

INVESTOR RELATIONS 1Q 2015

beyond
the best

KUMHO PETROCHEMICAL



Investor Relations 2015

CONTENTS

- 1Q, 2015 Overview
- Business Review
- 2Q, 2015 Outlook
- Appendices

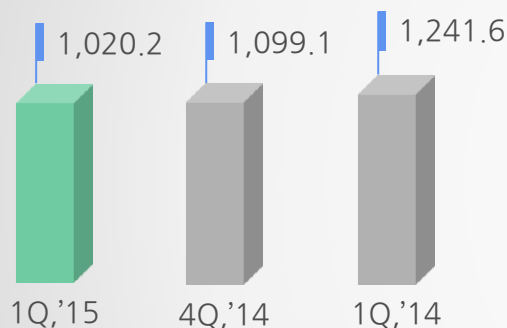
1Q, 2015 Overview

Sales & Operating Income

- ❖ Decrease in sales by 7.2% over the previous quarter, and 17.2% decrease to KRW 1,020.2bn over the previous year
- ❖ Increase in operating income by 2.6% to KRW 55.2bn over the previous quarter, and a 93.0% rise over the previous year

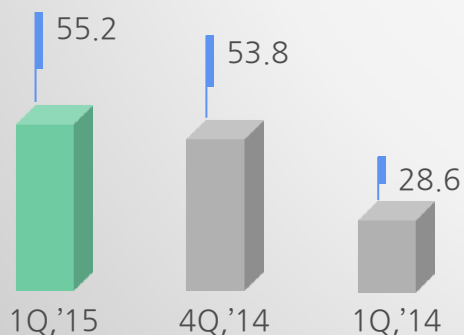
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	1Q,'15	4Q,'14	1Q,'14	Rate of change	
				QoQ	YoY
S a l e s	1,020.2	1,099.1	1,241.6	-7.2%	-17.8%
[Synthetic Rubbers]	386.2	414.0	510.3	-6.7%	-24.3%
[Synthetic Resins]	280.7	317.8	333.5	-11.7%	-15.8%
[O t h e r s]	353.3	367.3	397.8	-3.8%	-11.2%
P h e n o l Derivatives	213.9	240.2	260.4	-10.9%	-17.9%
S p e c i a l t y Chemical s	40.2	33.0	39.8	21.8%	1.0%
E n e r g y	38.0	33.9	43.6	12.1%	-12.8%
O t h e r s	61.2	60.2	54.0	1.7%	13.3%
Operating Income	55.2	53.8	28.6	2.6%	93.0%
[%]	5.4	4.9	2.3	0.5%p	3.1%p
Income before Income Taxes	55.5	45.1	14.1	23.1%	293.6%
N e t I n c o m e	41.5	30.4	14.9	36.5%	178.5%
Gain/Loss on Valuation of Equity Method Investments	14.7	7.4	5.4	98.6%	172.2%

✓ Net Income is based on Controlling Interests.

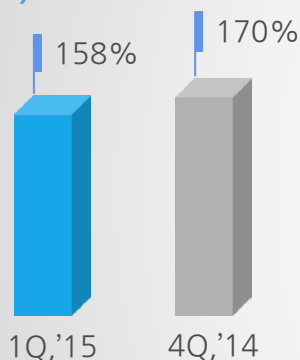
1Q, 2015 Overview

Financial Structure

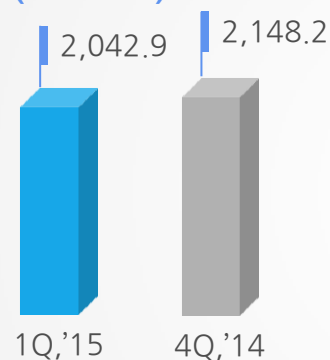
- ❖ An improvement in interest coverage ratio, which is led by an increase in our operating income and improved performance of affiliated companies
- ❖ A decrease in debt ratio led by a decrease in loans and an increase in capital accompanied by valuation gains on investment in equity securities

(Unit: KRW bn)

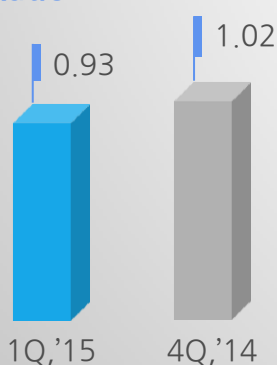
Debt to Equity Ratio (%)



