



# **GLOBAL LEADING GREEN ENERGY AND CHEMICAL COMPANY**

Financial results for the second quarter ended  
June 30, 2019

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Investor Relations  
July 24, 2019

OCI Company Ltd.

# Disclaimer

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The following earnings release and the financial, business and other information contained herein are current only of the date hereof and readers are cautioned that changes in general macroeconomic, business, financial and other conditions may have occurred since such date and our financial condition and results of operations may have been materially impacted as a result of such occurrences. Certain information contained herein may be considered forward-looking in nature, which are based on certain assumptions and expectations of future events that are subject to risks and uncertainties, including comments on trends in the global economy and duration of such trends, future development and investment plans including market strategy and business plans. We disclaim any responsibility or obligation to update or disseminate any revisions to any forward-looking statements contained in this document to reflect any changes in assumptions or circumstances.

Actual future results and trends and statements regarding plans or expectations may change for various reasons which management has not anticipated, including as a result of a further slowdown in global economic growth, further weakening of customer demand for our products and the loss of major customers, pricing pressures, inability to finance certain projects and capital expenditures on attractive terms, or at all, among others.

1

Second Quarter Ended June 30, 2019

2

Business Strategy & Updates

# Consolidated Income Statement

- Sales revenue was stable(+2% QoQ) as the increase in sales volume of Poly-Si was almost offset by the lower sales revenue of Petrochemicals & Carbon Materials and Energy Solution
- Operating loss narrowed mainly due to lower manufacturing cost for Poly-Si despite the lower operating income of Energy Solution

(Unit: KRW bil)	Q2 '18	Q1 '19	Q2 '19	QoQ	YoY
Sales Revenue	785.1	641.8	653.9	2%	-17%
Operating Income	79.9	-40.1	-19.9	Loss	Loss
Margin(%)	10%	-6%	-3%		
EBITDA	154.8	37.1	58.9	59%	-62%
Margin(%)	20%	6%	9%		
Income before tax	99.7	-47.5	-41.9 <sup>(1)</sup>	Loss	Loss
Net Income	77.5	-40.8	-39.0	Loss	Loss
Margin(%)	10%	-6%	-6%		

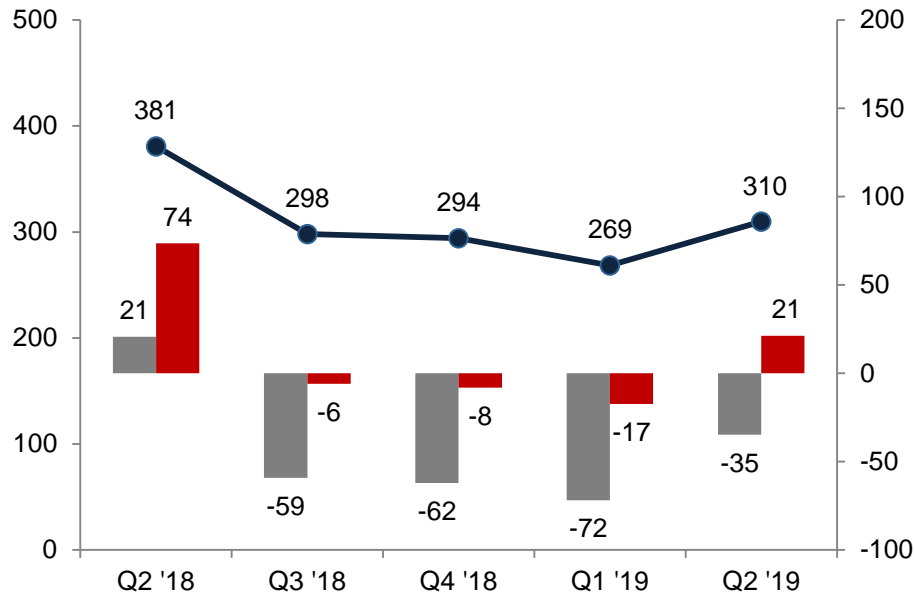
Note: Consolidated results based on K-IFRS

(1) DCRE: KRW 8.5 bil of a provision on estimated liabilities related to the land reclamation

### Quarterly Results

(Unit: KRW bil)

● Sales (LHS) ■ Operating Income (RHS) ■ EBITDA (RHS)



Operating Margin	6%	-20%	-21%	-27%	-11%
EBITDA	19%	-2%	-3%	-6%	7%

Note: Not reviewed by outside auditors

### Business Highlights

#### Q2'19 Highlights

- Sales revenue recovered by 15% mainly with higher sales volume of Poly-Si(+34% QoQ) and depreciation of KRW against USD<sup>(1)</sup> despite lower selling price (-11%)
- Operating losses reduced as the manufacturing cost of Poly-Si improved by (1) normalized utilization and (2) the completion of ramp-up of Malaysian PS1 ahead of schedule

#### Q3'19 Business Outlook

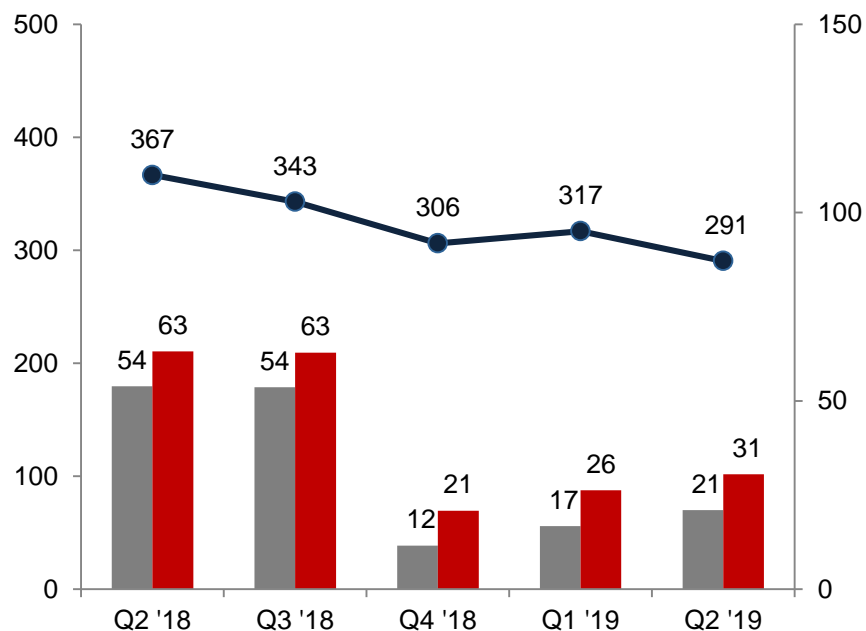
- Plans to have a regular maintenance in Korea during summer when the electricity price increases

