

INVESTOR RELATIONS 3Q 2014



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KUMHO PETROCHEMICAL

Investor Relations 2014

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3Q, 2014 Overview

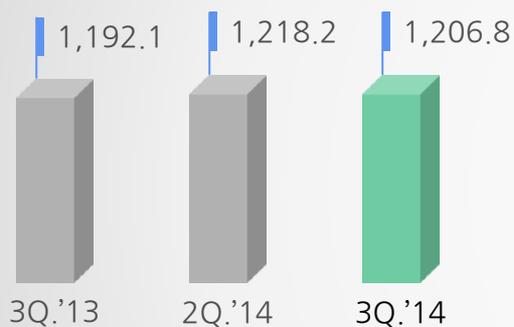
Sales & Operating Income

- ❖ Sales dropped by 0.9% Quarter on Quarter (QoQ), rose by 1.2% Year on Year (YoY), amounting to KRW 1206.8 billion.
- ❖ Operating Income rose by 47.1% Quarter on Quarter (QoQ), amounting to KRW 61.0 billion.

(Unit: KRW bn)

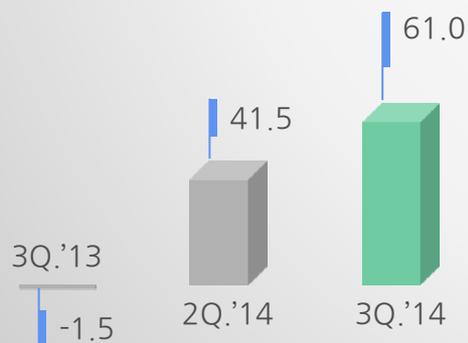
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



	3Q.'14	2Q.'14	3Q.'13	Rate of Change	
				QoQ	YoY
S a l e s	1,206.8	1,218.2	1,192.1	-0.9%	1.2%
[Synthetic Rubbers]	451.1	477.6	510.7	-5.5%	-11.7%
[Synthetic Resins]	327.5	345.9	340.4	-5.3%	-3.8%
[O t h e r s]	428.2	394.7	341.0	8.5%	25.5%
P h e n o l Derivative	288.4	250.4	204.9	15.2%	40.8%
S p e c i a l t y Chemical s	37.4	40.5	36.6	-7.7%	2.2%
E n e r g y	39.8	42.4	43.9	-6.1%	-9.3%
O t h e r s	62.6	61.4	55.6	2.0%	12.6%
Operating Income	61.0	41.5	-1.5	47.1%	deficit to Surplus
[%]	5.1	3.4	-0.1	-	-
Income before Income Taxes	31.7	26.3	-4.2	20.8%	deficit to Surplus
Net Income	24.1	23.7	5.5	1.5%	336.7%
Gain/Loss on Valuation of Equity Method Investments	-0.1	-0.8	8.4	-	surplus to deficit

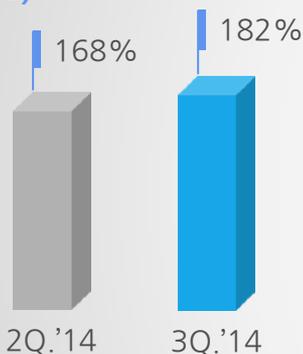
✓ Net Income is based on Controlling Interests.

3Q, 2014 Overview

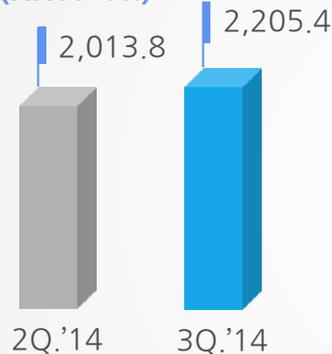
Financial Structure

- ❖ The improved performance in main businesses led to higher operation profits, thus increasing the interest coverage ratios.
- ❖ The continued cash flows in sales and liquidity management stabilized the financial structure.

