

INVESTOR RELATIONS 2016 2Q

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the best

KUMHO PETROCHEMICAL



Investor Relations 2016

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2Q, 2016 Overview

Sales & Operating Income

- ❖ Sales revenue increased by 16.1% over the previous quarter and decreased by 6.3% over the previous year to KRW 1,011.5bn.
- ❖ Operating income increased by 41.3% since the last quarter and rose by 2.0% over the previous year to KRW 65.4bn.

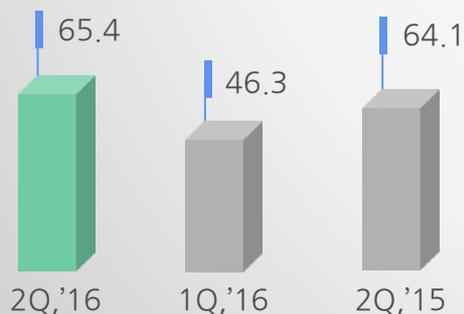
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	2Q,'16	1Q,'16	2Q,'15	Rate of change	
				QoQ	YoY
S a l e s	1,011.5	871.5	1,079.0	16.1%	-6.3%
[Synthetic Rubbers]	387.7	347.0	422.4	11.7%	-8.2%
[Synthetic Resins]	271.6	256.6	307.6	5.9%	-11.7%
[O t h e r s]	352.2	267.9	349.0	31.5%	0.9%
P h e n o l Derivatives	223.4	160.0	220.2	39.6%	1.5%
S p e c i a l t y Chemical s	28.5	29.4	37.9	-3.1%	-24.8%
E n e r g y	38.1	24.6	30.8	54.8%	23.7%
O t h e r s	62.2	53.9	60.1	15.4%	3.5%
Operating Income	65.4	46.3	64.1	41.3%	2.0%
[%]	6.5%	5.3%	5.9%	-	-
Income before Income Taxes	66.0	50.9	69.2	29.7%	-4.6%
Net Income	45.0	38.2	49.1	17.8%	-8.4%
Gain/Loss on Valuation of Equity Method Investments	8.1	9.9	9.8	-18.2%	-17.3%

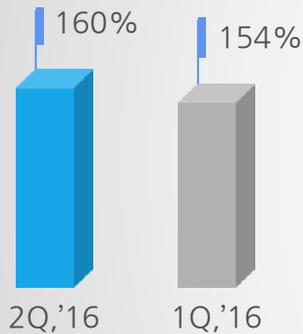
✓ Net Income is based on Controlling Interests.

2Q, 2016 Overview

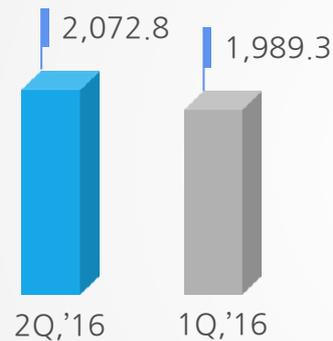
Financial Structure

- ❖ Total asset turnover rate and interest coverage ratio improved for the increased sales revenue and operating profit in main businesses.
- ❖ Financial structure maintained its stability through the continuous management of liquidity such as the improved current ratio.

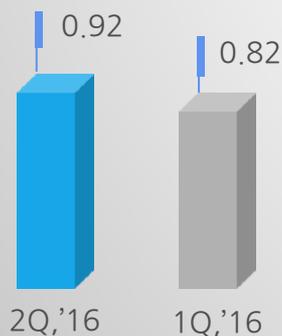
Debt to Equity Ratio (%)



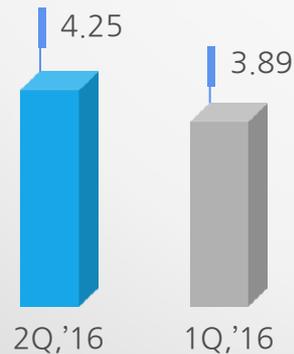
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



(Unit: KRW bn)

