

beyond
the best

KUMHO PETROCHEMICAL

INVESTOR RELATIONS 2013



Investor Relations 2013

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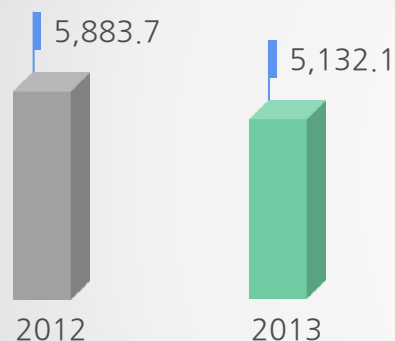
2013 Overview

Sales & Operating Income

- ❖ Decrease in sales by 12.8% over the previous year, down to KRW 5,132.1bn
- ❖ Decrease in operating income by 40.0% over the previous year down to KRW 134.2bn

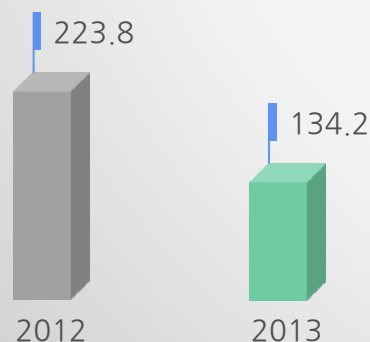
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	2013	2012	YoY	
			Amount	Rate of change
S a l e s	5,132.1	5,883.7	-751.6	-12.8%
[Synthetic rubber]	2,294.9	3,037.7	-742.8	-24.5%
[Synthetic resin]	1,347.9	1,288.9	59.0	4.6%
[O t h e r s]	1,489.3	1,557.1	-67.8	-4.4%
Phenol derivatives	959.1	1,050.6	-91.5	-8.7%
Specialty chemical	156.9	162.2	-5.3	-3.3%
E n e r g y	158.0	168.2	-10.2	-6.1%
O t h e r s	215.3	176.2	39.1	22.2%
Operating Income	134.2	223.8	-89.6	-40.0%
[%]	2.6	3.8	-1.2p	-
Income before Income tax	-70.5	133.7	-204.2	surplus to deficit
N e t I n c o m e	-12.3	129.6	-141.9	surplus to deficit
Gain/. Loss on valuation of equity method investments	32.6	67.0	-34.4	-51.3%

✓ Net Income is based on controlling interests

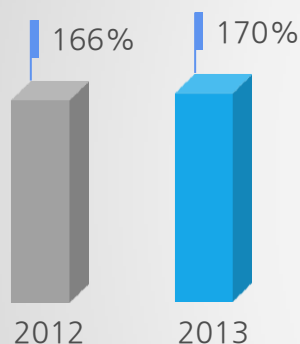
2013 Overview

Financial Structure

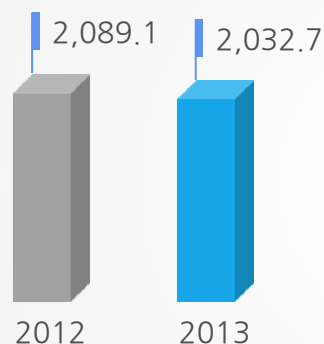
- ❖ Steady reduction of liabilities through strengthened liquidity management and stable operating cash flows
- ❖ Drop in total assets turnover ratio and interest coverage ratio due to decrease in sales and operating income

(Unit: KRW bn)

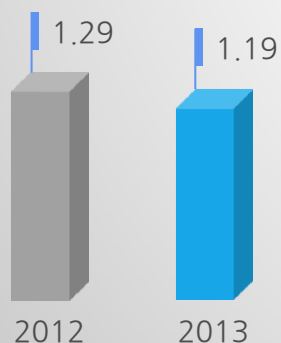
Debt to Equity Ratio (%)



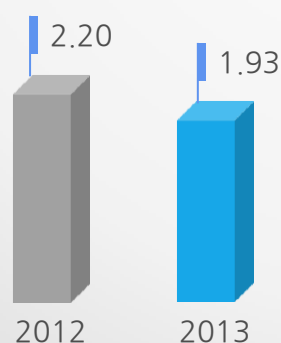
Borrowings (KRW bn)



