

# INVESTOR RELATIONS

## 2009 2Q

- 2Q, 2009 Review
- Main Business Activities
- 3Q, 2009 Outlook
- Appendices



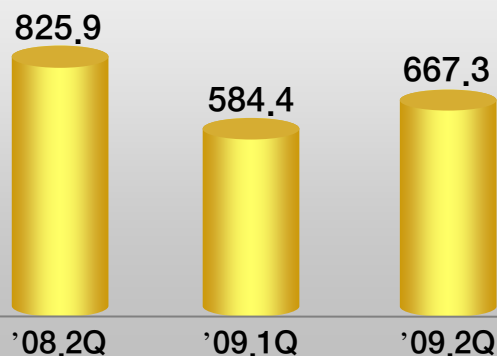
# 2Q, 2009 Overview

## Sales & Operating Income

- Sales rose 14.2% to KRW 667.3 billion and operating income up KRW 55.0 billion.

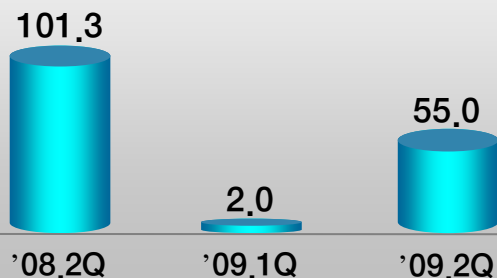
### Sales

Unit:KRW billion



### Operating Income

Unit:KRW billion



### 2Q, 2009 Performance

(Unit:KRW billion)

	'09.2Q	'09.1Q	'08.2Q	Change Rate	
				QoQ	YoY
S a l e s	667.3	584.4	825.9	14.2%	-19.2%
[Syn. Rubbers]	345.1	304.3	488.0	13.4%	-29.3%
[Syn. Resins]	256.6	217.5	283.2	18.0%	-9.4%
[ O t h e r s ]	65.6	62.6	54.7	4.8%	19.9%
Operating Income	55.0	2.0	101.3	2,650%	-45.7%
[ % ]	8.2	0.3	12.3	7.9p	-4.1p
Income Before Income Taxes	-1.8	-171.5	98.1	-	-101.8%
Net Income	-12.8	-138.0	74.8	-	-117.1%
Gain/Loss on Valuation of Equity Method Investments	-27.6	-141.8	10.4	-	-365.4%

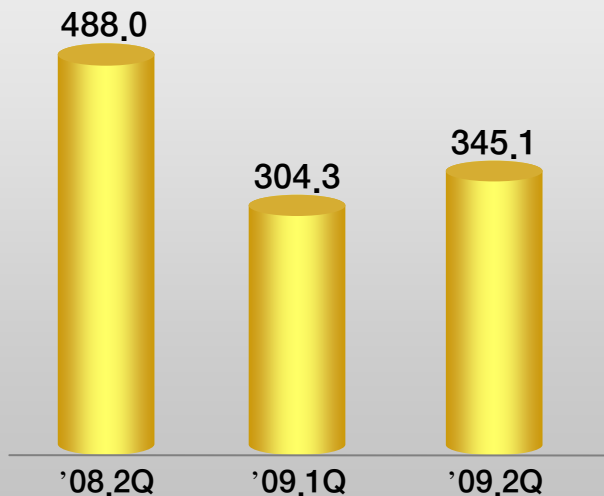
# Performance Results for Synthetic Rubbers

## Synthetic Rubbers

- Sales increased 13.4% to KRW 345.1 billion (51.7% in total Sales).
- Improvement profitability is based on selling price hikes by a combination of increasing demand of China's tire makers and BD price rising.

