

INVESTOR RELATIONS 2014



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KUMHO PETROCHEMICAL

Investor Relations 2014

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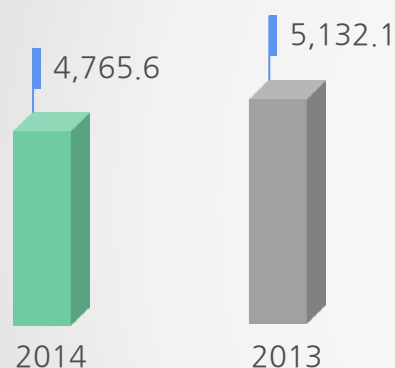
2014 Overview

Sales & Operating Income

- ❖ Sales dropped by 7.1 % year on year, amounting to KRW 4,765.6 billion.
- ❖ Operating Income rose by 37.7% year on year, amounting to KRW 184.8 billion.

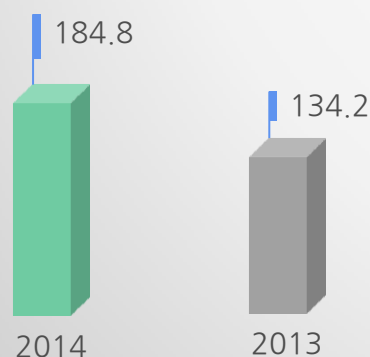
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	2014	2013	YoY	
			Amount	Rate of change
S a l e s	4,765.6	5,132.1	-366.5	-7.1%
[Synthetic Rubbers]	1,853.0	2,294.9	-441.9	-19.3%
[Synthetic Resins]	1,324.7	1,347.9	-23.2	-1.7%
[O t h e r s]	1,587.9	1,489.3	98.6	6.6%
P h e n o l Derivative	1,039.4	959.1	80.3	8.4%
S p e c i a l t y Chemicals	150.7	156.9	-6.2	-4.0%
E n e r g y	159.7	158.0	1.7	1.1%
O t h e r s	238.1	215.3	22.8	10.6%
Operating Income	184.8	134.2	50.6	37.7%
[%]	3.9%	2.6%	1.3%p	-
Income before Income Taxes	117.2	-70.5	187.7	deficit to surplus
N e t I n c o m e	93.1	-12.3	105.4	deficit to surplus
Gain/Loss on Valuation of Equity Method Investments	11.9	32.6	-20.7	-63.5%

✓ Net Income is based on Controlling Interests.

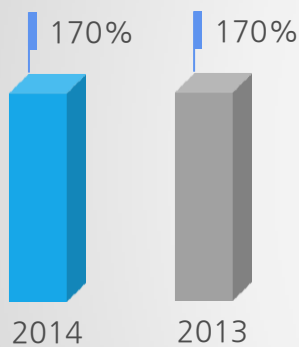
2014 Overview

Financial Structure

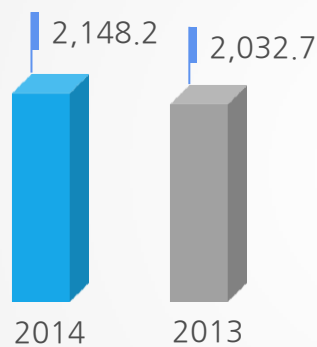
- ❖ The improved operating gain and loss in main businesses increased the interest coverage ratios.
- ❖ Despite such large-scale investment as part of the energy expansion, a continued liquidity management stabilized the financial structure.