Total assets turnover ratio



Interest coverage ratio



	Unit	2013	2012	YoY	
				Amount	Rate of change
Assets	KRW bn	4,211.6	4,410.7	-199.1	-4.5%
Liabilities	KRW bn	2,651.8	2,752.4	-100.6	-3.7%
Shareholders' equity		1,559.8	1,658.3	-98.5	-5.9%
Controlling interests	KRW bn	1,474.7	1,547.6	-72.9	-4.7%
Non-controlling interests		85.1	110.7	-25.6	-23.1%
Debt to equity ratio	%	170	166	4p	-
Borrowings		2,032.7	2,089.1	-56.4	-2.7%
Won-denominated	KRW bn	1,580.5	1,641.0	-60.5	-3.7%
Foreign currency-denominated		452.2	448.1	4.1	0.9%
Total assets turnover ratio		1.19	1.29	-0.10	-7.8%
Interest coverage ratio		1.93	2.20	-0.27	-12.3%

Business review

Synthetic rubber

44.7%
of total sales

Synthetic
rubber

Synthetic
resin

Others



- ❖ Decrease in sales by 24.5% over the previous year, down to KRW 2,294.9bn
- ❖ Slackening in profitability as a result of intensifying price competition caused by weak demand, despite increase in sales volume in response to the capacity expansion

• Weak BD price

- Declined in demand as a result of fall in utilization rate of downstream makers, resulted from continuation of global economic slowdown
- Ongoing weak BD price due to the issue of oversupplies, led by European deep sea cargos and the commencement in operation of the newly established BD plants

➤ BD Price changes by region

(Unit: USD/ton)

	1Q, '13	2Q, '13	3Q, '13	4Q, '13
Asia	1,863	1,403	1,158	1,576
N. America	1,787	1,698	1,082	1,177
Europe	1,501	1,363	792	1,252

※ Source: ICIS/PLATTS 2013

• Deterioration in sales margin of synthetic rubber

- Increase in sales volume due to the capacity expansion, despite worsened mentality in purchasing with regards to the continuously weak BD price
- Loosened profitability as a result of intensifying price competition caused by the weak demand that led to decrease in spread between selling price and the cost

(Unit: USD/ton)

	1Q, '13	2Q, '13	3Q, '13	4Q, '13
SBR	2,258	1,995	1,659	1,905
BR	2,478	2,183	1,758	2,062

※ Source: ICIS 2013

Business review

Synthetic resin

26.3%

of total sales

Synthetic
rubber

Synthetic
resin

Others

- ❖ Increase in sales by 4.6% over the previous year, up to KRW 1,347.9bn
- ❖ Despite a rise in feedstock price, difficulty in sustaining the spread between selling price and the cost due to weak demand

• Strong SM price

- Continuation of strong SM price in response to troubles and reduced investments of suppliers which led to a tight balance between supply and demand

➤ SM price changes

(Unit: USD/ton, CFR China)

	1Q, '13	2Q, '13	3Q, '13	4Q, '13
SM	1,716	1,692	1,800	1,696

※ Source: ICIS 2013

• Diminished profitability of synthetic resin

- Declined in demand due to a drop in the market growth rate of downstream makers (automobiles/home appliances)
- Depreciation in profitability as seeing limits to further increase the selling price, despite the strong SM price

(Unit: USD/ton)

	1Q, '13	2Q, '13	3Q, '13	4Q, '13
PS	1,882	1,819	1,904	1,828
ABS	2,023	1,908	1,932	1,905

※ Source: PLATTS 2013

Business review

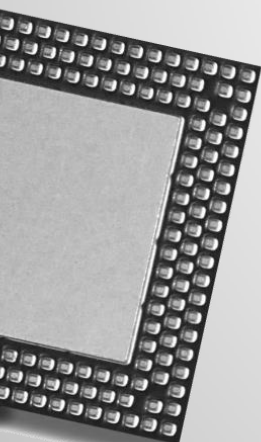
Others

29.0%
of total sales

Synthetic
r u b b e r

Synthetic
r e s i n

O t h e r s



- ❖ Decrease in sales by 4.4% over the previous year, down to KRW 1,489.3bn
- ❖ Phenol derivatives: Slackening in the spread between selling price and the cost as a result of a decrease in demand and an ongoing oversupplies
- ❖ Energy: Decrease in sales due to adjustments in utilization rate of subsidiaries which led to a fall in sales volume of steam

• Phenol derivatives

- Adjustment in utilization rate caused by a decrease in demand and ongoing oversupplies which led to intensify the competition in the market
- Declined in profitability as a result of constraint in the increase in selling price, despite the tight balance between supply and demand of the feedstock which led to the strong Benzene price

