

# INVESTOR RELATIONS 2Q 2014



*beyond*  
the best  
KUMHO PETROCHEMICAL

Investor Relations 2014

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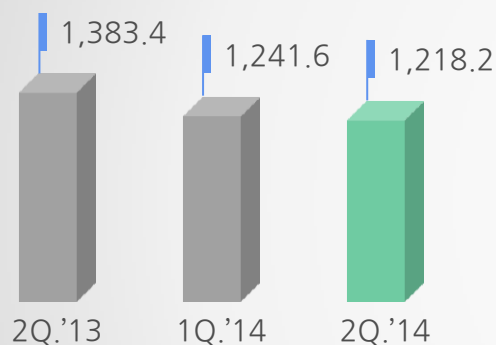
## 2Q, 2014 Overview

### Sales & Operating Income

- ❖ Sales dropped 1.9% QoQ, 11.9% YoY.
- ❖ Operating Income grew to 41.5 KRW bn won, up 45.1% QoQ.

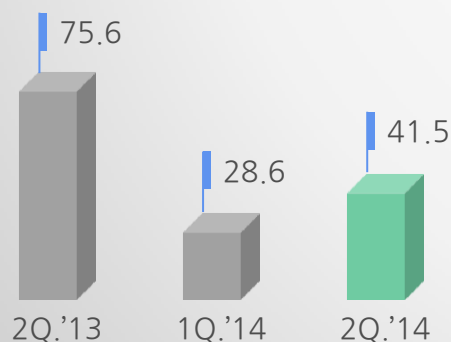
#### Sales

(Unit: KRW bn)



#### Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	2Q.'14	1Q.'14	2Q.'13	Rate of Change	
				QoQ	YoY
S a l e s	1,218.2	1,241.6	1,383.4	-1.9%	-11.9%
[Synthetic Rubbers]	477.6	510.3	654.0	-6.4%	-27.0%
[Synthetic Resins]	345.9	333.5	359.7	3.7%	-3.8%
[ O t h e r s ]	394.7	397.8	369.7	-0.8%	6.8%
P h e n o l D e r i v a t i v e	250.4	260.4	253.9	-3.8%	-1.4%
S p e c i a l t y C h e m i c a l s	40.5	39.8	39.5	1.8%	2.5%
E n e r g y	42.4	43.6	29.1	-2.8%	45.7%
O t h e r s	61.4	54.0	47.2	13.7%	30.1%
Operating Income	41.5	28.6	75.6	45.1%	-45.1%
[ % ]	3.4	2.3	5.5	-	-
Income before Income Taxes	26.3	14.1	29.0	86.5%	-9.3%
N e t I n c o m e	23.7	14.9	26.2	59.1%	-9.5%
Gain/Loss on Valuation of Equity Method Investments	-0.8	5.4	11.5	surplus to deficit	surplus to deficit

✓ Net Income is based on Controlling Interests.

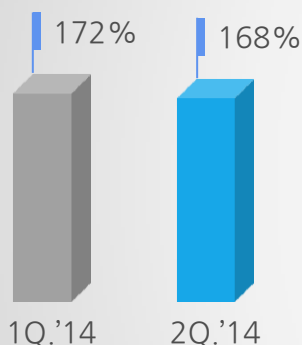
## 2Q, 2014 Overview

### Financial Structure

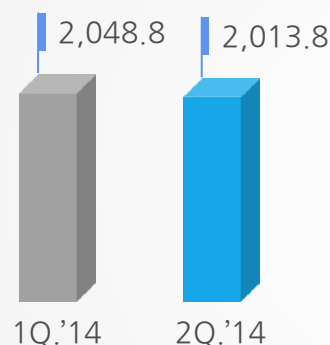
- ❖ Higher operating income improved interest coverage ratio.
- ❖ Managing liquidity tightly to stabilize financial structure.

(Unit: KRW bn)

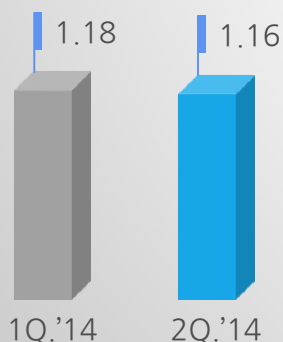
Debt to Equity Ratio (%)



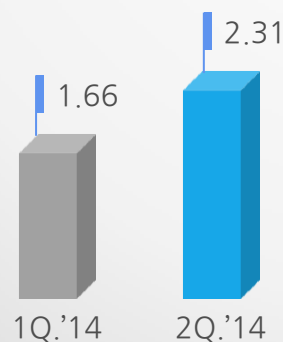
Borrowings (KRW bn)



Total Assets Turnover Ratio(Times)



Interest Coverage Ratio(Fold)



