

# INVESTOR RELATIONS 2Q 2015

*beyond*  
the best

KUMHO PETROCHEMICAL



The business result for the 2nd quarter of 2015 is currently under the audit process, however this is presented purely for the purposes of investors' convenience. Hence, please be advised that some of the contents may be altered in the course of audit.

Forecasts and projections contained in this material are based on current business environments and management strategies, so these may differ from the actual result upon changes and unaccounted variables.

Investor Relations 2015

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## 2Q, 2015 Overview

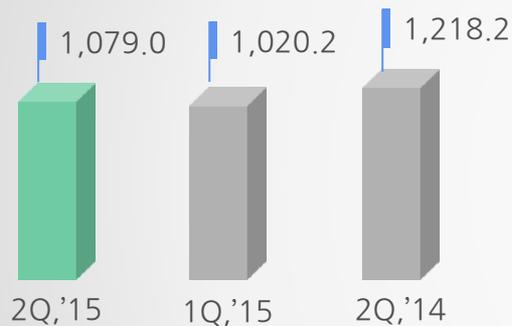
### Sales & Operating Income

- ❖ Increase in sales by 5.8% over the previous quarter, and 11.4% decrease to KRW 1,079.0bn over the previous year
- ❖ Increase in operating income by 16.1% to KRW 64.1bn over the previous quarter, and a 54.5% rise over the previous year

(Unit: KRW bn)

#### Sales

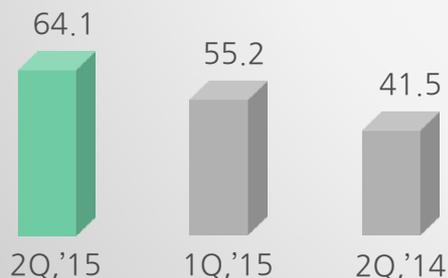
(Unit: KRW bn)



	2Q,'15	1Q,'15	2Q,'14	Rate of change	
				QoQ	YoY
S a l e s	1,079.0	1,020.2	1,218.2	5.8%	-11.4%
[Synthetic Rubbers]	422.4	386.2	477.6	9.4%	-11.6%
[Synthetic Resins]	307.6	280.7	345.9	9.6%	-11.1%
[ O t h e r s ]	349.0	353.3	394.7	-1.2%	-11.6%
P h e n o l Derivatives	220.2	213.9	250.4	2.9%	-12.1%
S p e c i a l t y Chemical s	37.9	40.2	40.5	-5.7%	-6.4%
E n e r g y	30.8	38.0	42.4	-18.9%	-27.4%
O t h e r s	60.1	61.2	61.4	-1.8%	-2.1%
Operating Income	64.1	55.2	41.5	16.1%	54.5%
[ % ]	5.9%	5.4%	3.4%	0.5%p	2.5%p
Income before Income Taxes	69.2	55.5	26.3	24.7%	163.1%
Net Income	49.1	41.5	23.7	18.3%	107.2%
Gain/Loss on Valuation of Equity Method Investments	9.8	14.7	-0.8	-33.3%	deficit to surplus

#### Operating Income

(Unit: KRW bn)



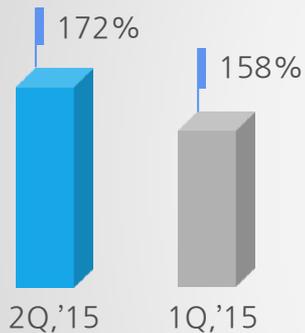
✓ Net Income is based on Controlling Interests.

