

INVESTOR RELATIONS

2018 2Q



beyond
the best

KUMHO PETROCHEMICAL

Investor Relations 2018

CONTENTS

- 2Q, 2018 Overview
- Business Review
- 3Q, 2018 Outlook
- Appendices

2Q, 2018 Overview

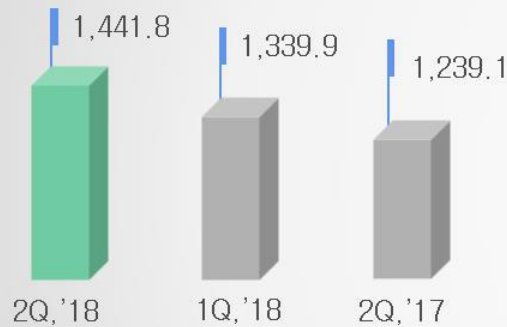
Sales & Operating Income

- ❖ Sales increased by 7.6% since the last quarter and by 16.4% over the previous year to KRW 1,441.8bn.
- ❖ Operating income decreased by 7.4% since the last quarter and soared by 248.1% over the previous year to KRW 153.5bn.

(Unit: KRW bn)

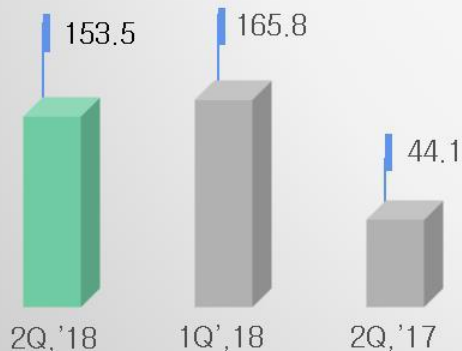
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



	2Q, '18	1Q, '18	2Q, '17	Rate of Change	
				QoQ	YoY
S a l e s	1,441.8	1,339.9	1,239.1	7.6%	16.4%
[Synthetic Rubbers]	516.6	474.5	499.5	8.9%	3.4%
[Synthetic Resins]	324.1	299.6	293.8	8.2%	10.3%
[O t h e r s]	601.1	565.8	445.8	6.2%	34.8%
P h e n o l Derivatives	452.9	416.2	295.5	8.8%	53.3%
S p e c i a l t y Chemicals	34.8	33.9	35.5	2.7%	-2.0%
E n e r g y	42.4	57.0	37.4	-25.6%	13.4%
O t h e r s	71.0	58.7	77.4	21.0%	-8.3%
Operating Income	153.5	165.8	44.1	-7.4%	248.1%
[%]	10.6%	12.4%	3.6%	-1.8%p	7.0%p
Income before Income Taxes	181.1	194.2	52.8	-6.7%	243.0%
N e t I n c o m e	175.3	132.1	36.7	32.7%	377.7%
E q u i t y Income/Losses on Investments	41.2	41.8	21.4	-1.4%	92.5%

✓ Net Income is based on Controlling Interests.

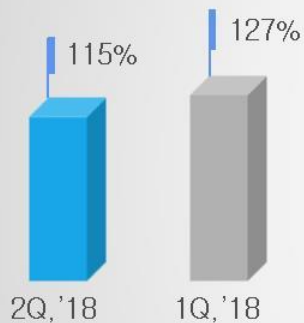
2Q, 2018 Overview

Financial Structure

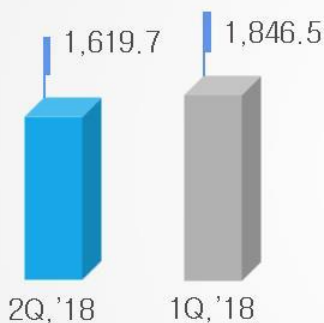
- ❖ Total Assets Turnover Ratio increased as a result of favorable performances in major businesses.
- ❖ Stable financial structure maintained in accordance with a decrease in debt and continuous liquidity management.