(1) KRW/USD: 1,125(Q1 2019), 1,168(Q2 2019)

### Quarterly Results

(Unit: KRW bil)

● Sales (LHS) ■ Operating Income (RHS) ■ EBITDA (RHS)



Operating Margin	15%	16%	4%	5%	7%
EBITDA	17%	18%	7%	8%	11%

Note: Not reviewed by outside auditors

### Business Highlights

#### Q2'19 Highlights

- Sales revenue declined mainly by lower sales volume of major products including Pitch which has been carried forward in some of shipments to early Q3
- Operating income improved as Benzene and TDI prices have been stabilized

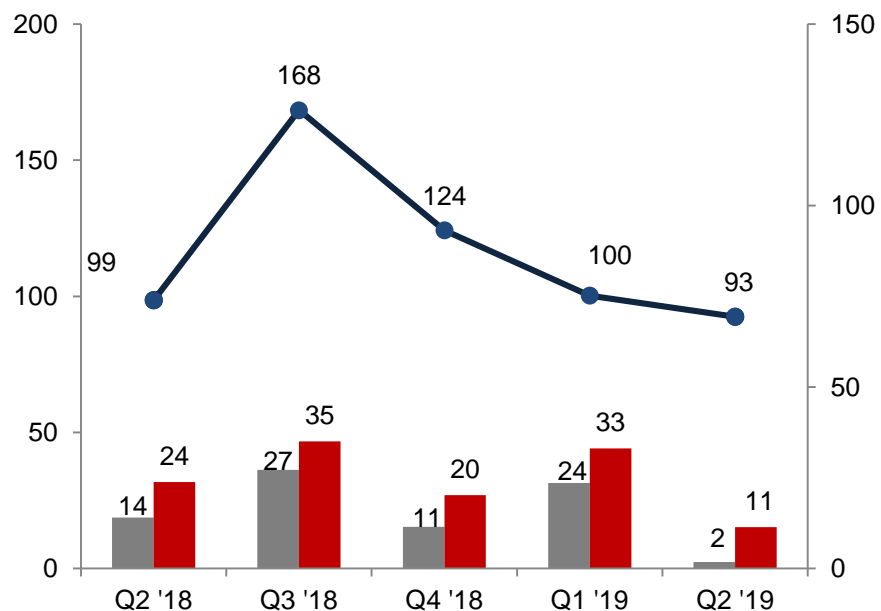
#### Q3'19 Business Outlook

- Production volume of major products is expected to normalize after the maintenance in the previous quarter
- Selling price of Carbon Black is expected to increase following oil price increase in Q2

### Quarterly Results

(Unit: KRW bil)

● Sales (LHS) ■ Operating Income (RHS) ■ EBITDA (RHS)



Operating Margin	14%	16%	9%	23%	2%
EBITDA	24%	21%	16%	33%	12%

Note: Not reviewed by outside auditors

### Business Highlights

#### Q2'19 Highlights

- Sales revenue and operating income of OCI SE declined due to the maintenance, decrease in electricity sales and lower SMP<sup>(1)</sup>
- Operating income of MSE also declined on the absence of the one-time income<sup>(2)</sup> occurred in the previous quarter even though MSE continues to show improved earnings for Solar PV panels
- OCI Power showed strong earnings with the higher sales volume of inverters

#### Q3'19 Business Outlook

- The operation of OCI SE is expected to normalize after the maintenance in Q2
- MSE and OCI Power are to show stable earnings driven by favorable market status

(1) SMP: System Marginal Price

(2) KRW 5.9billion of the anti-dumping tariff refund

# Financial Position

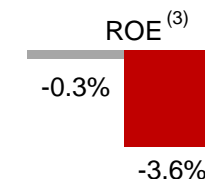
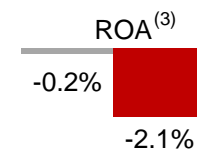
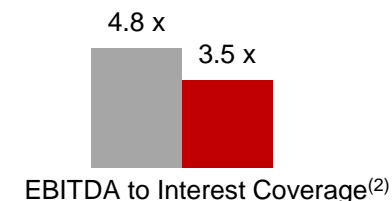
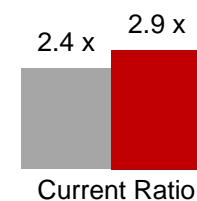
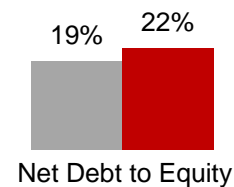
Summary of Financial Position		(Unit: KRW bil)	
	Mar 31 2019	Jun 30 2019	Change
<b>Current Assets</b>	<b>1,942</b>	<b>1,917</b>	<b>-25</b>
Cash & ST Financial Assets	821	779	-42
Account Receivables & Others	496	479	-17
Inventories	548	573	25
Others	77	86	9
<b>Non-current Assets</b>	<b>3,668</b>	<b>3,669</b>	<b>1</b>
Investments	199	202	3
Tangible Assets	3,285	3,275	-10
Others	184	192	8
<b>Total Assets</b>	<b>5,610</b>	<b>5,586</b>	<b>-24</b>
<b>Liabilities</b>	<b>2,155</b>	<b>2,164</b>	<b>9</b>
Debt	1,494	1,544	50
Accounts Payable & Others	377	356	-21
Long-term Advances Received	176	156	-20
Others	108	108	0
<b>Shareholders' Equity</b>	<b>3,455</b>	<b>3,422</b>	<b>-33</b>
<b>Net Debt</b>	<b>673</b>	<b>765</b>	<b>92</b>
<b>Leverage Ratio</b>	<b>62%</b>	<b>63%</b>	

