

INVESTOR RELATIONS 2Q 2015

beyond
the best

KUMHO PETROCHEMICAL



The business result for the 2nd quarter of 2015 is currently under the audit process, however this is presented purely for the purposes of investors' convenience. Hence, please be advised that some of the contents may be altered in the course of audit.

Forecasts and projections contained in this material are based on current business environments and management strategies, so these may differ from the actual result upon changes and unaccounted variables.

Investor Relations 2015

CONTENTS

- 2Q, 2015 Overview
- Business Review
- 3Q, 2015 Outlook
- Appendices

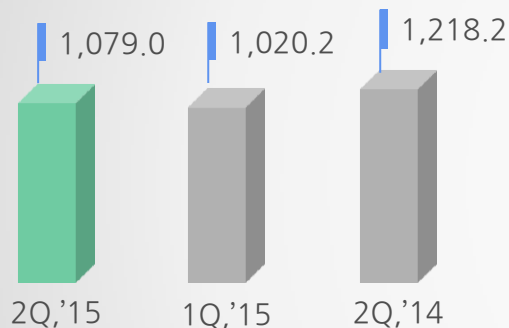
2Q, 2015 Overview

Sales & Operating Income

- ❖ Increase in sales by 5.8% over the previous quarter, and 11.4% decrease to KRW 1,079.0bn over the previous year
- ❖ Increase in operating income by 16.1% to KRW 64.1bn over the previous quarter, and a 54.5% rise over the previous year

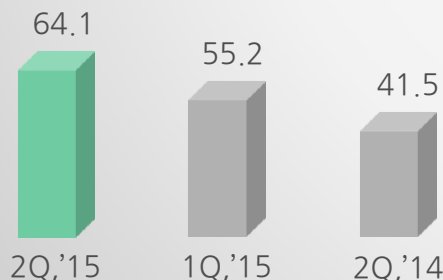
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	2Q,'15	1Q,'15	2Q,'14	Rate of change	
				QoQ	YoY
S a l e s	1,079.0	1,020.2	1,218.2	5.8%	-11.4%
[Synthetic Rubbers]	422.4	386.2	477.6	9.4%	-11.6%
[Synthetic Resins]	307.6	280.7	345.9	9.6%	-11.1%
[O t h e r s]	349.0	353.3	394.7	-1.2%	-11.6%
P h e n o l Derivatives	220.2	213.9	250.4	2.9%	-12.1%
S p e c i a l t y Chemical s	37.9	40.2	40.5	-5.7%	-6.4%
E n e r g y	30.8	38.0	42.4	-18.9%	-27.4%
O t h e r s	60.1	61.2	61.4	-1.8%	-2.1%
Operating Income	64.1	55.2	41.5	16.1%	54.5%
[%]	5.9%	5.4%	3.4%	0.5%p	2.5%p
Income before Income Taxes	69.2	55.5	26.3	24.7%	163.1%
N e t I n c o m e	49.1	41.5	23.7	18.3%	107.2%
Gain/Loss on Valuation of Equity Method Investments	9.8	14.7	-0.8	-33.3%	deficit to surplus

✓ Net Income is based on Controlling Interests.

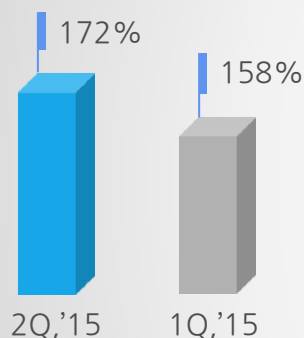
2Q, 2015 Overview

Financial Structure

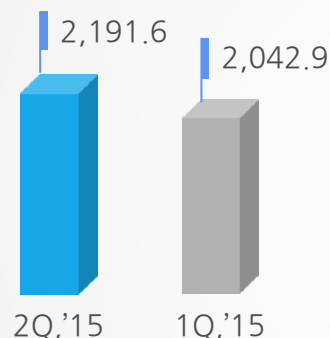
- ❖ A rise in interest coverage ratio led by increases in both sales and operating incomes from main businesses
- ❖ Stable financial structure sustained through continued liquidity management