### Sales

Unit:KRW billion



### Performance Analysis

- BD price advance due to :
  - Strong price of Naphtha and Crude Oil
  - Increased operating ratio of Downstream(Synthetic Rubbers/ABS)
- BD price changes by region

(Unit:USD/Ton)

	'09.01	'09.02	'09.03	'09.04	'09.05	'09.06
Asia	453	553	533	654	683	813
N. America	617	518	452	436	489	714
Europe	574	259	251	387	478	586

- Synthetic Rubber price advance due to :
  - Increased demand due to operating ratio rising of China's tire makers and depleted stock
  - Selling price hikes due to BD price rising

(Unit:USD/Ton)

	'09.01	'09.02	'09.03	'09.04	'09.05	'09.06
SBR	1,152	1,205	1,195	1,250	1,277	1,310
BR	1,301	1,325	1,306	1,350	1,344	1,432

\* Source: ICIS 2009

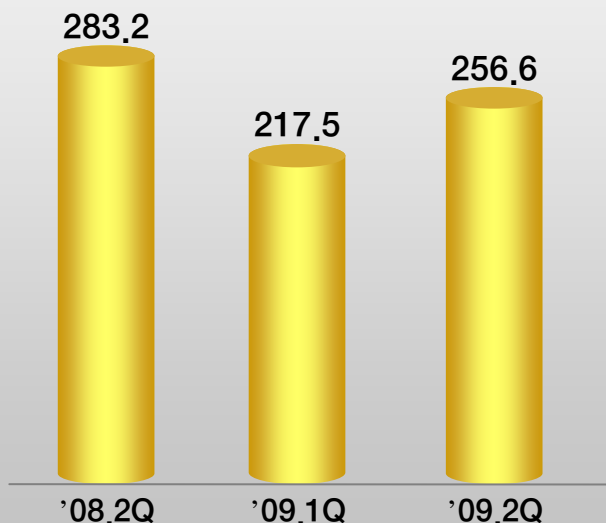
# Performance Results for Synthetic Resins

## Synthetic Resins

- Sales increased 18.0% to KRW 256.6 billion (38.5% in total Sales).
- Sales and operating income increased due to selling price rising by seasonal peak entry.

### Sales

Unit:KRW billion



### Performance Analysis

- SM price advance due to :
  - Price rising of Naphtha and Crude Oil
  - Increased demand of ABS makers

- SM price change

(Unit:USD/Ton, CFR China)

	'09.01	'09.02	'09.03	'09.04	'09.05	'09.06
SM	632	735	871	990	905	1,035

- Synthetic Resin price advance due to :

- China's policy for appliances & cars, seasonal peak entry
- Continuously reflects of main feedstocks prices advance

(Unit:USD/Ton)

	'09.01	'09.02	'09.03	'09.04	'09.05	'09.06
PS	731	816	926	1,094	957	1,085
ABS	1,023	1,096	1,209	1,460	1,326	1,373

\* Source: PLATTS 2009

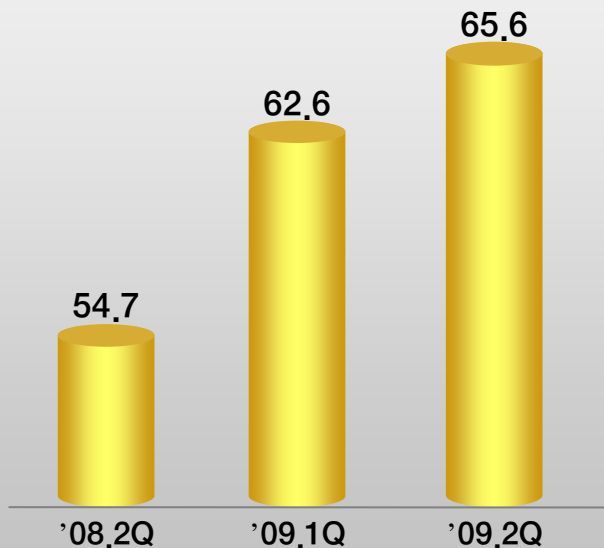
# Performance Results for Others

## Others

- Sales increased 4.8% to KRW 65.6 billion (9.8% in total Sales)
- Specialty Chemicals : Operating ratio reduced by decreased demand due to depression of Upstream(Car, Tire)
- Combined Heat & Power Plants : Sales grew on steam price hikes amid rising the oil price and start-up of 2<sup>nd</sup> Combined Heat & Power Plant.

