

CEO's review



OCI Company Ltd.



OCI Company president and CEO WooHyun Lee shares his thoughts on 2017 and the year ahead.

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Our Energy Solutions segment recorded sales of KRW 811 billion and an operating profit of KRW 8 billion. In addition to completing the sale of Alamo 6—the final phase of the 400 MWac Alamo solar project in the US—early in the year, we re-entered the Korean market with a number of small-scale projects financed by the KRW 130 billion OCI Solar PV Fund we established in December 2016. Our OCI SE cogeneration subsidiary also continued to make an important contribution to the bottom line.

Beyond improved profitability, the above combined performances enabled us to steadily improve our financial structure during the year. This earned us a domestic credit rating upgrade from A0 (stable) to A0 (positive) in 2017, putting us on track for an upgrade to A+ in the coming year.

How did OCI perform in 2017?

We continued to build momentum for growth in 2017, following up our profitability turn-around in 2016 with significant operating profit growth driven by improved performances across our business segments as well as favorable market conditions. We recorded consolidated sales of KRW 3,632 billion and consolidated operating income of KRW 285 billion for the year.

Our Basic Chemicals segment recorded sales of KRW 1,683 billion and an operating income of KRW 109 billion. Despite margin pressure from the appreciating Korean won, our polysilicon business continued to improve throughout the year thanks to growing demand from China and tighter supply related to production difficulties by certain competitors. Here, the early ramp-up of operations at our new Malaysia polysilicon plant, ongoing focus on cost reduction, and technical innovation enabled us to take full advantage of these external factors.

Our Petrochemicals and Carbon Materials segment recorded sales of KRW 1,319 billion and an operating income of KRW 208 billion. Rising selling prices for TDI and other carbon materials were the primary drivers behind revenue and profitability growth. Our pitch business performed exceptionally well, continuing to build market share as we secured new contracts from major customers in the Middle East.

What were OCI's primary accomplishments in 2017?

Reinforcing financial stability remained our top priority in 2017. During the year, increased profitability enabled us to continue to lower our overall debt level as we retired KRW 400 billion of debt and refinanced an additional KRW 300 billion of debt at competitive market rates.

Our Basic Chemicals segment completed the acquisition of the polysilicon operations of Tokuyama Malaysia in May 2017. We successfully ramped up production at the Sarawak P2 plant in July 2017, boosting our global effective production capacity by 14,000 metric tons from 52,000 to 66,000 metric tons. Work is currently underway to debottleneck the P2 plant as we aim to raise global production capacity to beyond 69,000 metric tons by the end of 2018.

Our Petrochemicals and Carbon Materials segment continued to ramp up operations at two plants in China completed in 2016. Ma Steel OCI Chemical, a 350,000 metric ton coal tar distillation plant in Anhui Province, maintained a high operating rate, generating a solid operating profit in its first full year in operation. Shandong OCI-Jiayang Carbon Black, an 80,000 metric ton carbon black plant in Shandong Province, experienced a delay

in production ramp-up due to the extended qualification process with tiremakers that was completed late in the year. In Korea, Hyundai OCI Carbon, our 100,000 metric ton carbon black joint-venture with Hyundai Oilbank, completed its first plant in October 2017 and began commercial production in early 2018.

Our Energy Solutions segment wrapped up a second 66 MW follow-on solar project to the 560 MW Alamo project in the US that we officially completed with the launch of commercial operations at the Alamo 6 plant in January 2017. We also completed several smaller projects financed by the OCI Solar PV Fund in our home market of Korea. Our OCI SE cogeneration subsidiary continued to optimize operations as well as fuel mix through the use of wood pellets, earning renewable energy certificates that contributed to the bottom line.

What is your outlook for OCI's businesses in 2018?

Now that we have returned to financial stability, we will be looking to strategically invest in new opportunities across our business portfolio.

Our Basic Chemicals segment will continue to expand polysilicon operations in Malaysia as we aim to reach 69,000 metric tons in global capacity by the end of 2018. Beyond our plants in Malaysia, we are currently in the planning phase for an additional 20,000 to 25,000 metric tons of new capacity when market conditions permit. From a product mix standpoint, we plan to increase the proportion of polysilicon for monocrystalline wafer production from 42% to 60% of total capacity in 2018 to capture growing demand in that market as we pursue a two-track strategy to maximize the strengths of our Korea-Malaysia manufacturing network.

Our Petrochemicals and Carbon Materials segment will continue to build on the strong start by our local plants in China. We expect Shandong OCI-Jiayang Carbon Black in particular to reach full capacity and generate a solid profit now that qualifications have been obtained from the

local plants of major global tire makers. In Korea, we and Hyundai Oilbank will move forward with plans to increase capacity at Hyundai OCI Carbon by 50,000 metric tons by the end of 2019, building on strong sales for the initial 100,000 metric ton capacity.