(Unit: KRW bn)

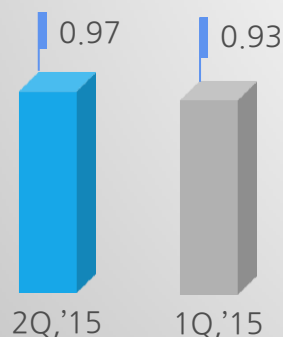
Debt to Equity Ratio (%)



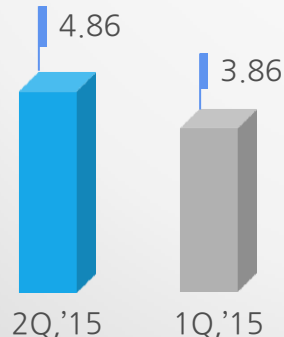
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



	Unit	2Q, '15	1Q, '15	2Q, '14	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,547.5	4,371.4	4,198.7	4.0%	8.3%
Liabilities	KRW bn	2,874.0	2,678.3	2,630.4	7.3%	9.3%
Shareholders' Equity	KRW bn	1,673.5	1,693.1	1,568.3	-1.2%	6.7%
Controlling Interests		1,587.5	1,610.2	1,485.9	-1.4%	6.8%
Non-controlling Interests		86.0	82.9	82.4	3.7%	4.4%
Debt to Equity Ratio	%	172	158	168	14%p	4%p
Borrowings	KRW bn	2,191.6	2,042.9	2,013.8	7.3%	8.8%
Won-denominated		1,598.4	1,523.0	1,603.2	5.0%	-0.3%
Foreign currency-denominated		593.2	519.9	410.6	14.1%	44.5%
Total Assets Turnover Ratio		0.97	0.93	1.16	4.5%	-16.5%
Interest Coverage Ratio		4.86	3.86	2.31	25.8%	110.6%

Business Review

Synthetic Rubbers

39.2%
of Total sales

Synthetic Rubbers

Synthetic Resins

Others



- ❖ Increase in sales by 9.4% over the previous year to KRW 422.4bn
- ❖ Slight operating income growth through a rise in sales volume as well as the selling price hike caused by BD price increase

• Strong BD price

- Continuous rise of BD price with a tight balance between supply and demand caused by decreased BD supply led by annual maintenances and by troubles of BD makers and increased LPG injection

➤ BD Price changes by region

(Unit: USD/ton)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
Asia	753	693	865	998	1,119	1,336
N. America	821	662	708	714	845	981
Europe	519	506	565	639	685	900

※ Source: ICIS/PLATTS 2015

• Improvement in an operating income of synthetic rubber

- A limited spread expansion due to the high level of tire inventory, despite the selling price rise resulting from BD price increase
- Slight operating income growth driven by increased buying interests and sales volumes through overall product price rise

(Unit: USD/ton)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
SBR	1,285	1,109	1,253	1,294	1,388	1,475
BR	1,272	1,115	1,263	1,325	1,450	1,575

※ Source: ICIS 2015

Business Review

Synthetic Resins

28.5%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Increase in sales by 9.6% over the previous quarter to KRW 307.6bn
- ❖ Profitability improved by increased spread through the selling price rise owing to the SM price increase as well as sales volume increases

• Strong SM price

- Continued tightness in balance between supply and demand as well as steady rise of the SM price owing to the annual maintenances and troubles of the SM makers

➤ SM Price changes

(Unit: USD/ton, CFR China)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
SM	891	1,010	1,141	1,331	1,387	1,344

※ Source: ICIS 2015

• Improved profitability of synthetic resin

- Increases in sales volume and revenue led by rising demands in peak season
- Profitability improvement propelled by the selling price rise owing to the SM price increase

(Unit: USD/ton)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
PS	1,134	1,141	1,213	1,370	1,492	1,418
ABS	1,500	1,514	1,549	1,633	1,681	1,606