	Unit	1Q, '16	2Q, '16	2Q, '15	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,476.2	4,280.5	4,547.5	4.6%	-1.6%
Liabilities	KRW bn	2,754.9	2,597.5	2,874.0	6.1%	-4.1%
Shareholders' Equity		1,721.3	1,683.0	1,673.5	2.3%	2.9%
Controlling Interests	KRW bn	1,607.5	1,580.1	1,587.5	1.7%	1.3%
Non-controlling Interests		113.8	102.9	86.0	10.6%	32.3%
Debt to Equity Ratio	%	160%	154%	172%	-	-
Borrowings		2,072.8	1,989.3	2,191.6	4.2%	-5.4%
Won-denominated	KRW bn	1,642.4	1,573.0	1,598.4	4.4%	2.8%
Foreign currency-denominated		430.4	416.3	593.2	3.4%	-27.4%
Total Assets Turnover Ratio		0.92	0.82	0.97	12.2%	-5.2%
Interest Coverage Ratio		4.25	3.89	4.86	9.3%	-12.6%

Business Review

Synthetic Rubbers

38.3%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales grew by 11.7% over the previous quarter to KRW 387.7bn.
- ❖ Profitability was improved due to the strong prices of synthetic rubbers by the strong BD price as well as the improved buying interest.

• Strong price of main feedstock, BD

- BD prices had been maintained strong due to a tight supply caused by both increased LPG injection and regular maintenances within the area.
- Downward pressure on the price eased due to the decrease of deep-sea cargo caused by reduced price gaps between regions as well as troubles in the other areas, such as Europe, despite the completion of regular maintenances.

➢ BD Price changes by region

(Unit: USD/ton)

	Jan.'16	Feb.'16	Mar.'16	Apr.'16	May.'16	Jun.'16
Asia	771	865	1,091	1,059	1,091	956
N. America	653	551	672	750	805	899
Europe	488	511	669	663	697	703

※ Source: ICIS/PLATTS 2016

• Improvement in profitability of synthetic rubber

- Profitability was expanded due to the strong prices of synthetic rubbers caused by the strong BD price as well as the improved buying interest, despite a downward price trend of natural rubbers for increased production.
- Sales volume and revenue improved by the increased restocking activity in the area.

(Unit: USD/ton)

	Jan.'16	Feb.'16	Mar.'16	Apr.'16	May.'16	Jun.'16
SBR	1,041	1,056	1,240	1,353	1,366	1,298
BR	1,085	1,093	1,319	1,445	1,476	1,370

※ Source: ICIS 2016

Business Review

Synthetic Resins

26.9%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others

- ❖ Sales rose by 5.9% over the previous quarter to KRW 271.6bn.
- ❖ Profitability was diminished due to the dropped selling prices of products by the weak price of raw material (SM) and a wait-and-see demand stance.

• Weak price of feedstock, SM

- SM price was weakened because of a stable supply caused by the operation of new plants in the area; high level of SM inventories; and the inflow of arbitrage.

➤ SM Price changes

(Unit: USD/ton, CFR China)

	Jan.'16	Feb.'16	Mar.'16	Apr.'16	May.'16	Jun.'16
SM	929	993	1,133	1,098	1,021	1,004

※ Source: ICIS 2016

• Slackening in profitability of synthetic resin

- Profitability was diminished despite a peak season because of the weak product prices for the dropped prices of raw materials as well as lower demand than expected, including a slowdown in the operation rate of front industries.

(Unit: USD/ton)

	Jan.'16	Feb.'16	Mar.'16	Apr.'16	May.'16	Jun.'16
PS	1,060	1,070	1,223	1,264	1,194	1,158
ABS	1,135	1,163	1,298	1,361	1,274	1,278

※ Source: PLATTS 2016

Business Review

Others

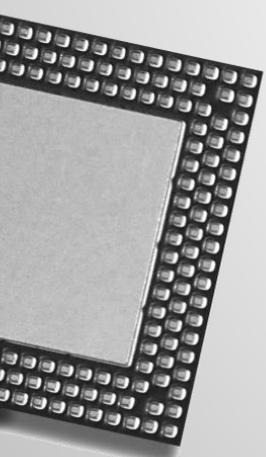
34.8%

Of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales increased by 31.4% over the previous quarter to KRW 352.1bn.
- ❖ Phenol derivatives: Revenue and profitability improved by adjustments of the operation rate inside the area and increased sales volume after the completion of expansion.
- ❖ Energy : Profitability shrank due to the dropped selling price of electricity and stabilization of the production after the completion of expansion.

• Phenol derivatives

- The price of benzene (raw material) was weakened despite the upward trend of oil prices because of ample stock inside the area and the low operation rate of SM businesses.
- Sales revenue and profitability improved because of a tight supply and demand balance by adjustments of the operation rate inside the area and widened sales volume after the completion of the expansion during the second quarter.

