COMPANY UPDATE

2026. 8. 3

EV/Mobility Team

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Korea Petrochemical (006650)

2Q review: Core chemicals unit remains profitable

- Korea Petrochemical reported a 2Q operating loss of KRW3.9b (-KRW77.4b q-q), missing consensus (KRW36.1b), primarily due to inventory valuation losses of KRW40b linked to oil price declines in late 2Q
- We cut our ROE estimate, which moves our target price to KRW130,000. But with ROE projected to sustain around 5% over 2026-2027 and shares trading at just 0.27x forward P/B, we maintain our BUY rating.

AT A GLANCE

BUY

Target price	**KRW130,000**	**52%**
Current price	**KRW85,500**	
Market cap	KRW555.75b/USD390.27m	
Shares (float)	6,500,000 (53.9%)	
52-week high/low	KRW190,700/KRW85,500	
Avg daily trading value (60-day)	KRW5.0b/ USD3.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Korea Petrochemical (%)	-24.7	-45.3	-16.5
Vs Kospi (%pts)	-3.3	-56.7	-58.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	130,000	235,000	-44.7%
2026E EPS	13,792	21,665	-36.3%
2027E EPS	16,206	17,631	-8.1%

SAMSUNG vs THE STREET

No of estimates	4
Target price	182,500
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

2Q review—Below consensus: Korea Petrochemical reported a 2Q operating loss of KRW3.9b (-KRW77.4b q-q), missing FnGuide consensus (KRW36.1b). The sharp deterioration q-q was due to the petrochemicals division recognizing inventory valuation losses from falling feedstock prices. Divisional earnings have yet to be disclosed, but we estimate that the petrochemicals division saw an operating loss of KRW22b (-KRW59.7b q-q). Without inventory valuation losses of KRW40b linked to oil price declines in late 2Q, the division would have remained in profit, supported by a high sales mix of lucrative specialty products (eg, PE/PP for battery separators, flame-retardant PP for ESS battery modules, and PP for capacitors). Operating profit at the industrial gas business likely came in at KRW2b (flat q-q). At subsidiary Hanju Corp, group energy and salt businesses likely contributed operating profits of KRW13.1b (down 58% q-q) and KRW3b (flat q-q), respectively.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	956.3	12.9	12.9	-20.3	-8.2
Operating profit	-3.9	nm	nm	nm	nm
Pre-tax profit	-1.7	nm	nm	nm	nm
Net profit	-1.5	nm	nm	nm	nm
Margins (%)					
Operating profit	-0.4				
Pre-tax profit	-0.2				
Net profit	-0.2				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	29.7	6.2	5.3
P/B	0.5	0.3	0.3
EV/EBITDA	5.6	2.7	2.2
Div yield (%)	0.9	4.3	5.5
EPS growth (% y-y)	nm	182.7	17.5
ROE (%)	1.7	4.8	5.4
Per-share data (KRW)			
EPS	4,878	13,792	16,206
BVPS	297,102	310,318	323,675
DPS	1,300	3,700	4,700

Samsung Securities

3Q preview—To miss consensus: We expect the company to return to an operating profit of KRW30b (+KRW33.9b q-q) in 3Q, although this would be 34% below the FnGuide consensus (KRW45.6b). Petrochemicals, industrial gas, group energy, and salt businesses are likely to contribute operating profits of KRW4.8b (+KRW26.8b q-q), KRW1.9b (-KRW0.1b q-q), KRW20.3b (+KRW7.2b q-q), and KRW3.0b (flat q-q), respectively. Despite widening crude price volatility compressing spreads, the petrochemical division will be able to turn profitable, as the negative inventory effects observed in 2Q should dissipate.

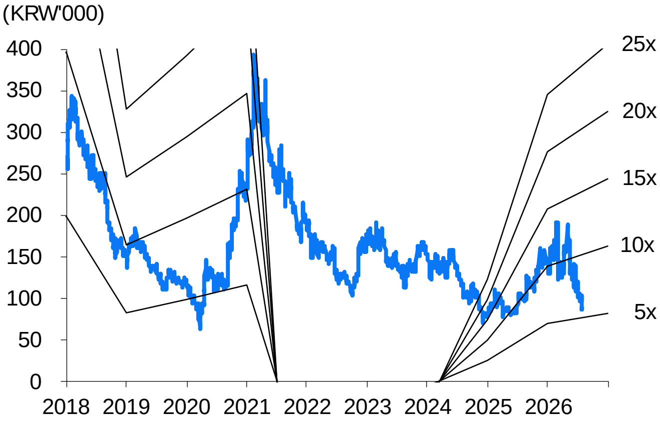
View—The only domestic NCC able to achieve profitability: We cut our 2026 ROE estimate from 7.4% to 4.8%, which moves our target price from KRW235,000 to KRW130,000 under the ROE-P/B valuation model. Despite a 45% stock price decline over the past six months, favorable inventory effects from the Middle East war supported earnings in 1Q and 2Q combined, with ROE projected to sustain around 5% through 2027. As the only domestic NCC capable of consistently turning a profit, its current forward P/B multiple of 0.27x looks deeply undervalued. We maintain our BUY rating.

