

INVESTOR RELATIONS 3Q 2015

beyond
the best

KUMHO PETROCHEMICAL



Investor Relations 2015

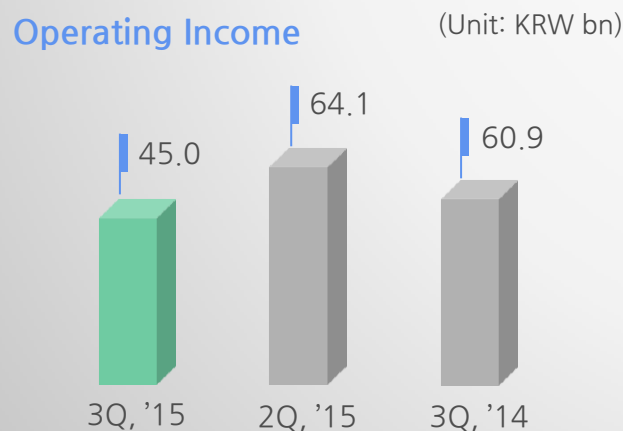
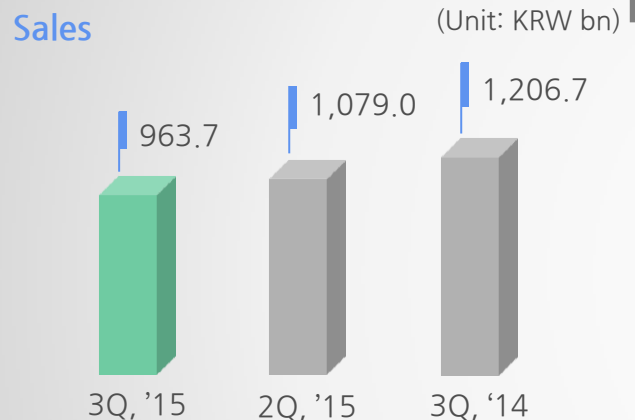
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3Q, 2015 Overview

Sales & Operating Income

- ❖ Decrease in sales by 10.7% over the previous quarter, and 20.1% decrease down to KRW 963.7bn over the previous year
- ❖ Decrease in operating income by 29.8% over the previous quarter, and 26.1% decrease down to KRW 45.0bn over the previous year



(Unit: KRW bn)

	3Q,'15	2Q,'15	3Q,'14	Rate of change	
				QoQ	YoY
S a l e s	963.7	1,079.0	1,206.7	-10.7%	-20.1%
[Synthetic Rubbers]	388.6	422.4	451.1	-8.0%	-13.9%
[Synthetic Resins]	256.9	307.6	327.5	-16.5%	-21.6%
[O t h e r s]	318.2	349.0	428.1	-8.8%	-25.7%
P h e n o l Derivatives	195.4	220.2	288.4	-11.3%	-32.2%
S p e c i a l t y Chemical s	32.4	37.9	37.4	-14.5%	-13.4%
E n e r g y	30.6	30.8	39.8	-0.6%	-23.1%
O t h e r s	59.8	60.1	62.5	-0.5%	-4.3%
Operating Income	45.0	64.1	60.9	-29.8%	-26.1%
[%]	4.7%	5.9%	5.0%	-1.2%p	-0.3%p
Income before Income Taxes	35.7	69.2	31.7	-48.4%	12.6%
N e t I n c o m e	26.7	49.1	24.1	-45.6%	10.8%
Gain/Loss on Valuation of Equity Method Investments	10.0	9.8	-0.1	2.0%	deficit to surplus

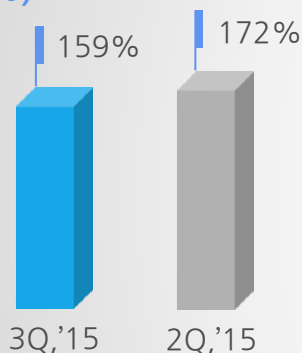
✓ Net Income is based on Controlling Interests.