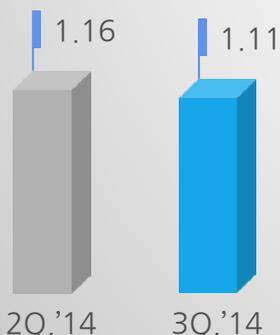
Debt to Equity Ratio (%)



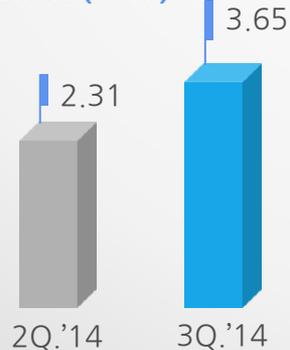
Borrowings (KRW bn)



Total Assets Turnover Ratio(Times)



Interest Coverage Ratio(Fold)



(Unit: KRW bn)

	Unit	3Q.'14	2Q.'14	3Q.'13	Rate of Change	
					QoQ	YoY
Assets	KRW bn	4,460.1	4,198.8	4,455.7	6.2%	0.1%
Liabilities	KRW bn	2,878.4	2,630.5	2,780.3	9.4%	3.5%
Shareholders' Equity		1,581.7	1,568.3	1,675.4	0.9%	-5.6%
Controlling Interests	KRW bn	1,500.4	1,485.9	1,564.8	1.0%	-4.1%
Non-controlling Interests		81.3	82.4	110.5	-1.3%	-26.4%
Debt to Equity Ratio	%	182	168	166	-	-
Borrowings		2,205.4	2,013.9	2,084.1	9.5%	5.8%
Won-denominated	KRW bn	1,591.2	1,603.3	1,601.4	-0.8%	-0.6%
Foreign currency-denominated		614.2	410.6	482.7	49.6%	27.2%
Total Assets Turnover Ratio	Times	1.11	1.16	1.06	-3.9%	5.1%
Interest Coverage Ratio	Fold	3.65	2.31	-	58.5%	-

Business Review

Synthetic Rubbers

37.4%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales dropped by 5.5% Quarter on Quarter (QoQ), amounting to KRW 451.1 billion.
- ❖ Despite a drop in sales, profitability was secured by using selling prices that reflect the increased BD prices.

• Increased BD prices

- NCC's annual maintenance, LPG cracking, and low BD plant operating ratios, limited supply, and increased BD prices; derivative makers' operating ratio adjustments continued the fluctuation.

➤ BD Price changes by region

(Unit: USD/ton)

	Apr.'14	May.'14	Jun.'14	Jul.'14	Aug.'14	Sep.'14
Asia	1,278	1,238	1,320	1,502	1,436	1,499
N. America	1,703	1,607	1,543	1,499	1,363	1,191
Europe	1,475	1,375	1,305	1,305	1,181	1,176

※ Source: ICIS/PLATTS 2014

• Increased Synthetic Rubber selling prices

- The adjusted operating ratios caused by an increase in the BD prices decreased sales.
- An increase in selling prices reflecting the BD price increase secured the profitability.

(Unit: USD/ton)

	Apr.'14	May.'14	Jun.'14	Jul.'14	Aug.'14	Sep.'14
SBR	1,735	1,758	1,810	1,851	1,926	1,891
BR	1,803	1,818	1,831	1,913	2,055	2,013

※ Source: ICIS 2014

Business Review

Synthetic Resins

27.1%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others

- ❖ Sales dropped by 5.3% Quarter on Quarter (QoQ), amounting to KRW 327.5 billion.
- ❖ Despite a slight drop in sales, the increased ABS selling prices expanded and spread, thus maintaining the profitability.

Decreased SM prices

- The sluggish demand of derivative makers in China and low feedstock (benzene/ethylene) prices continued to drop the SM prices.

➤ SM Price changes

(Unit: USD/ton, CFR China)

	Apr.'14	May.'14	Jun.'14	Jul.'14	Aug.'14	Sep.'14
SM	1,626	1,592	1,609	1,642	1,593	1,519

※ Source: ICIS 2014

Expanded profitability of Synthetic Resins

- Despite a drop in SM prices, the ABS-centered sales remained robust, thus maintaining profitability.

