

Hanwha Chemical

Q3 2019 Earnings Release

November 13, 2019

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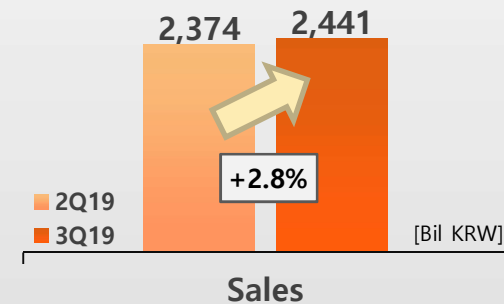
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3Q19 vs 2Q19

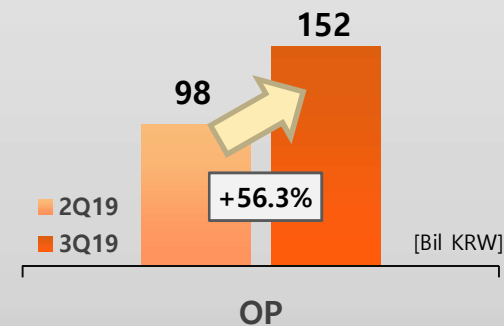
Sales increased by +2.8% QoQ

- ✓ Shipment and price increased in Photovoltaics



Operating profit increased by +56.3% QoQ

- ✓ Raw material cost dropped in Basic Materials
- ✓ Earnings improved in Photovoltaics



Profits and Losses

(Unit: billion KRW)

	3Q19	2Q19	QoQ	3Q18	YoY
Sales	2,441	2,374	+2.8%	2,312	+5.6%
Operating Profit	152	98	+56.3%	94	+62.6%
Operating Profit Margin	6.2%	4.1%	+2.1%p	4.1%	+2.1%p
EBITDA	295	237	+24.6%	203	+45.2%
EBITDA Margin	12.1%	10%	+2.1%p	8.8%	+3.3%p
Pre-tax Profit	136	45	+206.5%	-3	Turned to profit
Net Profit	112	23	+385.4%	-35	Turned to profit



	Basic Materials	Photovoltaics	Process Materials	Retail	Others	Consolidated adj.	Total
Sales	1,008	1,638	248	135	269	-858	2,441
Operating Profit	76	66	-1	-1	12	1	152
Operating Profit Margin	7.5%	4.0%	-0.2%	-0.6%	4.3%	-	6.2%

Balance Sheet(K-IFRS)

(Unit: billion KRW)

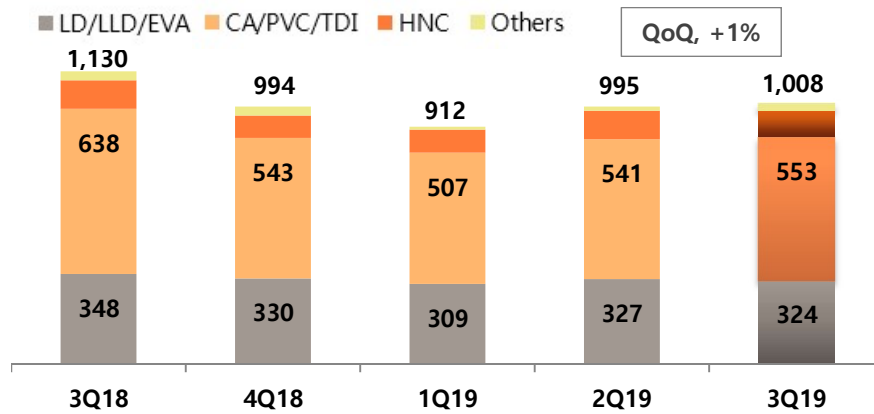
	2017	2018	3Q19	Vs. 2018
Total Assets	13,650	15,232	15,852	+621
Cash & Cash Equivalents	(805)	(1,024)	(787)	△238
Total Liabilities	7,462	9,004	9,478	+473
Debt	(4,417)	(5,889)	(6,239)	+351
Total Shareholders' Equity	6,188	6,227	6,375	+148
Total Liabilities/Equity	121%	145%	149%	+4%p
Net Debt/Equity	58%	78%	86%	+8%p