Note: Consolidated results based on K-IFRS

## Financial Ratios

■ March 31, 2019

■ June 30, 2019



(1) EBITDA: LTM (last twelve months) basis

(2) LTM EBITDA divided by LTM interest expense during the quarter

(3) Net income: LTM basis



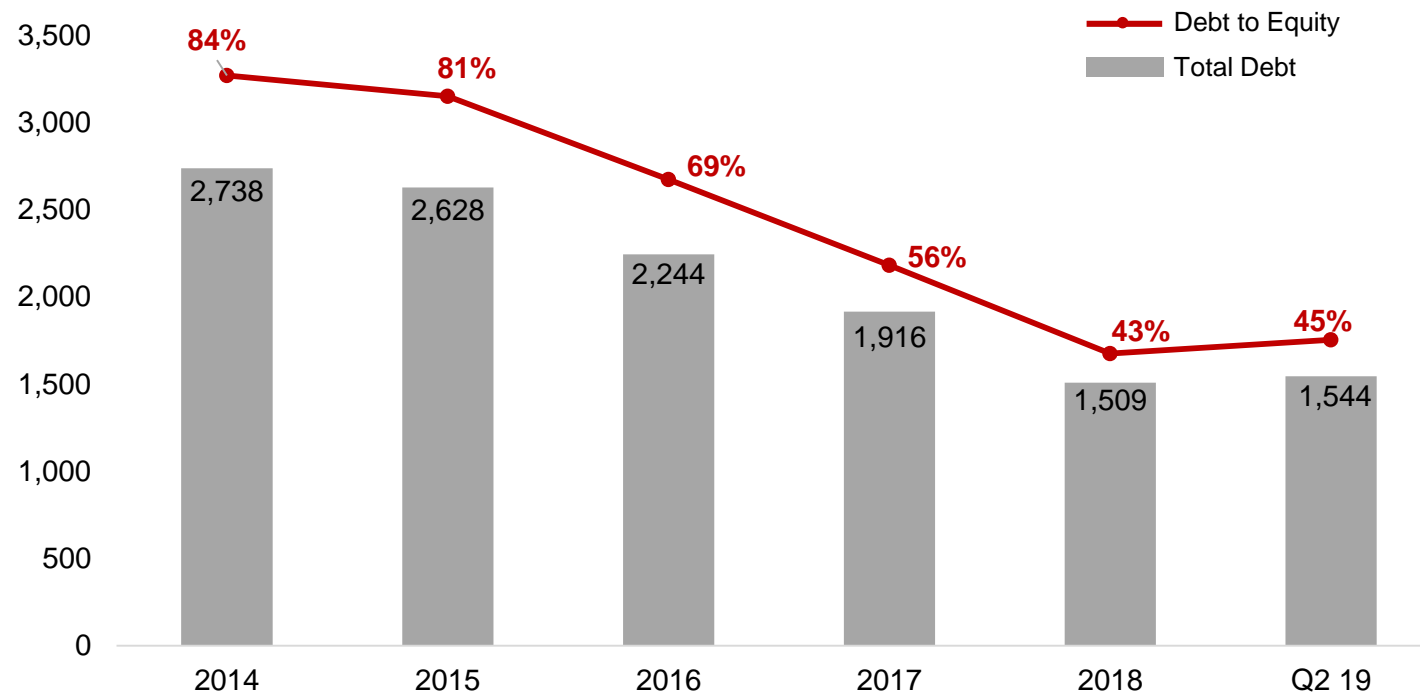
1 Second Quarter Ended June 30, 2019

2 Business Strategy & Updates

# Solid Financial Structure

- OCI proactively manages financial structure in preparation for any business environment changes
- Successfully issued KRW150 billion of corporate bond in June 2019 with competitive interest rates(2.172% for 3-year and 2.523% for 5-year)

**Debt and Debt to Equity** (Unit: KRW billion)



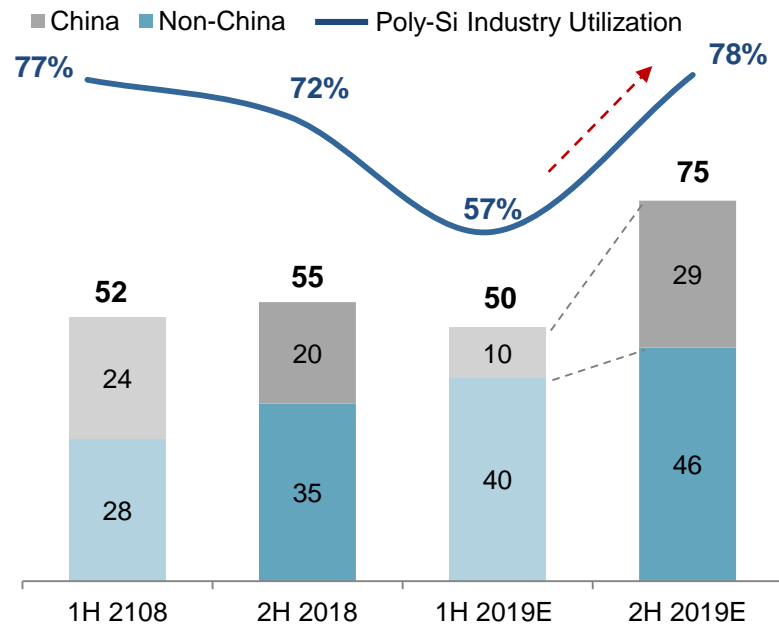
Note: Consolidated results based on K-IFRS

# 2019 Solar PV Demand

- The demand is expected to surge in 2H 2019 with (1) the confirmation of Chinese Solar PV subsidy recipients, (2) established markets including Europe, the US and Japan due to policy changes and improved cost competitiveness, and (3) emerging markets including Vietnam and UAE
- Consequently, the stronger demand will ease the supply glut across the value chain during 2H 2019

## Solar PV Installation Demand(2018~2019)

(Unit: GW)



Source: Annual forecast- BNEF(February 21, 2019) and OCI analysis

## Key Drivers for Solar PV Demand

Region	Key Drivers	2019E
<b>China</b>	<ul style="list-style-type: none"> <li>• Grid parity project: 15GW('19~'20)</li> <li>• Budget for subsidy program: RMB 3 bil                             <ul style="list-style-type: none"> <li>- Utility/C&amp;I<sup>(1)</sup>(bidding): RMB 2.25 bil(23GW)</li> <li>- Residential(fixed tariff): RMB 750 mil(3.5GW)</li> </ul> </li> </ul>	40GW
<b>Europe</b>	<ul style="list-style-type: none"> <li>• Abolition of MIP<sup>(2)</sup> on Chinese cells and modules since Sep. 2018</li> <li>• Spain: Elimination of sun tax(2018: 262MW →2019E: 4GW)</li> </ul>	19GW
<b>US</b>	<ul style="list-style-type: none"> <li>• Bifacial modules are excluded from Section 201 tariff(25%)</li> <li>• Developers to secure the 30% ITC<sup>(3)</sup> before its ratcheting down from 2020</li> </ul>	12GW
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>• Vietnam(4GW), UAE(1.7GW), Egypt(1.3GW), Pakistan(1.3GW)</li> </ul>	