➤ BZ price changes

(Unit: USD/ton, FOB Korea)

	1Q, '13	2Q, '13	3Q, '13	4Q, '13
BZ	1,380	1,286	1,260	1,289

※ Source: PLATTS 2013

➤ Completion of BPA expansion: 150,000MT/Y(Jun. '13), Investment of KRW 110bn

• Energy

- Decrease in sales due to adjustments in utilization rate of subsidiaries which led to a fall in sales volume of steam

➤ Expansion of Yeosu Energy II : Steam 800T/H, Electricity 145MWH(in 2015). Investment of KRW 425.8bn(2012~2015)

Main business activities

Main business activities

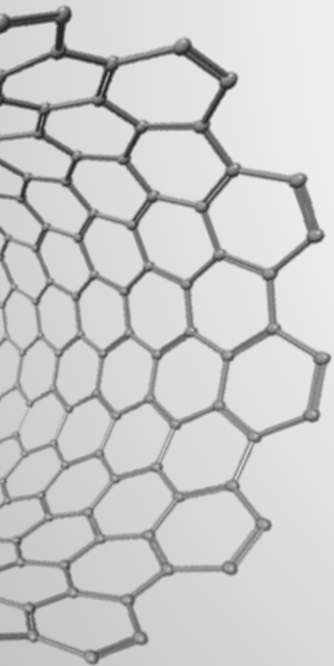
- ❖ Efforts in sustainable future growth, such as business opportunities in solar power

- **Business opportunities in solar power**

- Acquisition of 80.77% share of Korea Energy Power Plant and added as a subsidiary (Jun. '13)
- Production Capability: Electricity 5.32MWH (Annually 6,602MWH, approximately supplying 1,500 homes)
- Sales of Electricity and REC (Renewable Energy Certificate)
- Expected Results: Generating annual turnover of KRW 2.4bn / Reduction of 2,700 tons of carbon dioxide
- Location: Korea Aerospace Industries (KAI) in Sacheon, Gyeongnam region
- New solar power business drive and renewable energy-related businesses strengthen planning

- **Completion of carbon nanotubes(CNT) plants and commencement of commercial production**

- Construction of carbon nanotubes plants completed (Sept. '13) and commencement of commercial production (Dec. '13)
- Production Capability: 50 tons of carbon nanotubes per year
- Special Feature: Excellent tensile strength and electrical conductivity compared to traditional materials such as Iron and copper
- Product Use: Batteries, semiconductors, automobiles, aircrafts, electronic devices, biotechnology and can be applied to other various applications
- Market size: Forecast estimation of 80 trillion by year 2020 (Source: IDTechex)
- Location: Electronic materials plant in Asan, Chungnam region
- Depending on market maturity, plans to steadily increase the production up to 300 tons and development plan of applied materials



2014 Outlook

BD

- Improvement is expected in the balance between supply and demand as a result of strong price of C2 and C3, which led to a continuation of high utilization rate of NCC makers
- Price is expected to rise as a result of the demand recovery, caused by the rise in the utilization rate of downstream makers(synthetic rubber makers)

Synthetic
rubber

- Demand is estimated to grow by 5% due to the rise in utilization rate of downstream industry, such as automobiles and tires
- Profitability improvement is anticipated as a result of demand recovery and stabilization in BD price(feedstock) after Chinese new year

SM

- Tight balance is expected between supply and demand in response to decrease in the supply, caused by annual maintenance of Asian makers in 1st half of 2014
- Price is looking to be sustained strongly, as a result of rise in the utilization rate of downstream makers(ABS/PS) that led to the increase in demand

Synthetic
resin

- Demand is likely to be improved due to the rise in utilization rate of Chinese downstream makers, affected by the recovery of global economy
- Both sales and operating income are expected to increase, as a result of the completion of PPG capacity expansion(Jul. '14) that is profitable

Appendices

Profit and Loss statement

(Unit: KRW bn)

