

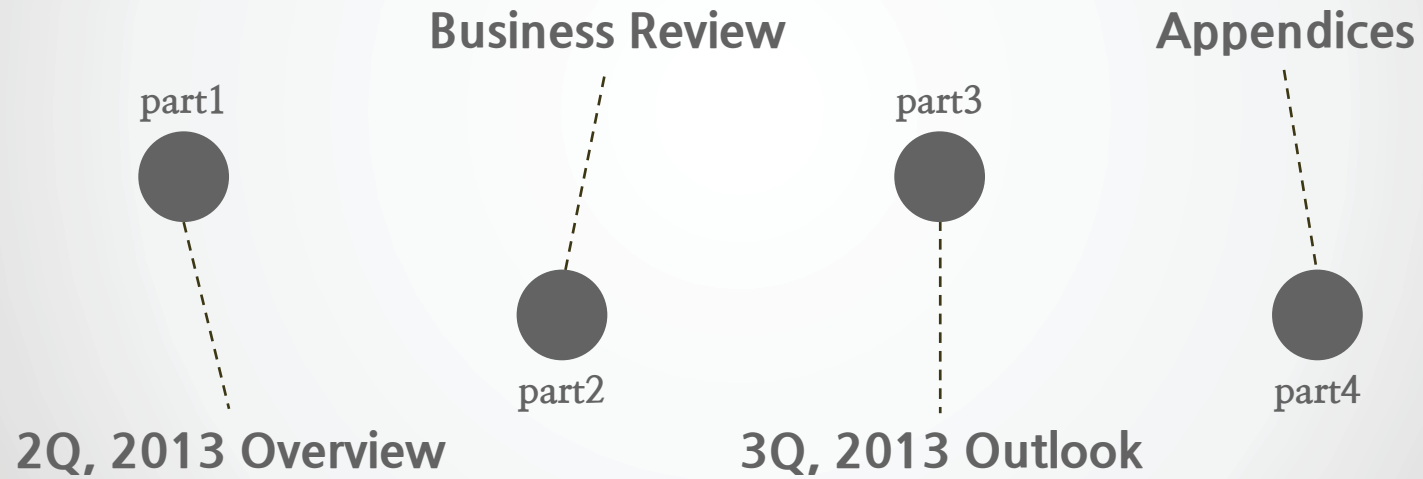
beyond
the best

KUMHO PETROCHEMICAL

INVESTOR RELATIONS 2Q 2013



Contents



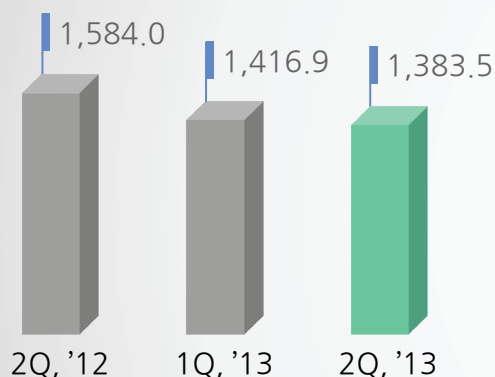
2Q, 2013 Overview

Sales & Operating Income

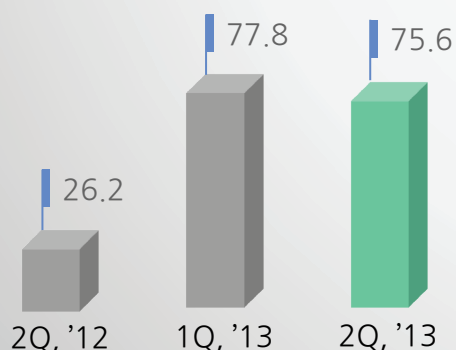
- ❖ Sales decreased by 2.4% since the last quarter and fell by 12.7% over the previous year to KRW 1,383.5bn
- ❖ Operating Income fell by 2.8% since the last quarter and rose by 188.5% over the previous year to KRW 75.6bn

(Unit: KRW bn)

Sales (unit: KRW bn)



Operating Income (unit: KRW bn)