- (1) Commercial and Industrial  
 (2) Minimum Import Price  
 (3) Investment Tax Credit

# Chinese Solar PV Policy Development

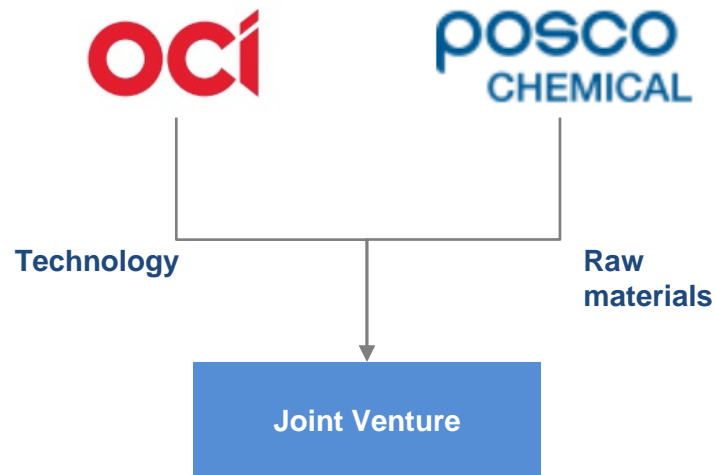
- This year, China PV installation is expected to be ~40GW in line with market expectations after the confirmation of national subsidy program
- NEA(National Energy Administration) expected the annual installation in 2019 to be 40~45GW

Policy	Details	2019E
<b>Grid Parity Project</b>	<ul style="list-style-type: none"> <li>• Local governments' support to promote the installation without central government subsidies: 15GW confirmed for 2019~2020               <ul style="list-style-type: none"> <li>– Low interest rate for project financing, low land cost, prioritization in power dispatching</li> <li>– PPA over 20 year with fixed tariffs</li> </ul> </li> </ul>	5GW
<b>Subsidy</b>	<ul style="list-style-type: none"> <li>• Total budget: RMB 3 billion               <ul style="list-style-type: none"> <li>– Utility/Industry &amp; Commercial(bidding): RMB2.25bil(<u>23GW within 2019</u>)                   <ul style="list-style-type: none"> <li>✓ If projects are delayed beyond 2019, the subsidy will decrease by RMB 0.01/kWh for each quarter, up to 2 quarters. After then, the subsidy will be terminated</li> </ul> </li> <li>– Residential(fixed tariff): RMB 750mil(<u>3.5GW</u>)</li> </ul> </li> </ul>	26GW
<b>Legacy Build</b>	<ul style="list-style-type: none"> <li>• Projects with previous quotas</li> </ul>	5GW
<b>Others</b>	<ul style="list-style-type: none"> <li>• Poverty alleviation: Install Solar PV modules in poor houses in order to increase the income of those household</li> <li>• Top runner: Based on bidding with requirements such as cell and module efficiency</li> </ul>	3GW

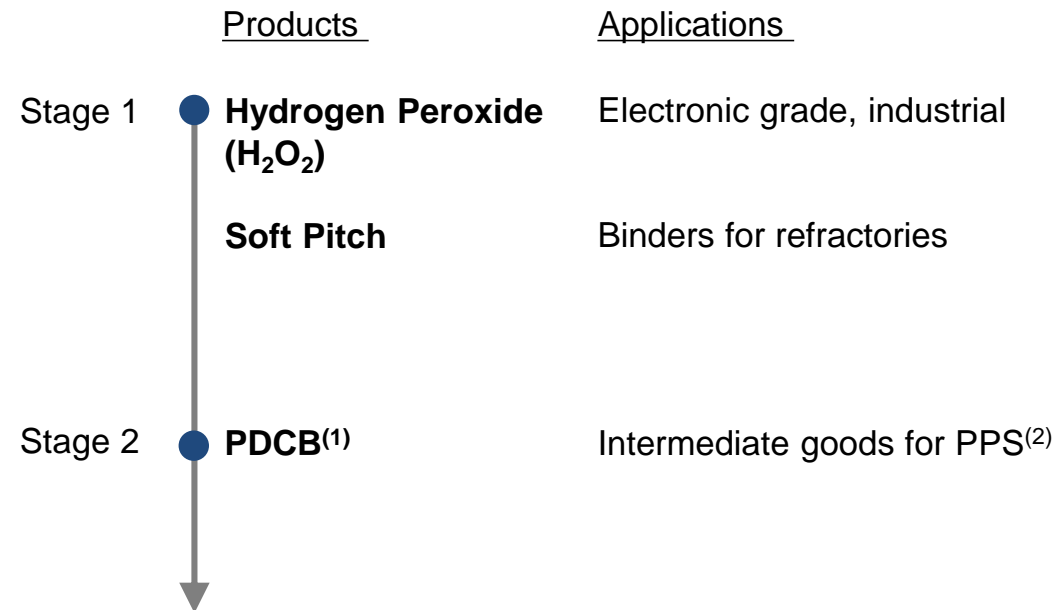
# MOU with POSCO Chemical for Strategic Alliance

- OCI and POSCO Chemical signed MOU in April 2019 for highly value-added products development
- Expect synergy between the technology of OCI and cost-competitive raw materials from POSCO Chemical
- Currently under feasibility study on high purity Hydrogen Peroxide for electronic grade

## Strategic Alliance



## Project Stage



(1) PDCB(Para-Dichloro Benzene): an intermediate product used for manufacturing PPS

(2) PPS(Poly Phenylene Sulfide): an engineering plastic, commonly used as a high-performance thermoplastic

# Business Update

## OCIMSB: CA(Chlor-Alkali) plant

- Commercial production : Q3 2019
- Purpose : Chlorine(raw material) and NaOH(neutralizing agent) for captive use of Poly-Si
- Effect : Cost reduction and stable raw material procurement