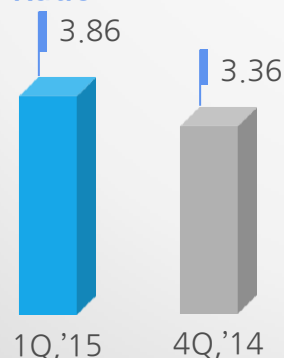
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



	Unit	1Q,'15	4Q,'14	1Q,'14	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,371.4	4,437.3	4,201.0	-1.5%	4.1%
Liabilities	KRW bn	2,678.3	2,795.7	2,653.7	-4.2%	0.9%
Shareholders' Equity	KRW bn	1,693.1	1,641.6	1,547.3	3.1%	9.4%
Controlling Interests		1,610.2	1,559.4	1,463.6	3.3%	10.0%
Non-controlling Interests		82.9	82.2	83.7	0.9%	-1.0%
Debt to Equity Ratio	%	158	170	172	-12%p	-14%p
Borrowings	KRW bn	2,042.9	2,148.2	2,048.8	-4.9%	-0.3%
Won-denominated		1,523.0	1,540.9	1,581.3	-1.2%	-3.7%
Foreign currency-denominated		519.9	607.3	467.5	-14.4%	11.2%
Total Assets Turnover Ratio		0.93	1.02	1.18	-8.9%	-21.5%
Interest Coverage Ratio		3.86	3.36	1.66	14.8%	132.1%

Business Review

Synthetic Rubbers

37.9%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Decrease in sales by 6.7% over the previous year, down to KRW 386.2bn
- ❖ A decrease in sales volume and profitability by a decrease in the selling price of products caused by weak main material, BD prices, and sluggish demand

• Weak BD price

- Continued weak prices caused by sluggish demand resulting from the low operating rate of synthetic rubber manufacturers even though prices were rebounded by the increased demand to rebuild stock around the New Year's holiday in the midst of a dramatic plunge in oil prices at the beginning of the year

➤ BD Price changes by region

(Unit: USD/ton)

	Oct.'14	Nov.'14	Dec.'14	Jan.'15	Feb.'15	Mar.'15
Asia	1,176	1,051	984	753	693	865
N. America	1,025	982	888	821	662	708
Europe	905	694	588	519	506	565

※ Source: ICIS/PLATTS 2015

• Diminished profitability of synthetic rubber

- Continued oversupply caused by an excess in supply and the offshore supply inflow to sell out stock
- A drop in selling prices and depressed profitability by weak raw material prices, and decreased operation rate which is led by sluggish demand of tires

(Unit: USD/ton)

	Oct.'14	Nov.'14	Dec.'14	Jan.'15	Feb.'15	Mar.'15
SBR	1,778	1,684	1,552	1,285	1,109	1,253
BR	1,840	1,745	1,575	1,272	1,115	1,263

※ Source: ICIS 2015

Business Review

Synthetic Resins

27.5%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Decrease in sales by 11.7% over the previous quarter, down to KRW 280.7bn
- ❖ Improved profitability caused by the shift of selling prices due to strong raw materials (SM) and an increase in sales volume resulting from steady demand

• Strong SM price

- An increase in purchasing demand and strong prices in fear of a supply decrease led by the SM maker's routine maintenance in the first half of this year

➤ SM Price changes

(Unit: USD/ton, CFR China)

	Oct.'14	Nov.'14	Dec.'14	Jan.'15	Feb.'15	Mar.'15
SM	1,473	1,251	951	891	1,010	1,141

※ Source: ICIS 2015

• Expanded profitability of synthetic resin

- An increase in sales volume caused by steady demand including an increase in demand around the New Year's holiday, irrespective of a decrease in selling prices led by the off-season and weak oil prices
- Improved profitability through a shift in the selling prices resulting from strong SM prices

(Unit: USD/ton)

	Oct.'14	Nov.'14	Dec.'14	Jan.'15	Feb.'15	Mar.'15
PS	1,602	1,475	1,263	1,134	1,141	1,213
ABS	1,885	1,781	1,633	1,500	1,514	1,549