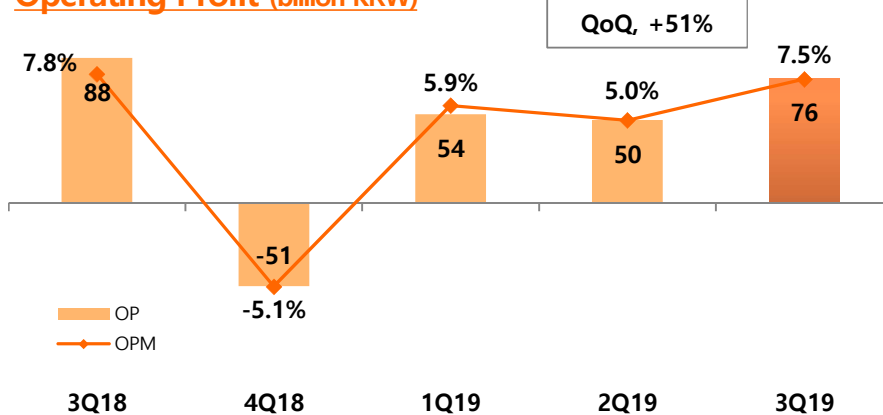
	Basic Materials	Photovoltaics	Process Materials	Retail	Others	Consolidated adj.	Total
Total Assets	8,439	8,604	1,613	2,327	1,402	-6,532	15,852
Total Liabilities	2,887	5,092	995	1,200	641	-1,336	9,478
Total Equity	5,552	3,512	618	1,127	761	-5,196	6,375

Basic Materials

Sales (billion KRW)



Operating Profit (billion KRW)



3Q19 Analysis

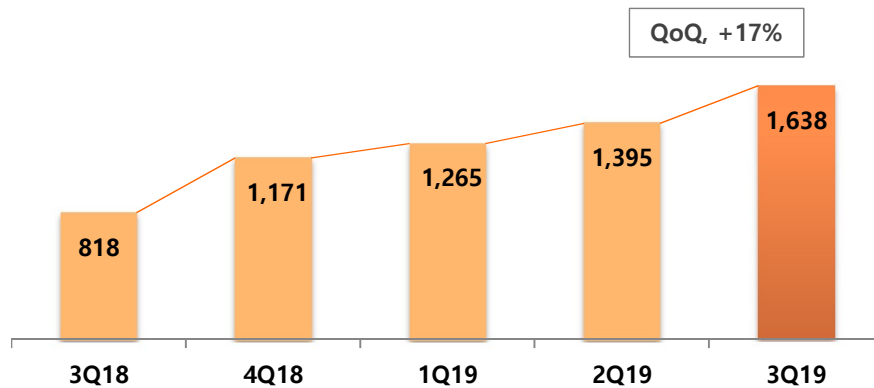
- Operating profit increased due to improvement of PE and PVC spread with raw material cost decrease, base effect of regular maintenance during the past quarter, and KRW depreciation against USD
 - LD/LLD/EVA: Widened spread with lower raw material cost
 - CA/PVC/TDI: Operating profit increased due to improvement of PVC spread and base effect of caustic soda maintenance during the past quarter
 - Polysilicon: Operating loss continued owing to unfavorable international price

4Q19 Outlook

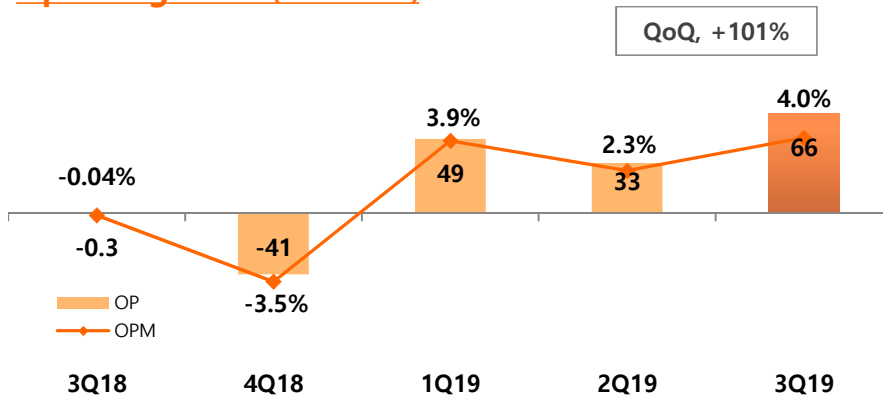
- Operating profit expected to decrease due to lower international price of main products and costs incurred by regular maintenance
 - LD/LLD/EVA: Spread expected to be narrowed with unfavorable selling price
 - CA/PVC/TDI: Operating profit is likely to decrease because of low caustic soda international price and regular maintenance of main products
 - Polysilicon: Operating loss expected to continue with delay of international price recovery

