

INVESTOR RELATIONS 2015

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KUMHO PETROCHEMICAL



Investor Relations 2015

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2015 Overview

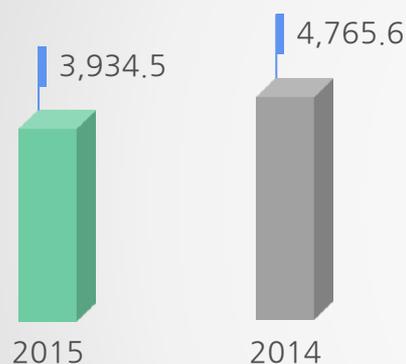
Sales & Operating Income

- ❖ Sales dropped by 17.4% year on year, amounting to KRW 3,934.5 billion.
- ❖ Operating Income dropped by 11.3% year on year, amounting to KRW 164.0 billion.

(Unit: KRW bn)

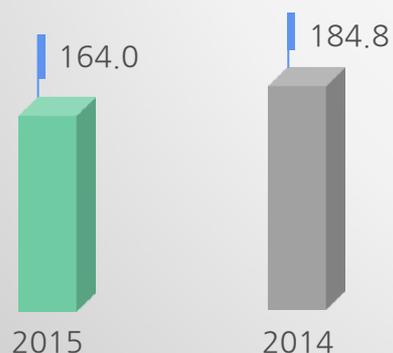
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



	2015	2014	YoY	
			Amount	Rate of change
S a l e s	3,934.5	4,765.6	-831.1	-17.4%
[Synthetic Rubbers]	1,553.5	1,853.0	-299.5	-16.2%
[Synthetic Resins]	1,079.2	1,324.7	-245.5	-18.5%
[O t h e r s]	1,301.8	1,587.9	-286.1	-18.0%
P h e n o l D e r i v a t i v e	790.4	1,039.4	-249.0	-24.0%
S p e c i a l t y C h e m i c a l s	140.3	150.7	-10.4	-6.9%
E n e r g y	126.7	159.7	-33.0	-20.7%
O t h e r s	244.4	238.1	6.3	2.6%
Operating Income	164.0	184.8	-20.8	-11.3%
[%]	4.2%	3.9%	0.3%p	-
Income before Income Taxes	169.6	117.2	52.4	44.7%
Net Income	118.9	93.1	25.8	27.7%
Gain/Loss on Valuation of Equity Method Investments	43.1	11.9	31.2	262.2%

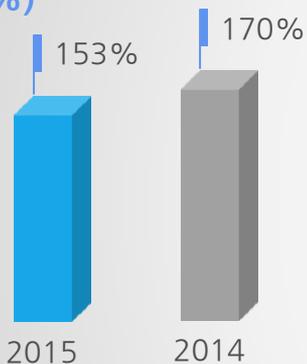
✓ Net Income is based on Controlling Interests.

2015 Overview

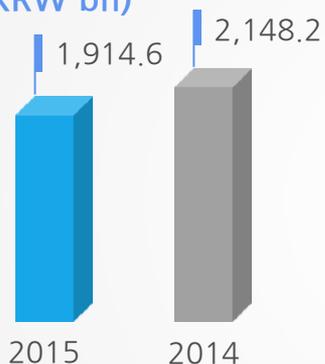
Financial Structure

- ❖ Total assets turnover ratio reduced because of a sales decrease caused by the decline in oil prices.
- ❖ Debt to equity ratio and interest coverage ratio improved because of reduced borrowing.

