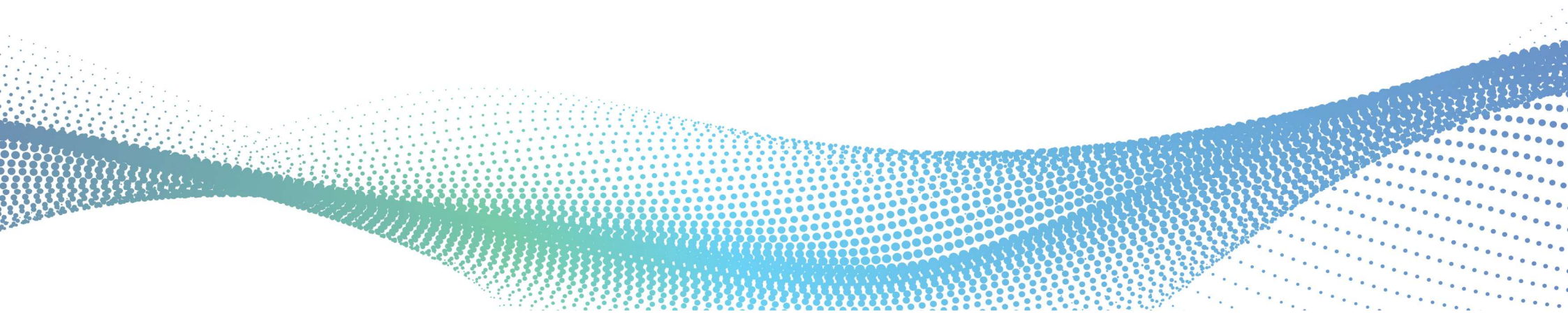


# FOURTH QUARTER 2022

Financial Results

HYOSUNG CHEMICAL



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## HYOSUNG CHEMICAL

[4Q 2022 consolidated earnings and past consolidated earnings presented in this presentation are based on K-IFRS accounting standards. Historical data is provided for comparison purposes.](#)

Information in this presentation has not been audited nor reviewed yet, and thus, is subject to change during the audit or review. Forward looking statements have been made with consideration of current status of the business environment and are also subject to change according to changes in the business environment, as well as the company's strategy.

# 4Q 2022 Financial Results

## Quarterly Profit/Loss Statement (Consolidated)

(Unit: Billion KRW)

	4Q 2021	3Q 2022	4Q 2022	QoQ	YoY
Sales Revenue	612.0	702.9	682.0	(3.1%)	11.4%
Gross Profit	10.6	(112.2)	(69.2)	Continued Loss	Turn to Loss
<i>Gross Profit Margin</i>	<i>1.7%</i>	<i>(16.0%)</i>	<i>(10.1%)</i>	<i>5.9%p</i>	<i>(11.8%p)</i>
Operating Profit	(16.8)	(139.8)	(95.7)	Continued Loss	Continued Loss
<i>Operating Profit Margin</i>	<i>(2.7%)</i>	<i>(19.9%)</i>	<i>(14.0%)</i>	<i>5.9%p</i>	<i>(11.3%p)</i>
Interest Expense	10.8	28.1	36.7	30.6%	239.8%
Gain or Loss on Foreign Exchange/Derivatives	(1.0)	(0.8)	12.6	1675.0%	1260.0%
Income before Tax	(27.4)	(171.1)	(139.7)	Continued Loss	Continued Loss
Net Profit	(32.3)	(151.8)	(119.7)	Continued Loss	Continued Loss
Net Profit in Controlling Interest	(32.3)	(151.8)	(119.7)	Continued Loss	Continued Loss
EBITDA	39.5	(65.4)	(19.6)	Continued Loss	Turn to Loss

# 4Q 2022 Financial Results (Continued)

## Balance Sheet (Consolidated)

(Unit : Billion KRW)

