

Finetex EnE 4Q/2017 IR BOOK

Another record high revenue of core nano business (filtration, textile & B2C)

<Key Financial Information>

(Unit: Million Won)

| Item | | 4Q/2017 | To 4Q 2017 | 3Q/2017 | To 4Q 2017 | 2Q/2017 | To 4Q 2017 | 1Q/2017 |
|------------------|--------|---------|---------------|---------|---------------|---------|---------------|---------|
| Sales | Nano | 12,858 | (15) % | 15,068 | 16 % | 12,946 | 44 % | 8,966 |
| | Energy | 2,471 | (55) % | 5,506 | 103 % | 2,708 | (12) % | 3,067 |
| GP | Nano | 2,390 | (65) % | 6,869 | 46 % | 4,710 | 157 % | 1,832 |
| | Energy | 584 | (42) % | 1,004 | 1,275 % | 73 | (93) % | 1,052 |
| S G & A | | 5,359 | 62 % | 3,316 | (30) % | 4,768 | 54 % | 3,102 |
| Operating Income | | (2,385) | (152) % | 4,556 | 30,273 % | 15 | (107) % | (217) |

<Sales Trend of Nano division>

(Unit: Million Won)

| Item | | 4Q/2017 | To 4Q 2017 | 3Q/2017 | To 4Q 2017 | 2Q/2017 | To 4Q 2017 | 1Q/2017 |
|-------|------------|---------|---------------|---------|---------------|---------|---------------|---------|
| Sales | Filtration | 8,253 | 13 % | 7,311 | 14 % | 6,432 | 48 % | 4,335 |
| | Textile | 4,982 | 31 % | 3,812 | 29 % | 2,965 | 546 % | 459 |
| | B2C | (347) | (214) % | 305 | (60) % | 770 | 14 % | 676 |
| | Others | (31) | (101) % | 3,640 | 31 % | 2,779 | (20) % | 3,496 |

<Overview of 2017>

- Total revenue stood at W63.5bn, up 41.6% from 2016. OP recorded at W1.97bn. (up 237% YoY)
- In particular, topline of core nano(filtration, B2C, Textile) jumped to W40bn from W15bn level in 2016.
- However, operating profit stood at W2.0bn level due to rising overall cost related to new factory operation in Korea, and other one off items such as A/R write-offs(W2.8bn), FX evaluation loss(W3.4bn) and losses from corporate bond repayment(W2.4bn). Those one-off items are all non-cash charges. As such, net loss plummeted to W9.2bn.

<4Q Comment>

- Despite the low seasonality for filtration during 4Q, the topline jumped 13% QoQ to W8.3bn. (historically record number)

- Textile division also jumped 31% QoQ to W5.0bn. (historically highest number as well)
- Due to the refund of the previous sales, B2C(face mask) posted negative revenue of W0.35bn
- Initially, we forecast the revenue of Energy Division to be more than W7.0bn for 4Q. However, due to the change of accounting process for sales recognition, the booking of W5.0bn of the revenue was cancelled and will be reallocated to 1Q and 2Q of 2018.
- Big Bath => strict and conservative accounting method applied.

<Outlook>

- B2C revenue is increasing sharply with strong seasonality.
- Top line of Filter media continues to be sustainable. The new factory(filter product) is still showing low running rate but over time, gradual revenue growth is expected.
- The operation of China JV just started and is likely to contribute to revenue from 2Q. On top of that, we are looking to double the capacity within 1H2018.
- With the doubling the capacity late last year, currently four membrane lines are being fully operated. As such, ongoing revenue growth expected. Furthermore, another 4 lines will be added in 1H 2018. Some meaningful revenue & profit contribution looks likely from 3Q 2018 onwards.
- Based on W300bn of strong back-log, Energy Division is likely to generate meaningful revenue and profit from 2018, for the first time in years.