KPIC: P/B valuation

(KRW)	Old	New	Details
Target P/B (x)	0.73	0.42	0.5 standard deviations below the post-2010 average
Forward BVPS	322,510	314,636	**Revised down by 2.4%**
Fair price per share	**233,820**	**132,969**	
Target price	**235,000**	**130,000**	**Revised down by 44.7%**
Current price		85,500	As of Jul 31 close
Upside (%)		52.0	
2026 implied P/E (x)	17.0	9.4	
2027 implied P/E (x)	14.5	8.0	

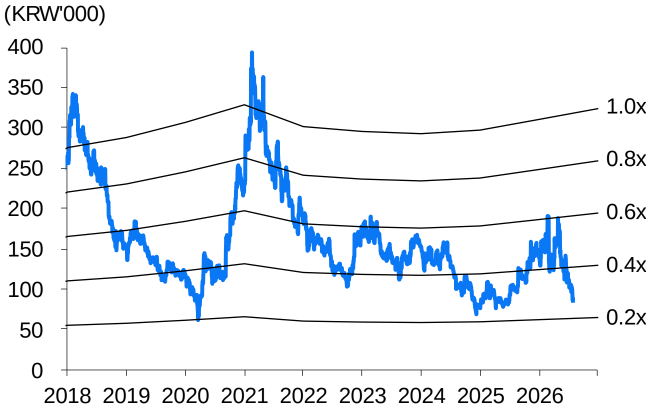
Source: Samsung Securities estimates

KPIC: 12M forward P/E band



Source: Samsung Securities estimates

KPIC: 12M forward P/B band



Source: Samsung Securities estimates

KPIC: Quarterly results

(KRWb)	2Q26P	1Q26	2Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	956.3	847.1	846.8	1,042.0	1,200.5	12.9	12.9	-8.2	-20.3
Operating income	-3.9	73.6	-4.6	36.1	76.3	Turned neg	Remained neg	Turned neg	Turned neg
Pre-tax income	-1.7	83.5	9.5	77.0	76.8	Turned neg	Turned neg	Turned neg	Turned neg
Net income	-1.5	67.3	7.9	36.1	59.7	Turned neg	Turned neg	Turned neg	Turned neg
Attributable to parent	-8.1	54.5	1.4	16.6	49.1	Turned neg	Turned neg	Turned neg	Turned neg
Margins (%)									
Operating income	-0.4	8.7	-0.5	3.5	6.4				
Pre-tax income	-0.2	9.9	1.1	7.4	6.4				
Net income	-0.2	7.9	0.9	3.5	5.0				
Attributable to parent	-0.8	6.4	0.2	1.6	4.1				

Note: Net income attributable to parent is based on our estimates
Source: Company data, FnGuide, Samsung Securities

KPIC: Quarterly results, by division

(KRWb)	2Q26P	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)
Sales	**956.3**	**847.1**	**846.8**	**12.9**	**12.9**
Chemicals	843.5	656.3	711.8	28.5	18.5
Industrial Gas (Korea Air-Tech)	15.5	13.4	15.0	15.7	2.9
Group Energy (Hanju)	153.9	192.3	132.9	-20.0	15.7
Salt (Hanju)	14.6	14.6	10.9	0.0	34.1
Operating income	**-3.9**	**73.6**	**-4.6**	**Turned neg**	**Remained neg**
Chemicals	-22.0	37.7	-21.9	Turned neg	Remained neg
Industrial Gas (Korea Air-Tech)	2.0	2.0	1.9	0.0	6.4
Group Energy (Hanju)	13.1	30.8	12.6	-57.6	3.6
Salt (Hanju)	3.0	3.0	2.5	0.0	19.8
Pre-tax income	-1.7	83.5	9.5	Turned neg	Turned neg
Net income	**-1.5**	**67.3**	**7.9**	**Turned neg**	**Turned neg**
Attributable to parent	**-8.1**	**54.5**	**1.4**	**Turned neg**	**Turned neg**
Margins (%)					
Operating income	-0.4	8.7	-0.5		
Chemicals	-2.6	5.7	-3.1		
Industrial Gas (Korea Air-Tech)	12.8	14.8	12.3		
Group Energy (Hanju)	8.5	16.0	9.5		
Salt (Hanju)	20.9	20.9	23.4		
Pre-tax income	-0.2	9.9	1.1		
Net income	-0.2	7.9	0.9		
Attributable to parent	-0.2	10.3	1.1		