※ Source: PLATTS 2015

Business Review

Others

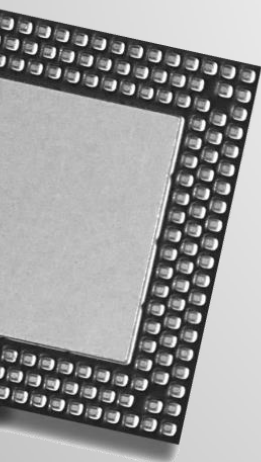
34.6%

Of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Decrease in sales by 3.8% over the previous quarter, down to KRW 353.3bn
- ❖ Phenol derivatives : A decrease in profitability that coincided with the period to sell out expensive product stocks, irrespective of the increased demand following the New Year's holiday
- ❖ Energy : Reduced profitability cause by a decrease in the number of operating days, which resulted from routine maintenance, as well as a decrease in the electricity selling price per unit

• Phenol derivatives

- Limit to increase the price of benzene regardless of the increased demand led by the continued low oil prices and a high level of benzene supply within the region
- Decreased profitability that coincided with the period to sell out expensive product stocks, irrespective of the increased sales volume that is led by an increase in demand to secure stock following the New Year's holiday

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Oct.'14	Nov.'14	Dec.'14	Jan.'15	Feb.'15	Mar.'15
BZ	1,129	973	714	622	667	760

※ Source: PLATTS 2015

• Energy

- A decrease in profitability led by the 2nd energy routine maintenance and construction of additional facilities, decreased number of operating days due to the New Year's holiday, and a decrease in the electricity selling prices

➤ Expansion of Yeosu Energy II : Steam 800T/H, Electricity 145MWH(in 2016.1Q), Investment of KRW 425.8bn(2012~2016)

2Q, 2015 Outlook

BD

- Expected to see a shift in the supply-demand balance because of the offshore products' inflow that is caused by the widened price gap among regions even though there exists supply factors to be reduced resulting from naphtha cracker's routine maintenance and the increased LPG injection
- Forecasted to see limited room for BD price increase caused by the continued weak demand, resulting from the low operating rate of the downstream makers

Synthetic
Rubbers

- Expected to face difficulties in improving synthetic rubber demand led by a high level of tires in stock within the region
- Expected to witness the increased price of raw materials and natural rubber caused by a seasonal decrease in natural rubber output, but expected to see a limited price increase of synthetic rubber as markets take a wait-and-see attitude

SM

- Expected to see a strong price as oil and benzene prices are forecasted to show a steady and rising tendency
- Expected to witness a tight supply-demand balance led by a low stock level and the SM manufacturers' routine maintenance

Synthetic
Resins

- Expected to see an increase in the demand and sales volume led by the peak season of air conditioners and fans
- Expected to see an increase in selling prices and profitability caused by the improved consumer sentiment, which is led by stable oil prices

Appendices

Income Statement

(Unit: KRW bn)