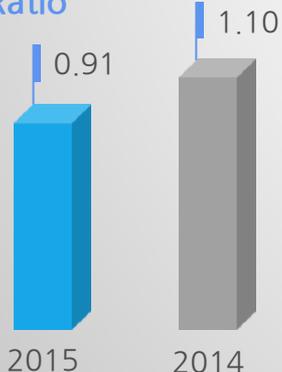
Debt to Equity Ratio (%)



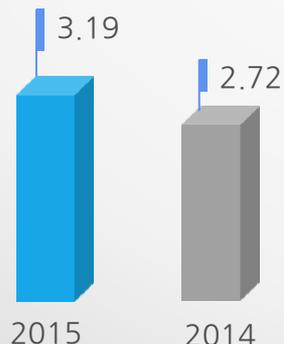
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



(Unit: KRW bn)

	Unit	2015	2014	YoY	
				Amount	Rate of change
Assets	KRW bn	4,210.5	4,437.3	-226.8	-5.1%
Liabilities	KRW bn	2,546.8	2,795.7	-248.9	-8.9%
Shareholders' Equity		1,663.7	1,641.6	22.1	1.3%
Controlling Interests	KRW bn	1,556.5	1,559.4	-2.9	-0.2%
Non-controlling Interests		107.2	82.2	25.0	30.4%
Debt to Equity Ratio	%	153	170	-17%p	-
Borrowings		1,914.6	2,148.2	-233.6	-10.9%
Won-denominated	KRW bn	1,565.0	1,559.0	6.0	0.4%
Foreign currency-denominated		349.6	589.2	-239.6	-40.7%
Total Assets Turnover Ratio		0.91	1.10	-0.19	-17.3%
Interest Coverage Ratio		3.19	2.72	0.47	17.3%

Business Review

Synthetic Rubbers

39.5%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales dropped by 16.2% year on year, amounting to KRW 1,553.5 billion.
- ❖ Profitability reduced because of the decline in BD prices of main materials and the exhaustion of high-priced stocks.

Drop in BD Prices

- Despite troubles in the region, the decline of BD prices continues to worsen because of the supply increase brought about by crackers' conversion into naphtha feed, and the annual maintenance by downstream manufacturers

➤ BD Price changes by region

(Unit: USD/ton)

	'15.1Q	'15.2Q	'15.3Q	'15.4Q
Asia	770	1,151	999	750
N. America	731	846	982	826
Europe	530	741	810	548

※ Source: ICIS/PLATTS 2015

Decrease in profitability of synthetic rubber

- Despite the decrease in price volatility compared with BD, maintaining profitability becomes difficult because of the downward pressure coming from the decline in raw material prices and the high level of tire stocks
- Despite increase in the sales volume, profitability declined temporarily because of the exhaustion of high-priced stocks

(Unit: USD/ton)

	'15.1Q	'15.2Q	'15.3Q	'15.4Q
SBR	1,216	1,386	1,264	1,106
BR	1,216	1,450	1,317	1,143

※ Source: ICIS 2015

Business Review

Synthetic Resins

27.4%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others

- ❖ Sales dropped by 18.5% year on year, amounting to KRW 1,079.2 billion.
- ❖ Even with the low season and the decline of the overall prices, profitability is maintained by retaining the spread between cost and selling price.

Slight decrease in SM prices

- Regardless of the concerns over the recession of the downstream, the prices slightly decreased at a lower rate due to the delay of the inflow from overseas and a tight supply

➤ SM Price changes

(Unit: USD/ton, CFR China)

	'15.1Q	'15.2Q	'15.3Q	'15.4Q
SM	1,014	1,354	1,076	930

※ Source: ICIS 2015

Maintained profitability of synthetic resin

- Despite the low season and the purchase trend's focus on minimizing the stock at the end of the year, sales volume increased because of the continuation of some purchase demands driven by companies with low stocks and the spread of the perception that the business is at a low point
- In spite of the price decrease, profitability remained stable because of the maintenance of the cost-sales price spread

(Unit: USD/ton)

	'15.1Q	'15.2Q	'15.3Q	'15.4Q
PS	1,163	1,427	1,224	1,057
ABS	1,521	1,640	1,385	1,175

※ Source: PLATTS 2015

Business Review

Others

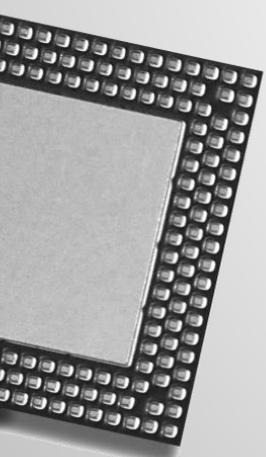
33.1%

Of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales dropped by 18.0% year on year, amounting to KRW 1,301.8 billion.
- ❖ Phenol derivatives: Profitability decreased because of the decline in raw material prices and the inflow of newly expanded volumes.
- ❖ Energy: Despite the increase in SMP, sales revenue and operating profit declined because of the annual maintenance.