## 2Q, 2015 Overview

### Financial Structure

- ❖ A rise in interest coverage ratio led by increases in both sales and operating incomes from main businesses
- ❖ Stable financial structure sustained through continued liquidity management

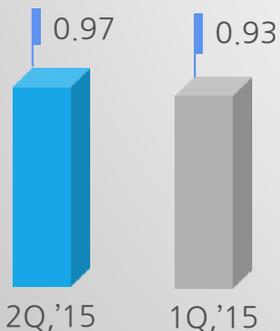
Debt to Equity Ratio (%)



Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



(Unit: KRW bn)

	Unit	2Q, '15	1Q, '15	2Q, '14	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,547.5	4,371.4	4,198.7	4.0%	8.3%
Liabilities	KRW bn	2,874.0	2,678.3	2,630.4	7.3%	9.3%
Shareholders' Equity		1,673.5	1,693.1	1,568.3	-1.2%	6.7%
Controlling Interests	KRW bn	1,587.5	1,610.2	1,485.9	-1.4%	6.8%
Non-controlling Interests		86.0	82.9	82.4	3.7%	4.4%
Debt to Equity Ratio	%	172	158	168	14%p	4%p
Borrowings		2,191.6	2,042.9	2,013.8	7.3%	8.8%
Won-denominated	KRW bn	1,598.4	1,523.0	1,603.2	5.0%	-0.3%
Foreign currency-denominated		593.2	519.9	410.6	14.1%	44.5%
Total Assets Turnover Ratio		0.97	0.93	1.16	4.5%	-16.5%
Interest Coverage Ratio		4.86	3.86	2.31	25.8%	110.6%

## Business Review

### Synthetic Rubbers

39.2%  
of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Increase in sales by 9.4% over the previous year to KRW 422.4bn
- ❖ Slight operating income growth through a rise in sales volume as well as the selling price hike caused by BD price increase

#### • Strong BD price

- Continuous rise of BD price with a tight balance between supply and demand caused by decreased BD supply led by annual maintenances and by troubles of BD makers and increased LPG injection

##### ➤ BD Price changes by region

(Unit: USD/ton)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
Asia	753	693	865	998	1,119	1,336
N. America	821	662	708	714	845	981
Europe	519	506	565	639	685	900

※ Source: ICIS/PLATTS 2015

#### • Improvement in an operating income of synthetic rubber

- A limited spread expansion due to the high level of tire inventory, despite the selling price rise resulting from BD price increase
- Slight operating income growth driven by increased buying interests and sales volumes through overall product price rise

(Unit: USD/ton)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
SBR	1,285	1,109	1,253	1,294	1,388	1,475
BR	1,272	1,115	1,263	1,325	1,450	1,575

※ Source: ICIS 2015

# Business Review

## Synthetic Resins

28.5%  
of Total sales

Synthetic Rubbers

Synthetic Resins

Others

- ❖ Increase in sales by 9.6% over the previous quarter to KRW 307.6bn
- ❖ Profitability improved by increased spread through the selling price rise owing to the SM price increase as well as sales volume increases

### • Strong SM price

- Continued tightness in balance between supply and demand as well as steady rise of the SM price owing to the annual maintenances and troubles of the SM makers

#### ➤ SM Price changes

(Unit: USD/ton, CFR China)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
SM	891	1,010	1,141	1,331	1,387	1,344

※ Source: ICIS 2015

### • Improved profitability of synthetic resin

- Increases in sales volume and revenue led by rising demands in peak season
- Profitability improvement propelled by the selling price rise owing to the SM price increase

(Unit: USD/ton)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
PS	1,134	1,141	1,213	1,370	1,492	1,418
ABS	1,500	1,514	1,549	1,633	1,681	1,606

※ Source: PLATTS 2015

# Business Review

Others

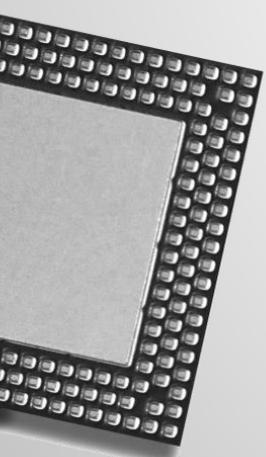
32.3%

Of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Decrease in sales by 1.2% over the previous quarter, down to KRW 349.0bn
- ❖ Phenol derivatives : Growths in sales and profitability driven by the stable rise of BZ (feedstock) price and steady demands for high value-added products
- ❖ Energy : Reduced profitability caused by the expansion of Yeosu Energy 2 plant and a drop in the selling price of electricity

