

INVESTOR RELATIONS 2016 1Q

beyond
the best

KUMHO PETROCHEMICAL



Investor Relations 2016

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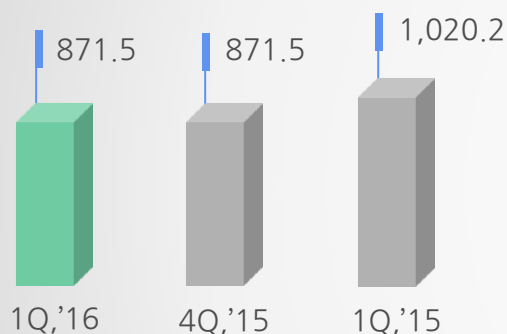
1Q, 2016 Overview

Sales & Operating Income

- ❖ Sales revenue is KRW 871.5bn similar to the previous quarter and a 14.6% drop compared to the last year
- ❖ Operating profit of KRW 46.3bn has returned into a surplus over the previous quarter, which is a 16.1% drop compared to the last year

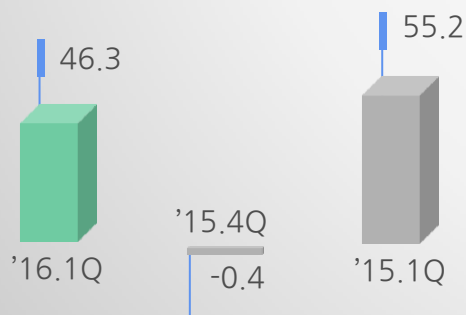
Sales

(Unit: KRW bn)



Operating Income

(Unit: KRW bn)



(Unit: KRW bn)

	1Q,'16	4Q,'15	1Q,'15	Rate of change	
				QoQ	YoY
S a l e s	871.5	871.5	1,020.2	0.0%	-14.6%
[Synthetic Rubbers]	347.0	356.3	386.2	-2.6%	-10.2%
[Synthetic Resins]	256.6	234.0	280.7	9.7%	-8.6%
[O t h e r s]	267.9	281.2	353.3	-4.7%	-24.2%
P h e n o l Derivatives	160.0	160.9	213.9	-0.6%	-25.2%
S p e c i a l t y Chemical s	29.4	29.8	40.2	-1.3%	-26.9%
E n e r g y	24.6	27.3	38.0	-9.9%	-35.3%
O t h e r s	53.9	63.2	61.2	-14.7%	-11.9%
Operating Income	46.3	-0.4	55.2	Deficit to	-16.1%
[%]	5.3%	-0.0%	5.4%	surplus	-0.1%p
Income before Income Taxes	50.9	9.1	55.5	459.3%	-8.3%
N e t I n c o m e	38.2	1.6	41.5	2287.5%	-8.0%
Gain/Loss on Valuation of Equity Method Investments	9.9	8.6	14.7	15.1%	-32.7%

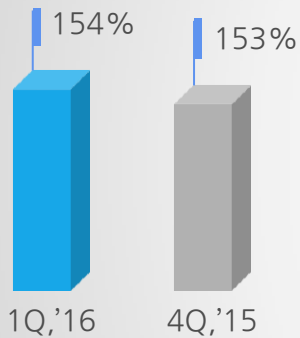
✓ Net Income is based on Controlling Interests.

1Q, 2016 Overview

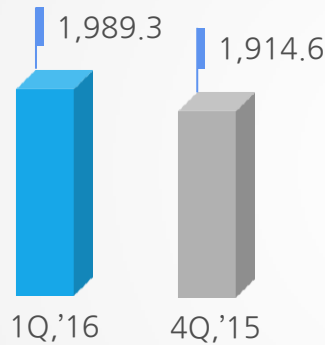
Financial Structure

- ❖ Interest coverage ratio increased because of the improved performance in major businesses
- ❖ Financial structure maintained its stability through consistent liquidity management

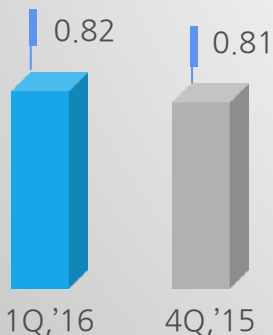
Debt to Equity Ratio (%)