	2013					2012	YoY	
	1Q	2Q	3Q	4Q	Total		Amount	Rate of change
Sales	1,416.9	1,383.5	1,192.1	1,139.6	5,132.1	5,883.7	-751.6	-12.8%
Operating Income	77.8	75.6	-1.5	-17.7	134.2	223.8	-89.6	-40.0%
<i>(Operating Margin)</i>	<i>5.5%</i>	<i>5.5%</i>	<i>-0.1%</i>	<i>-1.6%</i>	<i>2.6%</i>	<i>3.8%</i>	<i>-1.2%p</i>	-
Net interest expense	31.5	28.0	-7.2	9.1	61.4	64.6	-3.2	-5.0%
Gain/Loss on valuation of equity method investments	10.1	11.5	8.3	2.7	32.6	67.0	-34.4	-51.3%
Income before Income taxes	47.9	29.1	-4.2	-143.3	-70.5	133.7	-204.2	surplus to deficit
<i>(Ordinary Income margin)</i>	<i>3.4%</i>	<i>2.1%</i>	<i>-0.4%</i>	<i>-12.6%</i>	<i>-1.4%</i>	<i>2.3%</i>	<i>-3.7%p</i>	-
Net Income	34.3	26.2	5.5	-78.3	-12.3	129.6	-141.9	surplus to deficit
<i>(Net Income margin)</i>	<i>2.4%</i>	<i>1.9%</i>	<i>0.5%</i>	<i>-6.9%</i>	<i>-0.2%</i>	<i>2.2%</i>	<i>-2.4%p</i>	-

✓ Net Income is based on controlling interests

Appendices

Statement of financial position

(Unit: KRW bn)

	2013	2012	YoY	
			Amount	Rate of change
Current assets	1,258.9	1,490.1	-231.2	-15.5%
- Cash and Cash equivalents	83.3	246.2	-162.9	-66.2%
Non-current assets	2,952.7	2,920.6	32.1	1.1%
Total assets	4,211.6	4,410.7	-199.1	-4.5%
Current Liabilities	1,404.4	1,438.5	-34.1	-2.4%
Non-current Liabilities	1,247.4	1,313.9	-66.5	-5.1%
■ Interest bearing Liabilities	2,032.7	2,089.1	-56.4	-2.7%
- Short-term debts	856.8	879.0	-22.2	-2.5%
- Long-term debts	1,175.9	1,210.1	-34.2	-2.8%
■ Non-interest bearing Liabilities	619.1	663.3	-44.2	-6.7%
Total Liabilities	2,651.8	2,752.4	-100.6	-3.7%
Common & Preferred Stock	167.5	167.5	-	-
Total Shareholders' Equity	1,559.8	1,658.3	-98.5	-5.9%
Net debt ratio	46.3%	41.8%	4.5%p	-
Long-term debts to total debts ratio	57.8%	57.9%	-0.1%p	-
Current ratio	89.6%	103.6%	-14.0%p	-
Total Liabilities to Equity ratio	170.0%	166.0%	4.0%p	-

Appendices

Production Capacity (KKPC)

	Product	Capacity	Unit	Note
Synthetic rubber	SBR	481,000	MT/Y	
	BR	HBR		
		LBR		
	S-SBR	60,000		
	NdBR	45,000		
	NBR	80,000		
	HSR	10,000		
	NBR Latex	168,000		
	SB Latex	77,600		
	SBS	70,000		
	Total	1,327,800		
Synthetic resin	PS	230,000	MT/Y	
	ABS	250,000		
	EPS	75,000		
	PPG	80,000		Completion of Expansion: 55,000MT/Y in July '14
	Total	635,000		
Specialty chemicals	Antioxidant s	80,300	MT/Y	
Energy	Steam	910	T/H	Completion of Expansion: steam 800T/H, electricity 145MWH in 2015
	Electricity	155	MWH	
BD	Ulsan	90,000	MT/Y	
	Yeosu	147,000		
	Total	237,000		