### Sales

Unit:KRW billion



### Performance Analysis

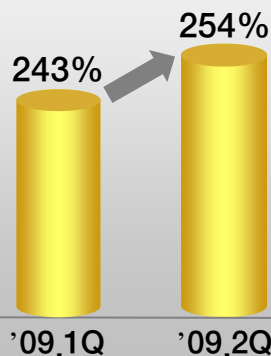
- Specialty Chemicals
  - Selling price declined due to decreasing demand of 6PPD and deepening of sales competition
  - Operating ratio reduced by short supply of 4-ADPA and sales fall
- Combined Heat & Power Plants
  - Sales grew on steam price hikes amid rising the oil price and start-up of 2<sup>nd</sup> Combined Heat & Power Plant
  - Operating ratio reduced due to Shut Down of 1<sup>st</sup> Combined Heat & Power plant in May

# Financial Highlights

- Foreign currency-denominated increased to secure raw materials for production.
- Asset turnover ratio and interest coverage ratio both improved on increased sales and operating income.

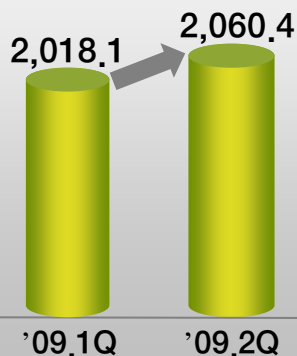
Debt to Equity Ratio

(Unit:%)



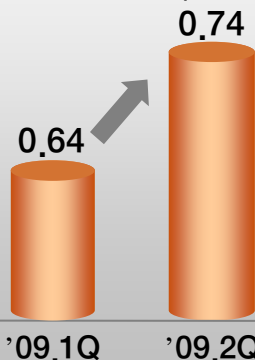
Borrowings

(Unit:KRW billion)



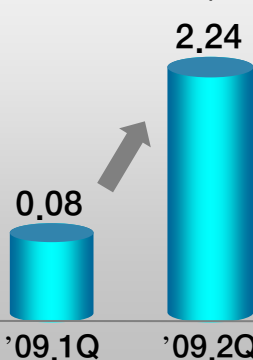
Asset Turnover Ratio

(Unit:Times)



Interest Coverage Ratio

(Unit:Fold)



	Unit	'09.2Q	'09.1Q	'08.2Q	Change Rate	
					QoQ	YoY
Assets	KRW bil.	3,588.6	3,607.2	3,253.1	-0.5%	10.3%
Liabilities	KRW bil.	2,575.1	2,556.1	2,322.5	0.7%	10.9%
Shareholders' Equity	KRW bil.	1,013.5	1,051.1	930.6	-3.6%	8.9%
Debt to Equity Ratio	%	254	243	250	11p	4p
Borrowings		2,060.4	2,018.1	1,698.2	2.1%	21.3%
Won-denominated	KRW bil.	1,732.4	1,726.5	1,458.5	0.3%	18.8%
Foreign currency-denominated		328.0	291.6	239.7	12.5%	36.8%
Asset Turnover Ratio	Times	0.74	0.64	1.04	15.6%	-28.8%
Interest Coverage Ratio	Fold	2.24	0.08	4.75	2,700%	-52.8%

# Main Business Activities

## Reinforcing Position in the Synthetic Rubber Market

- Completion of Construction : SBR 110K MT/Y(April 2009, Ulsan)
- Total Investment : KRW 123 bn
- Total Capa. of SBR/BR : 703K MT/Y
- World's No.1 Maker of Synthetic Rubbers Capa.(SBR/BR based)

(Unit:'000 MT)

	Dec. '08	April. '09	Note
SBR	371	481	-No.1:KKPC(703)
BR	222	222	-No.2:Lanxess(691)
Total	593	703	-No.3:Goodyear(685)

## Energy Business Extension : 2<sup>nd</sup> Combined Heat & Power Plant

- Expanding energy business, ensuring stable utilities supply, laying foundation to become a key utilities provider
- Raising eco-friendly image and reducing the cost expected
- Capacity : 500T/H, 119MWH
- Total Investment : KRW 229 bn
- Commercial operations began in May 2009



# Main Business Activities

## Completion Ceremony for SB-LATEX Rizhao Plant in China

- Increasing market share by building production bases across China
- Capa. : SB-LATEX(Styrene Butadiene Latex) 150K MT/Y
- Application : Paper coating, Carpet backing, Asphalt modifier, Cord dipping for tires
- Business Form : J/V(KKPC 50%, Rizhao Jinma Group 50%)
- Location : Rizhao, Shandong, China
- Total Investment Amount : USD 39 million(Owner's Equity USD 13 million, Liabilities USD 26 million)
- Completion Ceremony Date : June 24, 2009