3Q, 2015 Overview

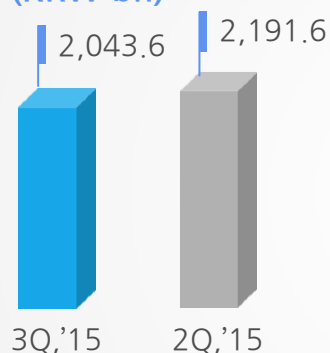
Financial Structure

- ❖ A drop in the interest coverage ratio caused by decline in the operating incomes from the main businesses
- ❖ Improvement in the financial structure through the repayment of debts and a fall in the debt to equity ratio

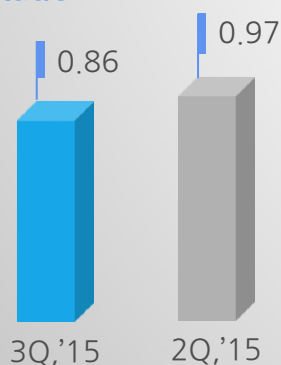
Debt to Equity Ratio (%)



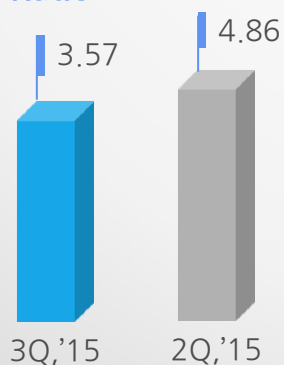
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



(Unit: KRW bn)

	Unit	3Q,'15	2Q,'15	3Q,'14	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,368.0	4,547.5	4,460.0	-3.9%	-2.1%
Liabilities	KRW bn	2,683.6	2,874.0	2,878.4	-6.6%	-6.8%
Shareholders' Equity	KRW bn	1,684.4	1,673.5	1,581.6	0.7%	6.5%
Controlling Interests		1,598.5	1,587.5	1,500.3	0.7%	6.5%
Non-controlling Interests		85.9	86.0	81.3	-0.1%	5.7%
Debt to Equity Ratio	%	159	172	182	-13%p	-23%p
Borrowings	KRW bn	2,043.6	2,191.6	2,205.4	-6.8%	-7.3%
Won-denominated		1,447.3	1,598.4	1,591.2	-9.5%	-9.0%
Foreign currency-denominated		596.3	593.2	614.2	0.5%	-2.9%
Total Assets Turnover Ratio		0.86	0.97	1.11	-11.3%	-22.5%
Interest Coverage Ratio		3.57	4.86	3.65	-26.5%	-2.2%

Business Review

Synthetic Rubbers

40.3%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Decrease in sales by 8.0% down to KRW 388.6bn over the previous quarter
- ❖ Improvement in profitability through decrease in the BD price, despite weak demand and fall in the sales volume

• Sharp drop in the BD price (feedstock)

- Continuously weak price of BD through low utilization rates of downstream manufacturers, despite the improvement in the supply after the completion of annual maintenance and trouble repairs

➤ BD Price changes by region

(Unit: USD/ton)

	Apr.'15	May.'15	Jun.'15	Jul.'15	Aug.'15	Sep.'15
Asia	998	1,119	1,336	1,160	918	920
N. America	714	845	981	1,029	984	934
Europe	639	685	900	932	750	747

※ Source: ICIS/PLATTS 2015

• Increased profit margin of synthetic rubber

Improvement in profitability through widening the spread due to a drop in BD price and sustained selling price, whereas both revenue and sales volume decreased due to a depression in demand and wait-and-see attitude

(Unit: USD/ton)

	Apr.'15	May.'15	Jun.'15	Jul.'15	Aug.'15	Sep.'15
SBR	1,294	1,388	1,475	1,418	1,181	1,194
BR	1,325	1,450	1,575	1,501	1,225	1,225