(Unit: KRW bn)

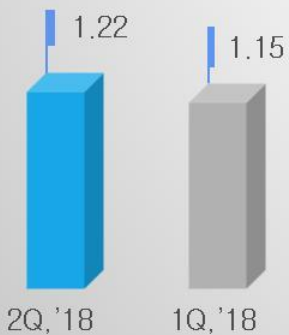
Debt to Equity Ratio (%)



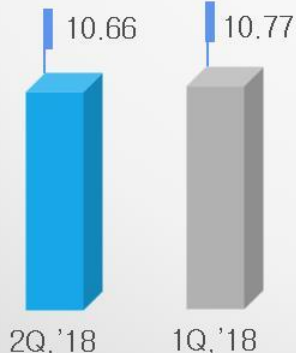
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



	Unit	2Q, '18	1Q, '18	2Q, '17	Rate of Change	
					QoQ	YoY
Assets	KRW bn	4,703.7	4,712.5	4,617.8	-0.2%	1.9%
Liabilities	KRW bn	2,519.0	2,639.0	2,743.3	-4.5%	-8.2%
Shareholders' Equity	KRW bn	2,184.7	2,073.5	1,874.5	5.4%	16.5%
Controlling Interests		2,180.6	1,947.6	1,764.0	12.0%	23.6%
Non-controlling Interests		4.1	125.9	110.5	-96.7%	-96.3%
Debt to Equity Ratio	%	115	127	146	-12%p	-31%p
Borrowings	KRW bn	1,619.7	1,846.5	2,133.3	-12.3%	-24.1%
Won-denominated		1,258.7	1,363.9	1,623.5	-7.7%	-22.5%
Foreign currency-denominated		361.0	482.6	509.8	-25.2%	-29.2%
Total Assets Turnover Ratio		1.22	1.15	1.06	6.2%	15.9%
Interest Coverage Ratio		10.66	10.77	2.61	-1.0%	308.5%

Business Review

Synthetic Rubbers

35.8%

of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales increased by 8.9% over the previous quarter to KRW 516.6bn.
- ❖ Profitability improved through growth in selling price as a result of strong BD price.

• An upward trend in the BD (Butadiene) price

- Gradual uptrend of BD price resulted from a decline in supply due to regular maintenances, trouble and an increased demand caused by favorable ABS market.

➤ BD Price changes by region

(Unit: USD/ton)

	Jan.'18	Feb.'18	Mar.'18	Apr.'18	May.'18	Jun.'18
Asia	1,298	1,411	1,426	1,380	1,670	1,710
N. America	898	1,127	1,356	1,450	1,631	1,658
Europe	964	1,126	1,190	1,213	1,462	1,513

※ Source: ICIS/PLATTS 2018

• Increased profitability of synthetic rubber

- Growth in sales revenue from the increase in selling price due to risen raw material(BD) price.
- Increased sales volume of NB LATEX, SBS through improved productivity with strong demand.

(Unit: USD/ton)

	Jan.'18	Feb.'18	Mar.'18	Apr.'18	May.'18	Jun.'18
SBR	1,541	1,638	1,655	1,559	1,683	1,733
BR	1,738	1,806	1,855	1,806	1,944	2,030

※ Source: ICIS 2018

Business Review

Synthetic Resins

22.5%

of Total sales

Synthetic Rubbers

Synthetic Resins

Others

- ❖ Sales increased by 8.2% over the previous quarter to KRW 324.1bn.
- ❖ Diminished profitability due to increased volatility in demand and intensified price competition.

- **Strong price of raw material (SM)**

- Strong SM price resulted from regular maintenances and favorable downstream demand with low inventory within the region.

➤ SM Price changes

(Unit: USD/ton)

	Jan.'18	Feb.'18	Mar.'18	Apr.'18	May.'18	Jun.'18
SM	1,391	1,431	1,345	1,367	1,429	1,454

※ Source: ICIS 2018

- **Diminished profitability of synthetic resins**

- Increased volatility in demand due to fluctuation of raw material and diminished profitability result from intensified price competition.

(Unit: USD/ton)

	Jan.'18	Feb.'18	Mar.'18	Apr.'18	May.'18	Jun.'18
PS	1,460	1,563	1,551	1,505	1,539	1,572
ABS	2,014	2,055	2,023	1,980	2,048	2,044

※ Source: PLATTS 2018

Business Review

Others

41.7%

Of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Sales increased by 6.2% over the previous quarter to KRW 601.1bn.
- ❖ Phenol derivatives: Growth in sales revenue and favorable profitability resulted from strong selling price in the bullish market.
- ❖ Energy: Decline in sales and profitability resulted from a drop in the electricity price and maintenance.