(Unit: USD/ton)

	Apr.'14	May.'14	Jun.'14	Jul.'14	Aug.'14	Sep.'14
PS	1,752	1,734	1,713	1,742	1,730	1,649
ABS	1,904	1,909	1,906	1,941	1,961	1,928

※ Source: PLATTS 2014

Business Review

Others

35.5%

Of Total sales

Synthetic Rubbers

Synthetic Resins

Others

- ❖ Sales rose by 8.5% Quarter on Quarter (QoQ), amounting to KRW 428.2 billion.
- ❖ Phenol derivatives: The decreased prices and tight supply of feedstock led to an increase in selling prices, thus improving the profitability.
- ❖ Energy: Maintained steam sales in conjunction with the increased electricity sales actualized the robust sales and operating profits.

• Phenol derivatives

- The dull demand for SM and sluggish exports to the U.S. dropped the feedstock (benzene) prices.
- Despite a decline in feedstock (benzene) prices, the tight BPA supply continued to raise the selling prices, thus improving profitability.

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Apr.'14	May.'14	Jun.'14	Jul.'14	Aug.'14	Sep.'14
BZ	1,276	1,260	1,358	1,371	1,322	1,209

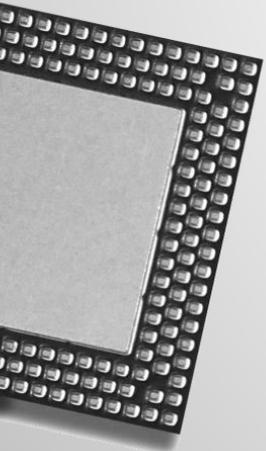
※ Source: PLATTS 2014

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

• Energy

- The stable demand of sources kept the steam sales volume, thus leading to robust sales.
- Despite the decreased selling prices of electricity, the optimal process control bolstered electricity production and its sales.

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



4Q, 2014 Outlook

BD

- The new BD plant operations (in Europe), the influx of deep-sea supplies, and naphtha cracking are expected to increase the supply.
- A decline in demand caused by derivative makers' annual maintenance and operating ratio adjustments is expected to weaken the BD prices.

Synthetic Rubbers

- Regional Synthetic Rubber makers' annual maintenance and operating ratio adjustments will drop the supply.
- A drop in the demand caused by the weak prices of materials (BD/SM) and natural rubber will decrease prices.

SM

- Worsening payability will make SM producers (SK, YNCC, etc.) adjust their operating ratios, thus dropping the supply.
- A drop in the demand for derivatives by seasons and material prices is expected to weaken the prices.

Synthetic Resins

- Demand is expected to increase for seasonal appliances (kimchi refrigerators and heating devices) and the automobile industry.
- The weak material (SM/BD) prices are expected to slow down sales.

Appendices

Income Statement

(Unit: KRW bn)