※ Source: ICIS 2015

Business Review

Synthetic Resins

26.7%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Decrease in sales by 16.5% down to KRW 256.9bn over the previous quarter
- ❖ Diminished selling price and slackening in the profitability due to a drop in SM price and weakened Chinese demand

Declined SM price

- Continuous drop in SM price through a stable supply, after the finishing of annual maintenance and trouble repairs, as well as the changeover downstream market to depression

➤ SM Price changes

(Unit: USD/ton, CFR China)

	Apr.'15	May.'15	Jun.'15	Jul.'15	Aug.'15	Sep.'15
SM	1,331	1,387	1,344	1,244	1,045	938

※ Source: ICIS 2015

Slackening in profitability of synthetic resin

- Reduction in both the number of sales and sales revenues due to the concerns over Chinese domestic market and the uncertainty of the recovery in consumption despite a peak season in a manufacturing industry
- A drop in selling price and diminished profitability figure due to decreased in feedstock prices (SM/BD)

(Unit: USD/ton)

	Apr.'15	May.'15	Jun.'15	Jul.'15	Aug.'15	Sep.'15
PS	1,370	1,492	1,418	1,345	1,208	1,118
ABS	1,633	1,681	1,606	1,504	1,375	1,275

※ Source: PLATTS 2015

Business Review

Others

33.0%

Of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Decreased in sales by 8.8% down to KRW 318.2bn
- ❖ Phenol derivatives : Declined profitability through a downward trend of feedstock prices and abundant supply in the region
- ❖ Energy : Sustained sales and operating income due to increase in the number of sales despite weak selling prices

• Phenol derivatives

- A downward trend of Benzene price (feedstock) through a stabilization of low oil price and abundant supply in the region
- A fall in the profit figure in response to unbalanced supply and demand due to weakened buying interests in the Chinese economy depression as well as new supply inflows

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

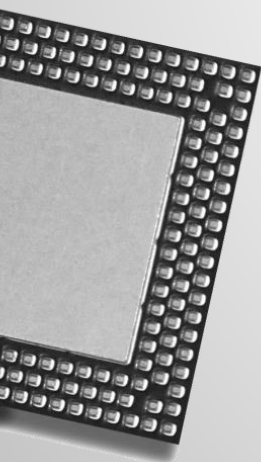
	Apr.'15	May.'15	Jun.'15	Jul.'15	Aug.'15	Sep.'15
BZ	821	785	810	781	629	580

※ Source: PLATTS 2015

• Energy

- Sustained sales and operating income due to low prices of both steam and electricity, despite the increase in sales volume as well as a changeover of SMP towards the upward trend

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



4Q, 2015 Outlook

BD

- The supply-demand balance is expected to be stable because of supply reduction caused by annual maintenance of Asian crackers despite the shift from LPG cracking and arbitrages from outer regions
- BD price is expected to be weak due to continuous adjustment in operation rates of downstream makers, including annual maintenance within the region

Synthetic
Rubbers

- Weak demand is likely to continue due to less purchasing interest caused by sufficient amount of tires in the inventory and the reduction in manufacturing
- The price fluctuation is forecasted to be limited due to the increasing number of companies with operation resume delays after the shutdown and continuous low inventory of synthetic rubber

SM

- Supply is expected to be stabilized due to the high inventory of SM within the region, a downward trend that recently shifted to increase
- The prices of main aromatic products are likely to be steady and remain weak because of persistence in the weak price of downstream products and the downward price pressure of Benzene, which resulted from the limited arbitrage opportunities to the outer region

Synthetic
Resins

- The possibility of upward price trend is expected to be slim with regards to the stabilization of weak feedstock prices (BD/SM/AN), not to mention it is the beginning of the season-off period
- It is predicted that the demand will remain weak due to decrease in the buying interest and the recession of Chinese manufacturing industry, including home appliances and automobiles

Appendices

Income Statement

(Unit: KRW bn)