• Phenol derivatives

- Strong benzene (raw material) price due to tight supply during the quarter; but slight downturn caused by downward oil price and high inventory at the end of the quarter.
- Growth in both sales revenue and profitability resulted from strong selling price in the bullish market.

➤ BZ Price changes

(Unit: USD/ton)

	Jan.'18	Feb.'18	Mar.'18	Apr.'18	May.'18	Jun.'18
BZ	910	905	860	838	860	831

※ Source: PLATTS 2018

• Energy

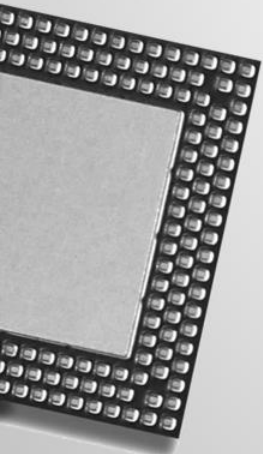
- Depreciation in sales and profitability caused by a drop in the electricity price (SMP) and maintenance.

➤ SMP Price changes

(Unit: KRW/KW)

	Jan.'18	Feb.'18	Mar.'18	Apr.'18	May.'18	Jun.'18
SMP	92	90	101	90	87	89

※ Source: Korea Power Exchange



3Q, 2018 Outlook

BD

- Supply is expected to be tight due to trouble and regular maintenances in the short term.
- The price is likely to be volatile depending on downstream demand for peak season of manufacturing industry at the end of the quarter.

Synthetic
Rubbers

- The price is predicted to be weak due to delay in demand recovery for tire makers
- Synthetic Rubber producers will reduce operating rates due to low profitability and a wait-and-see attitude in the market will be continued.

SM

- In spite of decreased SM inventory within the region, the balance is expected to be steady as a result of restarting SM plants operations after regular main maintenances.
- Price may fluctuate depending on the price of raw material(Benzene/Ethylene) and the utilization rate of downstream producers(ABS/PS).

Synthetic
Resins

- The downstream(ABS/PS) demand is expected to be weak due to traditional weak season in a general economic recession.
- The producers may increase the selling price in accordance with widely recognized perception about current lowest price at the end of the quarter.

Appendices

Income Statement

(Unit: KRW bn)

	2Q,'18	1Q,'18	2Q,'17	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,441.8	1,339.9	1,239.1	101.9	7.6%	202.7	16.4%
Operating Income	153.5	165.8	44.1	-12.3	-7.4%	109.4	248.1%
<i>(Operating Margin)</i>	<i>10.6%</i>	<i>12.4%</i>	<i>3.6%</i>	<i>-1.7%p</i>	-	<i>7.1%p</i>	-
Net Interest Expense	23.8	13.5	22.2	10.3	76.3%	1.6	7.2%
Equity Income/Losses on Investments	41.2	41.8	21.4	-0.6	-1.4%	19.8	92.5%
Income before Income Taxes	181.1	194.2	52.8	-13.1	-6.7%	128.3	243.0%
<i>(Ordinary Income Margin)</i>	<i>12.6%</i>	<i>14.5%</i>	<i>4.3%</i>	<i>-1.9%p</i>	-	<i>8.3%p</i>	-
Net Income	175.3	132.1	36.7	43.2	32.7%	138.6	377.7%
<i>(Net Income Margin)</i>	<i>12.2%</i>	<i>9.9%</i>	<i>3.0%</i>	<i>2.3%p</i>	-	<i>9.2%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	2Q,'18	1Q,'18	2Q,'17	Rate of change	
				QoQ	YoY
Current Assets	1,483.9	1,495.8	1,307.6	-11.9	176.3
– Cash and Cash Equivalents	163.6	259.4	241.3	-95.8	-77.7
Non-current Assets	3,219.8	3,216.7	3,310.2	3.1	-90.4
Total Assets	4,703.7	4,712.5	4,617.8	-8.8	85.9
Current Liabilities	1,993.8	1,967.5	1,975.1	26.3	18.7
Non-current Liabilities	525.2	671.5	768.2	-146.3	-243.0
■ Interest bearing Liabilities	1,619.7	1,846.5	2,133.3	-226.8	-513.6
– Short-term Debts	1,238.7	1,319.6	1,498.7	-80.9	-260.0
– Long-term Debts	381.0	526.9	634.6	-145.9	-253.6
■ Non-interest bearing Liabilities	899.3	792.5	610.0	106.8	289.3
Total Liabilities	2,519.0	2,639.0	2,743.3	-120.0	-224.3
Common & Preferred Stock	167.5	167.5	167.5	–	–
Total Shareholders' Equity	2,184.7	2,073.5	1,874.5	111.2	310.2
Net Debt to Asset Ratio	31.0%	33.7%	41.0%	-2.7%	-10.0%
Long-term Debts to Total Debts Ratio	23.5%	28.5%	29.7%	-5.0%	-6.2%
Current Ratio	74.4%	76.0%	66.2%	-1.6%	8.2%
Debt to Equity Ratio	115.3%	127.3%	146.3%	-12.0%	-31.0%