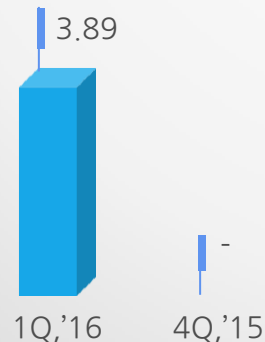
Borrowings (KRW bn)



Total Assets Turnover Ratio



Interest Coverage Ratio



(Unit: KRW bn)

	Unit	1Q,'16	4Q,'15	1Q,'15	Rate of change	
					QoQ	YoY
Assets	KRW bn	4,280.5	4,210.5	4,371.4	1.7%	-2.1%
Liabilities	KRW bn	2,597.5	2,546.8	2,678.3	2.0%	-3.0%
Shareholders' Equity	KRW bn	1,683.0	1,663.7	1,693.1	1.2%	-0.6%
Controlling Interests		1,580.1	1,556.5	1,610.2	1.5%	-1.9%
Non-controlling Interests		102.9	107.2	82.9	-4.0%	24.1%
Debt to Equity Ratio	%	154	153	158	1%p	-4%p
Borrowings	KRW bn	1,989.3	1,914.6	2,042.9	3.9%	-2.6%
Won-denominated		1,573.0	1,565.0	1,523.0	0.5%	3.3%
Foreign currency-denominated		416.3	349.6	519.9	19.1%	-19.9%
Total Assets Turnover Ratio		0.82	0.81	0.93	1.2%	-11.8%
Interest Coverage Ratio		3.89	-	3.86	-	0.8%

Business Review

Synthetic Rubbers

39.8%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Sales decreased by 2.6% over the previous quarter, down to KRW 347.0bn
- ❖ Profitability was improved because of the increased price of synthetic rubber in accordance with the upward trend in the BD price of main materials

• Sharp increase in BD price

- Despite little changed in the downstream markets, regular maintenances and continued troubles in the region resulted in a tight supply that, in turn, sharply raised the BD price
- Delayed offshore supply that was originally expected to be done in the quarter also contributed to the continued price uptrend

➤ BD Price changes by region

(Unit: USD/ton)

	Oct.'15	Nov.'15	Dec.'15	Jan.'16	Feb.'16	Mar.'16
Asia	790	729	731	771	865	1,091
N. America	884	816	778	653	551	672
Europe	570	550	524	488	511	669

※ Source: ICIS/PLATTS 2016

• Improvement in profitability of synthetic rubber

- The upward trend in BD price led to the price rebound of the synthetic rubber, thus driving the profitability to be recovered
- The upward trend in natural rubber price because of the off-season production and policies contributed to the soaring price of synthetic rubber

(Unit: USD/ton)

	Oct.'15	Nov.'15	Dec.'15	Jan.'16	Feb.'16	Mar.'16
SBR	1,156	1,099	1,063	1,041	1,056	1,240
BR	1,200	1,131	1,098	1,085	1,093	1,319

※ Source: ICIS 2016

Business Review

Synthetic Resins

29.4%
of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others

- ❖ Sales increased by 9.7% over the previous quarter to KRW 256.6bn
- ❖ Revenue and profitability were improved because of the expectation for improved demand, as well as the increased product price in accordance with the price uptrend of raw materials (SM/BD)

• Strong price of raw materials (SM/BD)

- SM price has been maintained to be strong because of the limited supply—such as scrap volume in the region— and demand for inventory deployment. Also, BD price has been continuously showing an upward trend after a rebound in the mid of the first quarter

➤ SM Price changes

(Unit: USD/ton, CFR China)

	Oct.'15	Nov.'15	Dec.'15	Jan.'16	Feb.'16	Mar.'16
SM	945	931	913	929	993	1,133

※ Source: ICIS 2016

• Expended profitability of synthetic resin

- Profitability was improved by the selling price rise owing to the upward trend in the price of raw materials (SM/BD)
- Sales revenue grew because of the increased sales volume as demand is expected to be improved

(Unit: USD/ton)