Note: Segmental results are not yet disclosed and are therefore our estimates
Source: Company data, Samsung Securities estimates

KPIC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,502	1,440	1,380	1,365	1,423	1,447	1,380
Sales	**742**	**847**	**910**	**849**	**847**	**956**	**786**	**732**	**2,800**	**3,348**	**3,321**	**2,965**
Growth (% q-q)	4.1	14.2	7.5	-6.6	-0.3	12.9	-17.9	-6.8				
Growth (% y-y)	11.8	14.2	33.3	19.3	14.2	12.9	-13.7	-13.8	12.0	19.6	-0.8	-10.7
Chemicals	736	712	707	674	656	843	658	589	2,779	2,829	2,747	2,391
Industrial Gas (Korea Air-Tech)	15	15	16	14	13	15	15	17	52	61	61	70
Group Energy (Hanju)		133	166	154	192	154	169	183		453	698	731
Salt (Hanju)		11	15	15	15	15	15	15		42	58	58
EBITDA	**34**	**44**	**80**	**65**	**110**	**33**	**67**	**79**	**120**	**222**	**290**	**315**
Growth (% q-q)	-3.1	30.0	81.9	-18.9	70.5	-70.2	103.0	18.8				
Growth (% y-y)	14.7	12.1	379.5	85.8	226.8	-24.9	-16.2	22.7	0.9	85.1	30.3	8.9
Operating income	**-10**	**-5**	**43**	**24**	**74**	**-4**	**30**	**43**	**-60**	**53**	**142**	**168**
Growth (% q-q)	RR	RR	RB	-43.3	202.8	BR	RB	41.8				
Growth (% y-y)	RR	RR	RB	RB	RB	RR	-29.9	75.4	RR	RB	170.2	18.1
Chemicals	-12	-22	10	1	38	-22	5	14	-65	-23	34	58
Growth (% q-q)	RR	RR	RB	-43.3	202.8	BR	RB	41.8				
Growth (% y-y)	RR	RR	RB	RB	RB	RR	-29.9	75.4	RR	RB	170.2	18.1
Industrial Gas (Korea Air-Tech)	2	2	2	2	2	2	2	2	5	8	8	9
Growth (% q-q)	RR	RR	RB	-43.3	202.8	BR	RB	41.8				
Growth (% y-y)	RR	RR	RB	RB	RB	RR	-29.9	75.4	RR	RB	170.2	18.1
Group Energy (Hanju)		13	28	21	31	13	20	23		61	88	89
Growth (% q-q)			RB	-43.3	202.8	BR	RB	41.8				
Growth (% y-y)						RR	-29.9	75.4		RB	170.2	18.1
Salt (Hanju)		3	3	1	3	3	3	3		6	12	12
Growth (% q-q)			RB	-43.3	202.8	BR	RB	41.8				
Growth (% y-y)						RR	-29.9	75.4		RB	170.2	18.1
Pre-tax income	3	10	46	13	83	-2	31	46	-33	72	158	179
Growth (% q-q)	RB	179.5	387.5	-72.6	16.1	BR	RB	48.1				
Growth (% y-y)	RB	RB	RB	113.1	2,354.6	BR	-33.5	259.7	RR	RB	599.3	RB
Net income	**3**	**8**	**42**	**3**	**67**	**-1**	**25**	**38**	**-9**	**56**	**129**	**146**
Growth (% q-q)	RB	164.8	438.3	-93.6	20.3	BR	RB	48.1				
Growth (% y-y)	RB	RB	RB	-86.6	2,164.0	BR	-39.9	1,293.4	RR	RB	130.7	12.9
Attributable to parent	3	1	30	-3	55	-8	16	27	-9	32	90	105
Margins (%)												
EBITDA	4.6	5.2	8.8	7.6	13.0	3.4	8.5	10.8	4.3	6.6	8.7	10.6
Operating income	-1.3	-0.5	4.7	2.9	8.7	-0.4	3.8	5.8	-2.1	1.6	4.3	5.7
Chemicals	-1.6	-3.1	1.4	0.2	5.7	-2.6	0.7	2.4	-2.3	-0.8	1.3	2.4
Industrial Gas (Korea Air-Tech)	12.8	12.3	12.8	11.9	14.8	12.8	12.8	13.0	9.9	12.5	13.3	13.6
Group Energy (Hanju)		9.5	17.0	13.4	16.0	8.5	12.0	12.8		13.6	12.5	12.1
Salt (Hanju)		23.4	19.5	5.3	20.9	20.9	20.9	20.9		15.3	20.9	20.7
Pre-tax income	0.5	1.1	5.1	1.5	9.9	-0.2	3.9	6.2	-1.2	2.1	4.8	6.0
Net income	0.4	0.9	4.7	0.3	7.9	-0.2	3.2	5.1	-0.3	1.7	3.9	4.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,800**	**3,348**	**3,321**	**2,965**	**2,923**
Cost of goods sold	2,809	3,227	3,111	2,737	2,696
Gross profit	**-9**	**121**	**210**	**228**	**227**
Gross margin (%)	-0.3	3.6	6.3	7.7	7.8
SG&A expenses	51	68	68	60	60
Operating profit	**-60**	**53**	**142**	**168**	**167**
Operating margin (%)	-2.1	1.6	4.3	5.7	5.7
Non-operating gains (losses)	**27**	**19**	**16**	**11**	**15**
Financial profit	24	21	31	26	31
Financial costs	21	25	22	22	22
Equity-method gains (losses)	23	19	7	7	7
Other	1	4	0	-1	-1
Pre-tax profit	**-33**	**72**	**158**	**179**	**182**
Taxes	-24	16	29	33	34
Effective tax rate (%)	74.1	22.3	18.5	18.5	18.5
Profit from continuing operations	-9	56	129	146	148
Profit from discontinued operations	0	0	0	0	0
Net profit	**-9**	**56**	**129**	**146**	**148**
Net margin (%)	-0.3	1.7	3.9	4.9	5.1
Net profit (controlling interests)	-9	32	90	105	109
Net profit (non-controlling interests)	0	24	39	40	40
EBITDA	120	222	293	318	318
EBITDA margin (%)	4.3	6.6	8.8	10.7	10.9
EPS (parent-based) (KRW)	-1,312	4,878	13,792	16,206	16,735
EPS (consolidated) (KRW)	-1,312	8,599	19,835	22,400	22,832
Adjusted EPS (KRW)*	-1,312	4,878	13,792	16,206	16,735