Appendices

Production Capacity (KKPC)

	Product	Capa.	Unit	Note
Synthetic Rubbers	SBR	384,000	MT/Y	
	BR	HBR		
		LBR		
	S-SBR	63,000		
	NdBR	60,000		
	NBR	87,000		
	HSR	10,000		
	NB Latex	400,000		
	SB Latex	82,800		
	SBS	75,000		
	Total	1,496,800		
Synthetic Resins	PS	230,000	MT/Y	Completion of Expansion: 16,000MT/Y, 1H,'18
	ABS	250,000		
	SAN/Pwd.	161,000		
	EPS	80,000		
	PPG	141,000		
	Total	862,000		
Specialty Chemicals	Antioxidants	83,500	MT/Y	
Energy	Steam	1,710	T/H	
	Electricity	300	MWH	
BD	Ulsan	90,000	MT/Y	
	Yeosu	147,000		
	Total	237,000		

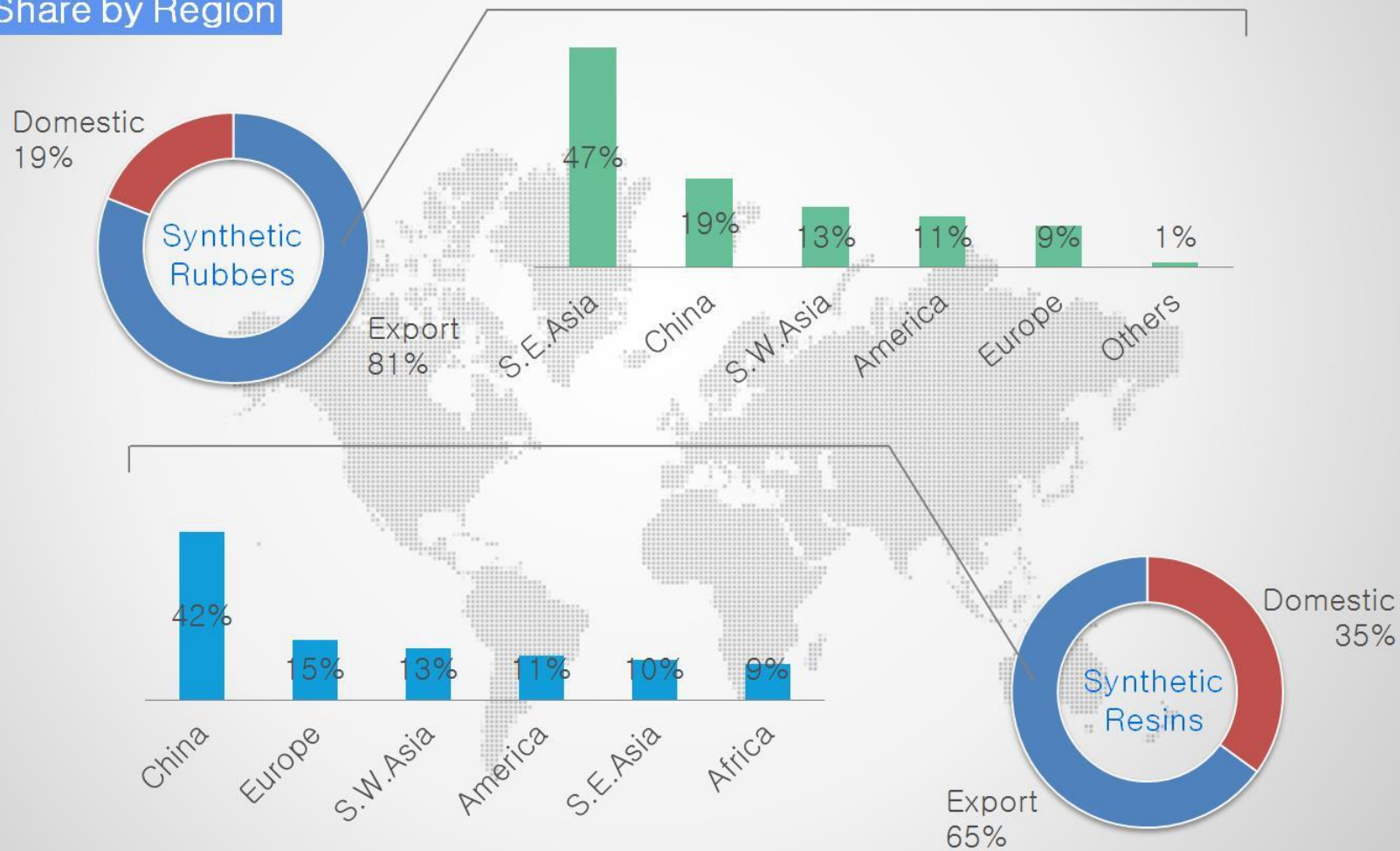
Appendices

Production Capacity (Affiliates)

	Product	Capa.	Unit	Note
Kumho P&B Chemicals	Phenol	680,000	MT/Y	
	Acetone	420,000		
	MIBK	60,000		
	Cumene	900,000		