	Dec 2021	Sep 2022	Dec 2022	QoQ
Assets	3056.2	3473.2	3131.1	(9.8%)
Current Assets	797.6	946.4	845.0	(10.7%)
Cash & Cash Equivalents	36.5	181.3	108.1	(40.3%)
Non-Current Assets	2258.6	2526.8	2286.0	(9.5%)
Liabilities	2554.7	3240.9	3016.5	(6.9%)
Current Liabilities	1083.1	1607.5	2593.8	61.3%
Non-Current Liabilities	1471.6	1633.4	422.6	(74.1%)
Equity	501.5	232.3	114.6	(50.6%)
Debt	2020.7	2781.3	2536.7	(8.8%)
Net Debt	1984.2	2600.0	2428.6	(6.6%)
<i>Net Debt to Equity Ratio</i>	<i>395.7%</i>	<i>1,119.2%</i>	<i>2,119.2%</i>	<i>1,000.0%p</i>

# 4Q 2022 Financial Results (Continued)

## Cashflow (Consolidated)

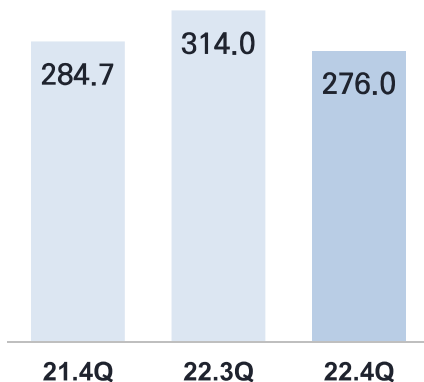
(Unit : Billion KRW)

	Jan to Dec 2021	3Q 2021	4Q 2022	Jan to Dec 2022
Cash Flow from Operations	83.3	(90.8)	53.8	(100.4)
Net Income	70.4	(151.8)	(48.9)	(338.0)
Depreciation	195.2	74.3	35.5	251.2
Changes in Net Working Capital, etc.	(182.3)	(13.3)	13.5	(67.3)
Cash Flow from Investing	(471.2)	(217.1)	(1,50.7)	(610.9)
PP&E and Intangibles	(471.2)	(217.1)	(23.9)	(484.1)
Others	0	0	0	0
Cash Flow from Financing	359.2	430.8	8.6	770.0
Changes in Borrowings	359.2	430.8	8.6	770.0
Dividend Payment	0	0	0	0
Changes in Cash and Cash Equivalents	(28.7)	122.9	(110.2)	36.8

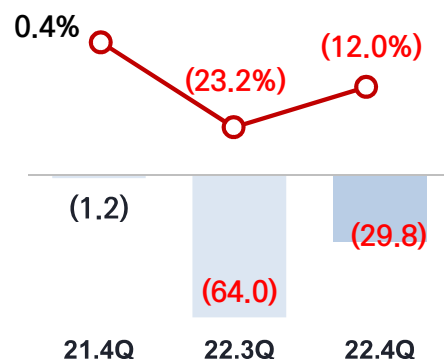
# Financial Performance by Division

## PP/DH (Korea) | Widened spread brought on from falling propane price which resulted in reduced deficit

Sales revenue



Operating Profit (Margin) Unit: Billion KRW



### PP homo(Korea)-Propane(CP) Spread QoQ

(\$/ton)	21.4Q	22.3Q	22.4Q	QoQ	YoY
PP(homo)	1,171	962	902	(6.2%)	(23.0%)
Propane(CP)	822	682	617	(9.5%)	(24.9%)
<b>Spread</b>	<b>119</b>	<b>89</b>	<b>112</b>	<b>26.0%</b>	<b>(5.9%)</b>