	3Q.'14	2Q.'14	3Q.'13	Change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,206.8	1,218.2	1,192.1	-11.4	-0.9%	14.7	1.2%
Operating Income	61.0	41.5	-1.5	19.5	47.1%	62.5	deficit to surplus
<i>(Operating Margin)</i>	<i>5.1%</i>	<i>3.4%</i>	<i>-0.1%</i>	<i>1.7%p</i>	-	<i>5.2%p</i>	-
Net Interest Expense	27.0	2.7	-7.2	24.3	900.0%	34.2	-
Gain/Loss on Valuation of Equity Method Investments	-0.1	-0.8	8.4	0.7	-	-8.5	surplus to deficit
Income before Income Taxes	31.7	26.3	-4.2	5.4	20.8%	35.9	deficit to surplus
<i>(Ordinary Income Margin)</i>	<i>2.6%</i>	<i>2.2%</i>	<i>-0.4%</i>	<i>0.4%p</i>	-	<i>3.0%p</i>	-
Net Income	24.1	23.7	5.5	0.4	1.5%	18.6	336.7%
<i>(Net Income Margin)</i>	<i>2.0%</i>	<i>1.9%</i>	<i>0.5%</i>	<i>0.1%p</i>	-	<i>1.5%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	3Q.'14	2Q.'14	3Q.'13	Change	
				QoQ	YoY
Current Assets	1,490.6	1,241.4	1,442.6	249.2	48.0
- Cash and Cash Equivalents	289.5	127.0	185.9	162.5	103.6
Non-current Assets	2,969.5	2,957.4	3,013.1	12.1	-43.6
Total Assets	4,460.1	4,198.8	4,455.7	261.3	4.4
Current Liabilities	1,812.7	1,413.9	1,313.2	398.8	499.6
Non-current Liabilities	1,065.7	1,216.5	1,467.2	-150.9	-401.5
■ Interest bearing Liabilities	2,205.4	2,013.8	2,084.1	191.6	121.3
- Short-term Debts	1,224.2	874.1	727.2	350.1	497.0
- Long-term Debts	981.2	1,139.7	1,356.9	-158.5	-375.7
■ Non-interest bearing Liabilities	673.0	616.7	696.3	56.3	-23.3
Total Liabilities	2,878.4	2,630.5	2,780.3	247.9	98.1
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,581.7	1,568.3	1,675.4	13.4	-93.7
Net Debt Ratio	43.0%	44.9%	42.6%	-1.9%p	0.4%p
Long-term Debts to Total Debts Ratio	44.5%	56.6%	65.1%	-12.1%p	-20.6%p
Current Ratio	82.2%	87.8%	109.9%	-5.6%p	-27.7%p
Debt to Equity Ratio	182.0%	167.7%	166.0%	14.3%p	16.0%p

Appendices

Production Capacity (KKPC)

	Product	Capa.	Unit	Note	
Synthetic Rubbers	SBR	481,000	MT/Y		
	BR	HBR		290,000	
		LBR		46,000	
	S-SBR	60,000			
	NdBR	45,000			
	NBR	80,000			
	HSR	10,000			
	NBR Latex	168,000			
	SB Latex	81,000			
	SBS	70,000			
	Total	1,331,000			
Synthetic Resins	PS	230,000	MT/Y		
	ABS	250,000			
	EPS	80,000			
	PPG	135,000			
	Total	695,000			Completion of Expansion: 55,000MT/Y in July '14
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			