(Unit: KRW bn)

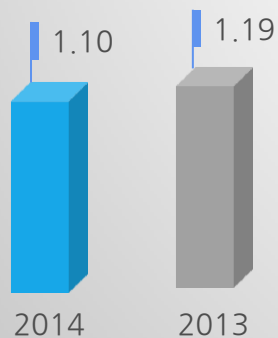
Debt to Equity Ratio (%)



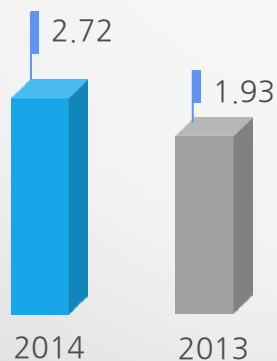
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



	Unit	2014	2013	YoY	
				Amount	Rate of change
Assets	KRW bn	4,437.3	4,211.6	225.7	5.4%
Liabilities	KRW bn	2,795.7	2,651.9	143.8	5.4%
Shareholders' Equity	KRW bn	1,641.6	1,559.7	81.9	5.3%
Controlling Interests		1,559.4	1,474.6	84.8	5.8%
Non-controlling Interests		82.2	85.1	-2.9	-3.4%
Debt to Equity Ratio	%	170	170	-	-
Borrowings	KRW bn	2,148.2	2,032.7	115.4	5.7%
Won-denominated		1,559.0	1,580.5	-21.5	-1.4%
Foreign currency-denominated		589.2	452.2	137.0	30.3%
Total Assets Turnover Ratio		1.10	1.19	-0.09	-7.4%
Interest Coverage Ratio		2.72	1.93	0.79	40.7%

Business Review

Synthetic Rubbers

38.9%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Sales dropped by 19.3% year on year, amounting to KRW 1,853.0 billion.
- ❖ The continued weak BD prices and sluggish demand for synthetic rubber led to decreased profitability

• Weak BD Prices

- In addition to the weak prices caused by downstream makers' low operating rate, a sharp decline in oil and naphtha prices deteriorated the decreased prices.

➤ BD Price changes by region

(Unit: USD/ton)

	1Q,'14	2Q,'14	3Q,'14	4Q,'14
Asia	1,399	1,336	1,500	1,072
N. America	1,603	1,618	1,351	965
Europe	1,424	1,385	1,221	729

※ Source: ICIS/PLATTS 2014

• Continued sluggish demand for synthetic rubber

- The influx of expanded synthetic rubber supplies and sluggish demand decreased the sales volume and worsened the profitability.
- Decrease in prices of natural rubber caused by the increase in its production deepened the weakness of synthetic rubber prices.

(Unit: USD/ton)

	1Q,'14	2Q,'14	3Q,'14	4Q,'14
SBR	1,802	1,767	1,889	1,671
BR	1,908	1,817	1,993	1,720

※ Source: ICIS 2014

Business Review

Synthetic Resins

27.8%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Sales dropped by 1.7% year on year, amounting to KRW 1,324.7 billion.
- ❖ Despite a drop in the feedstock prices, the increased sales volume and expanded spread between cost and selling price led to a higher profitability.

Decreased SM prices

- Because of the high SM inventory in China's Huadong region early this year as well as the decreased prices of raw materials (benzene/ethylene) and oil late this year, the downward trend in SM prices continued.

➤ SM Price changes

(Unit: USD/ton, CFR China)

	1Q,'14	2Q,'14	3Q,'14	4Q,'14
SM	1,647	1,609	1,585	1,225

※ Source: ICIS 2014

Expanded profitability of synthetic resin

- Despite a drop in SM prices, the expanded spread between the cost and the selling price, which was caused by the ABS-centered secure demand, led to a higher profitability.

- PPG expansion increased sales and improved profitability.

(Unit: USD/ton)

	1Q,'14	2Q,'14	3Q,'14	4Q,'14
PS	1,781	1,733	1,707	1,447
ABS	1,919	1,906	1,943	1,767

※ Source: PLATTS 2014

Business Review

Others

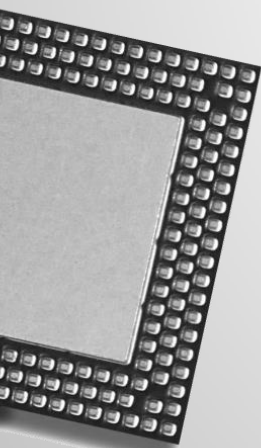
33.3%

Of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Sales rose by 6.6% year on year, amounting to KRW 1,587.9 billion.
- ❖ Phenol derivatives: Adjustments in supply during the second half of the year improved the profitability.
- ❖ Energy: The increase in sales volume of steam and electricity led to higher sales and operating profits.