	Unit	2Q.'14	1Q.'14	2Q.'13	Rate of Change	
					QoQ	YoY
Assets	KRW bn	4,198.7	4,201.1	4,531.9	-0.1%	-7.4%
Liabilities	KRW bn	2,630.4	2,653.8	2,872.3	-0.9%	-8.4%
Shareholders' Equity	KRW bn	1,568.3	1,547.3	1,659.6	1.4%	-5.5%
Controlling Interests		1,485.9	1,463.6	1,545.8	1.5%	-3.9%
Non-controlling Interests		82.4	83.7	113.8	-1.6%	-27.6%
Debt to Equity Ratio	%	168	172	173	-	-
Borrowings	KRW bn	2,013.8	2,048.8	2,055.0	-1.7%	-2.0%
Won-denominated		1,603.2	1,613.3	1,559.4	-0.6%	2.8%
Foreign currency-denominated		410.6	435.5	495.6	-5.7%	-17.2%
Total Assets Turnover Ratio	Times	1.16	1.18	1.22	-1.7%	-4.7%
Interest Coverage Ratio	Fold	2.31	1.66	4.40	38.7%	-47.5%

# Business Review

## Synthetic Rubbers

39.2%  
of Total sales

Synthetic  
Rubbers

Synthetic  
Resins

Others



- ❖ Sales dropped 6.4% QoQ.
- ❖ Low SR price pressed down by weak BD price caused Sales drop despite Sales volume increased.

### • Weak BD price

- BD price kept weak by additional supply from new plants and by low demand from SR makers some of which lowered operating rate.

#### ➤ BD Price changes by region

(Unit: USD/ton)

	01.'14	02.'14	03.'14	04.'14	05.'14	06.'14
Asia	1,490	1,466	1,271	1,278	1,238	1,320
N. America	1,453	1,681	1,676	1,703	1,607	1,543
Europe	1,289	1,451	1,531	1,475	1,375	1,305

※ Source: ICIS/PLATTS 2014

### • Low SR price

- Weak BD price pressed SR price.
- BR price never showed improved, but SBR price did.

(Unit: USD/ton)

	01.'14	02.'14	03.'14	04.'14	05.'14	06.'14
SBR	1,847	1,830	1,728	1,735	1,758	1,810
BR	2,000	1,900	1,825	1,803	1,818	1,831

※ Source: ICIS 2014

# Business Review

## Synthetic Resins

28.4%  
of Total sales

Synthetic  
Rubbers

Synthetic  
Resins

Others

- ❖ Sales grew 3.7% QoQ.
- ❖ Widened spread between SM and Resin caused higher sales and better profitability.

### • Weakened SM price

- SM price weakened by continued high SM inventory level in China and awakened SK's SM plant(350,000MT/y).

#### ➤ SM Price changes

(Unit: USD/ton, CFR China)

	01.'14	02.'14	03.'14	04.'14	05.'14	06.'14
SM	1,694	1,619	1,628	1,626	1,592	1,609

※ Source: ICIS 2014

### • Better resin profitability

- Resin, mainly ABS, price could stand against weakened SM price owing to high-demand season and to improvement of Big resin users'(home appliance, auto) situation.

(Unit: USD/ton)

	01.'14	02.'14	03.'14	04.'14	05.'14	06.'14
PS	1,827	1,784	1,733	1,752	1,734	1,713
ABS	1,930	1,928	1,900	1,904	1,909	1,906

※ Source: PLATTS 2014

# Business Review

## Others

32.4%

Of Total sales

Synthetic  
Rubbers

Synthetic  
Resins

Others

- ❖ Other(than SR and resin) sales decreased 0.8% QoQ.
- ❖ Phenol : Managed to reflect change of Benzene price into Phenol price
- ❖ Energy : Kept stable sales and profitability

### • Phenol

- BPA makers managed to reflect change of Benzene price into their price by controlling supply(by production cut).

#### ➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	01.'14	02.'14	03.'14	04.'14	05.'14	06.'14
BZ	1,340	1,303	1,246	1,276	1,260	1,358

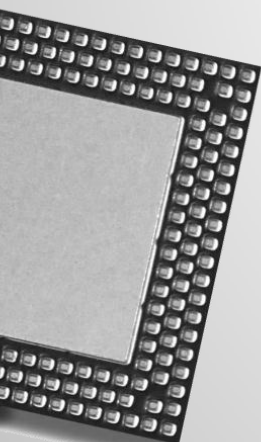
※ Source: PLATTS 2014

- Completion of Epoxy Resin Expansion: 45,000MT/Y(June '14).  
Investment of KRW 21.3bn

### • Energy

- Steam sales kept stable owing to Users' steady demand.
- Electricity price decreased, but the most optimal operation allowed more production/sales.