• Phenol derivatives

- Benzene prices were weakened by the decline of the oil price and steady oil supply
- Profitability decreased because of the low season and the imbalance between supply and demand caused by the inflow of newly expanded volumes

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	'15.1Q	'15.2Q	'15.3Q	'15.4Q
BZ	683	805	663	604

※ Source: PLATTS 2015

• Energy

- Despite the increase in selling prices of electricity (SMP), sales revenue and operating profit decreased because of the decline in sales volume and profitability brought about by the annual maintenance

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

2016 Outlook

BD

- The increase of yearly BD supply is expected to decelerate, and the utilization rate is expected to remain constant. With the supply status projected to remain steady, the supply and demand are expected to tighten temporarily during the first half when the annual maintenances are concentrated.
- Price increase is limited by the continued adjustment of utilization rates by synthetic rubber manufacturers.

Synthetic Rubbers

- In spite of decrease in newly expanded volume and the demand growth rate expected to improve over the previous year to 3%~4%, more time is required for the improvement of the supply/demand because of the previously expanded volumes.
- Despite the decrease of new natural rubber cultivation areas, the price increase of synthetic rubber is expected to be restricted by the continued low oil prices and the limited price increase of natural rubber caused by the instability of the Chinese economy.

SM

- With Benzene arbitrage expected to increase, the decline of benzene prices will be limited even with a high level of SM stocks in East China; because of the scheduled SM scraps, prices will remain stable at a higher level.
- The demand is expected to increase at a rate similar to ordinary years, and the utilization rate is expected to slightly increase because of the decrease of the supply increase rate

Synthetic Resins

- Notwithstanding the excessive supply of raw material AN, the main raw material SM is expected to remain stable at a higher level; price is also expected to increase.
- Despite the slow business of the Chinese home appliance and automobile industries caused by different factors, such as the termination of government support, the supply/demand status is expected to remain stable without any significant concern about supply increase.

Appendices

Income Statement

(Unit: KRW bn)

	2015					2014	YoY	
	1Q	2Q	3Q	4Q	Total		Amount	Rate of change
Sales	1,020.2	1,079.0	963.7	871.6	3,934.5	4,765.6	-831.1	-17.4%
Operating Income	55.2	64.1	45.0	-0.3	164.0	184.8	-20.8	-11.3%
<i>(Operating Margin)</i>	<i>5.4%</i>	<i>5.9%</i>	<i>4.7%</i>	<i>-0.0%</i>	<i>4.2%</i>	<i>3.9%</i>	<i>0.3%p</i>	-
Net Interest Expense	14.4	17.1	30.3	5.5	67.3	81.4	-14.1	-17.3%
Gain/Loss on Valuation of Equity Method Investments	14.7	9.8	10.0	8.6	43.1	11.9	31.2	262.2%
Income before Income Taxes	55.5	69.2	35.7	9.2	169.6	117.2	52.4	44.7%
<i>(Ordinary Income Margin)</i>	<i>5.4%</i>	<i>6.4%</i>	<i>3.7%</i>	<i>1.1%</i>	<i>4.3%</i>	<i>2.5%</i>	<i>1.9%p</i>	-
Net Income	41.5	49.1	26.7	1.6	118.9	93.1	25.8	27.7%
<i>(Net Income Margin)</i>	<i>4.1%</i>	<i>4.6%</i>	<i>2.8%</i>	<i>0.2%</i>	<i>3.0%</i>	<i>2.0%</i>	<i>1.1%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	2015	2014	YoY	
			Amount	Rate of change
Current Assets	967.6	1,401.4	-433.8	-31.0%
- Cash and Cash Equivalents	47.3	213.6	-166.3	-77.9%
Non-current Assets	3,242.9	3,035.9	207.0	6.8%
Total Assets	4,210.5	4,437.3	-226.8	-5.1%
Current Liabilities	1,541.2	1,739.4	-198.2	-11.4%
Non-current Liabilities	1,005.6	1,056.3	-50.7	-4.8%
■ Interest bearing Liabilities	1,914.6	2,148.2	-233.6	-10.9%
- Short-term Debts	1,032.3	1,175.7	-143.4	-12.2%
- Long-term Debts	882.3	972.5	-90.2	-9.3%
■ Non-interest bearing Liabilities	632.2	647.5	-15.3	-2.4%
Total Liabilities	2,546.8	2,795.7	-248.9	-8.9%
Common & Preferred Stock	167.5	167.5	-	-
Total Shareholders' Equity	1,663.7	1,641.6	22.1	1.3%
Net Debt Ratio	44.3%	43.6%	0.7%p	-
Long-term Debts to Total Debts Ratio	46.1%	45.3%	0.8%p	-
Current Ratio	62.8%	80.6%	-17.8%p	-
Debt to Equity Ratio	153.1%	170.3%	-17.2%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	63,000			
	NdBR	60,000			
	NBR	80,000			
	HSR	10,000			
	NB Latex	200,000			
	SB Latex	80,000			
	SBS	75,000			
	Total	1,384,000			
Synthetic Resins	PS	230,000	MT/Y		
	ABS	250,000			
	SAN/POW	145,000			
	EPS	80,000			
	PPG	139,000			
	Total	844,000			
Specialty Chemicals	Antioxidants	83,000	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			