## Ground-Breaking Ceremony for XPS Shenyang Plant in China

- Early entry for market dominance in the Chinese premium building insulation materials market
- Capa. : XPS(Extruded Polystyrene Foam) 12.8K MT/Y
- Application : Building insulation materials, Refrigeration/Freezing insulation
- Business Form : J/V(KKPC 80%, Shenyang Chemical Industry 20%)
- Location : Shenyang Chemical Industry Park, China
- Total Investment Amount : USD 30 million(Owner's Equity USD 12 million, Liabilities USD 18 million)
- Ground-Breaking Ceremony Date : June 25, 2009



# Outlook

## Synthetic Rubbers

- The demand of synthetic rubbers will increase due to operating ratio rising of tire makers of China and East South Asia.
- BD price advance
  - Strong price of Naphtha and Crude Oil
  - Tight supplies of BD in Asia area
- Profitability will increase through product price rising to adapt increasing BD price.

## Synthetic Resins

- Demand will increase due to Domestic and internal markets activation policies and economic turnaround.
- Maintain strong SM price
  - Strong price of Naphtha and Crude Oil
  - Annual S/D of SM Maker in 2<sup>nd</sup> half of 2009 and increasing demand of Downstream
- Profitability will improve through selling price rising continuously due to raw materials price rising and focusing sales of high value-added products.

## Others

- Specialty Chemicals
  - Sales will increase because of commencement of supply due to acquirement of big tire makers' quality approvals and increasing sales in South America niche market etc.
- Combined Heat & Power Plants
  - Profitability will improve through the increase in sales due to operating ratio rising of 2<sup>nd</sup> combined heat & power and cost reduction.

# Income Statement

(Unit:KRW billion)

	'09.2Q	'09.1Q	'08.2Q	Change			
				QoQ		YoY	
				Cost	Rate	Cost	Rate
Sales	667.3	584.4	825.9	82.9	14.2%	-158.6	-19.2%
Operating Income	55.0	2.0	101.3	53.0	2,650%	-46.3	-45.7%
<i>(Operating Margin)</i>	<i>8.2%</i>	<i>0.3%</i>	<i>12.3%</i>	<i>7.9%p</i>		<i>-4.1%p</i>	
<i>Net Interest Expense</i>	<i>24.6</i>	<i>23.6</i>	<i>21.3</i>	<i>1.0</i>	<i>4.2%</i>	<i>3.3</i>	<i>15.5%</i>
<i>Equity in Income of Affiliates</i>	<i>-27.6</i>	<i>-141.8</i>	<i>10.4</i>	<i>114.2</i>	<i>-</i>	<i>-38.0</i>	<i>-365.4%</i>
Ordinary Income before Taxes	-1.8	-171.5	98.1	169.7	-	-99.9	-101.8%
<i>(Ordinary Income Margin)</i>	<i>-0.3%</i>	<i>-29.3%</i>	<i>11.9%</i>	<i>29.0%p</i>		<i>-12.2%p</i>	
Net Income	-12.8	-138.0	74.8	125.2	-	-87.6	-117.1%
<i>(Net Income Margin)</i>	<i>-1.9%</i>	<i>-23.6%</i>	<i>9.1%</i>	<i>21.7%p</i>		<i>-11.0%p</i>	

# Balance Sheet

(Unit:KRW billion)

	'09,2Q	'09,1Q	'08,2Q	Change Cost	
				QoQ	YoY
1. Current Assets	667.6	702.0	689.2	-34.4	-21.6
- Inventories	80.5	60.6	10.0	19.9	70.5
2. Non-Current Assets	2,921.0	2,905.3	2,563.9	15.7	357.1
Total Assets	3,588.6	3,607.2	3,253.1	-18.6	335.5
1. Current Liabilities	1,449.0	1,393.8	833.1	55.2	615.9
2. Non-Current Liabilities	1,126.1	1,162.3	1,489.4	-36.2	-363.3
■ Interest Bearing Liabilities	2,060.4	2,018.1	1,698.2	42.3	362.2
- Short-Term Debts	1,052.5	970.5	309.1	82.0	743.4
- Long-Term Debts	1,007.9	1,047.6	1,389.1	-39.7	-381.2
■ Non-Interest Bearing Liabilities	514.7	538.0	624.3	-23.3	-109.6
Total Liabilities	2,575.1	2,556.1	2,322.5	19.0	252.6
1. Common & Preferred Stock	142.2	142.2	142.2	-	-
Total Shareholder Equity	1,013.5	1,051.1	930.6	-37.6	82.9
Net Debt Ratio	55.2%	54.3%	51.9%	0.9%p	3.3%p
Long-Term Debts to Total Debts Ratio	48.9%	51.9%	81.8%	-3.0%p	-32.9%p
Current Ratio	46.1%	50.4%	82.7%	-4.3%p	-36.6%p
Total Liabilities to Equity Ratio	254.1%	243.2%	249.6%	10.9%p	4.5%p