• Phenol derivatives

- Despite strong prices caused by the tight balance between supply and demand in feedstock, an oversupply limited the rise in the selling prices. Therefore, profitability continued to worsen during the first half of the year.
- The alleviation of an imbalanced supply and demand caused by the expansion delay and adjustments of utilization rate improved the spread between the cost and selling price during the second half of the year.

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	1Q,'14	2Q,'14	3Q,'14	4Q,'14
BZ	1,296	1,298	1,301	939

※ Source: PLATTS 2014

• Energy

- Along with affiliates, a robust demand increased the sales volume of steam and electricity.
- Despite a maintenance in the 4Q, such operation flexibility as maintenance period adjustments reduced a drop in sales and operating profits than expected.

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

2015 Outlook

BD

- Prices are expected to be weakly steady because of the weak oil and naphtha prices, but the downstream (synthetic rubber) makers' adjustment of utilization rates will change the prices.
- The influx of new supplies within the year will increase the amount of supply. However, maker troubles and adjustments of operating rates are expected to maintain the balance between supply and demand.

Synthetic
Rubbers

- Downstream industries, such as automobile and tire industries, are expected to grow stably; and the growth rate of demand is approximately 4 %.
- The low inventory of synthetic rubber and the decreased amount of new supply will result in slightly stabilizing the supply and demand status.

SM

- A decreased supply through regional SM producers' scrap and annual maintenance will lead to a tight balance between supply and demand.
- Prices are expected to be strongly steady because of the downstream (ABS/PS) makers' robust operating rates.

Synthetic
Resins

- The status of supply and demand is similar to that of last year's. As such, prices will continue to be strongly steady.
- Purchases will begin in earnest after Chinese new year. In turn, the demand will gradually increase.

Appendices

Income Statement

(Unit: KRW bn)

	2014					2013	YoY	
	1Q	2Q	3Q	4Q	Total		Amount	Rate of change
Sales	1,241.6	1,218.2	1,206.7	1,099.1	4,765.6	5,132.1	-366.5	-7.1%
Operating Income	28.6	41.5	60.9	53.8	184.8	134.2	50.6	37.7%
<i>(Operating Margin)</i>	<i>2.3%</i>	<i>3.4%</i>	<i>5.0%</i>	<i>4.9%</i>	<i>3.9%</i>	<i>2.6%</i>	<i>1.3%p</i>	
Net Interest Expense	20.9	2.7	27.0	30.8	81.4	61.4	20.0	32.6%
Gain/Loss on Valuation of Equity Method Investments	5.4	-0.8	-0.1	7.4	11.9	32.6	-20.7	-63.5%
Income before Income Taxes	14.1	26.3	31.7	45.1	117.2	-70.5	187.7	surplus to deficit
<i>(Ordinary Income Margin)</i>	<i>1.1%</i>	<i>2.2%</i>	<i>2.6%</i>	<i>4.1%</i>	<i>2.5%</i>	<i>-1.4%</i>	<i>3.9%p</i>	-
Net Income	14.9	23.7	24.1	30.4	93.1	-12.3	105.4	surplus to deficit
<i>(Net Income Margin)</i>	<i>1.2%</i>	<i>1.9%</i>	<i>2.0%</i>	<i>2.8%</i>	<i>2.0%</i>	<i>-0.2%</i>	<i>2.2%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	2014	2013	YoY	
			Amount	Rate of change
Current Assets	1,401.4	1,258.9	142.5	11.3%
- Cash and Cash Equivalents	213.6	83.3	130.3	156.4%
Non-current Assets	3,035.9	2,952.7	83.2	2.8%
Total Assets	4,437.3	4,211.6	225.7	5.4%
Current Liabilities	1,739.4	1,404.5	334.9	23.8%
Non-current Liabilities	1,056.3	1,247.4	-191.1	-15.3%
■ Interest bearing Liabilities	2,148.2	2,032.7	115.5	5.7%
- Short-term Debts	1,175.7	856.8	318.9	37.2%
- Long-term Debts	972.5	1,175.9	-203.4	-17.3%
■ Non-interest bearing Liabilities	647.5	619.2	28.3	4.6%
Total Liabilities	2,795.7	2,651.9	143.8	5.4%
Common & Preferred Stock	167.5	167.5	-	-
Total Shareholders' Equity	1,641.6	1,559.7	81.9	5.3%
Net Debt Ratio	43.6%	46.3%	-2.7%p	-
Long-term Debts to Total Debts Ratio	45.3%	57.8%	-12.5%p	-
Current Ratio	80.6%	89.6%	-9.0%p	-
Debt to Equity Ratio	170.3%	170.0%	0.3%p	-