	2Q, '13	1Q, '13	2Q, '12	Rate of increase	
				QoQ	YoY
S a l e s	1,383.5	1,416.9	1,584.0	-2.4%	-12.7%
[Synthetic rubber]	654.0	680.1	856.7	-3.8%	-23.7%
[Synthetic resin]	359.7	331.4	322.7	8.5%	11.5%
[O t h e r s]	369.8	405.4	404.6	-8.8%	-8.6%
Phenol derivatives	253.9	276.9	271.2	-8.3%	-6.4%
Specialty chemical	39.5	43.8	45.1	-9.8%	-12.4%
E n e r g y	29.1	42.5	39.2	-31.5%	-25.8%
O t h e r s	47.3	42.2	49.1	12.1%	-3.7%
Operating Income	75.6	77.8	26.2	-2.8%	188.5%
[%]	5.5%	5.5%	1.7%	-	-
Income before Income tax	29.7	47.9	9.7	-38.0%	206.2%
N e t I n c o m e	25.7	34.3	8.9	-25.1%	188.8%
Gain/. Loss on valuation of equity method investments	11.5	10.1	14.7	13.9%	-21.8%

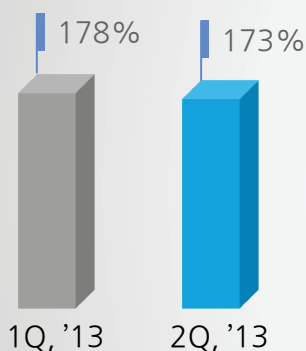
✓ Net Income is based on controlling interests

2Q, 2013 Overview

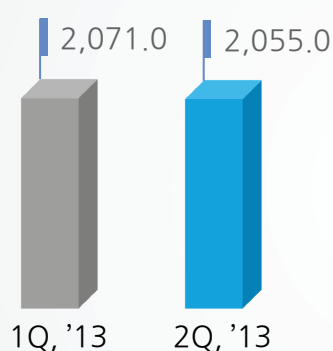
Financial Structure

- ❖ Improvement in financial stability through steady reduction of liabilities and liquidity management

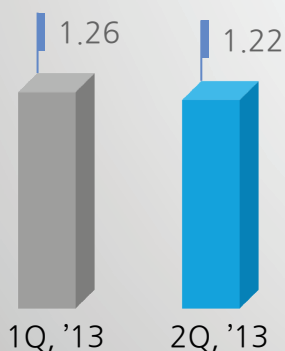
Debt to Equity Ratio (%)



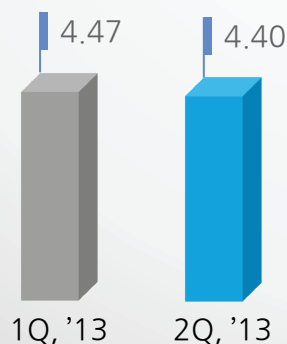
Borrowings (KRW bn)



Total assets turnover ratio



Interest coverage ratio



(Unit: KRW bn)

	Unit	2Q, '13	1Q, '13	2Q, '12	Rate of increase	
					QoQ	YoY
Assets	KRW bn	4,531.9	4,555.5	4,753.1	-0.5%	-4.7%
Liabilities	KRW bn	2,872.3	2,919.4	3,148.7	-1.6%	-8.8%
Shareholders' equity		1,659.6	1,636.1	1,604.4	1.4%	3.4%
Controlling interests	KRW bn	1,545.8	1,523.3	1,492.4	1.5%	3.6%
Non-controlling interests		113.8	112.8	112.0	0.9%	1.6%
Debt to equity ratio	%	173%	178%	196%	-	-
Borrowings		2,055.0	2,071.0	2,362.0	-0.8%	-13.0%
Won-denominated	KRW bn	1,559.4	1,513.7	1,627.2	3.0%	-4.2%
Foreign currency-denominated		495.6	557.3	734.8	-11.1%	-32.6%
Asset turnover ratio		1.22	1.26	1.29	-3.2%	-5.4%
Interest coverage ratio		4.40	4.47	1.03	-1.6%	327.2%

Business review

Synthetic rubber

47.3%
of total sales

**Synthetic
rubber**

**Synthetic
resin**

Others



- ❖ Declined in sales by 3.8% over the previous quarter to KRW 654.0bn
- ❖ Improvement in operating income through a widening margin despite the drop in selling price

• Sharp drop of BD price

- Decrease in demand due to a fall in the utilization rate of downstream, resulted from a delay in the recovery of the Chinese economy
- Sharp drop in BD price as a result of increased European deep sea cargos and over supplies within the region

➤ BD Price changes by region

(unit: USD/ton)