※ Source: PLATTS 2015

Business Review

Others

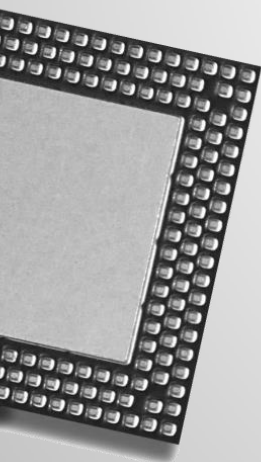
32.3%

Of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Decrease in sales by 1.2% over the previous quarter, down to KRW 349.0bn
- ❖ Phenol derivatives : Growths in sales and profitability driven by the stable rise of BZ (feedstock) price and steady demands for high value-added products
- ❖ Energy : Reduced profitability caused by the expansion of Yeosu Energy 2 plant and a drop in the selling price of electricity

• Phenol derivatives

- The Benzene(feedstock) price rise stabilized by the strong SM price and steady demands sustained by the new phenol plants within the region
- Growth in sales and profitability created by stable demands for high value-added products and the recovery of the loss from the high-price product inventory

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Jan.'15	Feb.'15	Mar.'15	Apr.'15	May.'15	Jun.'15
BZ	622	667	760	821	785	810

※ Source: PLATTS 2015

• Energy

- Reduced profitability caused by the expansion of Yeosu Energy 2 plant and a drop in the selling price of electricity due to the high power reserve rate

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

3Q, 2015 Outlook

BD

- A stable supply expected through the completion of annual maintenances in Asia
- A weakness in BD price expected due to inventory increases and shutdowns of a few downstream makers in China

Synthetic Rubbers

- Demands for synthetic rubbers on wait and see trend due to expected weakness of BD price and the uncertain economic recovery despite the slight recovery of tire sales in the developed countries
- Limited room for price change expected due to the sluggish demand in China despite the governments of natural rubber producing countries implementing price-supporting policies

SM

- Stable supply forecasted owing to expected normal operations of SM makers over all despite a supply reduction factor such as annual maintenances of some SM makers still remaining
- Weak SM price expected owing to forecasted weakness and stability of BZ price as well as possibility of SM inflows from outside area despite the low SM inventory within the region

Synthetic Resins

- Little room for price change due to the forecasted weakness of the feedstock (BD/SM) prices despite an anticipation for a restocking demand resulting from low inventory of the end-users
- Limited increase in demand expected due to the slowdown of Chinese economy despite the peak season of manufacture industry

Appendices

Income Statement

(Unit: KRW bn)

	2Q,'15	1Q,'15	2Q,'14	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	1,079.0	1,020.2	1,218.2	58.8	5.8%	-139.2	-11.4%
Operating Income	64.1	55.2	41.5	8.9	16.1%	22.6	54.5%
<i>(Operating Margin)</i>	<i>5.9%</i>	<i>5.4%</i>	<i>3.4%</i>	<i>0.5%p</i>		<i>2.5%p</i>	
Net Interest Expense	17.1	14.4	2.7	2.7	18.8%	14.4	533.3%
Gain/Loss on Valuation of Equity Method Investments	9.8	14.7	-0.8	-4.9	-33.3%	10.6	deficit to surplus
Income before Income Taxes	69.2	55.5	26.3	13.7	24.7%	42.9	163.1%
<i>(Ordinary Income Margin)</i>	<i>6.4%</i>	<i>5.4%</i>	<i>2.2%</i>	<i>1.0%p</i>		<i>4.2%p</i>	
Net Income	49.1	41.5	23.7	7.6	18.3%	25.4	107.2%
<i>(Net Income Margin)</i>	<i>4.6%</i>	<i>4.1%</i>	<i>1.9%</i>	<i>0.5%p</i>		<i>2.7%p</i>	