## • Phenol derivatives

- The Benzene(feedstock) price rise stabilized by the strong SM price and steady demands sustained by the new phenol plants within the region
- Growth in sales and profitability created by stable demands for high value-added products and the recovery of the loss from the high-price product inventory

### ➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
BZ	622	667	760	821	785	810

※ Source: PLATTS 2015

## • Energy

- Reduced profitability caused by the expansion of Yeosu Energy 2 plant and a drop in the selling price of electricity due to the high power reserve rate

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

## 3Q, 2015 Outlook

BD

- A stable supply expected through the completion of annual maintenances in Asia
- A weakness in BD price expected due to inventory increases and shutdowns of a few downstream makers in China

Synthetic  
Rubbers

- Demands for synthetic rubbers on wait and see trend due to expected weakness of BD price and the uncertain economic recovery despite the slight recovery of tire sales in the developed countries
- Limited room for price change expected due to the sluggish demand in China despite the governments of natural rubber producing countries implementing price-supporting policies

SM

- Stable supply forecasted owing to expected normal operations of SM makers over all despite a supply reduction factor such as annual maintenances of some SM makers still remaining
- Weak SM price expected owing to forecasted weakness and stability of BZ price as well as possibility of SM inflows from outside area despite the low SM inventory within the region

Synthetic  
Resins

- Little room for price change due to the forecasted weakness of the feedstock (BD/SM) prices despite an anticipation for a restocking demand resulting from low inventory of the end-users
- Limited increase in demand expected due to the slowdown of Chinese economy despite the peak season of manufacture industry

## Appendices

### Income Statement

(Unit: KRW bn)

	2Q,'15	1Q,'15	2Q,'14	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,079.0	1,020.2	1,218.2	58.8	5.8%	-139.2	-11.4%
Operating Income	64.1	55.2	41.5	8.9	16.1%	22.6	54.5%
<i>(Operating Margin)</i>	<i>5.9%</i>	<i>5.4%</i>	<i>3.4%</i>	<i>0.5%p</i>		<i>2.5%p</i>	
Net Interest Expense	17.1	14.4	2.7	2.7	18.8%	14.4	533.3%
Gain/Loss on Valuation of Equity Method Investments	9.8	14.7	-0.8	-4.9	-33.3%	10.6	deficit to surplus
Income before Income Taxes	69.2	55.5	26.3	13.7	24.7%	42.9	163.1%
<i>(Ordinary Income Margin)</i>	<i>6.4%</i>	<i>5.4%</i>	<i>2.2%</i>	<i>1.0%p</i>		<i>4.2%p</i>	
Net Income	49.1	41.5	23.7	7.6	18.3%	25.4	107.2%
<i>(Net Income Margin)</i>	<i>4.6%</i>	<i>4.1%</i>	<i>1.9%</i>	<i>0.5%p</i>		<i>2.7%p</i>	

✓ Net Income is based on Controlling Interests.

## Appendices

### Balance Sheet

(Unit: KRW bn)

	2Q,'15	1Q,'15	2Q,'14	Rate of change	
				QoQ	YoY
Current Assets	1,373.7	1,208.6	1,241.4	165.1	132.3
- Cash and Cash Equivalents	353.2	222.5	127.0	130.7	226.2
Non-current Assets	3,173.8	3,162.8	2,957.3	11.0	216.5
<b>Total Assets</b>	<b>4,547.5</b>	<b>4,371.4</b>	<b>4,198.7</b>	<b>176.1</b>	<b>348.8</b>
Current Liabilities	1,691.3	1,581.5	1,413.9	109.8	277.4
Non-current Liabilities	1,182.7	1,096.8	1,216.5	85.9	-33.8
■ Interest bearing Liabilities	2,191.6	2,042.9	2,013.8	148.7	177.8
- Short-term Debts	1,123.1	1,061.9	874.1	61.2	249.0
- Long-term Debts	1,068.5	981.0	1,139.7	87.5	-71.2
■ Non-interest bearing Liabilities	682.4	635.4	616.6	47.0	65.8
<b>Total Liabilities</b>	<b>2,874.0</b>	<b>2,678.3</b>	<b>2,630.4</b>	<b>195.7</b>	<b>243.6</b>
Common & Preferred Stock	167.5	167.5	167.5	-	-
<b>Total Shareholders' Equity</b>	<b>1,673.5</b>	<b>1,693.1</b>	<b>1,568.3</b>	<b>-19.6</b>	<b>105.2</b>
Net Debt Ratio	40.4%	41.6%	44.9%	-1.2%p	-4.5%p
Long-term Debts to Total Debts Ratio	48.8%	48.0%	56.6%	0.8%p	-7.8%p
Current Ratio	81.2%	76.4%	87.8%	4.8%p	-6.6%p
Debt to Equity Ratio	171.7%	158.2%	167.7%	13.5%p	4.0%p