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**628**	**764**	**848**	**933**	**1,035**
Cash & equivalents	109	151	241	391	500
Accounts receivable	215	269	267	238	235
Inventories	240	228	226	201	199
Other current assets	64	116	115	103	101
Fixed assets	**1,592**	**1,937**	**1,942**	**1,947**	**1,961**
Investment assets	267	108	107	95	94
Tangible assets	1,261	1,665	1,675	1,694	1,712
Intangible assets	9	97	94	91	89
Other long-term assets	54	66	66	66	66
Total assets	**2,220**	**2,700**	**2,791**	**2,880**	**2,996**
Current liabilities	**307**	**427**	**397**	**370**	**367**
Accounts payable	153	169	167	149	147
Short-term debt	88	149	149	149	149
Other current liabilities	67	109	80	71	70
Long-term liabilities	**105**	**192**	**192**	**185**	**184**
Bonds & long-term debt	85	127	127	127	127
Other long-term liabilities	20	65	64	58	57
Total liabilities	**412**	**619**	**588**	**555**	**551**
Owners of parent equity	**1,808**	**1,835**	**1,917**	**1,999**	**2,079**
Capital stock	41	41	41	41	41
Capital surplus	264	264	264	264	264
Retained earnings	1,505	1,532	1,613	1,696	1,776
Other	-3	-2	-2	-2	-2
Non-controlling interests' equity	**0**	**247**	**286**	**326**	**366**
Total equity	**1,808**	**2,081**	**2,202**	**2,325**	**2,444**
Net debt	50	66	-51	-192	-299