	3Q,'15	2Q,'15	3Q,'14	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	963.7	1,079.0	1,206.7	-115.3	-10.7%	-243.0	-20.1%
Operating Income	45.0	64.1	60.9	-19.1	-29.8%	-15.9	-26.1%
<i>(Operating Margin)</i>	<i>4.7%</i>	<i>5.9%</i>	<i>5.0%</i>	<i>-1.2%p</i>		<i>-0.3%p</i>	
Net Interest Expense	30.3	17.1	27.0	13.2	77.2%	3.3	12.2%
Gain/Loss on Valuation of Equity Method Investments	10.0	9.8	-0.1	0.2	2.0%	10.1	deficit to surplus
Income before Income Taxes	35.7	69.2	31.7	-33.5	-48.4%	4.0	12.6%
<i>(Ordinary Income Margin)</i>	<i>3.7%</i>	<i>6.4%</i>	<i>2.6%</i>	<i>-2.7%p</i>		<i>1.1%p</i>	
Net Income	26.7	49.1	24.1	-22.4	-45.6%	2.6	10.8%
<i>(Net Income Margin)</i>	<i>2.8%</i>	<i>4.6%</i>	<i>2.0%</i>	<i>-1.8%p</i>		<i>0.8%p</i>	

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	3Q,'15	2Q,'15	3Q,'14	Rate of change	
				QoQ	YoY
Current Assets	1,131.4	1,373.7	1,490.5	-242.3	-359.1
- Cash and Cash Equivalents	79.9	353.2	289.5	-273.3	-209.6
Non-current Assets	3,236.6	3,173.8	2,969.5	62.8	-267.1
Total Assets	4,368.0	4,547.5	4,460.0	-179.5	-92.0
Current Liabilities	1,592.7	1,691.3	1,812.7	-98.6	-220.0
Non-current Liabilities	1,090.9	1,182.7	1,065.7	-91.8	25.2
■ Interest bearing Liabilities	2,043.6	2,191.6	2,205.4	-148.0	-161.8
- Short-term Debts	1,074.6	1,123.1	1,224.2	-48.5	-149.6
- Long-term Debts	969.0	1,068.5	981.2	-99.5	-12.2
■ Non-interest bearing Liabilities	640.0	682.4	673.0	-42.4	-33.0
Total Liabilities	2,683.6	2,874.0	2,878.4	-190.4	-194.8
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,684.4	1,673.5	1,581.6	10.9	102.8
Net Debt Ratio	45.0%	40.4%	43.0%	4.6%p	2.0%p
Long-term Debts to Total Debts Ratio	47.4%	48.8%	44.5%	-1.4%p	2.9%p
Current Ratio	71.0%	81.2%	82.2%	-10.2%p	-11.2%p
Debt to Equity Ratio	159.3%	171.7%	182.0%	-12.4%p	-22.7%p

Appendices

Production Capacity (KKPC)