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Jan.'16	Feb.'16	Mar.'16	Apr.'16	May.'16	Jun.'16
BZ	559	547	630	639	637	609

※ Source: PLATTS 2016

- Expansion of Phenol, Acetone and Cumene : Phenol 300KTA, Acetone 185KTA and Cumene 470KTA(in 2016.2Q)

• Energy

- Profitability decreased because of the downward price trend of electricity and efforts to stabilize production despite widened sales volume after the completion of the expansion.

- Expansion of Yeosu Energy II : Steam 800T/H, Electricity 145MWH(in 2016.1Q)

3Q, 2016 Outlook

BD

- Supply and demand are expected to be stable due to the restart of operation after resolving troubles and an ample stock of BD inside the area.
- Prices are forecast to weaken because of continued difficulty in downstream, including the consistently low operation rate of synthetic rubber inside the area.

Synthetic
Rubbers

- Supply is forecast to improve slightly because of the reduced supply caused by a temporarily halting operation during the G20 meeting and a permanent shutdown of a local plant within the area.
- Prices of raw materials are expected to weaken; moreover, the upward price trend of synthetic rubber will be limited because of the ample stock of such material.

SM

- The supply and demand are forecast to be tight because of the reduced production by the increased volume of annual maintenance of SM makers; troubles inside the area; and the decreased volume of arbitrage from the U.S compared to that of the first half of the year.
- Prices are forecast to slowly stabilize due to the stagnant demand despite the peak season of manufacturers.

Synthetic
Resins

- Supply is expected to drop because of the reduced operation rate of the business by holding the G20 meeting in China. However, supply and demand are forecast to be stable because of the ample stock and a low season of some products.
- Prices are expected to be weak and steady due to the stabilized prices of raw materials and the weak demand.

Appendices

Income Statement

(Unit: KRW bn)

	2Q,'16	1Q,'16	2Q,'15	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,011.5	871.5	1,079.0	140.0	16.1%	-67.5	-6.3%
Operating Income	65.4	46.3	64.1	19.1	41.3%	1.3	2.0%
<i>(Operating Margin)</i>	<i>6.5%</i>	<i>5.3%</i>	<i>5.9%</i>	<i>1.2%p</i>	-	<i>0.6%p</i>	-
Net Interest Expense	17.3	8.4	17.1	8.9	106.0%	0.2	1.2%
Gain/Loss on Valuation of Equity Method Investments	8.1	9.9	9.8	-1.8	-18.2%	-1.7	-17.3%
Income before Income Taxes	66.0	50.9	69.2	15.1	29.7%	-3.2	-4.6%
<i>(Ordinary Income Margin)</i>	<i>6.5%</i>	<i>5.8%</i>	<i>6.4%</i>	<i>0.7%p</i>	-	<i>0.1%p</i>	-
Net Income	45.0	38.2	49.1	6.8	17.8%	-4.1	-8.4%
<i>(Net Income Margin)</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.6%</i>	<i>0.0%p</i>	-	<i>-0.2%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	2Q,'16	1Q,'16	2Q,'15	Rate of change	
				QoQ	YoY
Current Assets	1,092.3	1,006.6	1,373.7	85.7	-281.4
- Cash and Cash Equivalents	1,03.0	102.0	353.2	1.0	-250.2
Non-current Assets	3,383.9	3,273.9	3,173.8	110.0	210.1
Total Assets	4,476.2	4,280.5	4,547.5	195.7	-71.3
Current Liabilities	1,755.8	1,668.4	1,691.3	87.4	64.5
Non-current Liabilities	999.1	929.1	1,182.7	70.0	-183.6
■ Interest bearing Liabilities	2,072.8	1,989.3	2,191.6	83.5	-118.8
- Short-term Debts	1,210.5	1,191.3	1,123.1	19.2	87.4
- Long-term Debts	862.3	798.0	1,068.5	64.3	-206.2
■ Non-interest bearing Liabilities	682.1	608.2	682.4	73.9	-0.3
Total Liabilities	2,754.9	2,597.5	2,874.0	157.4	-119.1
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,721.3	1,683.0	1,673.5	38.3	47.8
Net Debt Ratio	44.0%	44.1%	40.4%	-0.1%p	3.6%p
Long-term Debts to Total Debts Ratio	41.6%	40.1%	48.8%	1.5%p	-7.2%p
Current Ratio	62.2%	60.3%	81.2%	1.9%p	-19.0%p
Debt to Equity Ratio	160.0%	154.3%	171.7%	5.7%p	-11.7%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			Completion of Expansion: 200,000MT/Y(Multi-purpose),2H,'16
	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	1,710	T/H	Completion of Expansion: Steam 800T/H, Electricity 145MWH in 1Q,'16	
	Electricity	300	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	680,000	MT/Y	Completion of Expansion: 300,000MT/Y, 2Q,'16
	Acetone	420,000		Completion of Expansion: 185,000MT/Y, 2Q,'16
	MIBK	60,000		
	Cumene	900,000		Completion of Expansion: 470,000MT/Y, 2Q,'16
	BPA	450,000		
	Epoxy Resin	135,000		
	Total	2,645,000		
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	
	TPV/KEPA	7,000		Completion of Expansion: TPV 5,000MT/Y, 3Q,'17
	Total	227,000		