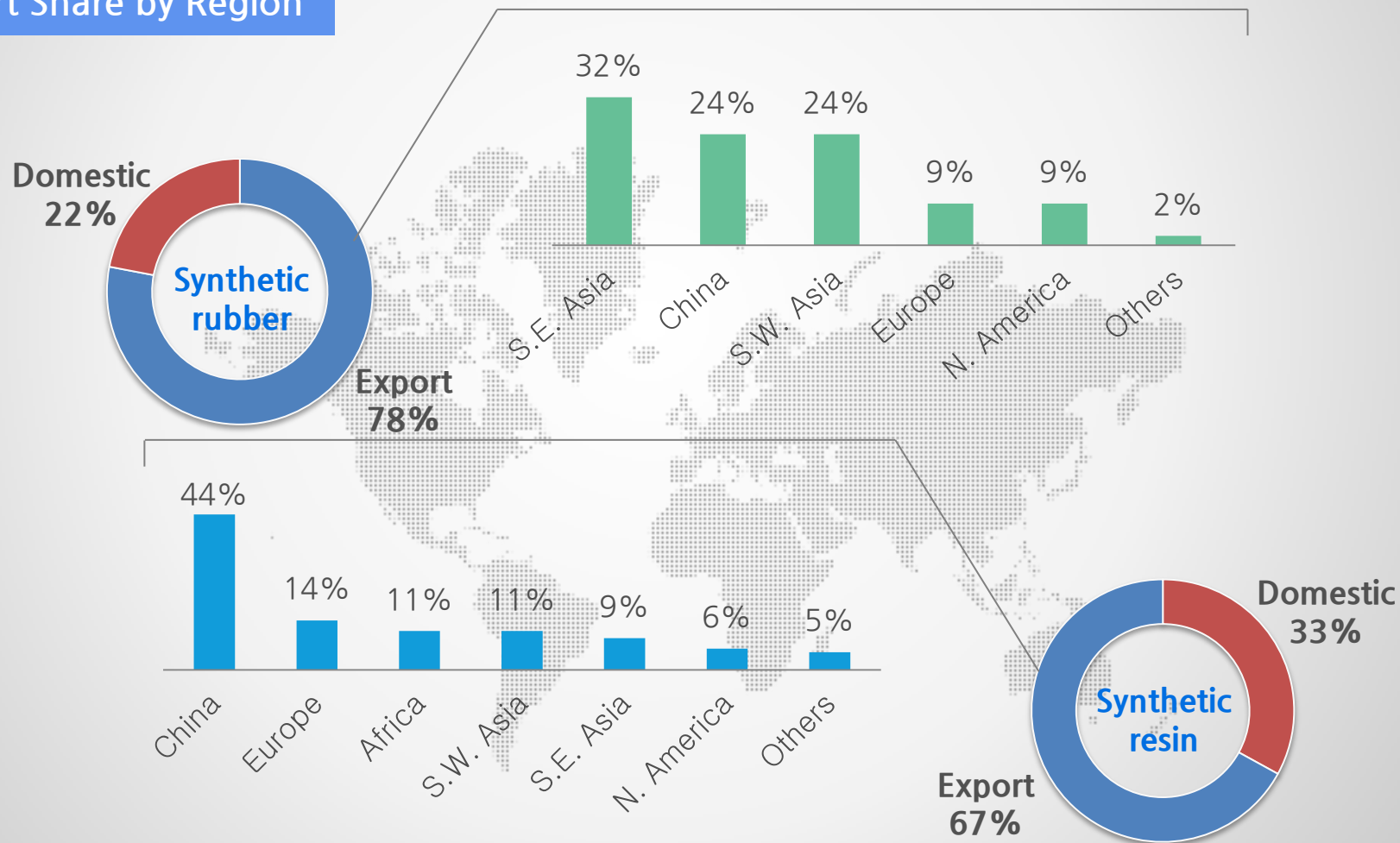
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Production Capacity (Affiliates)

	Product	Capacity	Unit	Note
Kumho P&B Chemicals	Phenol	380,000	MT/Y	Completion of Expansion: 300,000MT/Y, 1 st Half, '16
	Acetone	235,000		Completion of Expansion: 185,000MT/Y, 1 st Half, '16
	MIBK	55,000		
	Cumene	440,000		Completion of Expansion: 470,000MT/Y, 1 st Half, '16
	BPA	430,000		Completion of Expansion: 150,000MT/Y, June '13
	Epoxy resin	90,000		Completion of Expansion: 45,000MT/Y, 2Q, '14
	Total	1,630,000		
Kumho Polychem	EP(D)M	160,000	MT/Y	Completion of Expansion: 60,000MT/Y, June '13 60,000MT/Y, June '15
	TPV/KEPA	7,000		
	Total	167,000		
Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
	Aniline	2,000		
	Total	202,000		

Appendices

Sales proportion & Export Share by Region



Appendices

Investment share & Asset available for sale

✓ As of 31th Dec. 2013,
based on common shares

Treasury Stock
18.4%

Major Shareholders
24.2%

Investments in affiliates

Kumho P&B Chemicals 78.2%

Kumho Polychem 50.0%

Kumho Mitsui Chemicals 50.0%

Kumho Terminal & Logistics 87.1%

Korea Energy Power Plant 80.8%

Asiana Airlines 12.6%

Daewoo E&C 3.5%

KDB Life Insurance 0.9%

KKPC

Asset available for sale

Q & A