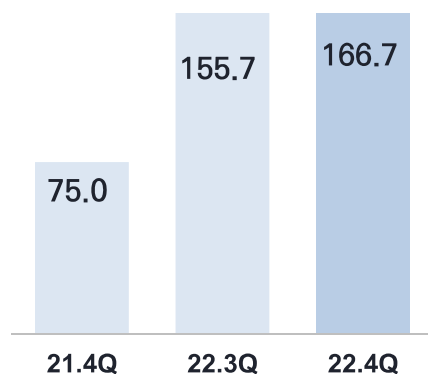
- Reduced deficit compared to the third quarter due to wider spread caused by falling propane price and expectation of improvement in profit due to the abandonment of China's zero-Covid policy and recovery in demand through China's swift reopening

### PP(homo) price premium: North America, Europe vs. Far East Asia

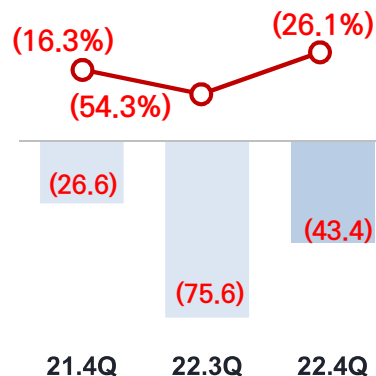
(\$/ton)	Jul.22	Aug.22	Sep.22	Oct.22	Nov.22	Dec.22
N-America	864	421	238	91	112	67
W-Europe	501	486	351	326	419	384

## PP/DH (Vietnam) | Stable production after Revamp Process of OL-1

Sales revenue



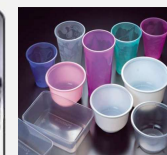
Operating Profit (Margin) Unit: Billion KRW



### PP homo(Southeast Asia)-Propane(CP) Spread QOQ

(\$/ton)	21.4Q	22.3Q	22.4Q	QoQ	YoY
<b>Spread</b>	<b>200</b>	<b>108</b>	<b>137</b>	<b>26.9%</b>	<b>(31.5%)</b>

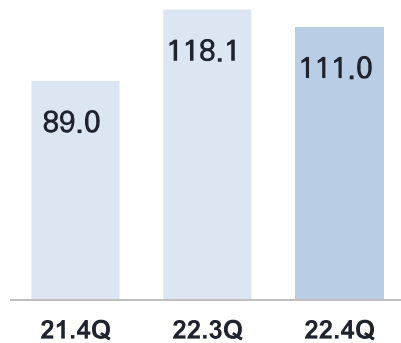
- Reduced deficit compared to the third quarter due to wider spread
- Expectation of increase in sales and profit through stable production after Revamp Process



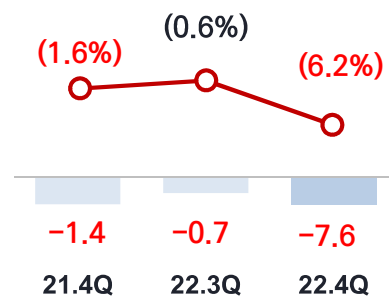
# Financial Performance by Division (Continued)

## TPA | Narrowed spread driven by dull global demand

Sales Revenue



Operating Profit (Margin) Unit: Billion KRW



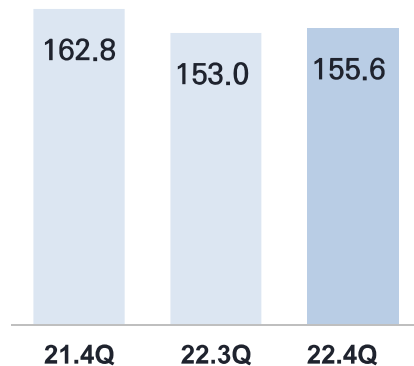
- TPA-PX (0.665) benchmark spread slightly decreased QoQ, YoY

(\$/ton)	21.4Q	22.3Q	22.4Q	QoQ	YoY
TPA	704	845	758	(10.3%)	7.7%
PX	894	1,096	981	(10.5%)	9.7%
<b>Spread</b>	<b>119</b>	<b>128</b>	<b>116</b>	<b>(9.4%)</b>	<b>(2.5%)</b>