## Appendices

### Production Capacity (KKPC)

	Product	Capa.	Unit	Note	
Synthetic Rubbers	SBR	481,000	MT/Y		
	BR	HBR		290,000	
		LBR		45,000	
	S-SBR	60,000			
	NdBR	55,000			
	NBR	80,000			
	HSR	10,000			
	NB Latex	168,000			
	SB Latex	80,000			
	SBS	70,000			
	<b>Total</b>	<b>1,339,000</b>			
Synthetic Resin	PS	230,000	MT/Y		
	ABS	250,000			
	SAN/POW	145,000			
	EPS	80,000			
	PPG	135,000			
	<b>Total</b>	<b>840,000</b>			
Specialty Chemicals	Antioxidants	81,300	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			
	<b>Total</b>	<b>237,000</b>			

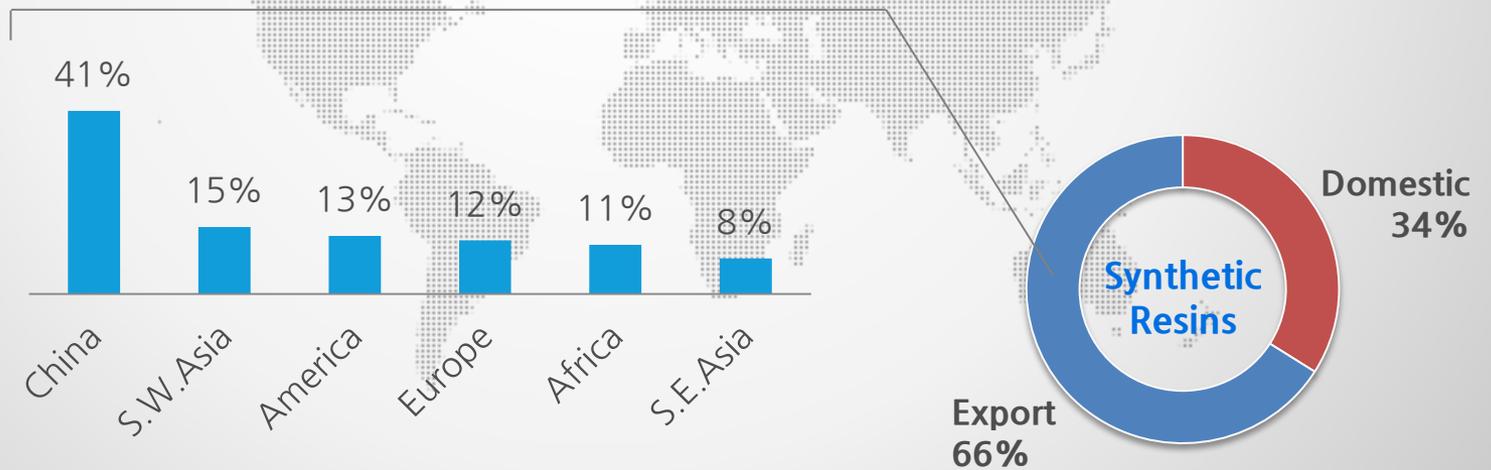
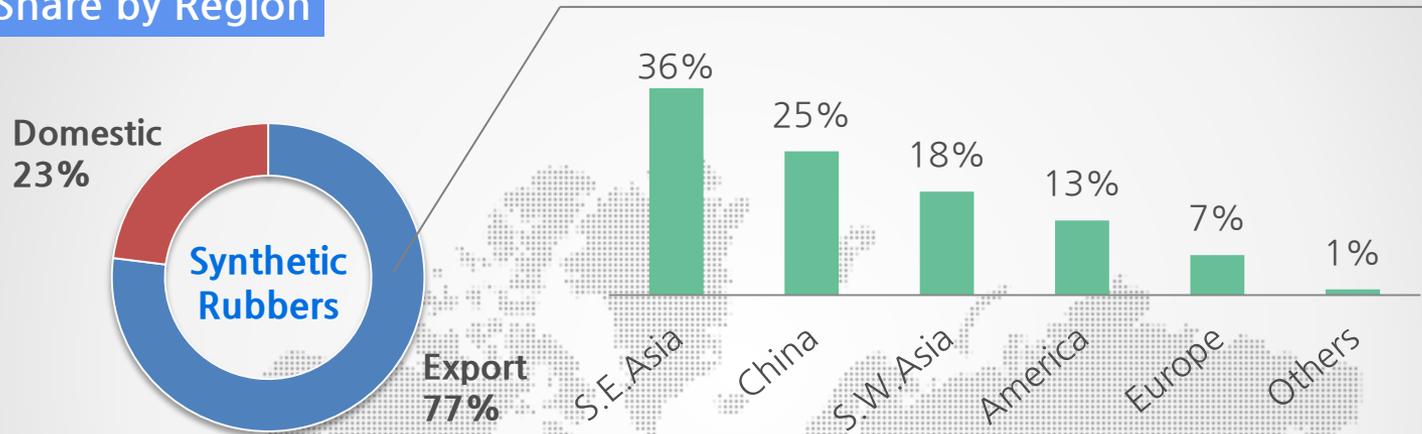
## Appendices