	01, '13	02, '13	03, '13	04, '13	05, '13	06, '13
Asia	1,793	2,040	1,756	1,433	1,474	1,300
N. America	1,640	1,791	1,929	1,902	1,742	1,461
Europe	1,338	1,544	1,620	1,625	1,480	985

※ Source: ICIS/PLATTS 2013

• Increased profit margin of synthetic rubber

- Solid volume of sales despite a partial annual S/D in April and a depression in demand
- Profitability improved for synthetic rubbers through widening spreads due to a sharp drop in the BD price (feedstock)

(unit: USD/ton)

	01, '13	02, '13	03, '13	04, '13	05, '13	06, '13
SBR	2,228	2,284	2,261	2,048	2,025	1,911
BR	2,450	2,500	2,483	2,272	2,215	2,063

※ Source: ICIS 2013

Business review

Synthetic resin

26.0%

of total sales

Synthetic
r u b b e r

Synthetic
r e s i n

O t h e r s

- ❖ Sales grew by 8.5% over the previous quarter to KRW 359.7bn
- ❖ Profitability diminished due to a weak demand in China and also a drop in the selling price despite strong feedstock (SM) price

• Strong price of main feedstock, SM

- Sustained a tight balance between supply and demand in response to both annual S/D and troubles of SM makers in Asia.
- Strong SM price as a result of a rise in demand of downstream makers, despite a drop in the price of feedstock (Benzene/Ethylene)

➤ SM price changes

(unit: USD/ton, CFR China)

	01, '13	02, '13	03, '13	04, '13	05, '13	06, '13
SM	1,738	1,746	1,663	1,676	1,689	1,711

※ Source: ICIS 2013

• Slackening in profitability of synthetic resin

- Slightly increased in the number of sales despite a weak demand, mainly due to a direct influence from the Chinese domestic market
- Profitability, mainly of PS, diminished due to a drop in the selling price despite of strong feedstock (SM) price

(unit: USD/ton)

	01, '13	02, '13	03, '13	04, '13	05, '13	06, '13
PS	1,898	1,891	1,858	1,816	1,810	1,831
ABS	2,021	2,049	1,997	1,904	1,898	1,921

※ Source: PLATTS 2013

Business review

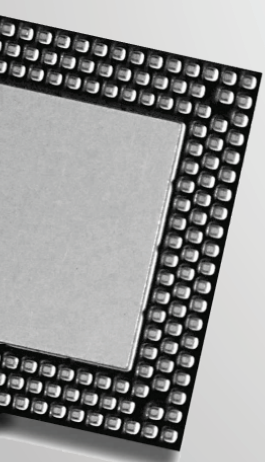
Others

26.7%
of total sales

Synthetic
r u b b e r

Synthetic
r e s i n

O t h e r s



- ❖ Decreased in sales by 8.8% over the previous quarter to KRW 369.8bn
- ❖ Phenol derivatives: Both sales and operating income declined due to a weak demand and an ongoing oversupplies
- ❖ Energy: Sales volume dropped as a result of annual S/D and a fall in the selling price due to a stable and low oil price

• Phenol derivatives Sector

- Continuation of weak feedstock (Benzene) price in response to a fall in the price of both oil and naphtha
- Profitability declined due to a fall in the selling price with regards to weak demands and an ongoing oversupplies

➤ BZ price changes

(unit: USD/ton, FOB Korea)

	01, '13	02, '13	03, '13	04, '13	05, '13	06, '13
BZ	1,425	1,406	1,309	1,310	1,292	1,255

※ Source: PLATTS 2013

➤ Completion of BPA expansion: 150,000MT/Y(June, 2013), Investment of KRW 110bn

• Energy Sector

- Sales volume dropped due to a decrease in the utilization rate, resulted by annual S/D in April
- Both sales and operating income diminished due to a fall in the price of steam caused by stable and low price of oil

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

3Q, 2013 Outlook

BD

- Supplies are expected to rise in regards to the operation commencement of CPC in Taiwan, Chandra Asri in Indonesia and newly established BD plants in China, as well as the rise in the utilization rate of NCC makers
- Weak BD price is expected to continue due to the depression in the recovery of demand caused by low utilization rate in downstream

Synthetic rubber

- Price of synthetic rubbers is estimated to be relatively weak as a result of drop in both feedstock (BD) and natural rubber prices
- Increased in the number of the tire makers, where utilization rates are adjusted due to stagnation in sales which led to increased inventory volume
- Consumption delays of existing stocks in the market, despite low utilization rate of Chinese rubber makers