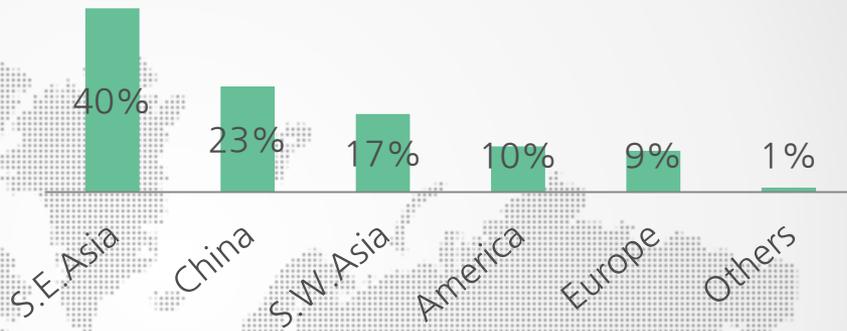
Appendices

Sales Breakdown & Export Share by Region

Domestic
23%



Export
77%



39%

16%

15%

14%

9%

7%

China

Europe

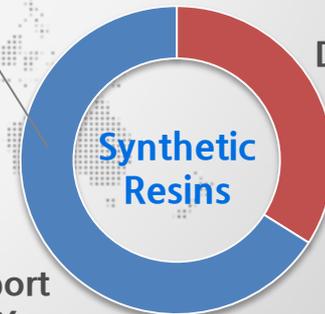
Africa

S.W. Asia

America

S.E. Asia

Export
66%

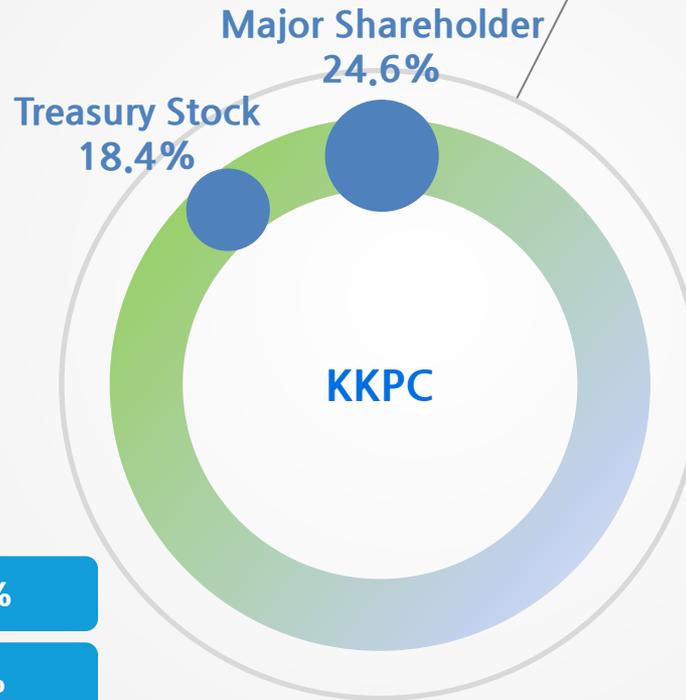


Domestic
34%

Appendices

Investment Shares & Asset available for sale

✓ As of 30th June 2016, based on common shares



Investments in Affiliates

Kumho P&B Chemicals	78.2%
Kumho Mitsui Chemicals	50.0%
Kumho Polychem	50.0%
Kumho Terminal & Logistics	95.0%
Korea Energy Power Plant	92.6%
Yeonggwang Baeksu Wind Power	51.0%

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

Asset available for sale

Q & A