### 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		
	<b>Total</b>	<b>1,690,000</b>		
Kumho Polychem	EP(D)M	220,000	MT/Y	Completion of Expansion: 60,000MT/Y, 2Q,'15
	TPV/KEPA	7,000		
	<b>Total</b>	<b>227,000</b>		
Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
	Aniline	2,000		
	<b>Total</b>	<b>202,000</b>		

# Appendices

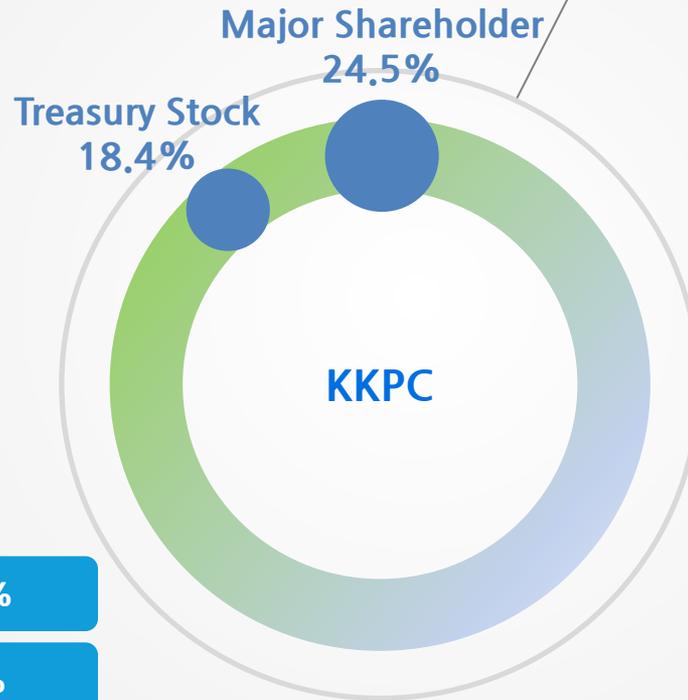
## Sales Breakdown & Export Share by Region



# Appendices

## Investment Shares & Asset available for sale

✓ As of 30<sup>th</sup> June 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	87.8%
Korea Energy Power Plant	92.6%

Asiana Airlines	12.6%
Daewoo E&C	3.5%
KDB Life Insurance	0.9%

Asset available for sale

**Q & A**