

The background of the slide is a photograph of several large, vertical, cylindrical industrial storage tanks at a petrochemical facility. The tanks are made of metal and have horizontal rivets. At the bottom of the tanks, there are access doors and a yellow safety railing. Two workers in hard hats are visible on the railing. The top of the image is covered by a blue gradient overlay where the text is located.

beyond
the best

KUMHO PETROCHEMICAL

INVESTOR RELATIONS

1Q 2014

Investor Relations 2014

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1Q, 2014 Overview

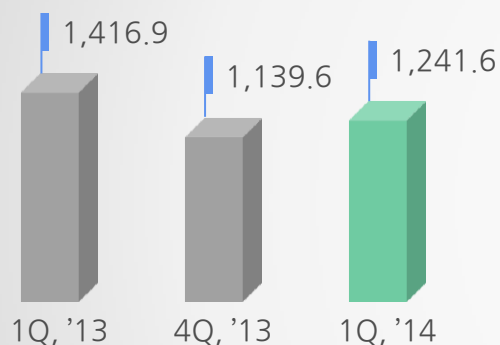
Sales & Operating Income

- ❖ Increase in sales by 9.0% over the previous quarter, but 12.4% decrease down to KRW 1,241.6bn over the previous year
- ❖ Deficit to surplus for operating income over the previous quarter but down to KRW 28.6bn, a 63.2% fall over the previous year

(Unit: KRW bn)

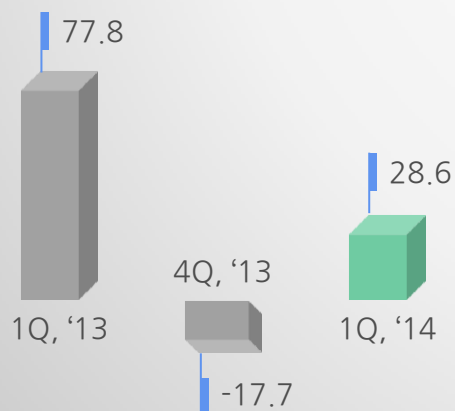
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



	1Q, '14	4Q, '13	1Q, '13	Rate of change	
				QoQ	YoY
S a l e s	1,241.6	1,139.6	1,416.9	9.0%	-12.4%
[Synthetic rubber]	510.3	450.1	680.1	13.4%	-25.0%
[Synthetic resin]	333.5	316.4	331.4	5.4%	0.6%
[O t h e r s]	397.8	373.1	405.4	6.6%	-1.9%
Phenol derivatives	260.4	223.4	276.9	16.6%	-6.0%
Specialty chemical	39.8	37.0	43.8	7.6%	-9.1%
E n e r g y	43.6	42.5	42.5	2.6%	2.6%
O t h e r s	54.0	70.2	42.2	-23.1%	28.0%
Operating Income	28.6	-17.7	77.8	deficit to surplus	-63.2%
[%]	2.3	-1.6	5.5	-	-
Income before Income tax	14.1	-143.3	47.9	deficit to surplus	-70.6%
N e t I n c o m e	14.9	-78.3	34.3	deficit to surplus	-56.6%
Gain/Loss on valuation of equity method investments	5.4	2.7	10.1	100.0%	-46.5%

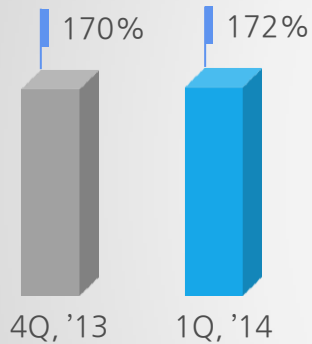
✓ Net Income is based on controlling interests

1Q, 2014 Overview

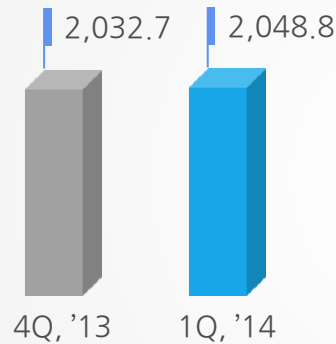
Financial Structure

- ❖ Deficit to surplus and an improvement in total assets turnover ratio through sales increase in the main businesses
- ❖ Maintaining stable financial structure through tight liquidity management

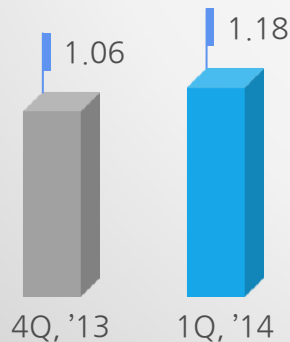
Debt to Equity Ratio (%)