Photovoltaics

Sales (billion KRW)



Operating Profit (billion KRW)



3Q19 Analysis

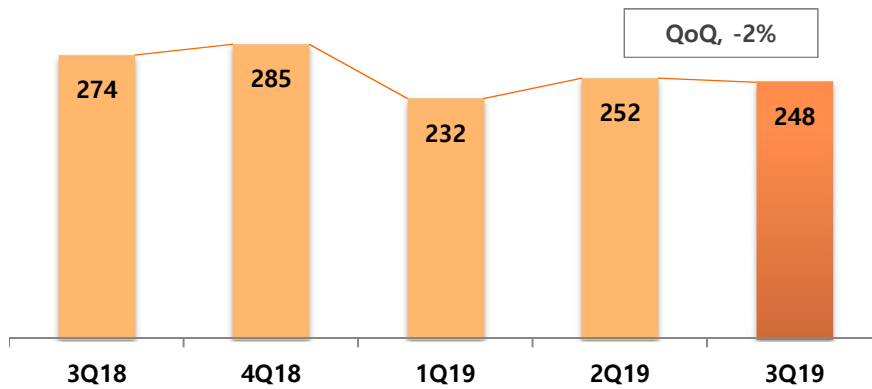
- **Effective line conversion mixed with solid demand in major regions led to higher ASPs and shipments, resulting in higher operating profit**
 - Higher ASPs supported by increased sales in high-performance mono PERC modules
 - Spread improved as cost normalized from the temporary increase last quarter, which was due to acceleration of multi-to-mono conversion process

4Q19 Outlook

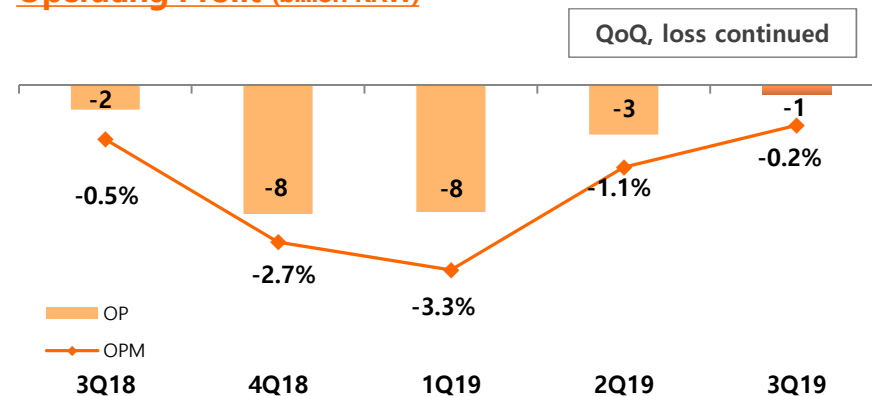
- **Profit is expected to increase as ASP continues to rise due to improved product mix resulting from production line conversion**
 - Sales are solid in major markets such as US/Japan/Australia and emerging markets including SEA

Process Materials

Sales (billion KRW)



Operating Profit (billion KRW)