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**133**	**203**	**269**	**306**	**289**
Net profit	-9	56	129	146	148
Non-cash profit and expenses	144	183	164	164	161
Depreciation	180	166	147	147	147
Amortization	0	3	3	3	3
Other	-36	13	13	13	10
Changes in A/L from operating activities	-3	-38	2	22	3
Cash flow from investments	**-91**	**-143**	**-151**	**-148**	**-158**
Change in tangible assets	-59	-76	-157	-166	-166
Change in financial assets	-32	-73	1	13	2
Other	0	6	5	5	6
Cash flow from financing	**32**	**-16**	**-36**	**-23**	**-29**
Change in debt	42	110	-28	0	0
Change in equity	0	0	0	0	0
Dividends	-6	-6	-8	-23	-29
Other	-4	-120	0	0	0
Change in cash	75	42	90	150	109
Cash at beginning of year	34	109	151	241	391
Cash at end of year	109	151	241	391	500
Gross cash flow	**136**	**239**	**293**	**309**	**309**
Free cash flow	**74**	**126**	**112**	**140**	**123**

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	12.0	19.6	-0.8	-10.7	-1.4
Operating profit	nm	nm	170.2	18.1	-0.4
Net profit	nm	nm	130.7	12.9	1.9
Adjusted EPS**	nm	nm	182.7	17.5	3.3
Per-share data (KRW)					
EPS (parent-based)	-1,312	4,878	13,792	16,206	16,735
EPS (consolidated)	-1,312	8,599	19,835	22,400	22,832
Adjusted EPS**	-1,312	4,878	13,792	16,206	16,735
BVPS	292,683	297,102	310,318	323,675	336,588
DPS (common)	1,000	1,300	3,700	4,700	4,700
Valuations (x)					
P/E***	n/a	29.7	6.2	5.3	5.1
P/B***	0.3	0.5	0.3	0.3	0.3
EV/EBITDA	4.6	5.6	2.7	2.2	2.0
Ratios (%)					
ROE	-0.5	1.7	4.8	5.4	5.3
ROA	-0.4	2.3	4.7	5.1	5.1
ROIC	-0.9	2.2	5.6	6.6	6.6
Payout ratio	-72.4	25.3	25.5	27.6	26.7
Dividend yield (common)	1.3	0.9	4.3	5.5	5.5
Net debt to equity	2.8	3.2	-2.3	-8.2	-12.3
Interest coverage (x)	-8.3	5.1	12.0	14.8	14.8

Compliance notice

- As of 7/31 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 7/31 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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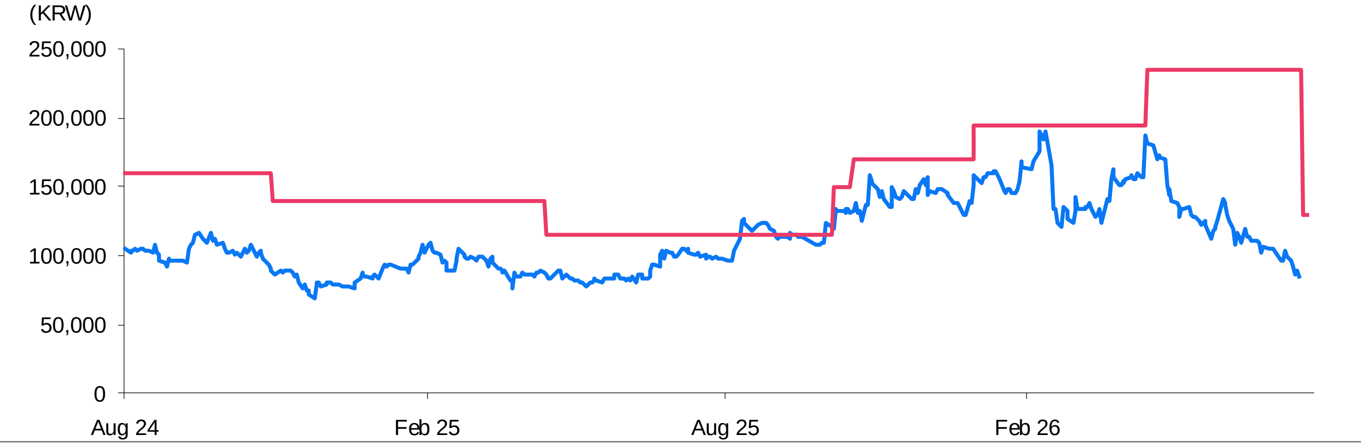
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/30	11/14	2025/4/29	10/21	11/3	2026/1/15	4/30	8/3
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	160000	140000	115000	150000	170000	195000	235000	130000
Gap* (average)	-35.28	-36.33	-13.38	-11.42	-15.68	-22.88	-48.16	
(max or min)**	-26.75	-22.14	9.65	-10.33	-6.65	-2.21	-23.45	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

Note: *Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.06.30

BUY (85.5%)·HOLD (14.5%)·SELL (0%)

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