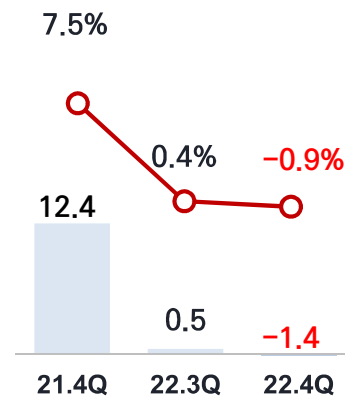
- Falling global demand and release of Chinese products declined realized spread which resulted in lower profit.

## Others | Slowing order flow for Film/POK amid weaker demand for display products

Sales Revenue



Operating Profit (Margin) Unit: Billion KRW



### <NF3>

- Expectation of increase in sales and profit due to the expansion of Oksan Plant

### <TAC film>

- Profit decreased due to persistent dull demand in display; expansion of differentiated product sales to increase profit

### <Film>

- Temporary difficulty to recover demand due to excessive inventory of clients; recovery of profit by diversifying clients with new release of product

### <POK (Polyketone)>

- China's fall in demand and competitive prices lowered profit; new entry into the parts market to secure profit due to increased demand for electric vehicles

## Appendix 1. Quarterly Income Statements by Biz Sector

### Sales Revenue

Unit: Billion KRW

	2017	2018	2019					2020					2021					2022				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
PP/DH	1770	984	220	253	247	227	947	210	242	285	270	1008	357	389	376	357	1479	443	448	432	415	1738
TPA	596	391	103	106	75	69	353	78	51	54	56	238	73	68	93	89	323	94	129	118	111	452
Others	495	489	129	130	134	121	514	127	136	149	150	571	161	162	162	167	652	190	190	153	184	717
Sum	2861	1864	452	489	456	417	1814	415	429	488	476	1817	591	619	631	613	2454	727	767	703	710	2907