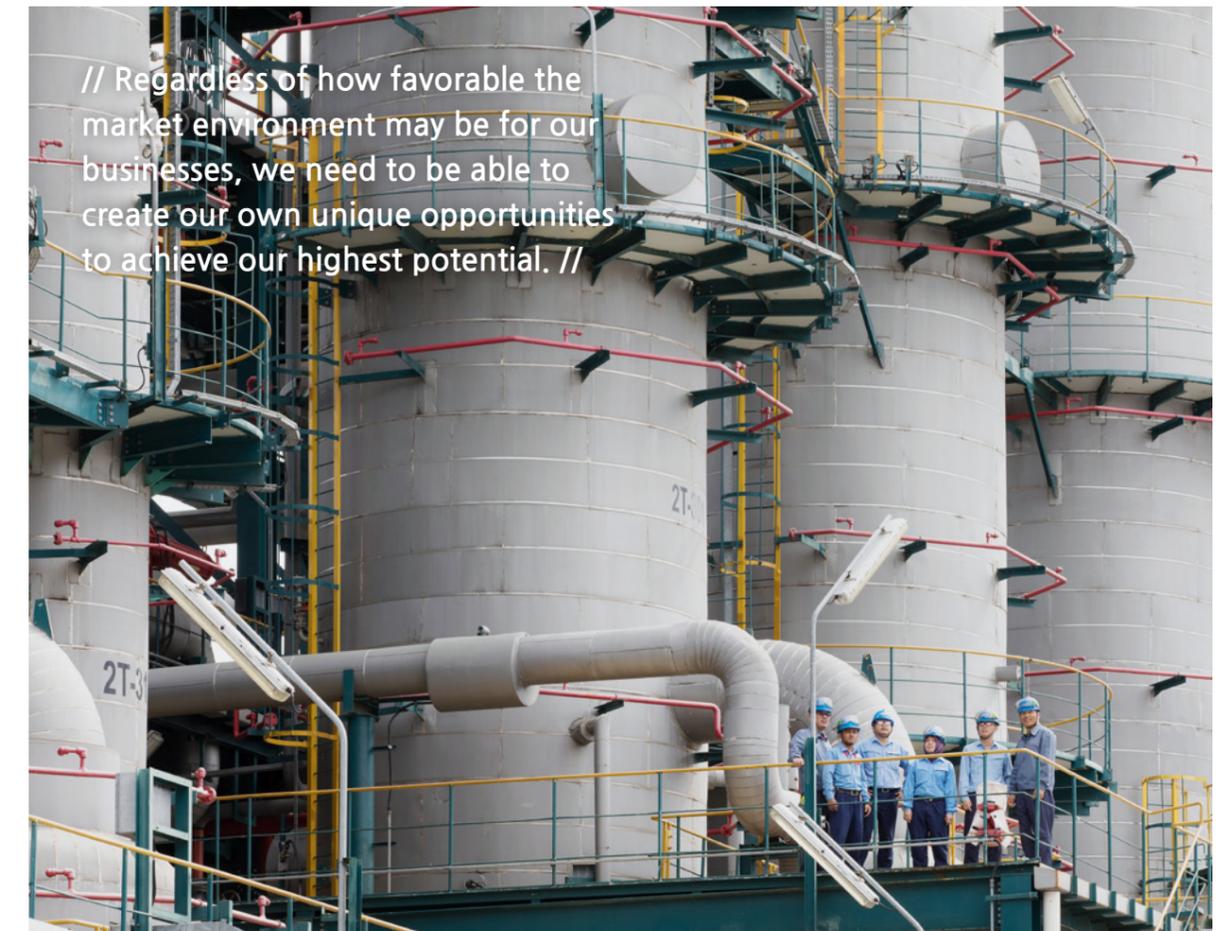
Our Energy Solutions segment will leverage the project development experience gained through the Alamo project in the US and the KRW 130 billion OCI Solar PV Fund established in December 2016 to serve as a financing vehicle for our solar solutions business in Korea. We aim to complete projects totaling 50 MW in Korea in 2018 as we position ourselves as a key partner to help the country reach its goal of generating 20% of energy from renewable sources by 2030. Our Mission Solar Energy solar module subsidiary in San Antonio, Texas is positioned to grow sales after securing a solid foothold in the high-efficiency module market. Finally, our OCI SE cogeneration subsidiary will focus on improving its profit structure by pursuing savings in both fuel sourcing and operational optimization as it enters its third year of operations.

What are your key strategies going forward?

Regardless of how favorable the market environment may be for our businesses, we need to be able to create our own unique opportunities to achieve our highest potential. As we move forward in 2018, we will be focusing on three key areas in pursuit of continued growth.

First, we will reinforce our marketing capabilities. As our new plants in Malaysia, China, and Korea ramp up production, making sure we have major customers lined up is essential. We will focus our skills and resources on securing the upper-hand in markets, upgrading our marketing capabilities as we seek to accurately identify growing customer requirements and become an indispensable partner in value creation.

Second, we will foster next-generation businesses and new growth engines. The new businesses we have pursued in recent years have not delivered the results we expected.



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Going forward, we will focus on generating more ideas and clearly identifying the factors behind our failures as we seek new breakthroughs. We will not let setbacks discourage us, but regard them as learning opportunities as we continually survey markets for new business items and opportunities that will drive the next wave of growth. Finally, we will build an even stronger company on our sound financial foundation. From the department level up, we will focus on improving our fundamentals as we strive to build an organization that is capable of generating profitability in any business environment and foster a forward-looking, results-oriented organizational culture.

Thank you again for your interest in OCI. We look forward to sharing our progress in operational excellence in 2018 as we continue our journey toward becoming a global leading green energy and chemical company.

WooHyun Lee
President and CEO
OCI Company