3Q19 Analysis

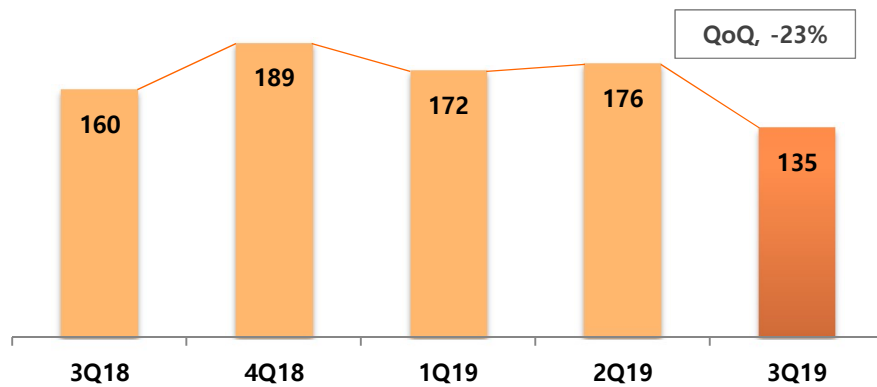
- Operating loss was reduced QoQ, aided by sales of new models launched by auto and electronic materials' customers
- **Automotive Materials:** Operating loss increased as major customers' sluggish sales trend in China continued, while new car sales increased in domestic market
- **PV Materials:** Operating profit increased QoQ due to solid installation demand in global PV markets as well as the depreciation of KRW
- **Electronics Materials:** Earnings turned to profit with the effect of new mobile phone release as well as commencement of contribution of sales to China

4Q19 Outlook

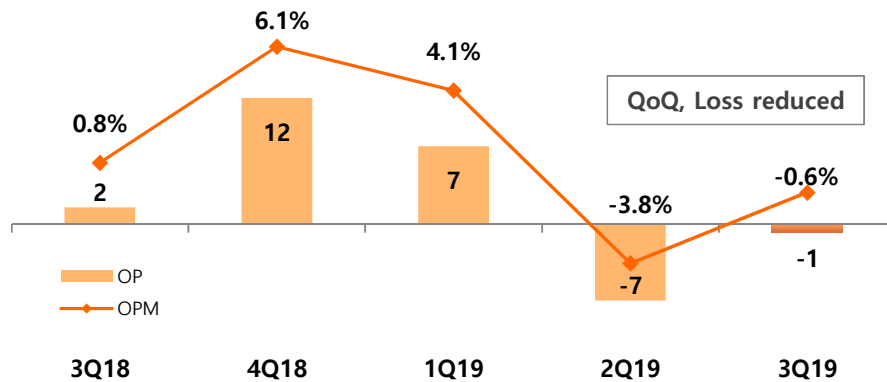
- Despite of some positive contribution from sales of new cars in domestic market, operating loss is expected to increase due to sluggish sales in China and Europe and customers' year-end stock reduction

Retail

Sales (billion KRW)



Operating Profit (billion KRW)



3Q19 Analysis

- **Operating loss narrowed due to the base effect of property tax reflected in the previous quarter and smaller loss from DFS**
 - **Department Store:** Operating profit improved owing to the lack of property tax and increased sales from luxury goods
 - **DFS:** Operating **loss** reduced as a result of lower sales and fixed cost

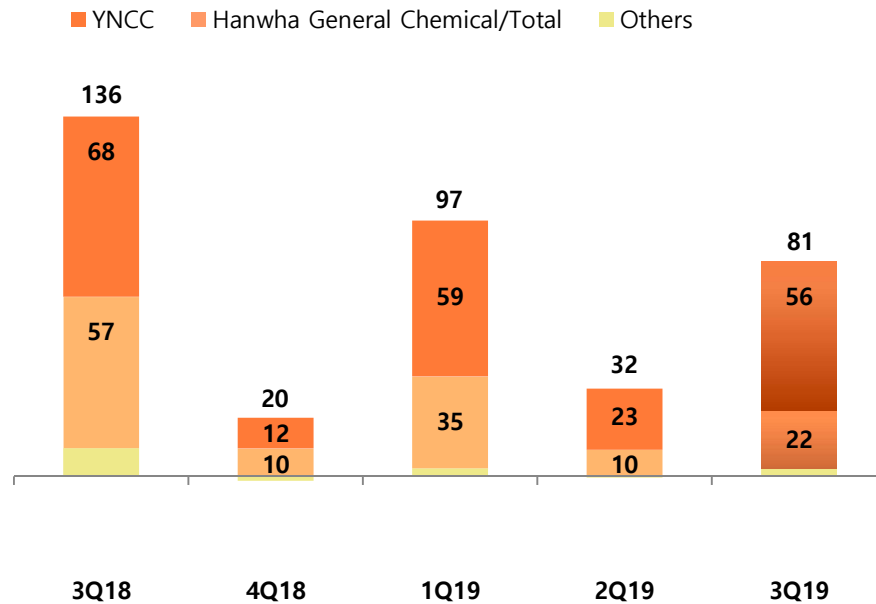
4Q19 Outlook

- **Earnings is expected to improve as demand increases in peak season and operating loss from DFS is no longer included as a result of termination of the business**

