tbody>
</table>

**CHANGES IN CASH AND CASH EQUIVALENTS DUE TO FOREIGN CURRENCY TRANSLATION**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014 (Korean won in thousands)</th>
<th>2013 (Korean won in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>1,527,722</td>
<td>(1,252,540)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of the year</td>
<td>351,962,767</td>
<td>446,291,655</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of the year</td>
<td>(W) 518,199,191</td>
<td>(W) 351,962,767</td>
</tr>
</tbody>
</table>

Continued
Corporate info and contacts

Date of establishment
November 8, 1959

Head office
OCI Building, 94 Sogong-ro, Jung-gu, Seoul, 100-718, Korea
+82-2-727-9500

Website
www.oci.co.kr

Stock information
The stock was listed on the Korea Exchange in 1976.
Paid-in capital | USD 115.8 million
Based on KRW-USD exchange rate of 1,099.20 as of Dec. 31, 2014
Common stock | 23,849,371 shares

IR contact point
email | ir@oci.co.kr