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	2Q,'15	1Q,'15	2Q,'14	Rate of change	
				QoQ	YoY
Current Assets	1,373.7	1,208.6	1,241.4	165.1	132.3
- Cash and Cash Equivalents	353.2	222.5	127.0	130.7	226.2
Non-current Assets	3,173.8	3,162.8	2,957.3	11.0	216.5
Total Assets	4,547.5	4,371.4	4,198.7	176.1	348.8
Current Liabilities	1,691.3	1,581.5	1,413.9	109.8	277.4
Non-current Liabilities	1,182.7	1,096.8	1,216.5	85.9	-33.8
■ Interest bearing Liabilities	2,191.6	2,042.9	2,013.8	148.7	177.8
- Short-term Debts	1,123.1	1,061.9	874.1	61.2	249.0
- Long-term Debts	1,068.5	981.0	1,139.7	87.5	-71.2
■ Non-interest bearing Liabilities	682.4	635.4	616.6	47.0	65.8
Total Liabilities	2,874.0	2,678.3	2,630.4	195.7	243.6
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,673.5	1,693.1	1,568.3	-19.6	105.2
Net Debt Ratio	40.4%	41.6%	44.9%	-1.2%p	-4.5%p
Long-term Debts to Total Debts Ratio	48.8%	48.0%	56.6%	0.8%p	-7.8%p
Current Ratio	81.2%	76.4%	87.8%	4.8%p	-6.6%p
Debt to Equity Ratio	171.7%	158.2%	167.7%	13.5%p	4.0%p

Appendices

Production Capacity (KKPC)

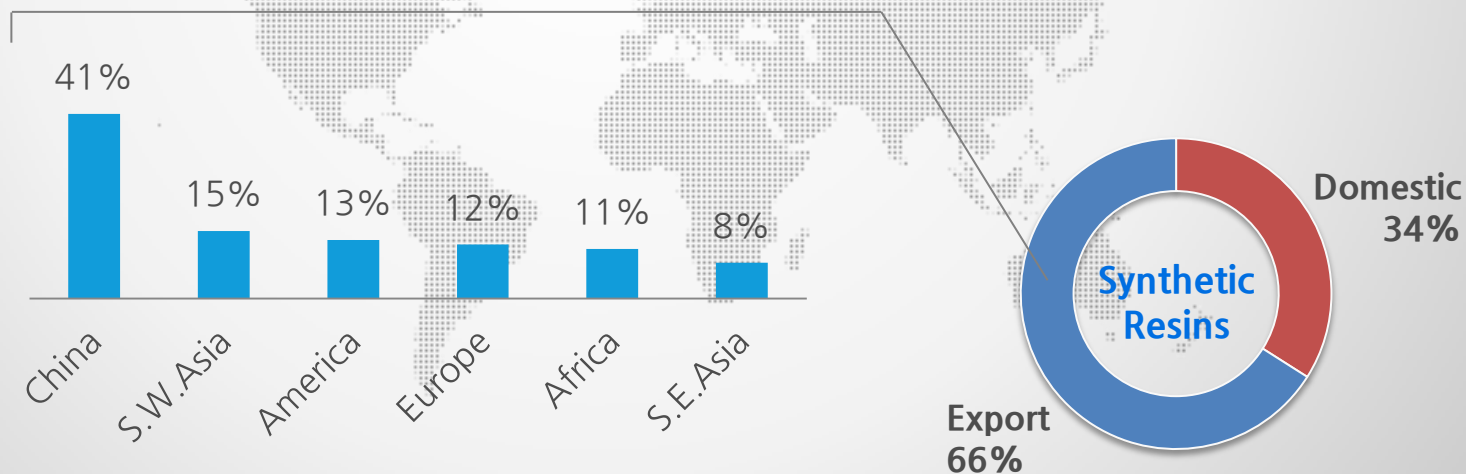
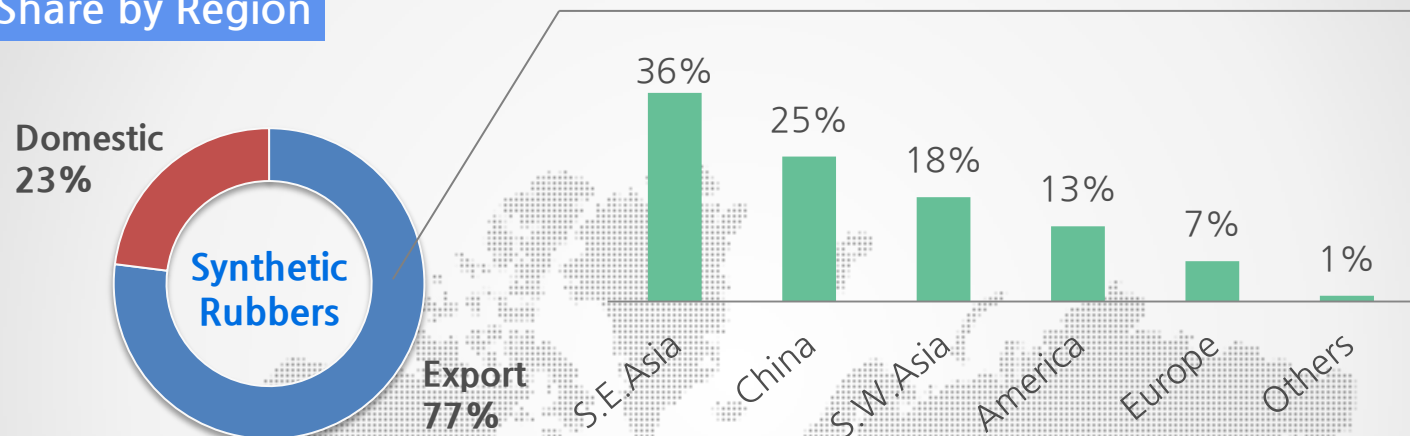
	Product		Capa.	Unit	Note
Synthetic Rubbers	SBR		481,000	MT/Y	
	BR	HBR	290,000		
		LBR	45,000		
	S-SBR		60,000		
	NdBR		55,000		
	NBR		80,000		
	HSR		10,000		
	NB Latex		168,000		
	SB Latex		80,000		
	SBS		70,000		
	Total		1,339,000		
Synthetic Resin	PS		230,000	MT/Y	
	ABS		250,000		
	SAN/POW		145,000		
	EPS		80,000		
	PPG		135,000		
	Total		840,000		
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