	1Q,'15	4Q,'14	1Q,'14	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,020.2	1,099.1	1,241.6	-78.9	-7.2%	-221.4	-17.8%
Operating Income	55.2	53.8	28.6	1.4	2.6%	26.6	93.0%
<i>(Operating Margin)</i>	<i>5.4%</i>	<i>4.9%</i>	<i>2.3%</i>	<i>0.5%p</i>	-	<i>3.1%p</i>	-
Net Interest Expense	14.4	30.8	20.9	-16.4	-53.2%	-6.5	-31.1%
Gain/Loss on Valuation of Equity Method Investments	14.7	7.4	5.4	7.3	98.6%	9.3	172.2%
Income before Income Taxes	55.5	45.1	14.1	10.4	23.1%	41.4	293.6%
<i>(Ordinary Income Margin)</i>	<i>5.4%</i>	<i>4.1%</i>	<i>1.1%</i>	<i>1.3%p</i>	-	<i>4.3%p</i>	-
Net Income	41.5	30.4	14.9	11.1	36.5%	26.6	178.5%
<i>(Net Income Margin)</i>	<i>4.1%</i>	<i>2.8%</i>	<i>1.2%</i>	<i>1.3%p</i>	-	<i>2.9%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	1Q,'15	4Q,'14	1Q,'14	Rate of change	
				QoQ	YoY
Current Assets	1,208.6	1,401.4	1,272.7	-192.8	-64.1
- Cash and Cash Equivalents	222.5	213.6	77.4	8.9	145.1
Non-current Assets	3,162.8	3,035.9	2,928.3	126.9	234.5
Total Assets	4,371.4	4,437.3	4,201.0	-65.9	170.4
Current Liabilities	1,581.5	1,739.4	1,424.8	-157.9	156.7
Non-current Liabilities	1,096.8	1,056.3	1,228.9	40.5	-132.1
■ Interest bearing Liabilities	2,042.9	2,148.2	2,048.8	-105.3	-5.9
- Short-term Debts	1,061.9	1,175.7	891.2	-113.8	170.7
- Long-term Debts	981.0	972.5	1,157.6	8.5	-176.6
■ Non-interest bearing Liabilities	635.4	647.5	604.9	-12.1	30.5
Total Liabilities	2,678.3	2,795.7	2,653.7	-117.4	24.6
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,693.1	1,641.6	1,547.3	51.5	145.8
Net Debt Ratio	41.6%	43.6%	46.9%	-2.0%p	-5.3%p
Long-term Debts to Total Debts Ratio	48.0%	45.3%	56.5%	2.7%p	-8.5%p
Current Ratio	76.4%	80.6%	89.3%	-4.2%p	-12.9%p
Debt to Equity Ratio	158.2%	170.3%	171.5%	-12.1%p	-13.3%p

Appendices

Production Capacity (KKPC)

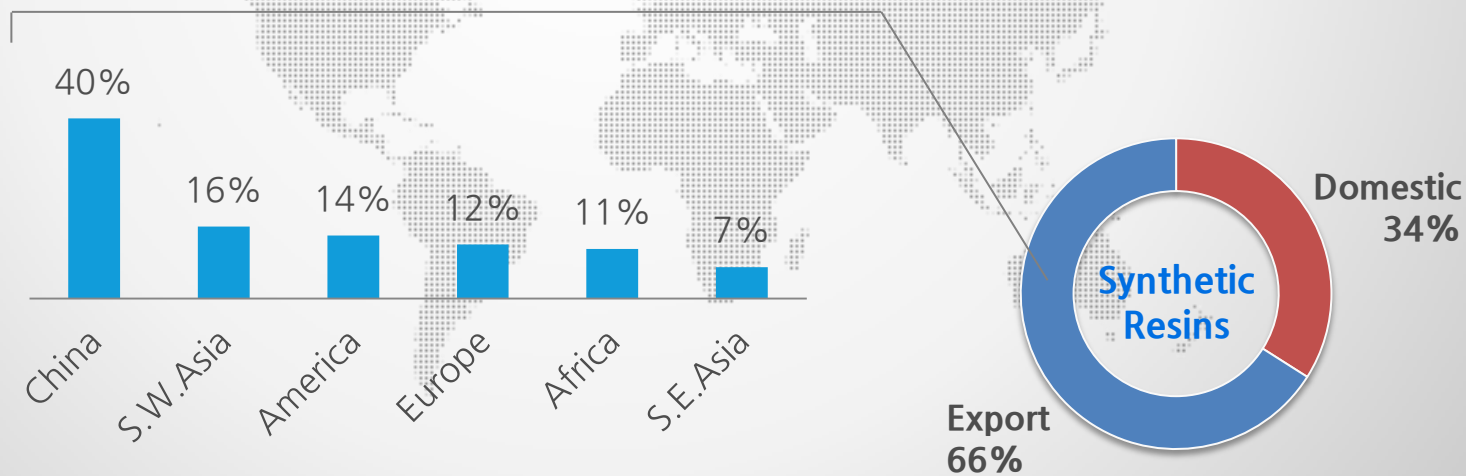
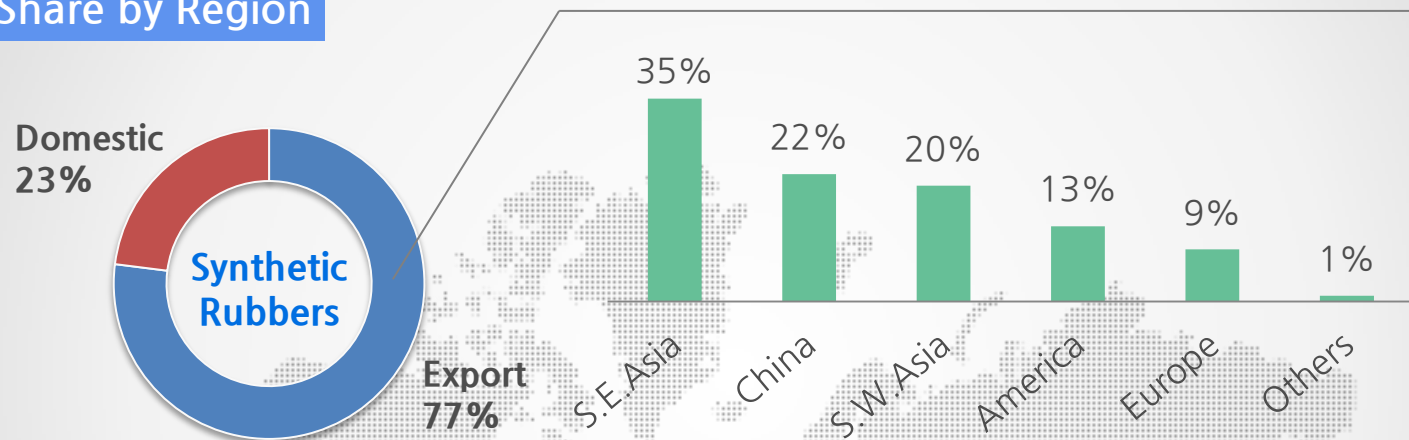
	Product	Capa.	Unit	Note
Synthetic Rubbers	SBR	481,000	MT/Y	
	BR	HBR		
		LBR		
	S-SBR	60,000		
	NdBR	55,000		
	NBR	80,000		
	HSR	10,000		
	NB Latex	168,000		
	SB Latex	80,000		
	SBS	70,000		
	Total	1,339,000		
Synthetic Resins	PS	230,000	MT/Y	
	ABS	250,000		
	EPS	80,000		
	PPG	135,000		Completion of Expansion: 55,000MT/Y in Jul. '14
	Total	695,000		
Specialty Chemicals	Antioxidants	80,300	MT/Y	
Energy	Steam	910	T/H	Completion of Expansion: Steam 800T/H, Electricity 145MWH in 1Q,'16
	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		
		Epoxy Resin	135,000		Completion of Expansion: 45,000MT/Y, 2Q,'14
		Total	1,690,000		
	Kumho Polychem	EP(D)M	160,000	MT/Y	Completion of Expansion: 60,000MT/Y, 3Q,'15
		TPV/KEPA	7,000		
		Total	167,000		
	Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
		Aniline	2,000		
		Total	202,000		