	Oct.'15	Nov.'15	Dec.'15	Jan.'16	Feb.'16	Mar.'16
PS	1,065	1,061	1,044	1,060	1,070	1,223
ABS	1,235	1,192	1,097	1,135	1,163	1,298

※ Source: PLATTS 2016

Business Review

Others

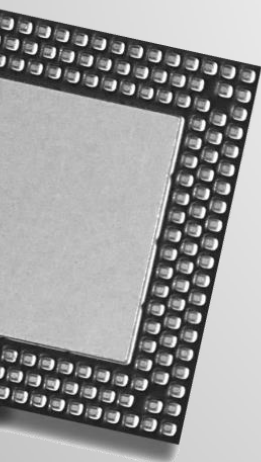
30.8%

Of Total sales

Synthetic
Rubbers

Synthetic
Resins

Others



- ❖ Sales decreased by 4.7% over the previous quarter, down to KRW 267.9bn
- ❖ Phenol derivatives : Profitability was restrictively improved because of the continued oversupply in the region as well as the expansion project for the company
- ❖ Energy : Sales revenue and operating profit were decreased because of the expansion project for Yeosu energy facility as well as the prolonged downward trend in the selling price

• Phenol derivatives

- The price of benzene has been continuously showing a weakness because of price fluctuations in accordance with the oil price change and the decreased arbitrage to offshore areas
- Limited improvement was shown in the profitability because of the oversupply in the region and expansion project for the company, which is scheduled to be completed in the second quarter

➤ BZ Price changes

(Unit: USD/ton, FOB Korea)

	Oct.'15	Nov.'15	Dec.'15	Jan.'16	Feb.'16	Mar.'16
BZ	595	625	593	559	547	630

※ Source: PLATTS 2016

• Energy

- Sales revenue and operating profit were dropped because of the prolonged downward trend in the price of electricity (SMP), along with the expansion project of the 2nd energy facility in Yeosu and regular maintenance

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

2Q, 2016 Outlook

BD

- Despite the expected increase in the LPG injection, some regular maintenance is expected to be done while the BD supply is gradually stabilized
- The price, which has been strong according to supply factors, is expected to show a steady tone because of the remaining uncertainty of demand recovery

Synthetic Rubbers

- Despite of the slight recovery in the utilization rate of tire makers within the region, improvement in the balance between supply and demand is expected to be limited according to the increase in the synthetic rubber inventory and the wait-and-see attitude in the demand
- The stable and steady price of raw materials and the expected supply stabilization of natural rubber are expected to lead into a limited price increase of synthetic rubber

SM

- Even though regular maintenance is scheduled for SM plants in the region and the manufacturing business has entered its peak season, price is expected to be flexible in accordance with the actual demand of the downstream markets
- Supply and demand is expected to be stable as offshore supply is looking to decrease in spite of the high SM inventory in the eastern parts of China

Synthetic Resins

- Expectations for improved demand are forecasted to remain high as the traditional peak season is coming
- As the price of raw materials (SM/BD) is expected to be restrictively increased and some areas experience a wait-and-see trend in the purchase, the price increase in synthetic resins is forecasted to be limited

Appendices

Income Statement

(Unit: KRW bn)

	1Q,'16	4Q,'15	1Q,'15	Rate of change			
				QoQ		YoY	
				Amount	Rate of change	Amount	Rate of change
Sales	871.5	871.5	1,020.2	0.0	0.0%	-148.7	-14.6%
Operating Income	46.3	-0.4	55.2	46.7	Deficit to surplus	-8.9	-16.1%
<i>(Operating Margin)</i>	<i>5.3%</i>	<i>-0.0%</i>	<i>5.4%</i>	<i>5.3%p</i>	-	<i>-0.1%p</i>	-
Net Interest Expense	8.4	5.5	14.4	2.9	52.7%	-6.0	-41.7%
Gain/Loss on Valuation of Equity Method Investments	9.9	8.6	14.7	1.3	15.1%	-4.8	-32.7%
Income before Income Taxes	50.9	9.1	55.5	41.8	459.3%	-4.6	-8.3%
<i>(Ordinary Income Margin)</i>	<i>5.8%</i>	<i>1.0%</i>	<i>5.4%</i>	<i>4.8%p</i>	-	<i>0.4%p</i>	-
Net Income	38.2	1.6	41.5	36.6	2287.5%	-3.3	-8.0%
<i>(Net Income Margin)</i>	<i>4.4%</i>	<i>0.2%</i>	<i>4.1%</i>	<i>4.2%p</i>	-	<i>0.3%p</i>	-

✓ Net Income is based on Controlling Interests.