Borrowings (KRW bn)



Total assets turnover ratio



(Unit: KRW bn)

	Unit	1Q, '14	4Q, '13	1Q, '13	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,201.0	4,211.6	4,555.5	-0.3%	-7.8%
Liabilities	KRW bn	2,653.7	2,651.9	2,919.4	0.1%	-9.1%
Shareholders' equity		1,547.3	1,559.7	1,636.1	-0.8%	-5.4%
Controlling interests	KRW bn	1,463.6	1,474.6	1,523.3	-0.7%	-3.9%
Non-controlling interests		83.7	85.1	112.8	-1.6%	-25.8%
Debt to equity ratio	%	172	170	178	-	-
Borrowings		2,048.8	2,032.7	2,071.0	0.8%	-1.1%
Won-denominated	KRW bn	1,613.3	1,580.5	1,513.7	2.1%	6.6%
Foreign currency-denominated		435.5	452.2	557.3	-3.7%	-21.9%
Total assets turnover ratio		1.18	1.06	1.26	11.3%	-6.3%
Interest coverage ratio		1.66	-	4.47	-	-62.9%

Business review

Synthetic rubber

41.1%
of total sales

**Synthetic
rubber**

Synthetic
resin

Others



- ❖ Increase in sales by 13.4% over the previous quarter to KRW 510.3bn
- ❖ Improvement in profitability through reflecting the falling BD price to the cost in a timely manner, as well as an increase in the rate of utilization

• Sharp drop in BD price

- Sharp drop in Asian BD price due to reduction of the inventory level caused by the restrictions on the credit line in China and weak demand of synthetic rubber, despite the Asian BD exports to Europe and to US as a result of annual maintenances and the troubles in the regions

➤ BD Price changes by region

(Unit: USD/ton)

	10, '13	11, '13	12, '13	01, '14	02, '14	03, '14
Asia	1,685	1,537	1,506	1,490	1,466	1,271
N. America	1,158	1,180	1,194	1,453	1,681	1,676
Europe	1,264	1,225	1,267	1,289	1,451	1,531

※ Source: ICIS/PLATTS 2013, 2014

• Profitability improvement in synthetic rubber

- Expansion of the spread between the input cost and the selling price through removing the effects of high-price BD production
- Increased profitability through SBR operation boost in February

(Unit: USD/ton)

	10, '13	11, '13	12, '13	01, '14	02, '14	03, '14
SBR	1,922	1,918	1,875	1,847	1,830	1,728
BR	2,122	2,063	2,000	2,000	1,900	1,825

※ Source: ICIS 2013, 2014

Business review

Synthetic resin

26.9%

of total sales

Synthetic
rubber

Synthetic
resin

Others

- ❖ Increase in sales by 5.4% over the previous quarter to KRW 333.5bn
- ❖ Enhanced profitability through increased ABS price and the boost in operations

• Weak SM price

- Weakness in the SM price due to high inventory numbers maintained in China's Huadong region, and also weak price of raw materials (benzene / ethylene) despite the regular maintenances by the SM producers in Asia

➤ SM price changes

(Unit: USD/ton, CFR China)

	10, '13	11, '13	12, '13	01, '14	02, '14	03, '14
SM	1,730	1,655	1,703	1,694	1,619	1,628

※ Source: ICIS 2013, 2014

• Profitability improvement in synthetic resin

- Profitability enhancement mainly through increased ABS price in spite of weak SM price
- Increase in the volume of sales despite the Chinese New Year and the off-season period

(Unit: USD/ton)

	10, '13	11, '13	12, '13	01, '14	02, '14	03, '14
PS	1,892	1,801	1,791	1,827	1,784	1,733
ABS	1,936	1,881	1,899	1,930	1,928	1,900

※ Source: PLATTS 2013, 2014

Business review

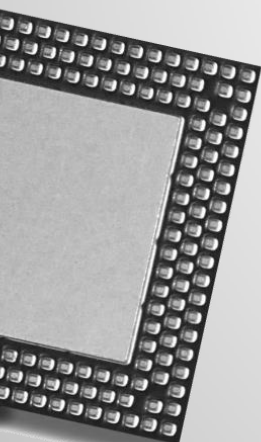
Others

32.0%
of total sales

Synthetic
rubber

Synthetic
resin

Others



- ❖ Increase in sales by 6.6% over the previous quarter to KRW 397.8bn
- ❖ Phenol derivatives: Decrease in operating loss through the increase in the selling price by the production cut in Asia's BPA manufacturers
- ❖ Energy: Increase in sales and operating profit growth through boost in the steam sales and hiked sales price of the electricity