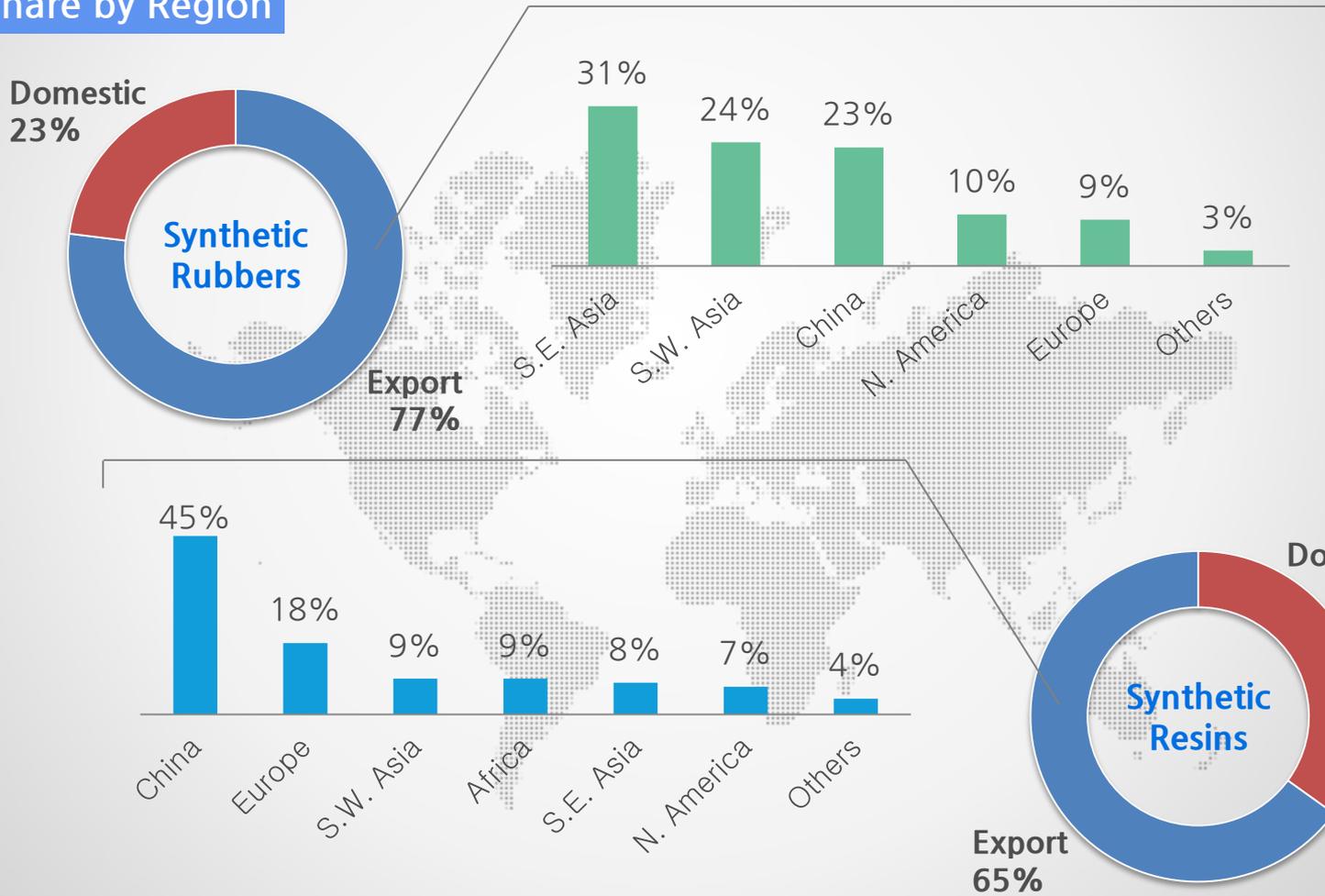
Appendices

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

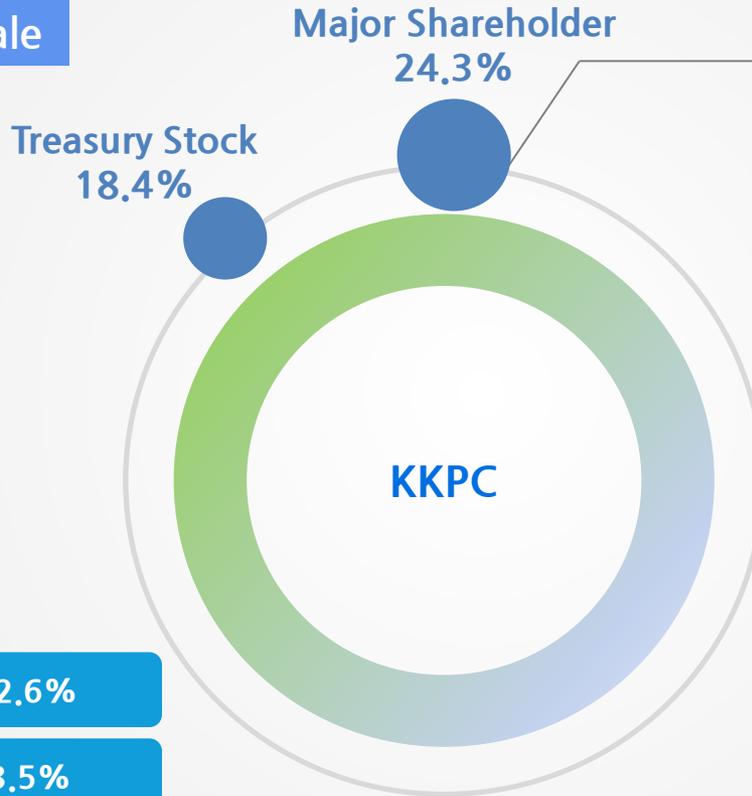
2014 Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 30th Sep. 2014, based on common shares



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%

Asset available for sale

Q & A