SM

- Supplies are forecasted to decrease due to a limitation of deep sea cargos and annual S/D (FCFC, TSMC...) in the second half of the year
- Strong SM price is expected to continue in the short-term through the rise in demand with regards to an increase in the utilization rate of downstream

Synthetic resin

- Profitability is expected to recover depending on demands in the home appliances (TV, Audio...) and the price of main feedstock (SM)
- Growth in demand is anticipated mainly in the automobile industry, and also for both Christmas and seasonal products

Appendices

Profit and Loss statement

(unit: KRW bn)

	2Q, '13	1Q, '13	2Q, '12	Change			
				QoQ		YoY	
				Amount	Ratio	Amount	Ratio
Sales	1,383.5	1,416.9	1,584.0	-33.4	-2.4%	-200.5	-12.7%
Operating Income	75.6	77.8	26.2	-2.2	-2.8%	49.4	188.5%
<i>(Operating Margin)</i>	<i>5.5%</i>	<i>5.5%</i>	<i>1.7%</i>	<i>0.0%p</i>	-	<i>3.8%p</i>	-
Net interest expense	28.0	31.5	33.8	-3.5	-11.1%	-5.8	-17.2%
Gain/Loss on valuation of equity method investments	11.5	10.1	14.7	1.4	13.9%	-3.2	-21.8%
Income before Income taxes	29.7	47.9	9.7	-18.2	-38.0%	20.0	206.2%
<i>(Ordinary Income margin)</i>	<i>2.1%</i>	<i>3.4%</i>	<i>0.6%</i>	<i>-1.3%p</i>	-	<i>1.5%p</i>	-
Net Income	25.7	34.3	8.9	-8.6	-25.1%	16.8	188.8%
<i>(Net Income margin)</i>	<i>1.9%</i>	<i>2.4%</i>	<i>0.6%</i>	<i>-0.5%p</i>	-	<i>1.3%p</i>	-

✓ Net Income is based on controlling interests

Appendices

Statement of financial position

(unit: KRW bn)

	2Q, '13	1Q, '13	2Q, '12	Change	
				QoQ	YoY
Current assets	1,587.7	1,612.0	1,964.3	-24.3	-376.6
- Cash and Cash equivalents	250.6	208.6	279.5	42.0	-28.9
Non-current assets	2,944.2	2,943.5	2,788.8	0.7	155.4
Total assets	4,531.9	4,555.5	4,753.1	-23.6	-221.2
Current Liabilities	1,439.3	1,536.1	2,670.6	-96.8	-1,231.3
Non-current Liabilities	1,433.0	1,383.3	478.1	49.7	954.9
■ Interest bearing Liabilities	2,055.0	2,071.0	2,362.0	-16.0	-307.0
- Short-term debts	737.6	806.5	1,994.6	-68.9	-1,257.0
- Long-term debts	1,317.4	1,264.5	367.4	52.9	950.0
■ Non-interest bearing Liabilities	817.3	848.4	786.7	-31.1	30.6
Total Liabilities	2,872.3	2,919.4	3,148.7	-47.1	-276.4
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,659.6	1,636.1	1,604.4	23.5	55.2
Net debt ratio	39.8%	40.9%	43.8%	-1.1%p	-4.0%p
Long-term debts to total debts ratio	64.1%	61.1%	15.6%	3.0%p	48.6%p
Current ratio	110.3%	104.9%	73.6%	5.4%p	36.7%p
Total Liabilities to Equity ratio	173.1%	178.4%	196.3%	-5.3%p	-23.2%p

Appendices

Production Capacity (KKPC)

	Product		Capacity	Unit	Note
Synthetic rubber	BR	SBR	481,000	MT/Y	
		HBR	284,000		
		LBR	43,000		
	S-SBR		60,000		
	NdBR		36,000		
	NBR		50,000		
	HSR		10,000		
	NBR Latex		140,000		
	SB Latex		70,000		
	SBS		70,000		
	Total		1,244,000		
Synthetic resin	PS		230,000	MT/Y	
	ABS		250,000		
	EPS		75,000		
	PPG		80,000		
	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		