## DCRE: City Development

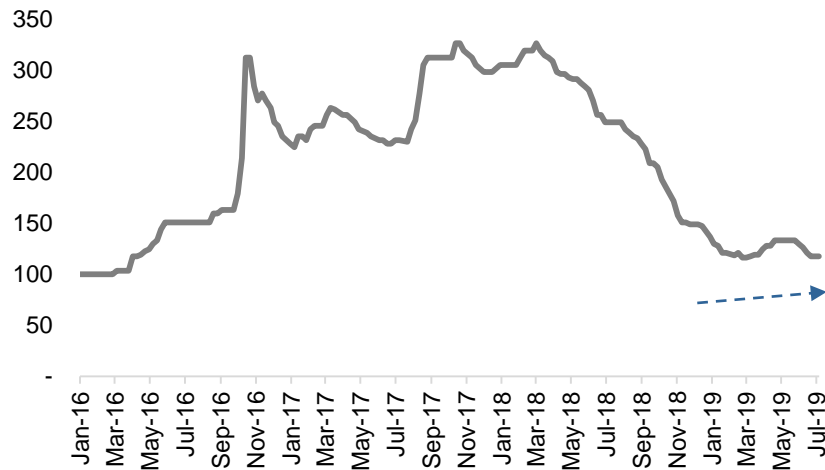
- Under negotiation with the preferred bidder after April 2019 and targets to conclude the partnership agreement within Q4 2019

## TDI, Benzene

- The prices of TDI and Benzene have been recently stabilized

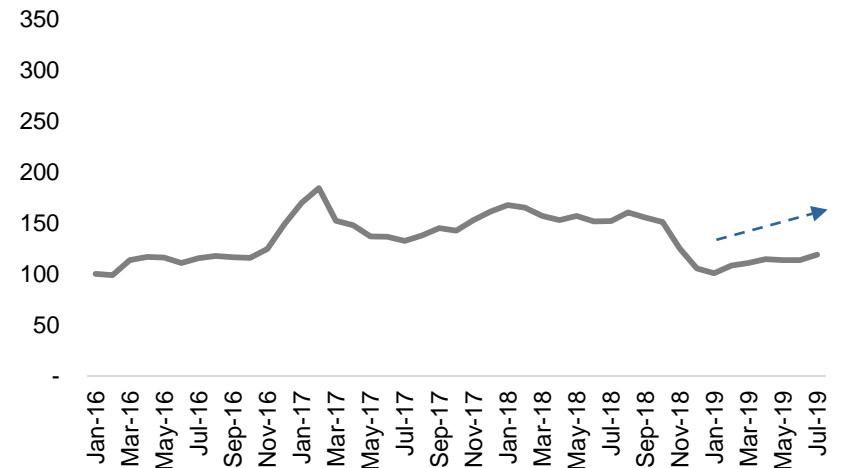
### TDI Price Index

(January 2016=100)



Source: ICIS(CFR China Main Port & HK)

### Benzene Price Index



Source:Platts(FOB Korea)

# OCI Strategy

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## **Rational Investment**

We focus on new growth engines while strengthening existing businesses

## **Active alliances with our partners**

We actively seek opportunities for strategic alliances and partnerships to create a better and more competitive business platform

## **Optimizing operational scale**

We continuously seek the best operational scenario based on demand and market conditions, seasonal impacts on manufacturing costs, and minimization of working capital

## **Continuous efforts on strong financial position**

We proactively manage financial structure in preparation for any change in the business environment

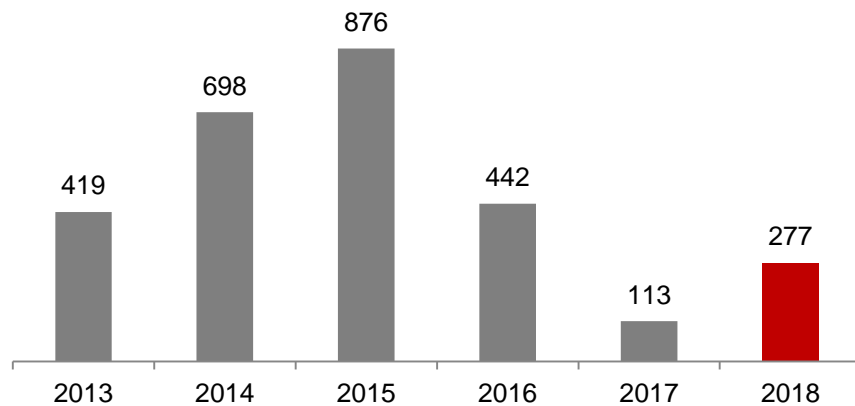
# Appendix. Company Overview

## Overview

- Founded in 1959, OCI Company Ltd. is a Korea-based chemical company
- The company consists of four business divisions: Basic Chemical, Petrochemical & Carbon Materials, Energy Solution and others
- Basic Chemical: Poly-Si, H<sub>2</sub>O<sub>2</sub>, Chlor-Alkali and etc
- Petrochemical & Carbon Materials: TDI, Carbon Black, Pitch, Benzene, P/A, Plasticizer, FS VIP and etc
- Energy Solution: Solar PV, Cogeneration power plant
- Others: Bio, Trading and etc

## CAPEX

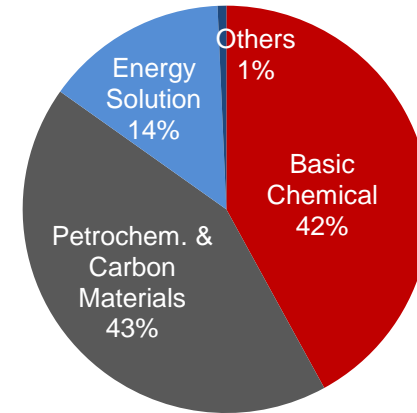
(Unit: KRW bil)



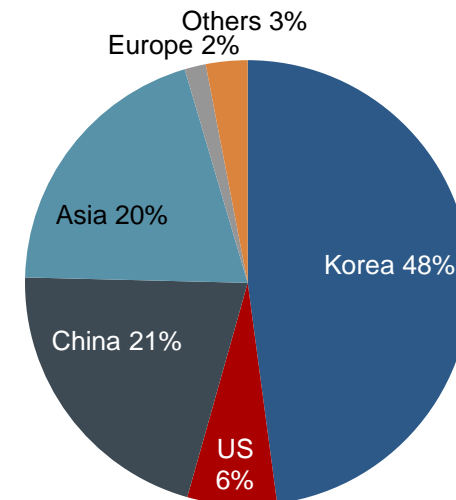
Note: (1) Before inter-company adjustment

(2) Korea revenue includes transaction through domestic letter of credit

## 2018 Revenue<sup>(1)</sup> Breakdown by Segment



## 2018 Revenue Breakdown by Region<sup>(2)</sup>





# Appendix. Business Snapshot by Division (2019 Q2)

(Unit: KRW bil)