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



## 3Q, 2014 Outlook

BD

- NCC's annual shut-down, LPG Cracking and low BD Plant operating are forecasted to make BD supply tight, which may cause strong price level.

Synthetic  
Rubbers

- Low operation of Chinese SR makers is forecasted to be continued for the time being, which will lower and lower SR inventory level in China.
- Price of BD and SM is expected to bolster SR price.

SM

- Annual shut-down and low profitability may SM makers to keep low operation, which will cause tight supply situation.

Synthetic  
Resins

- Demand from Auto industry and for X-mas season is expected to increase
- Price of SM, BD and AN is expected to bolster resin price.



## Appendices

### Income Statement

(Unit: KRW bn)

	2Q.'14	1Q.'14	2Q.'13	Change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,218.2	1,241.6	1,383.4	-23.4	-1.9%	-165.2	-11.9%
Operating Income	41.5	28.6	75.6	12.9	45.1%	-34.1	-45.1%
<i>(Operating Margin)</i>	<i>3.4%</i>	<i>2.3%</i>	<i>5.5%</i>	<i>1.1%p</i>	-	<i>-2.1%p</i>	-
Net Interest Expense	2.7	20.9	28.0	-18.2	-87.1%	-25.3	-90.4%
Gain/Loss on Valuation of Equity Method Investments	-0.8	5.4	11.5	-6.2	surplus to deficit	-12.3	surplus to deficit
Income before Income Taxes	26.3	14.1	29.0	12.2	86.5%	-2.7	-9.3%
<i>(Ordinary Income Margin)</i>	<i>2.2%</i>	<i>1.1%</i>	<i>2.1%</i>	<i>1.1%p</i>	-	<i>0.1%p</i>	-
Net Income	23.7	14.9	26.2	8.8	59.1%	-2.5	-9.5%
<i>(Net Income Margin)</i>	<i>1.9%</i>	<i>1.2%</i>	<i>1.9%</i>	<i>0.7%p</i>	-	<i>0.0%p</i>	-

✓ Net Income is based on Controlling Interests.

## Appendices

### Balance Sheet

(Unit: KRW bn)

	2Q.'14	1Q.'14	2Q.'13	Change	
				QoQ	YoY
Current Assets	1,241.4	1,272.7	1,587.7	-31.3	-346.3
- Cash and Cash Equivalents	127.0	77.4	250.6	49.6	-123.6
Non-current Assets	2,957.3	2,928.4	2,944.2	28.9	13.1
Total Assets	4,198.7	4,201.1	4,531.9	-2.4	-333.2
Current Liabilities	1,413.9	1,424.8	1,439.3	-10.9	-25.4
Non-current Liabilities	1,216.5	1,229.0	1,433.0	-12.5	-216.5
■ Interest bearing Liabilities	2,013.8	2,048.8	2,055.0	-35.0	-41.2
- Short-term Debts	874.1	891.2	737.6	-17.1	136.5
- Long-term Debts	1,139.7	1,157.6	1,317.4	-17.9	-177.7
■ Non-interest bearing Liabilities	616.6	605.0	817.3	11.6	-200.7
Total Liabilities	2,630.4	2,653.8	2,872.3	-23.4	-241.9
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,568.3	1,547.3	1,659.6	21.0	-91.3
Net Debt Ratio	44.9%	46.9%	39.8%	-2.0%p	5.1%p
Long-term Debts to Total Debts Ratio	56.6%	56.5%	64.1%	0.1%p	-7.5%p
Current Ratio	87.8%	89.3%	110.3%	-1.5%p	-22.5%p
Debt to Equity Ratio	167.7%	171.5%	173.1%	-3.8%p	-5.3%p

## Appendices

### Production Capacity (KKPC)

	Product		Capa.	Unit	Note
Synthetic Rubbers	SBR		481,000	MT/Y	
	BR	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 Resins	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		