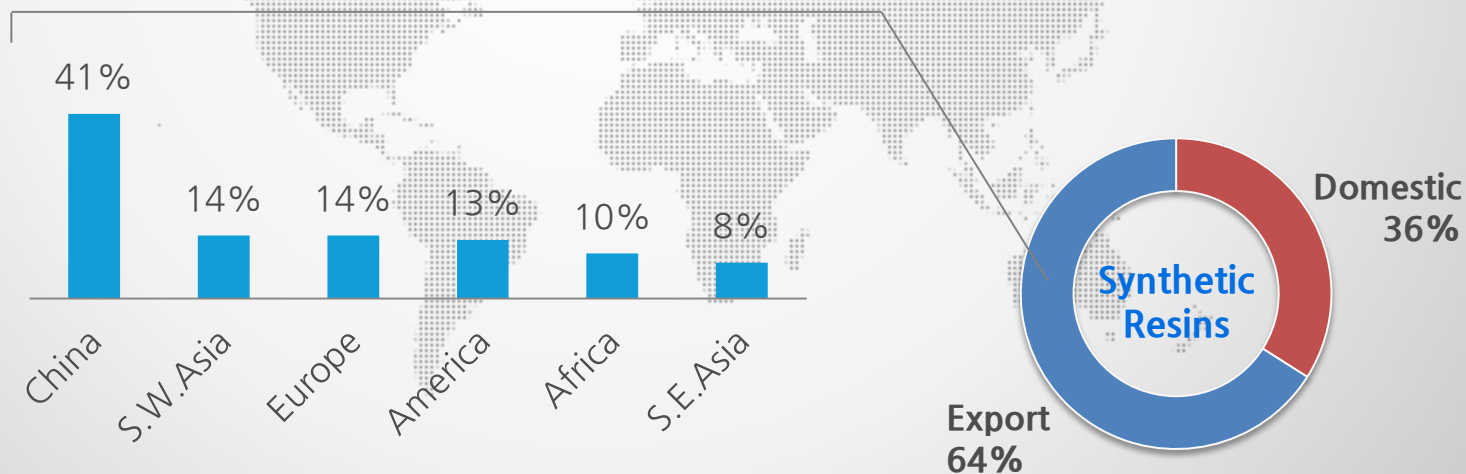
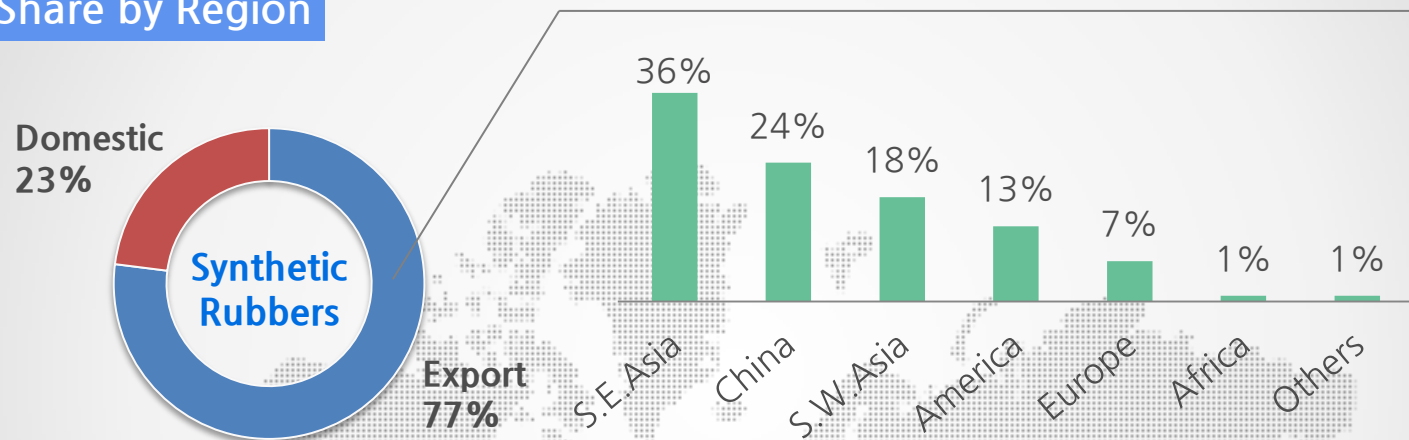
	Product		Capa.	Unit	Note
Synthetic Rubbers	SBR		481,000	MT/Y	
	BR	HBR	290,000		
		LBR	45,000		
	S-SBR		60,000		
	NdBR		55,000		
	NBR		80,000		
	HSR		10,000		
	NB Latex		168,000		
	SB Latex		80,000		
	SBS		70,000		
	Total		1,339,000		
Synthetic Resin	PS		230,000	MT/Y	
	ABS		250,000		
	SAN/POW		145,000		
	EPS		80,000		
	PPG		139,000		
	Total		844,000		
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		
	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 Polychem	EP(D)M	220,000	MT/Y	Completion of Expansion: 60,000MT/Y, 2Q,'15
		TPV/KEPA	7,000		
		Total	227,000		
	Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
		Aniline	2,000		
		Total	202,000		