Appendices

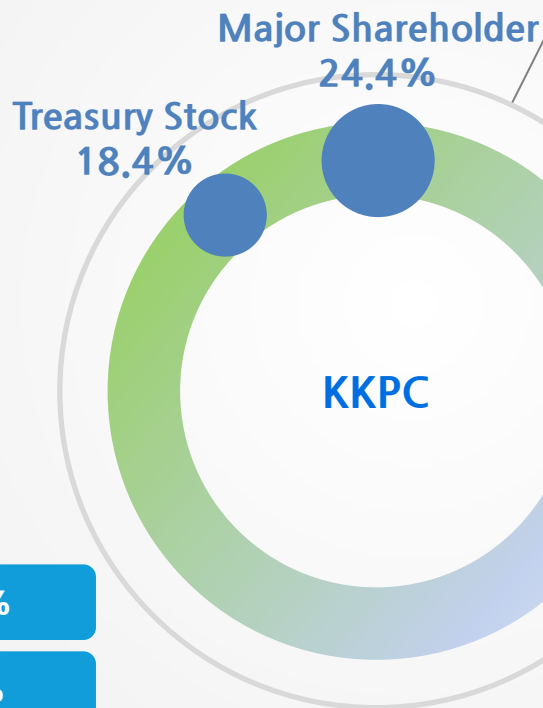
Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 31th March 2015,
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%

Asiana Airlines 12.6%

Daewoo E&C 3.5%

KDB Life Insurance 0.9%

Asset available for sale

Q & A