* DFS was closed on Sep 30th

Equity Method Income

Equity Method Income (billion KRW)



3Q19 Analysis

- **Equity method income increased as regular turnaround finished and raw materials cost were lowered**
 - **Hanwha General Chemical** : Earnings increased with widened spreads as a result of termination of turnaround and lower raw materials cost
 - **Hanwha Total** : Earnings turned to profit as operation normalized from SM plant accident and strike
 - **YNCC** : Earnings increased with widened spreads as a result of termination of turnaround and lower raw materials cost

4Q19 Outlook

- **While weak demand continues, stable earnings is expected due to normalized operation**
 - **Hanwha General Chemical** : #1 Plant turnaround and lower product prices will lead to narrowed spread
 - **Hanwha Total** : Earnings continue to improve due to normalized operation
 - **YNCC** : Lower product prices will lead to narrowed spread

Appendix.

Performance by Segment

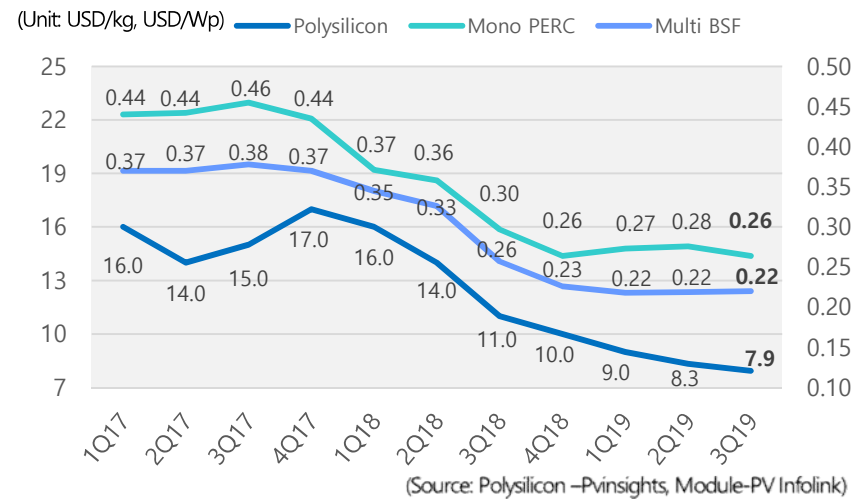
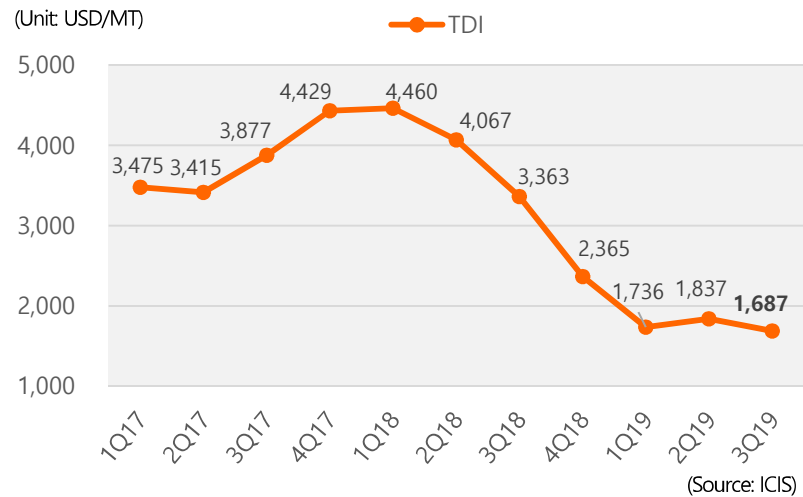
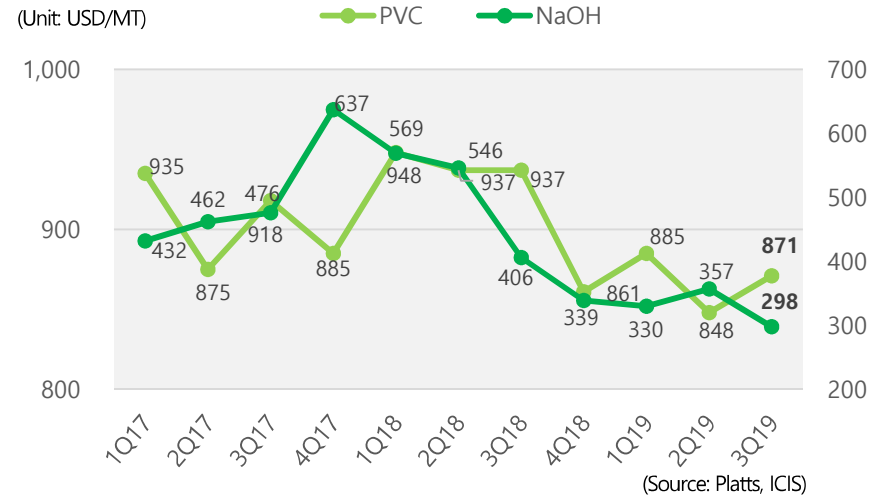
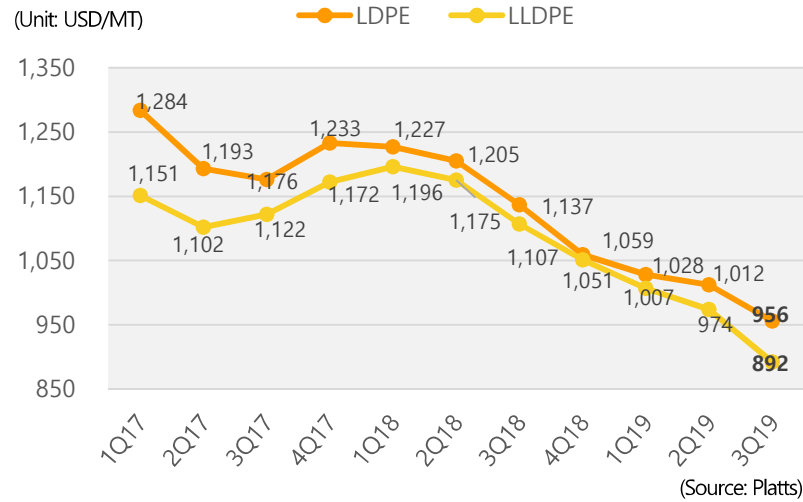