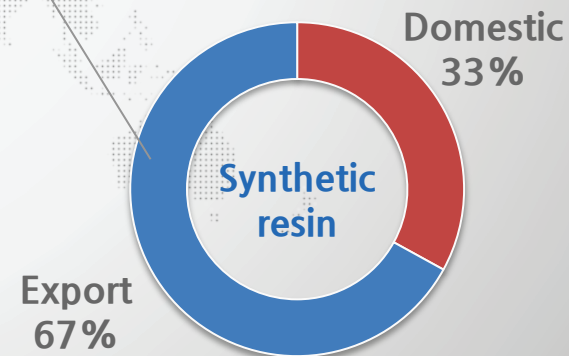
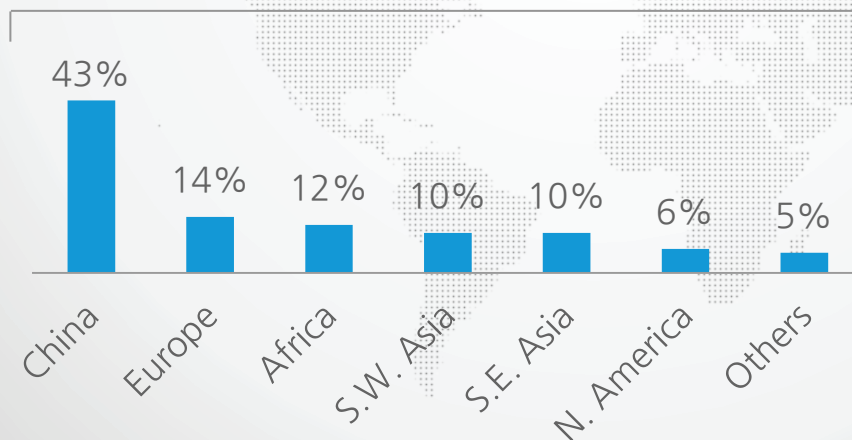
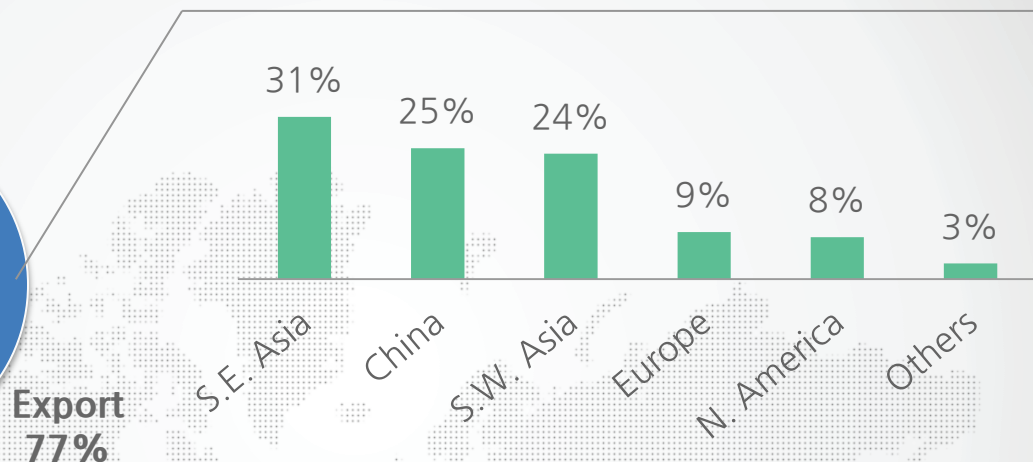
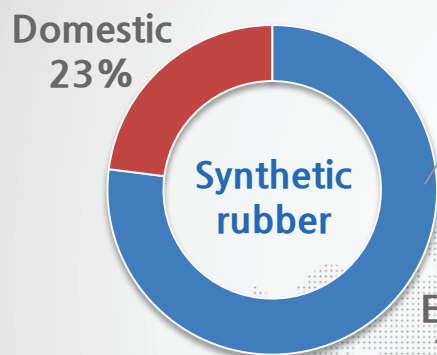
Appendices

Production Capacity (Affiliates)

	Product	Capacity	Unit	Note
Kumho P&B Chemicals	Phenol	380,000	MT/Y	Completion of Expansion: 300,000MT/Y, 2Q, '15
	Acetone	235,000		Completion of Expansion: 185,000MT/Y, 2Q, '15
	MIBK	55,000		
	Cumene	440,000		Completion of Expansion: 460,000MT/Y, 2Q, '15
	BPA	430,000		Completion of Expansion: 150,000MT/Y, June '13
	Epoxy resin	90,000		Completion of Expansion: 45,000MT/Y, 3Q, '14
	Total	1,630,000		
Kumho Polychem	EP(D)M	170,000	MT/Y	Completion of Expansion: 60,000MT/Y, June '13 60,000MT/Y, June '15
	TPV/KEPA	7,000		
	Total	177,000		
Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
	Aniline	2,000		
	Total	202,000		