• Phenol derivatives

- Continuation of weak raw material (benzene) price through stabilization after the drop in oil/naphtha price
- Increased profitability through production cuts by Asian manufacturers of BPA that lead to the rise in the selling price

➤ BZ price changes

(Unit: USD/ton, FOB Korea)

	10, '13	11, '13	12, '13	01, '14	02, '14	03, '14
BZ	1,262	1,265	1,341	1,340	1,303	1,246

※ Source: PLATTS 2013, 2014

- Completion of Epoxy resin expansion: 45,000MT/Y(2Q. '14), Investment of KRW 21,3bn

• Energy

- Rise in sales through an increase in sales volume of steam due to the higher utilization within affiliate businesses
- Growth in both sales revenue and operating profits due to hikes in the price of electricity during winter season

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

2Q, 2014 Outlook

BD

- Supply is expected to decrease through regular maintenance by Asian NCC companies and the LPG Cracking effect
- Price is forecasted to rise for the time-being as seeing continuous increase in demand of Asian BD through short supply in the U.S.

Synthetic
rubber

- Supply is estimated to decrease due to the Asian companies' regular maintenance works as well as the operation adjustments
- Synthetic rubber prices are expected to increase as a result of climbing BD price and upsurge in demand in Europe

SM

- Supply is looking to be reduced as scheduled maintenance works by SM manufacturers in Asia between April and May
- Price is likely to be volatile depending on the operating rates of downstream makers and the price of raw materials (benzene / ethylene)

Synthetic
resin

- Sales are forecasted to increase because of the World Cup held in Brazil and the beginning of warm season; higher demand in electricity consuming products (air conditionings / fans / refrigerators)

Appendices

Profit and Loss statement

(Unit: KRW bn)

	1Q, '14	4Q, '13	1Q, '13	Change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,241.6	1,139.6	1,416.9	102.0	9.0%	-175.3	-12.4%
Operating Income	28.6	-17.7	77.8	46.3	deficit to surplus	-49.2	-63.2%
<i>(Operating Margin)</i>	<i>2.3%</i>	<i>-1.6%</i>	<i>5.5%</i>	<i>3.9%p</i>	-	<i>-3.2%p</i>	-
Net interest expense	20.9	9.2	31.5	11.7	127.2%	-10.6	-33.7%
Gain/Loss on valuation of equity method investments	5.4	2.7	10.1	2.7	100.0%	-4.7	-46.5%
Income before Income taxes	14.1	-143.3	47.9	157.4	deficit to surplus	-33.8	-70.6%
<i>(Ordinary Income margin)</i>	<i>1.1%</i>	<i>-12.6%</i>	<i>3.4%</i>	<i>13.7%p</i>	-	<i>-2.3%p</i>	-
Net Income	14.9	-78.3	34.3	93.2	deficit to Surplus	-19.4	-56.6%
<i>(Net Income margin)</i>	<i>1.2%</i>	<i>-6.9%</i>	<i>2.4%</i>	<i>8.1%p</i>	-	<i>-1.2%p</i>	-

✓ Net Income is based on controlling interests

Appendices

Statement of financial position

(Unit: KRW bn)

	1Q, '14	4Q, '13	1Q, '13	Change	
				QoQ	YoY
Current assets	1,272.7	1,258.9	1,612.0	-13.8	-339.3
- Cash and Cash equivalents	77.4	83.3	208.6	-5.9	-131.2
Non-current assets	2,928.3	2,952.7	2,943.5	-24.4	-15.2
Total assets	4,201.0	4,211.6	4,555.5	-10.6	-354.5
Current Liabilities	1,424.8	1,404.5	1,536.1	20.3	-111.3
Non-current Liabilities	1,228.9	1,247.4	1,383.3	-18.5	-154.4
■ Interest bearing Liabilities	2,048.8	2,032.7	2,071.0	16.1	-22.2
- Short-term debts	891.2	856.8	806.5	34.4	84.7
- Long-term debts	1,157.6	1,175.9	1,264.5	-18.3	-106.9
■ Non-interest bearing Liabilities	604.9	619.2	848.4	-14.3	-243.5
Total Liabilities	2,653.7	2,651.9	2,919.4	1.8	-265.7
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,547.3	1,559.7	1,636.1	-12.4	-88.8
Net debt ratio	46.9%	46.3%	40.9%	0.6%p	6.0%p
Long-term debts to total debts ratio	56.5%	57.8%	61.1%	-1.3%p	-4.6%p
Current ratio	89.3%	89.6%	104.9%	-0.3%p	-15.6%p
Debt to equity ratio	171.5%	170.0%	178.4%	1.5%p	-6.9%p

Appendices

Production Capacity (KKPC)