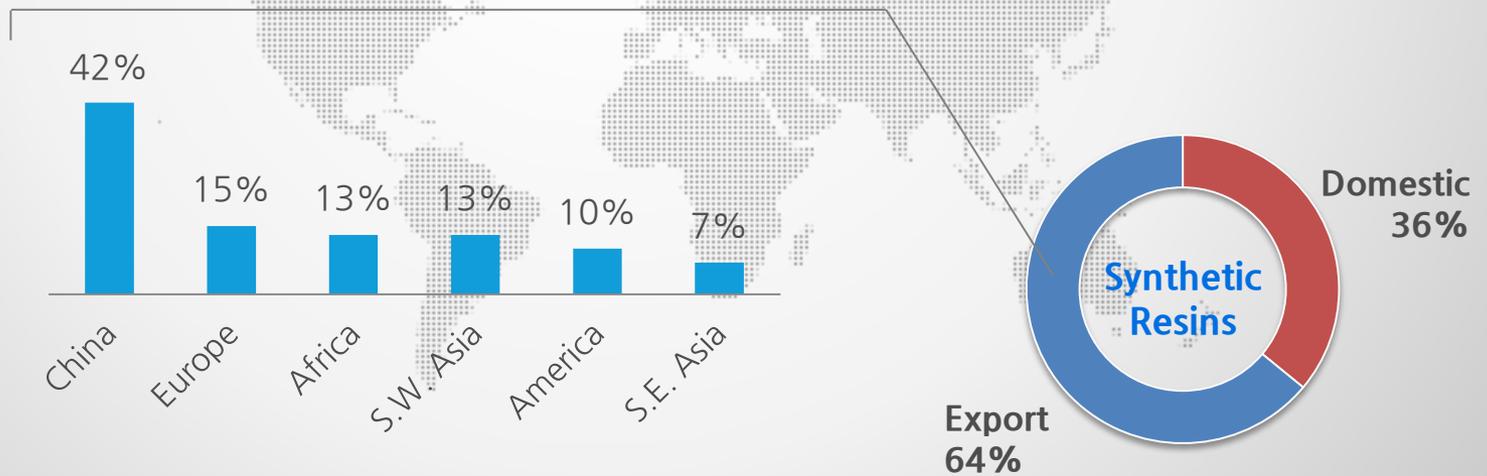
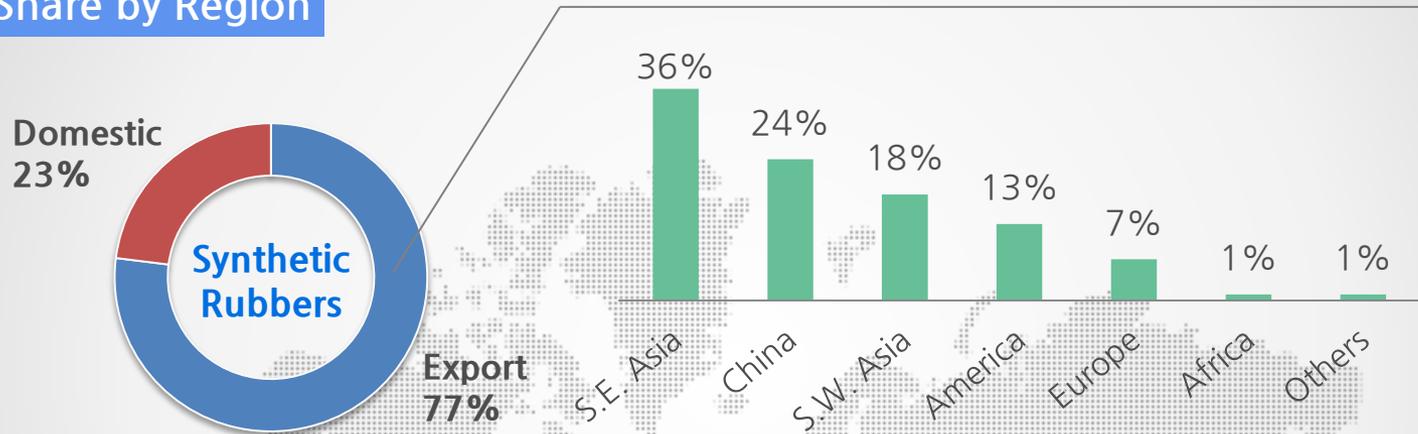
Appendices