### Operating Margin

Unit: Billion KRW

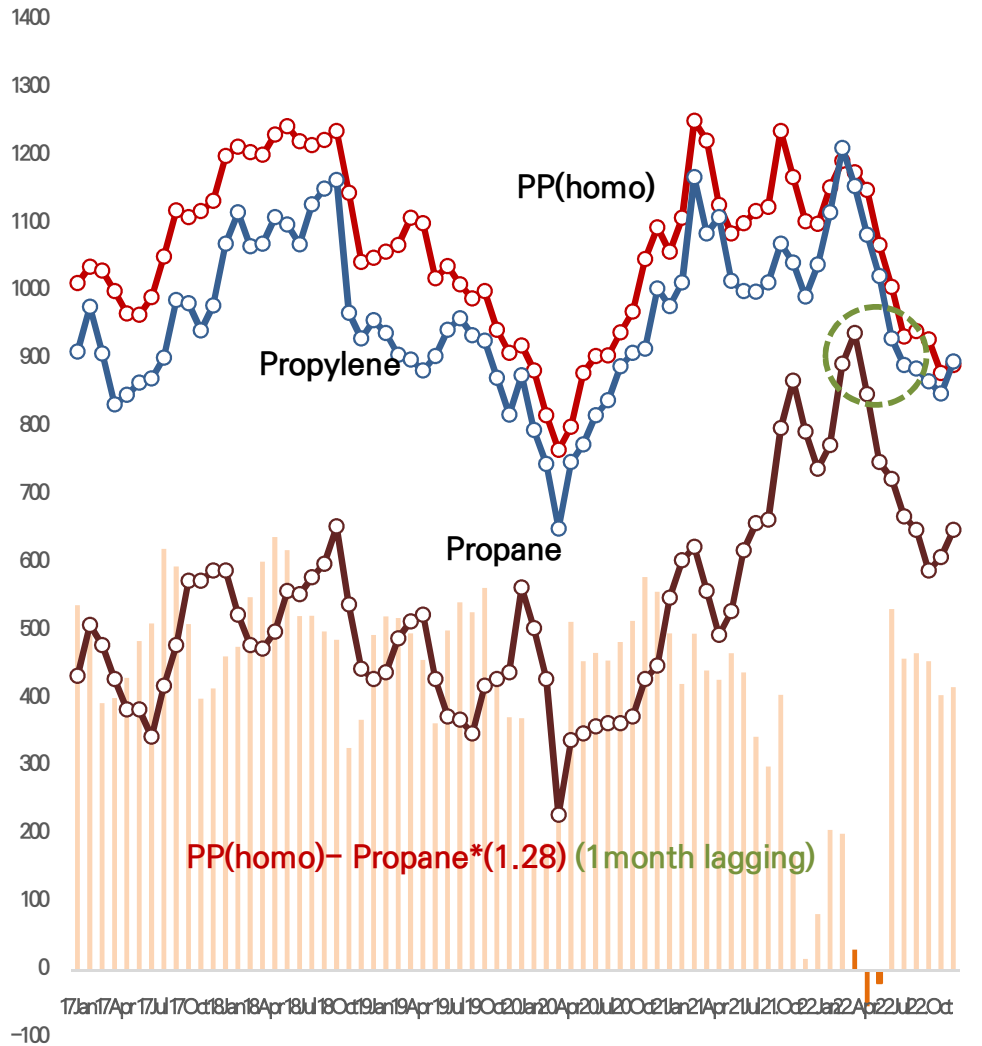
(OPM)	2017	2018	2019					2020					2021					2022				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
PP/DH	130.8	107.3	21.0	39.6	45.7	27.5	133.8	3.7	(5.3)	11.6	9.4	19.4	43.7	54.7	15.6	(27.8)	86.2	(54.6)	(94.9)	(139.6)	(86.8)	(375.9)
	7.4%	10.9%	9.5%	15.7%	18.5%	12.1%	14.1%	1.8%	(2.2%)	4.1%	3.5%	1.9%	12.2%	14.1%	4.1%	(7.8%)	5.8%	(12.3%)	(21.2%)	(32.3%)	(20.9%)	(21.6%)
TPA	17.6	7.6	2.7	6.8	2.0	(3.4)	8.1	(0.8)	(4.8)	(1.7)	(3.4)	(10.7)	(1.8)	(3.6)	(1.1)	(1.4)	(7.9)	(0.1)	5.2	(0.7)	(7.6)	(3.2)
	3.0%	1.9%	2.6%	6.4%	2.7%	(4.9%)	2.3%	(1.0%)	(9.4%)	(3.1%)	(6.1%)	(4.5%)	(2.5%)	(5.3%)	(1.2%)	(1.6%)	(2.4%)	(0.1%)	4.0%	(0.6%)	(6.8%)	(0.7%)
Others	39.5	(6.9)	1.3	3.2	7.4	0.2	12.1	9.5	13.7	15.0	13.9	52.2	19.2	20.2	18.3	12.4	70.1	21.6	21.6	0.5	8.7	52.4
	8.0%	(1.4%)	1.0%	2.5%	5.5%	0.2%	2.4%	7.5%	10.1%	10.1%	9.3%	9.1%	11.9%	12.5%	11.3%	7.4%	10.8%	11.4%	11.4%	0.3%	4.7%	7.3%
Sum	187.8	108.0	25.0	49.6	55.1	24.3	154.0	12.4	3.6	24.8	20.0	60.9	61.1	71.3	32.8	(16.7)	148.5	(33.1)	(68.1)	(139.8)	(85.7)	(326.7)
	6.6%	5.8%	5.5%	10.1%	12.1%	5.8%	8.5%	3.0%	0.8%	5.1%	4.2%	3.4%	10.3%	11.5%	5.2%	(2.7%)	6.1%	(4.6%)	(8.9%)	(19.9%)	(12.1%)	(11.2%)