# Cash Flow

(Unit:KRW billion)

	'09.2Q	'09.1Q	'08.2Q	Change Cost	
				QoQ	YoY
Cash flow from operating activities	119.4	118.1	127.7	1.3	-8.3
- Ordinary profit before taxes	-12.8	-138.0	74.8	125.2	-87.6
- Depreciation/Retirement allowance	27.0	22.3	22.8	4.7	4.2
- Others	105.2	233.8	30.1	-128.6	75.1
Cash flow from investing activities	-138.6	-95.9	-117.8	-42.7	-20.8
- Tangible assets	-75.6	-90.7	-112.5	15.1	36.9
- Others	-63.0	-5.3	-5.3	-57.7	-57.7
Cash flow from financing activities	39.1	26.3	-22.0	12.8	61.1
- Borrowings	55.2	27.4	-4.2	27.8	59.4
- Treasury stock/Dividends	-17.3	-	-17.3	-17.3	-
- Others	1.2	-1.1	-0.5	2.3	1.7
Net Cash Flow	19.9	48.5	-12.1	-28.6	32.0

# Production Capacity

## ● Production Capacity

	Product	Capa.	Unit	Note
Synthetic Rubbers	SBR	481,000	MT/Y	Completion of Expansion : 110,000MT/Y(Ulsan), April 2009
	HBR	167,000		Completion of Expansion : 120,000MT/Y(Yeosu), Dec. 2010
	LBR	55,000		
	NBR	50,000		
	HSR	10,000		
	SB Latex	70,000		
	SBS	70,000		
	<b>Total</b>	<b>903,000</b>		
Synthetic Resins	PS	227,500	MT/Y	
	ABS	250,000		
	EPS	73,800		
	PPG	52,000		
	<b>Total</b>	<b>603,300</b>		
Specialty Chemicals	Antioxidants	79,300	MT/Y	
Combined Heat & Power Generation	Steam	1,130	T/H	Completion of Construction : Steam 500T/H & Electricity 119MWH, April 2009
	Electricity	186	MWH	
BD	Ulsan Plant	90,000	MT/Y	
	Yeosu Plant	147,000		
	<b>Total</b>	<b>237,000</b>		