(Unit : billion KRW)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	2017	2018
Sales	2,191	2,486	2,313	2,352	2,076	2,251	2,312	2,408	2,236	2,374	2,441	9,342	9,046
Basic Materials	1,052	1,065	1,103	1,108	1,094	1,154	1,130	994	912	995	1,008	4,328	4,372
Photovoltaics	752	872	838	953	827	806	818	1,171	1,265	1,395	1,638	3,415	3,623
Process Materials	263	232	243	244	231	257	274	285	232	252	248	982	1,048
Retail	167	160	185	204	178	178	160	189	172	176	135	715	704
Others	375	522	329	255	243	270	268	243	253	302	269	1,480	1,024
Consolidated adj.	-418	-365	-384	-412	-497	-414	-338	-475	-597	-745	-858	-1,579	-1,724
Operating Profit	197	219	215	126	172	184	94	-96	98	98	152	756	354
Basic Materials	167	161	182	120	148	182	88	-51	54	50	76	631	367
Photovoltaics	11	15	5	-17	35	-4	-0	-41	49	33	66	14	-11
Process Materials	8	-1	3	-7	-6	2	-2	-8	-8	-3	-1	2	-13
Retail	-1	-11	17	19	5	1	2	12	7	-7	-1	23	19
Others	17	52	12	-6	2	7	8	-12	13	21	12	75	5
Consolidated adj.	-5	+3	-4	+16	-12	-4	-2	+5	-17	+3	+1	+11	-13
Pre-tax Profit	393	305	332	36	367	261	-3	-337	157	45	136	1,066	288
Net Profit	324	249	252	9	293	185	-35	-282	120	23	112	835	160