## Appendix 2. Price Trend of Raw Materials

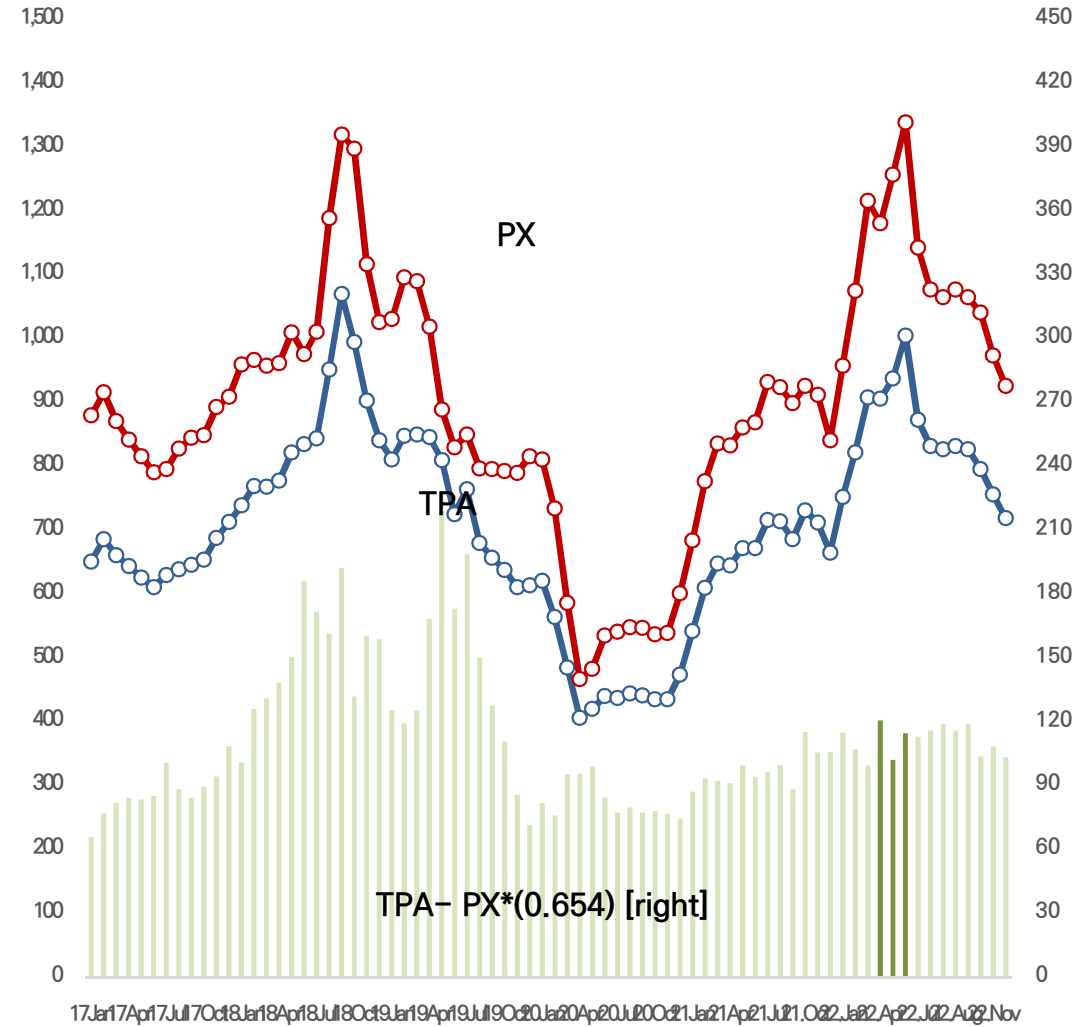
### PP(homo) – Propylene – Propane

(unit: \$/ton)