Appendices

Balance Sheet

(Unit: KRW bn)

	1Q,'16	4Q,'15	1Q,'15	Rate of change	
				QoQ	YoY
Current Assets	1,006.6	967.6	1,208.6	39.0	-202.0
- Cash and Cash Equivalents	102.0	47.3	222.5	54.7	-120.5
Non-current Assets	3,273.9	3,242.9	3,162.8	31.0	111.1
Total Assets	4,280.5	4,210.5	4,371.4	70.0	-90.9
Current Liabilities	1,668.4	1,541.2	1,581.5	127.2	86.9
Non-current Liabilities	929.1	1,005.6	1,096.8	-76.5	-167.7
■ Interest bearing Liabilities	1,989.3	1,914.6	2,042.9	74.7	-53.6
- Short-term Debts	1,191.3	1,032.3	1,061.9	159.0	129.4
- Long-term Debts	798.0	882.3	981.0	-84.3	-183.0
■ Non-interest bearing Liabilities	608.2	632.2	635.4	-24.0	-27.2
Total Liabilities	2,597.5	2,546.8	2,678.3	50.7	-80.8
Common & Preferred Stock	167.5	167.5	167.5	-	-
Total Shareholders' Equity	1,683.0	1,663.7	1,693.1	19.3	-10.1
Net Debt Ratio	44.1%	44.3%	41.6%	-0.2%p	2.5%
Long-term Debts to Total Debts Ratio	40.1%	46.1%	48.0%	-6.0%p	-7.9%
Current Ratio	60.3%	62.8%	76.4%	-2.5%p	-16.1%
Debt to Equity Ratio	154.3%	153.1%	158.2%	1.2%p	-3.9%

Appendices

Production Capacity (KKPC)