	Product		Capacity	Unit	Note
Synthetic rubber	BR	SBR	481,000	MT/Y	
		HBR	290,000		
		LBR	46,200		
	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	Antioxidants		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		

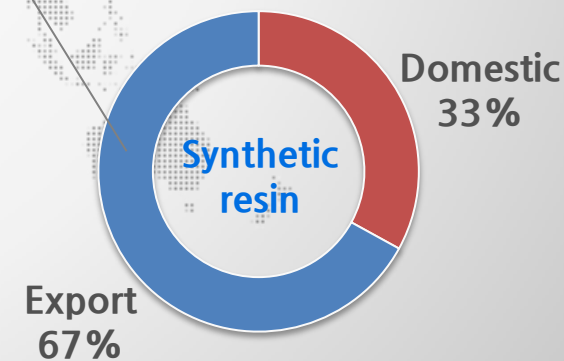
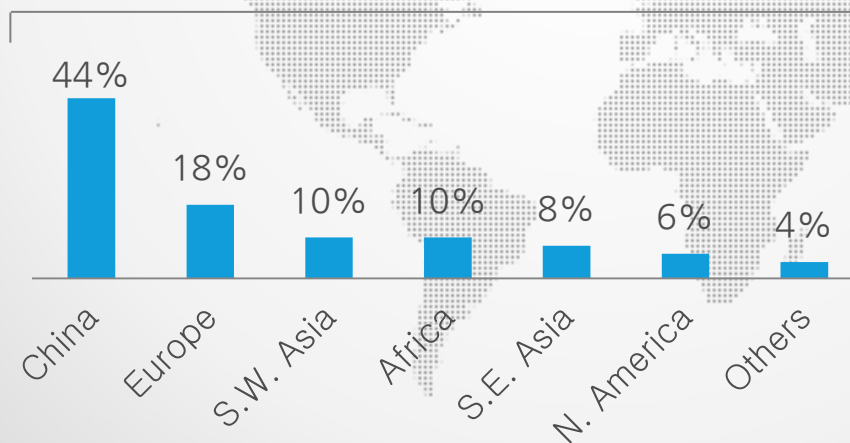
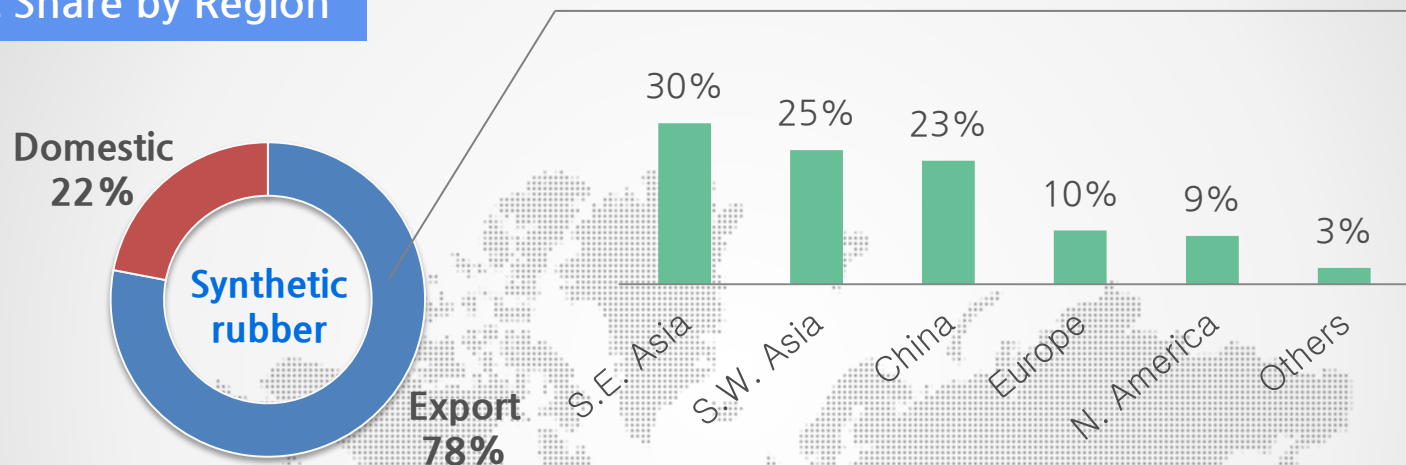
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Production Capacity (Affiliates)

	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	60,000		
	Cumene	430,000		Completion of Expansion: 470,000MT/Y, 1 st Half, '16
	BPA	450,000		Completion of Expansion: 150,000MT/Y, June '13
	Epoxy resin	90,000		Completion of Expansion: 45,000MT/Y, 2Q, '14
	Total	1,645,000		
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 Mar. 2014,
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