	Basic Chemical	Petrochemical & Carbon Materials	Energy Solution	Others & Adjustment	Total
Sales Revenue	310	291	93	-40	654
Operating Income	-35	21	2	-8	-20
% margin	-11%	7%	2%		-3%
EBITDA	21	31	11	-4	59
% margin	7%	11%	12%		9%
Main Products	Poly-Si, H2O2, Chlor-Alkali, Sodium Percarbonate	TDI, Carbon Black, Pitch, Benzene, P/A, Plasticizer, FS VIP	Solar power development, Cogeneration power plant	Bio	
OCI and Major Subsidiaries	OCI Specialty	OCI China	OCI Enterprises OCI SE OCI Power OCI Global	DCRE OCI I&C	

Note: Not reviewed by outside auditors

# Appendix. Historical Performance by Segment

(Unit: KRW bil)

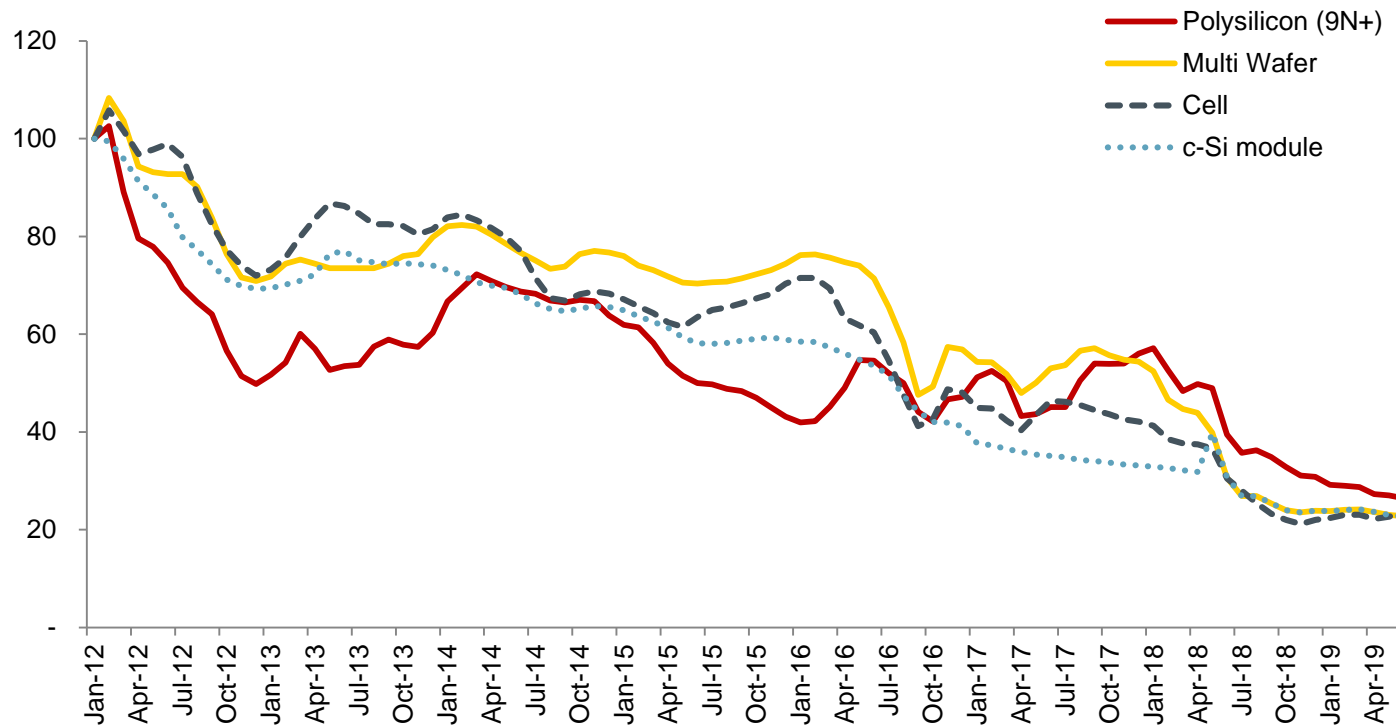
	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
<b>Sales Revenue</b>	<b>785.1</b>	<b>765.6</b>	<b>704.4</b>	<b>641.8</b>	<b>653.9</b>
Basic Chemical	380.8	298.1	294.1	268.5	309.8
Petrochemical & Carbon Materials	366.7	343.0	306.2	316.9	290.7
Energy Solution	98.6	168.4	124.3	100.3	92.5
Others and Adjustment	-61.0	-43.9	-20.2	-43.9	-39.1
<b>Operating Income</b>	<b>79.9</b>	<b>15.6</b>	<b>-43.2</b>	<b>-40.1</b>	<b>-19.9</b>
Basic Chemical	20.8	-59.2	-62.2	-71.9	-34.8
Petrochemical & Carbon Materials	53.9	53.6	11.5	16.7	21.0
Energy Solution	14.1	27.2	11.5	23.5	1.8
Others and Adjustment	-8.8	-6.0	-4.0	-8.5	-7.9
<b>EBITDA</b>	<b>154.7</b>	<b>90.1</b>	<b>31.9</b>	<b>37.1</b>	<b>58.9</b>
Basic Chemical	73.5	-6.0	-8.1	-17.3	21.1
Petrochemical & Carbon Materials	63.2	62.8	20.8	26.3	30.5
Energy Solution	23.8	35.0	20.2	33.1	11.4
Others and Adjustment	-5.8	-1.7	-1.0	-4.9	-4.1