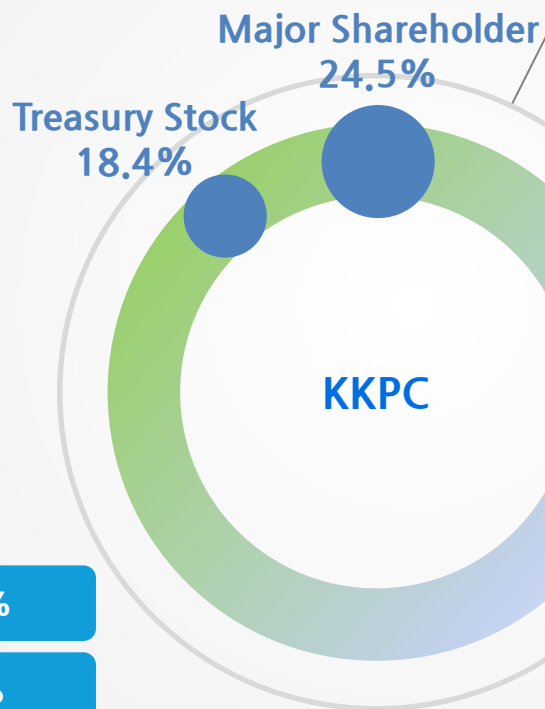
Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 30th June 2015,
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 87.8%

Korea Energy Power Plant 92.6%

Asiana Airlines 12.6%

Daewoo E&C 3.5%

KDB Life Insurance 0.9%

Asset available for sale

Q & A