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		
	Total	1,690,000		
Kumho Mitsui Chemicals	MDI	250,000	MT/Y	Completion of Expansion: 100,000MT/Y, 2H,'17
	Aniline	2,000		
	Total	252,000		
Kumho Polychem	EP(D)M	220,000	MT/Y	Completion of Expansion: 60,000MT/Y, 2Q,'15
	TPV/KEPA	7,000		
	Total	227,000		

Appendices

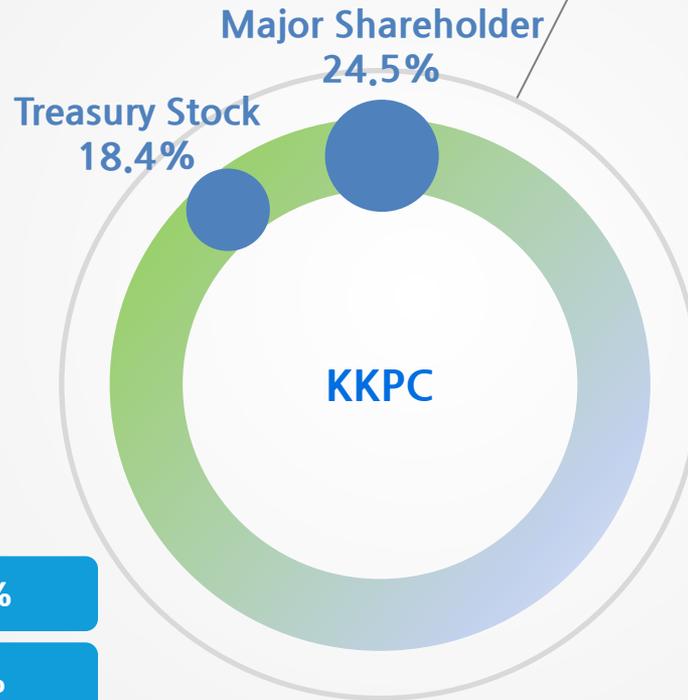
2015 Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 31th Dec. 2015, based on common shares



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	87.8%
Korea Energy Power Plant	92.6%

Q & A