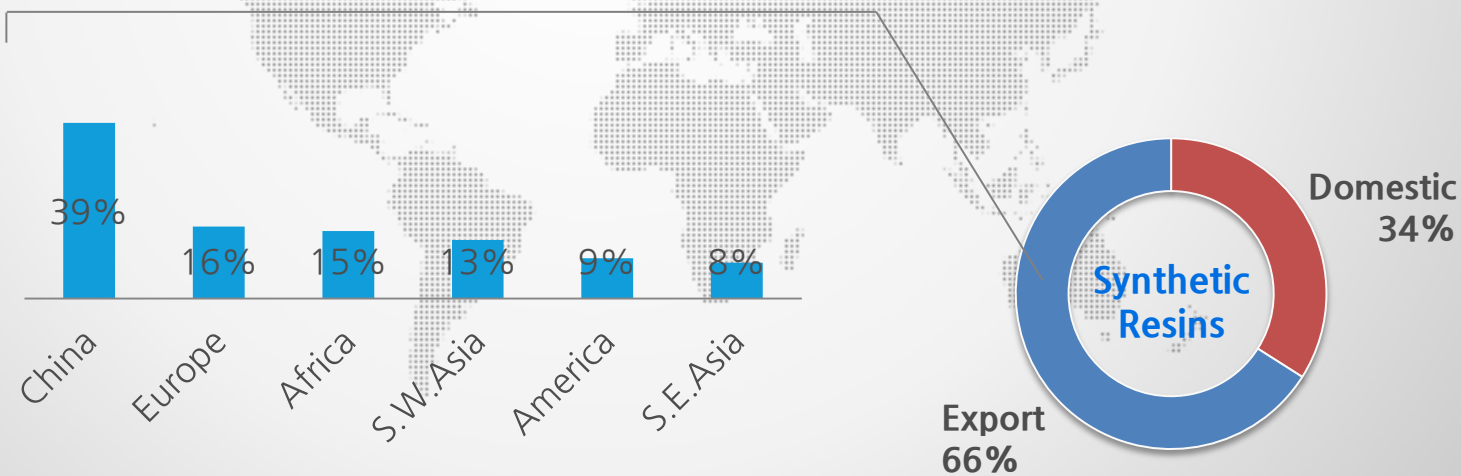
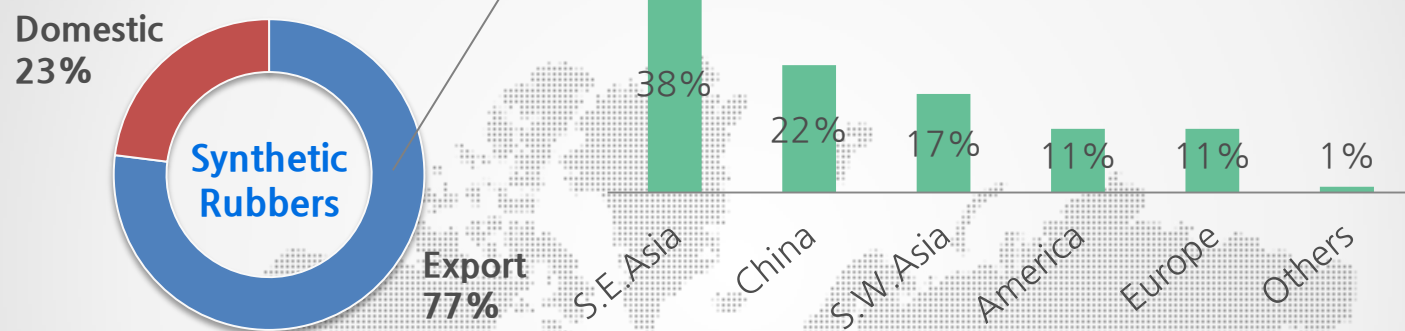
	Product		Capa.	Unit	Note
Synthetic Rubbers	BR	SBR	481,000	MT/Y	
		HBR	290,000		
		LBR	45,000		
	S-SBR		63,000		
	NdBR		60,000		
	NBR		80,000		
	HSR		10,000		
	NB Latex		200,000		
	SB Latex		80,000		
	SBS		75,000		
	Total		1,384,000		
Synthetic Resins	PS		230,000	MT/Y	
	ABS		250,000		
	SAN/POW		145,000		
	EPS		80,000		
	PPG		139,000		
	Total		844,000		
Specialty Chemicals	Antioxidants		80,300	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	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 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	Completion of Expansion: 60,000MT/Y, 2Q,'15
		TPV/KEPA	7,000		Completion of Expansion: TPV 5,000MT/Y, 3Q,'17
		Total	227,000		

Appendices

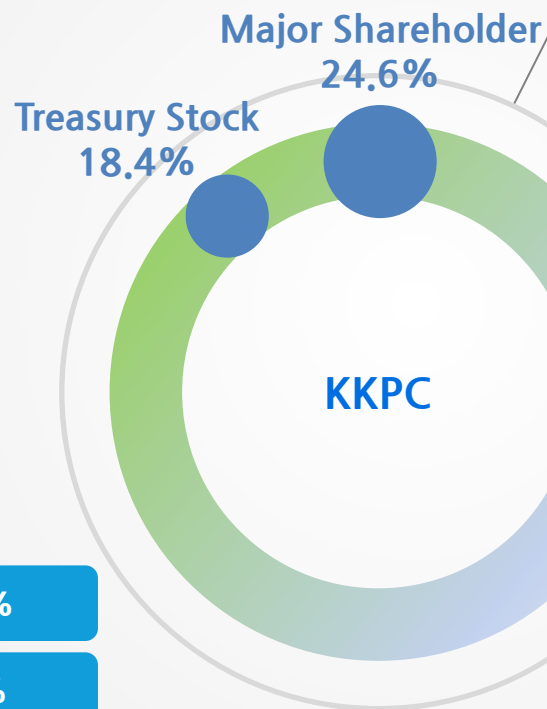
Sales Breakdown & Export Share by Region



Appendices

Investment Shares & Asset available for sale

✓ As of 31th March 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%

Asiana Airlines 12.6%

Daewoo E&C 3.5%

KDB Life Insurance 0.9%

Asset available for sale

Q & A