2020 Outlook

Basic Materials	LDPE	<ul style="list-style-type: none"> • LDPE market recovery is likely to be limited due to global economic recession and manufacturing industry depression of major countries despite the possibility of settlement of US-China trade dispute
	CA	<ul style="list-style-type: none"> • International price is expected to be unfavorable continuously with expansion of major Northeast Asian caustic soda makers. However, price is likely to rebound if demand recovers with ease of trade tensions between the US and China
	PVC	<ul style="list-style-type: none"> • PVC global demand is expected to grow by 2 to 3 percent in 2020, and the growth is likely to continue by mainly Southeast and Southwest Asian countries such as India. On the other hand, relationship between the US and China is likely to affect Asian PVC international price
	TDI	<ul style="list-style-type: none"> • If factors of global economic recession including US-China trade dispute are not resolved, bearish market sentiment would continue with new expansion expected. Despite this situation, market condition is likely to recover with adjustment of operation rate of global major TDI makers
	Polysilicon	<ul style="list-style-type: none"> • International price is expected to be supported because of limited expansion with cancellation of planned expansions in 2020 regarding bearish market condition and continued PV installation demand growth though oversupply is likely to continue with expansions in 2019
Photovoltaics	<ul style="list-style-type: none"> • US: Relatively low LCOE vs. other energy sources enables strong growth in the utility segment, with resi/C&I segments to maintain solid demand • Europe: Despite competition lowering ASPs, improved LCOEs and policy support lead to continued growth <ul style="list-style-type: none"> - Germany: A stable rooftop sector and expanding utility auction scheme to increase entire market - Netherlands: Large scale auction growth and strengthened residential scheme to maintain growth - Spain: Despite FIT removal, market grid parity to maintain non-subsidy demand • Korea: Despite SMP and REC price drops, large-scale public/private sector projects spur demand • Japan: Increased ESS deployment for self-consumption and 2019 installations delayed for low ASPs maintain solid demand • China: Newly announced installation plans, mixed with delayed 2019 installations maintain or improve demand 	

Price Data



*BSF: Back Surface Field

Projects under Investment

		CAPEX (billion KRW)	Period	Content
Basic Materials	C5 Petroleum resin	124	Jan 2017 ~ Jul 2019	DCPD +50KTA
	VCM/PVC Expansion	163	Sep 2017 ~ Dec 2019	VCM +150KTA, PVC +130KTA
Retail	New Branch Open in Gwanggyo	450	Jul 2016 ~ Feb 2020	New Department Store
Hanwha Total	HDPE Expansion	362	2017 ~ Dec 2019	+400KTA
	PP Expansion	380	2018 ~ 2020	+400KTA
YNCC	NCC/BD Expansion	740	Mar 2019 ~ Dec 2020	Ethylene +340KTA, BD +130KTA

Company		Products	Capacity(KTA)	2019 Maintenance Plan
Basic Materials		LDPE/EVA	447	April, 10days 100KMT October~November, 20days 120KMT
		LLDPE	355	May~June, 30days, 225KMT
		PVC	650	June, 10days 350KMT October, 13days, 300KMT
		CA	840	April~May, 25days, 340KMT
		TDI	150	April~May, 15days 150KMT October~November, 15days, 150KMT
		Polysilicon	15	-
		PVC (HNC)	350	December, 10days, 350KMT
Photovoltaics		Cell	9.0 GW	
		Module	10.7 GW	
Equity Method Income	Hanwha Total	Ethylene	1,095	End March~Mid June, 1,095KMT
		Propylene	932	End March~Mid June, 932KMT
		Butadiene	125	End March~Mid June, 150KMT
		SM	1,051	End March~Mid June, 1,021KMT
		PX	2,001	-
		PE	735	End March~Mid June, 735KMT
		PP	717	End March~Mid June, 717KMT
	YNCC	Ethylene	1,950	End May~End June, 900KMT
		Propylene	1,111	End May~End June, 591KMT
		Butadiene	240	End May~End June, 240KMT
		BTX	780	End May~End June, 340KMT
	Hanwha General Chemical	PTA	2,000	Daesan plant, April, 700KMT Ulsan plant October, 400KMT

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