Appendices

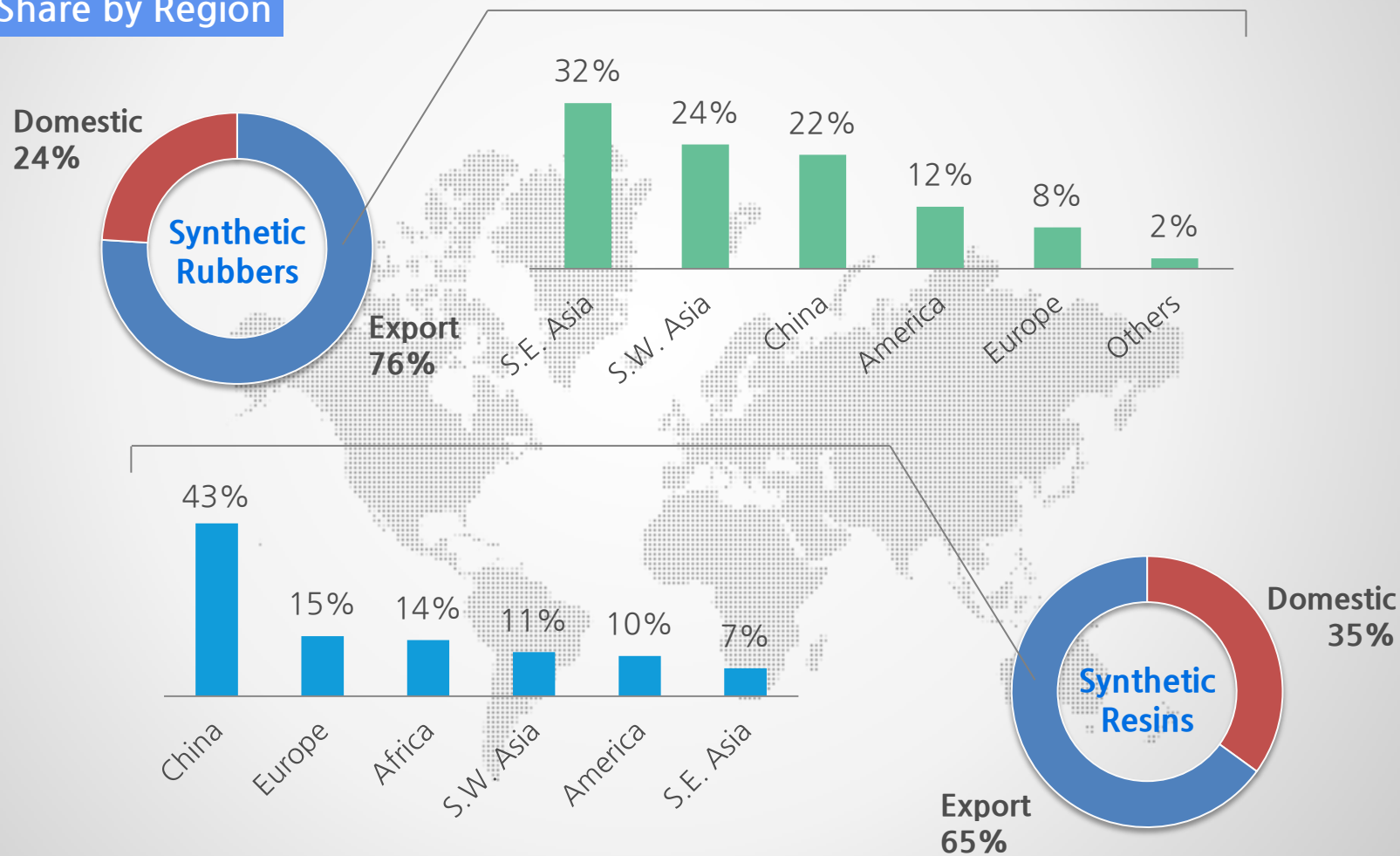
Production Capacity (KKPC)	Product		Capa.	Unit	Note
	Synthetic Rubbers	SBR	481,000	MT/Y	
		BR	HBR		
			LBR		
		S-SBR	60,000		
		NdBR	55,000		
		NBR	80,000		
		HSR	10,000		
		NB Latex	168,000		
		SB Latex	80,000		
		SBS	70,000		
	Total		1,339,000		
	Synthetic Resins	PS	230,000	MT/Y	
		ABS	250,000		
		EPS	80,000		
		PPG	135,000		Completion of Expansion: 55,000MT/Y in Jul. '14
	Total		695,000		
	Specialty Chemicals	Antioxidants	80,300	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		Completion of Expansion: 45,000MT/Y, 2Q,'14
		Total	1,690,000		
	Kumho Polychem	EP(D)M	160,000	MT/Y	Completion of Expansion: 60,000MT/Y, 3Q,'15
		TPV/KEPA	7,000		
		Total	167,000		
	Kumho Mitsui Chemicals	MDI	200,000	MT/Y	
		Aniline	2,000		
		Total	202,000		