Note: Not reviewed by outside auditors

# Appendix. Solar PV Price Trend

## Solar PV Spot Price Trend

2012 Jan=100

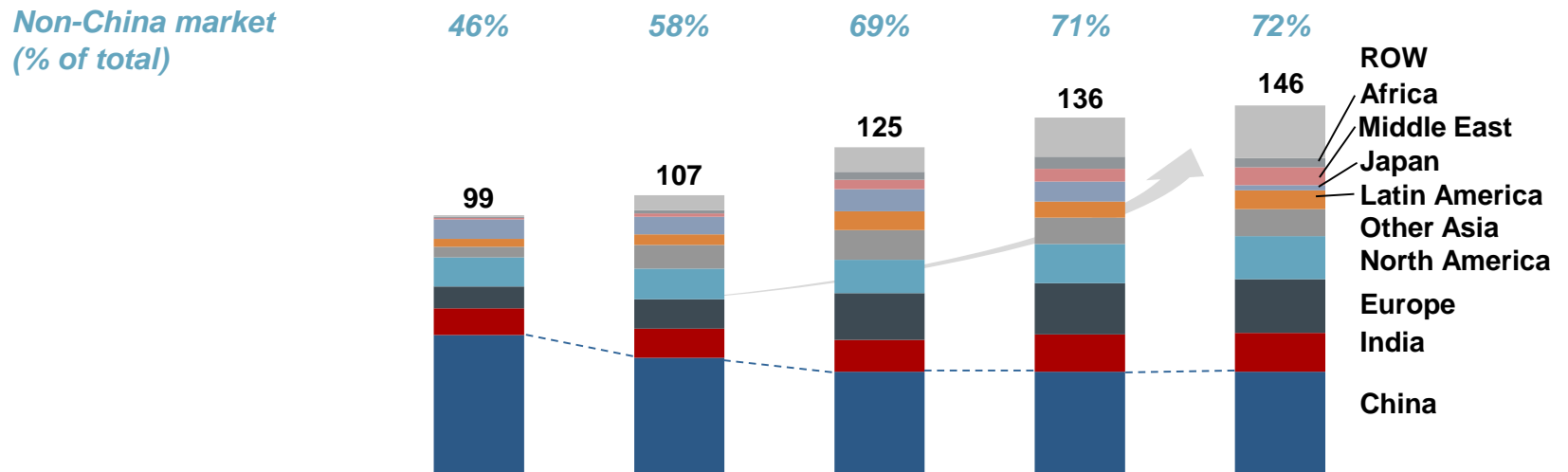


Source: PV Insights

# Appendix. Mid to Long-term Solar PV Market Forecast

- Solar PV Market in 2019 is expected to grow to 125GW driven by various regional markets including North America, Europe, India as well as high gear in China from the second half
- Non-Chinese markets will drive the demand growth further beyond 2019
  - Annual growth rate(2017~2021E): global +9%, non-China: +22% vs. China: -7%

## Global Solar PV Installation Forecast(GW)



(kMT)	2017	2018	2019(E)	2020(E)	2021(E)
<b>Poly-Si Demand</b>	<b>428</b>	<b>430</b>	<b>475</b>	<b>490</b>	<b>479</b>
Solar	394	393	434	450	438
Semiconductor	34	37	39	40	41

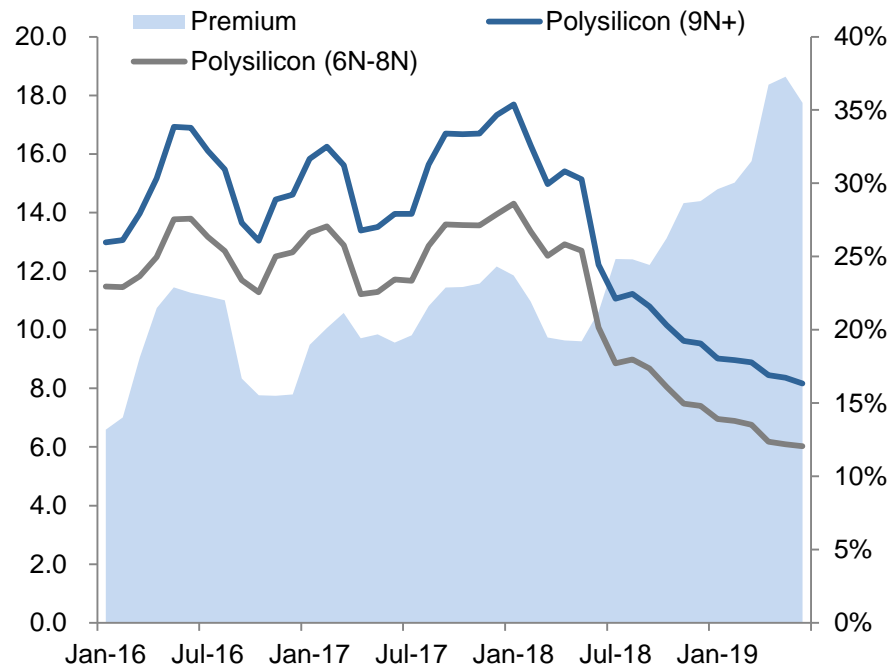
Source: Global Solar PV installation actual and forecast by Bloomberg NEF(Central scenario, February 21, 2019)  
 Poly-Si demand forecast(OCI analysis)  
 Silicon usage(gram/watt): Bloomberg NEF(November 19, 2018) and OCI analysis  
 5.0(2016), 4.1(2017), 3.8(2018), 3.6(2019E), 3.4(2020E), 3.2(2021E)

# Appendix. Price Premium for Mono Products Continues

- The price premium for high quality products has been widening as the prices of Poly-Si for mono remain relatively stable while those for multi-use remain weak
- OCI supplied 70% of its sales volume to mono Wafer customers in 2018, and targets to supply more than 70% this year

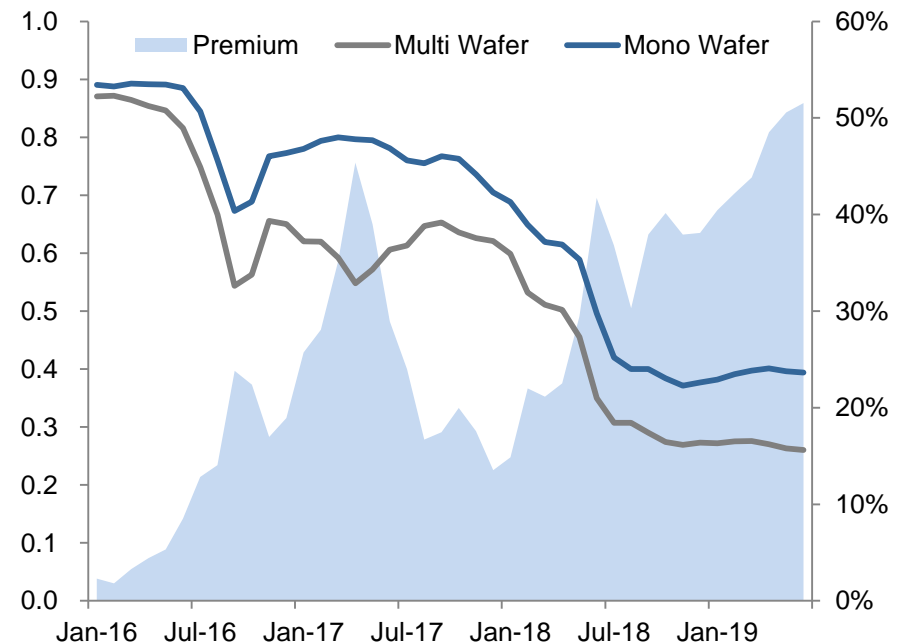
## Poly-Si Market Price Trend

(Unit: USD/kg)