## Appendices

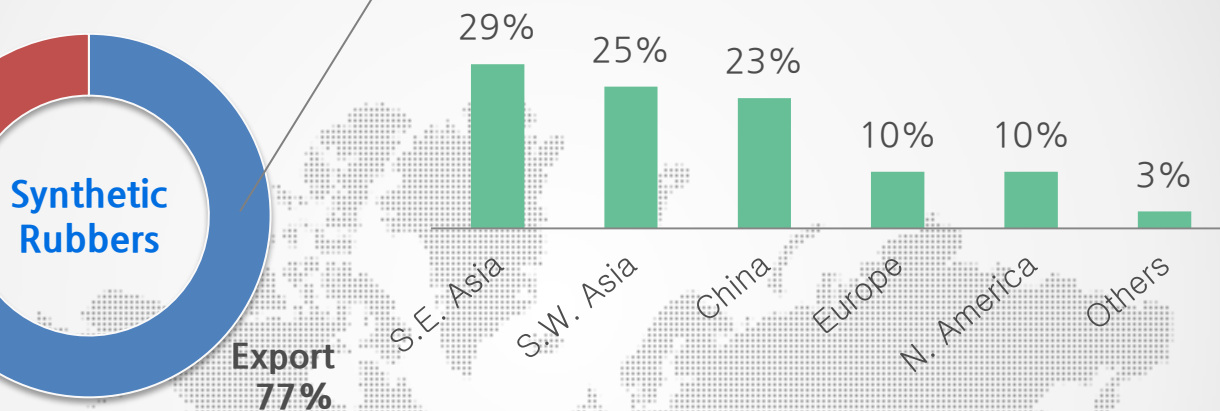
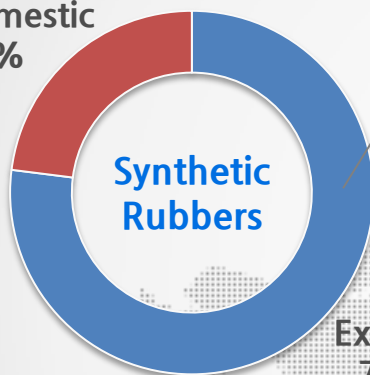
### Production Capacity (Affiliates)

	Product	Capa.	Unit	Note
Kumho P&B Chemicals	Phenol	380,000	MT/Y	Completion of Expansion: 300,000MT/Y, 1H.'16
	Acetone	235,000		Completion of Expansion: 185,000MT/Y, 1H.'16
	MIBK	60,000		
	Cumene	430,000		Completion of Expansion: 470,000MT/Y, 1H.'16
	BPA	450,000		Completion of Expansion: 150,000MT/Y, June '13
	Epoxy수지	135,000		Completion of Expansion: 45,000MT/Y, June '14
	Total	1,690,000		
Kumho Polychem	EP(D)M	160,000	MT/Y	Completion of Expansion: 60,000MT/Y, June '13 60,000MT/Y, July '15
	TPV/KEPA	7,000		
	Total	167,000		
Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
	Aniline	2,000		
	Total	202,000		

## Appendices

### 2014 Sales Breakdown & Export Share by Region

Domestic  
23%



45%

18%

9%

9%

8%

6%

5%

China

Europe

S.W. Asia

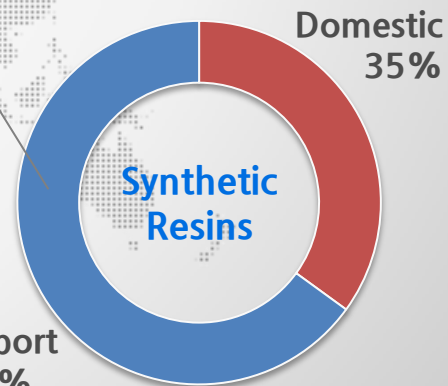
S.E. Asia

Africa

N. America

Others

Export  
65%



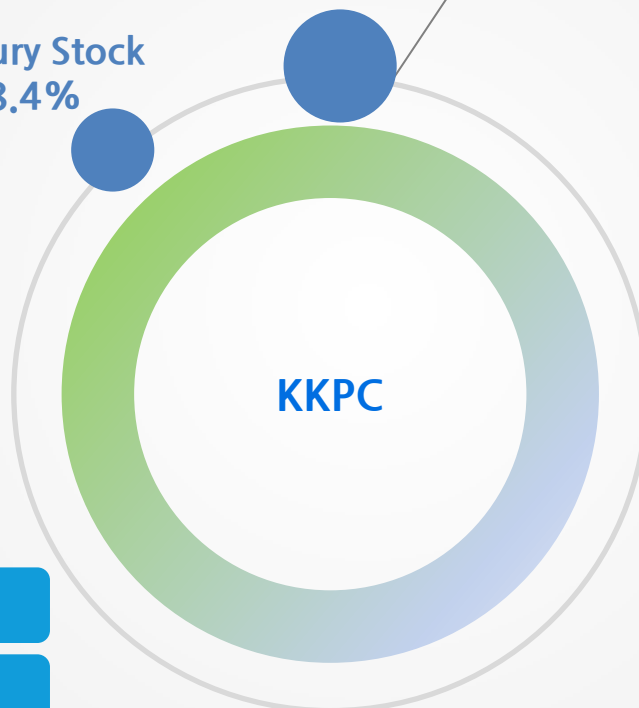
## Appendices

### Investment Shares & Asset available for sale

✓ As of 30<sup>th</sup> June 2014,  
based on common shares

Major Shareholder  
24.3%

Treasury Stock  
18.4%



Asiana Airlines 12.6%

Daewoo E&C 3.5%

KDB Life Insurance 0.9%

Asset available for sale

### 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%

**Q & A**