Appendices

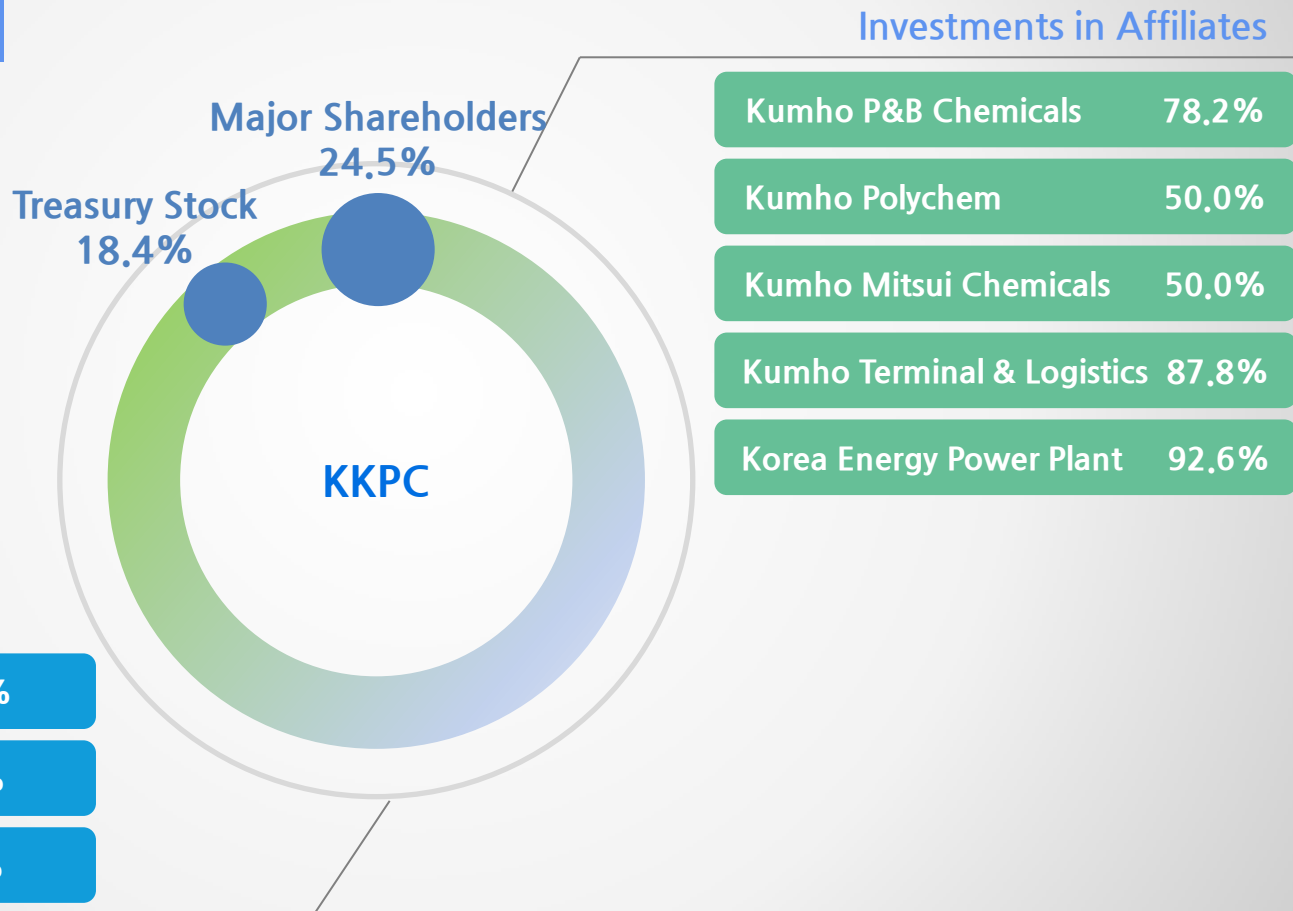
Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 30th Sep 2015,
based on common shares



Asset available for sale

Q & A