Appendices

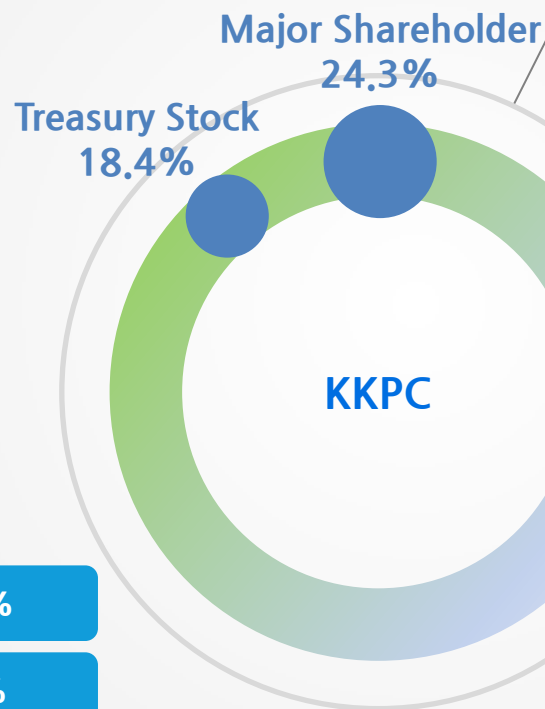
2014 Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 31th Dec. 2014,
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	87.1%
Korea Energy Power Plant	80.8%

Asiana Airlines 12.6%

Daewoo E&C 3.5%

KDB Life Insurance 0.9%

Q & A