### PX – TPA

(unit: \$/ton)



# Appendix 3. Fact sheet

## HYOSUNG CHEMICAL

### Business Model

#### ▶ World No1. PP-R(pipe) Provider

- 61% of total revenue (2021)
- Key markets: China, Middle East, Turkey, Russia, CIS
- PP-R pipe accounts for ~55% of total PP outputs
- Key feedstock: Propane
- Brand "TOPILENE R200P"

#### ▶ TPA

- 13% of total revenue (2021)
- 75% of its revenue stems from group affiliates
- Key feedstock: PX

#### ▶ PET/NY Flim

- 11% of total revenue (2021)
- Main use: Food packaging, LCD film protection
- Key feedstock: PET chip, NY6 chip

#### ▶ World No3. NF3 Provider

- Key Customers: Samsung Electronics Company, SK-Hynix, LG Display, Samsung SDI
- Key feedstock: Hydrogen Fluoride

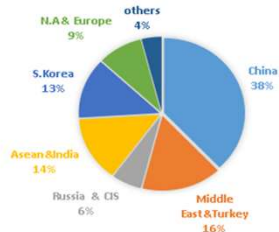
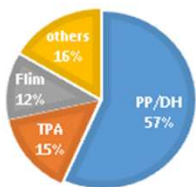
#### ▶ Polyketon: eco-friendly product

- Brand "POKETONE"
- Key feedstock: CO

#### ▶ World No3. TAC(Tri-Acetyl Cellulose) Flim Provider

- LCD polarizer(PVA film) protection film

SALES REVENUE



### Industry Backdrop

#### ▶ PP-R Pipe

- **Replacing PVC:** water pipe, better economics/eco-friendly, more prominent in China/Middle East.
- **Emerging markets:** particularly strong in SE Asia and India due to a slew of infrastructure investments.
- **PP(homo):** likely supply glut in China in 2022 whereas **PP-R** should fare better given its unique pricing dynamics linked with PVC market(in lieu of PP) which appears to trend up in 2022.

#### ▶ NF3 market

- Nearly "sold-out" situation, imminent expansion warranted
- Strong IT demand especially for D-RAM

#### ▶ POK market

- Could be meaningfully big in the future given its consistency with carbon-zero campaign: Use CO<sub>2</sub>, a precursor for POK, originating from carbon capture facilities.
- The lowest CO<sub>2</sub> emission across various engineering plastics.

### Growth Strategy

#### ▶ Focus on Low-cost Curve, Volume Gains

- Focus on Premium-grade(e.g. PP-R)
- PP/DH: Full capacity run(600kMT/year) in Vietnam
- Strategic geographical choice: growth potential in India/SE bypassing trade conflict(high tariff).

#### ▶ Tech-related materials

- NF3: per requests from captive customers.

### Competitive Edges

#### ▶ Capability to produce eco-friendly EP

#### ▶ Trust from returning customers

- Capacity expansion per request from captive customers
- High entry barrier related to the need to deal with toxic materials (e.g. fluoride)

### Management Team

#### CEO: Kun-Jong LEE

- Ph D in Chemistry
- Ex-Director of LCD manufacturing center Samsung Electronics
- Ex-CEO at Wonil Materials



#### CFO : Bo-Young YOON

Ex-Head of Finance at Hyosung Corporation



### Key Metrics

<b>Sales</b>	<b>2,453 billion KRW</b>
Growth	35.0%
<b>Gross profit</b>	<b>249 billion KRW</b>
Growth	62.8%
<b>EBITDA</b>	<b>344 billion KRW</b>
Growth	41.5%
<b>Operating profit</b>	<b>148 billion KRW</b>
Growth	143.4%
<b>Net debt/Equity</b>	<b>509.5%</b>
Average number of staff: 1,195 (worldwide)	