	BPA	450,000		
	Epoxy Resin	152,000		Completion of Expansion: 17,000MT/Y, 1Q, '18
	Total	2,662,000		
Kumho Mitsui Chemicals	MDI	350,000	MT/Y	Completion of Expansion: 100,000MT/Y, 2H, '17 60,000MT/Y, 2H '19
	Aniline	20,000		
	Total	370,000		
Kumho Polychem	EP(D)M	220,000	MT/Y	
	TPV/KEPA	12,000		Completion of Expansion: TPV 5,000MT/Y, 4Q, '17
	Total	232,000		

Appendices

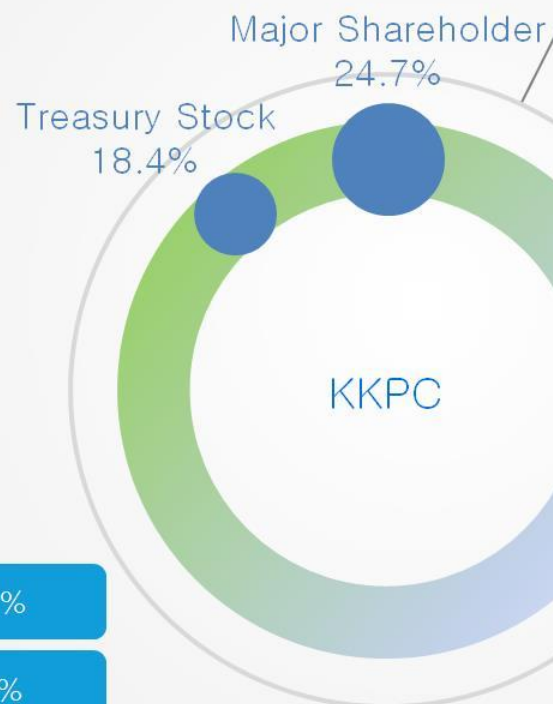
Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 30th June 2018,
based on common shares



Investments in Affiliates

Kumho P&B Chemicals	100.0%
Kumho Mitsui Chemicals	50.0%
Kumho Polychem	50.0%
Kumho Terminal & Logistics	95.0%
Korea Energy Power Plant	96.1%

Asiana Airlines 12.0%

Daewoo E&C 3.4%

KDB Life Insurance 0.4%

Asset available for sale

Q & A