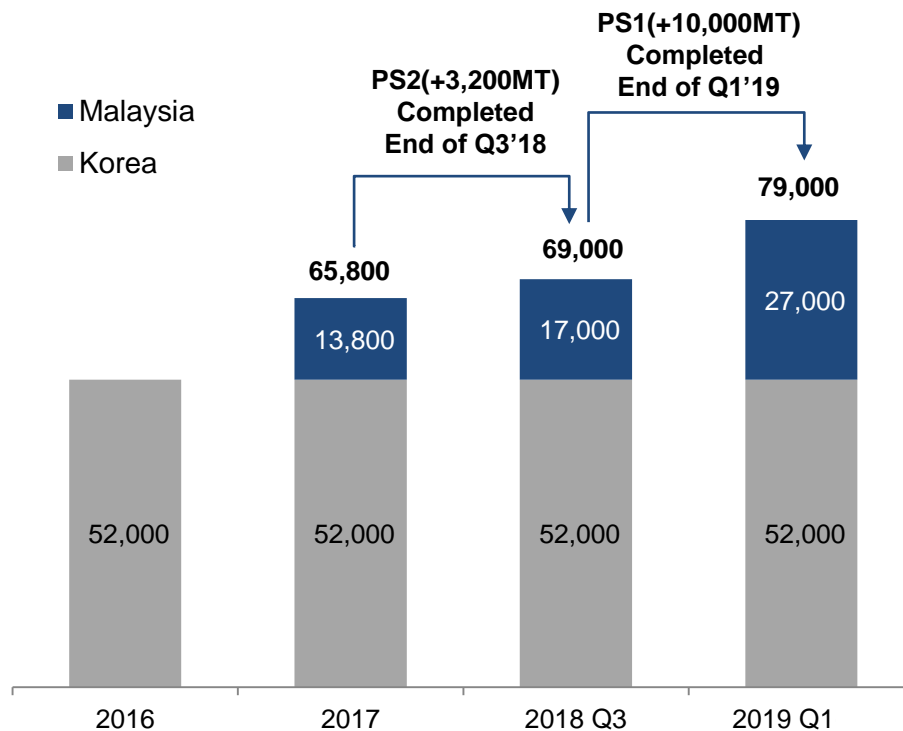
## Wafer Market Price Trend

(Unit: USD/piece)

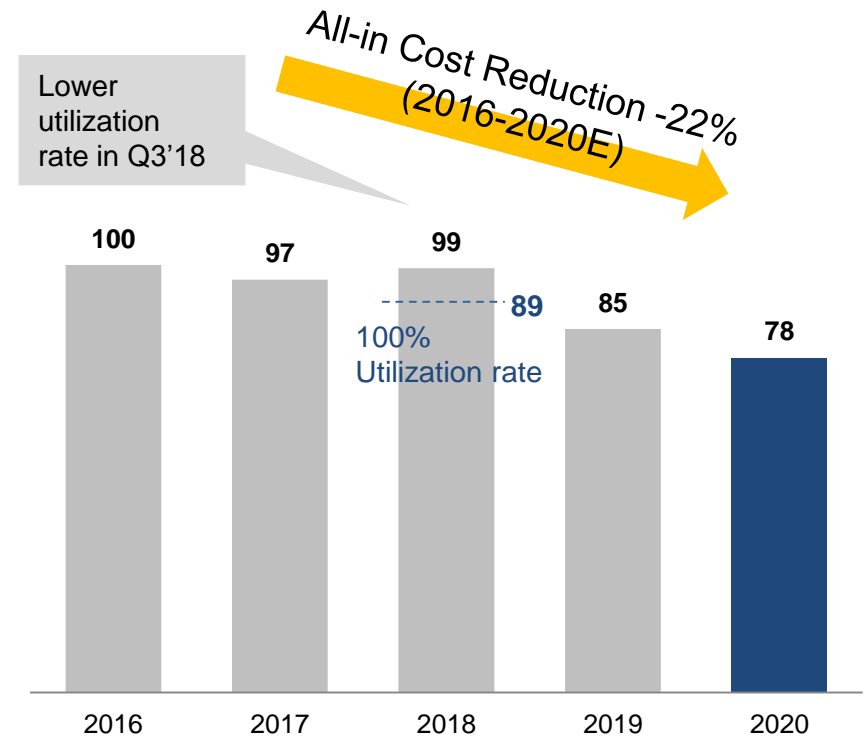


# Appendix. Poly-Si Expansion & Cost Roadmap

## OCI Effective Capacity Roadmap(MT)



## Poly-Si All-in Cost Roadmap(in terms of unit cost)



Note: 2016~2018, actual data  
 2019E~2020E, assumed normal operation

# Appendix. Poly-Si CAPEX History

## Poly-Si CAPEX by Phase

Location	Phase		Completion	Effective Capacity	CAPEX	
				(MT/year)	USD mil	USD / Kg
Korea	GEN1	P1	Q1 2008	6,500	545	83.8
	GEN2	P2	Q3 2009	10,500	895	85.2
		P3	Q4 2010	10,000	761	76.1
	Debottlenecking	P3.5	Q3 2011	8,000	320	40.0
		P3.7	Q4 2011	7,000	245	35.0
		P3.9	Q1 2015	10,000	110	11.0
Malaysia	Acquisition of OCIMSB	-	Q2 2017	13,800	173	12.5
	Revamping	PS2	Q3 2018	3,200	33.0	10.3
		PS1	Q1 2019	10,000	78.7	7.9
<b>Total</b>				<b>79,000</b>	<b>3,161</b>	<b>40.0</b>

# Thank you!

## **IR contacts**

[E-mail: ir@oci.co.kr](mailto:ir@oci.co.kr)

Tel: +82-2-727-9534~5

Address: OCI Building, 94 Sogong-ro Jung-gu Seoul 04532 Korea



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