Appendices

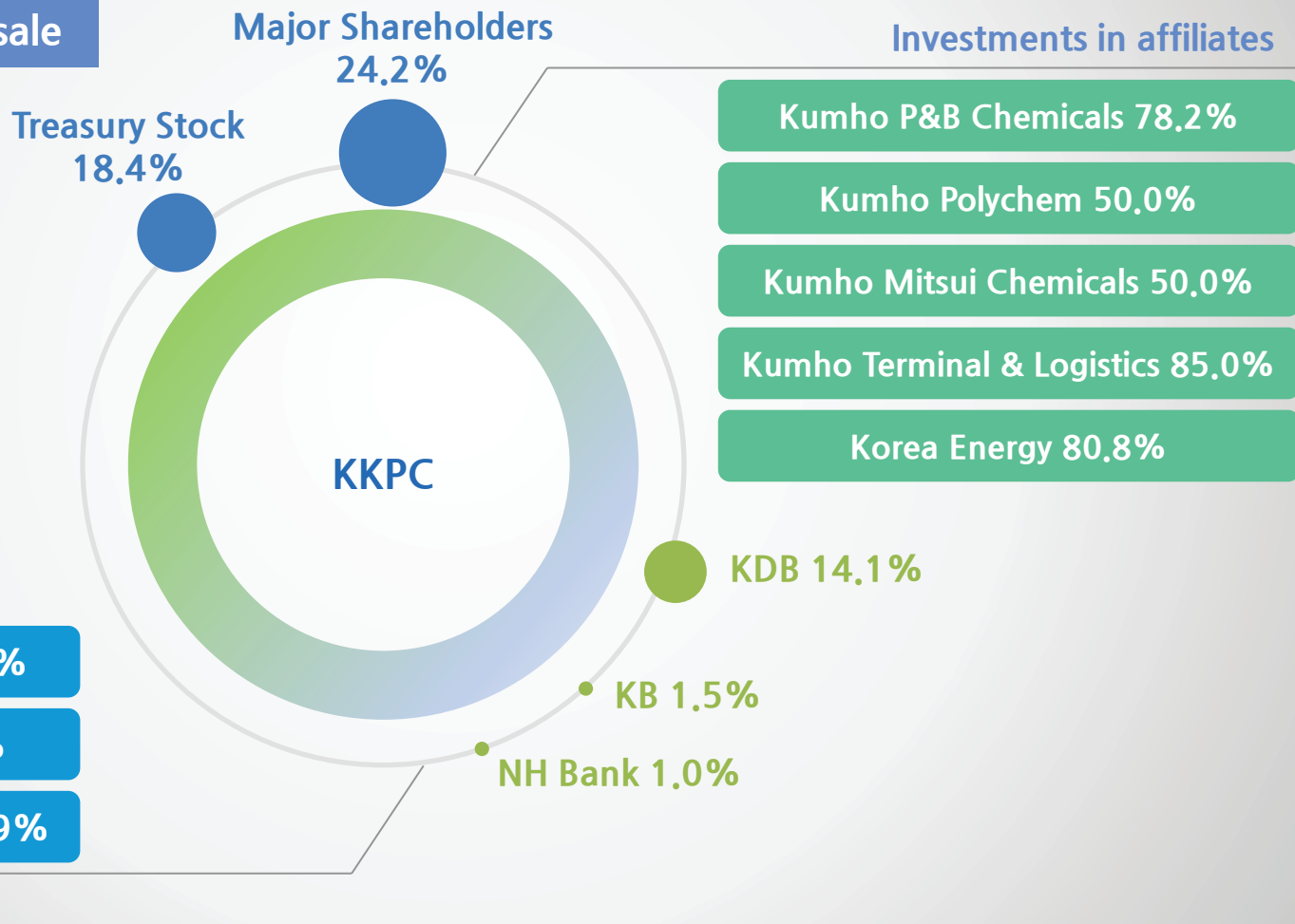
Sales proportion & Export Share by Region



Appendices

Investment share & Asset available for sale

✓ As of 30th June 2013,
based on common shares



Q & A