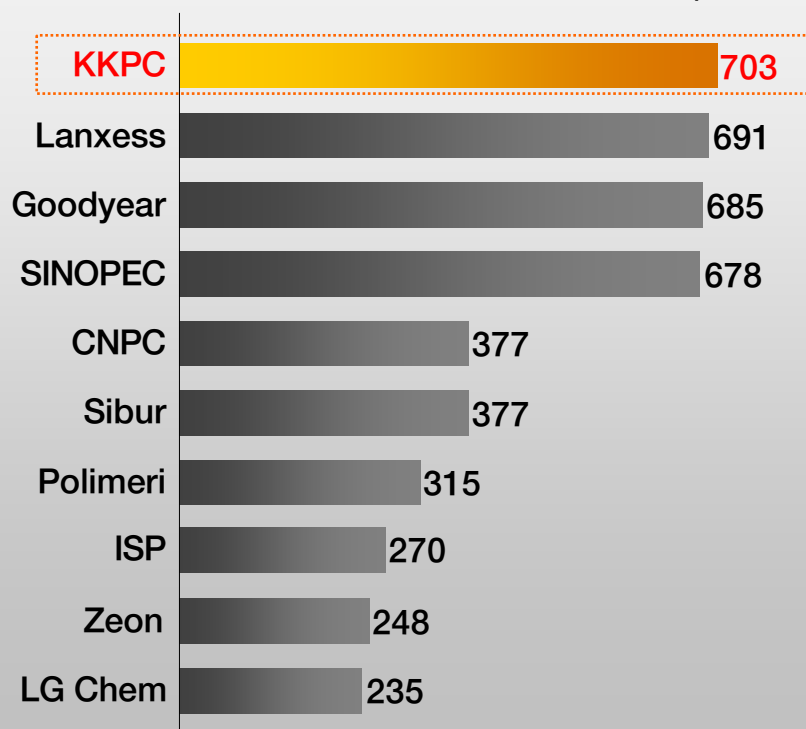
# Market Position

## Synthetic Rubbers & Specialty Chemicals

- **Synthetic Rubbers** : In April 2009, KKPC completed a 110K-ton expansion of SBR raising to an industry-leading and moving share of global market into over 10%.
- **Specialty Chemicals** : In September 2008, KKPC wrapped up a 26K-ton expansion of 6PPD boosting capacity to an industry-high.

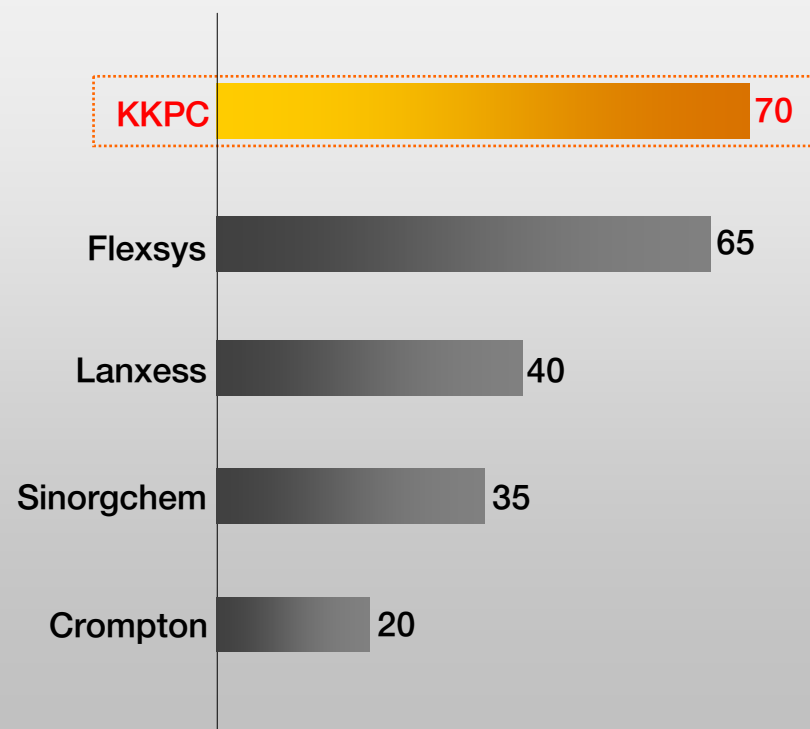
Capa. of Synthetic Rubbers (May 2009)

Unit:'000 MT  
SBR/BR based



Capa. Of Specialty Chemicals (Sept. 2008)

Unit:'000 MT  
6PPD based

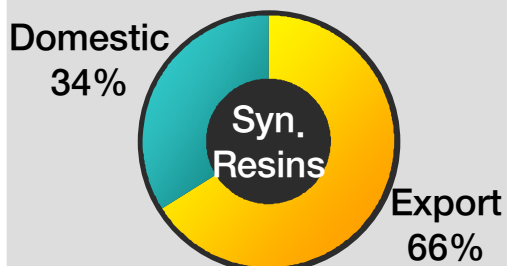
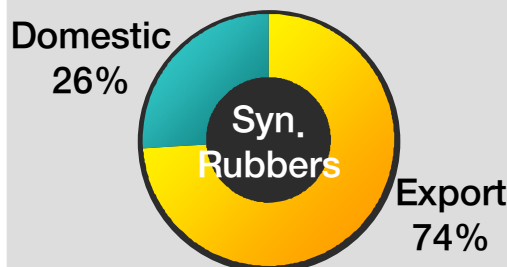




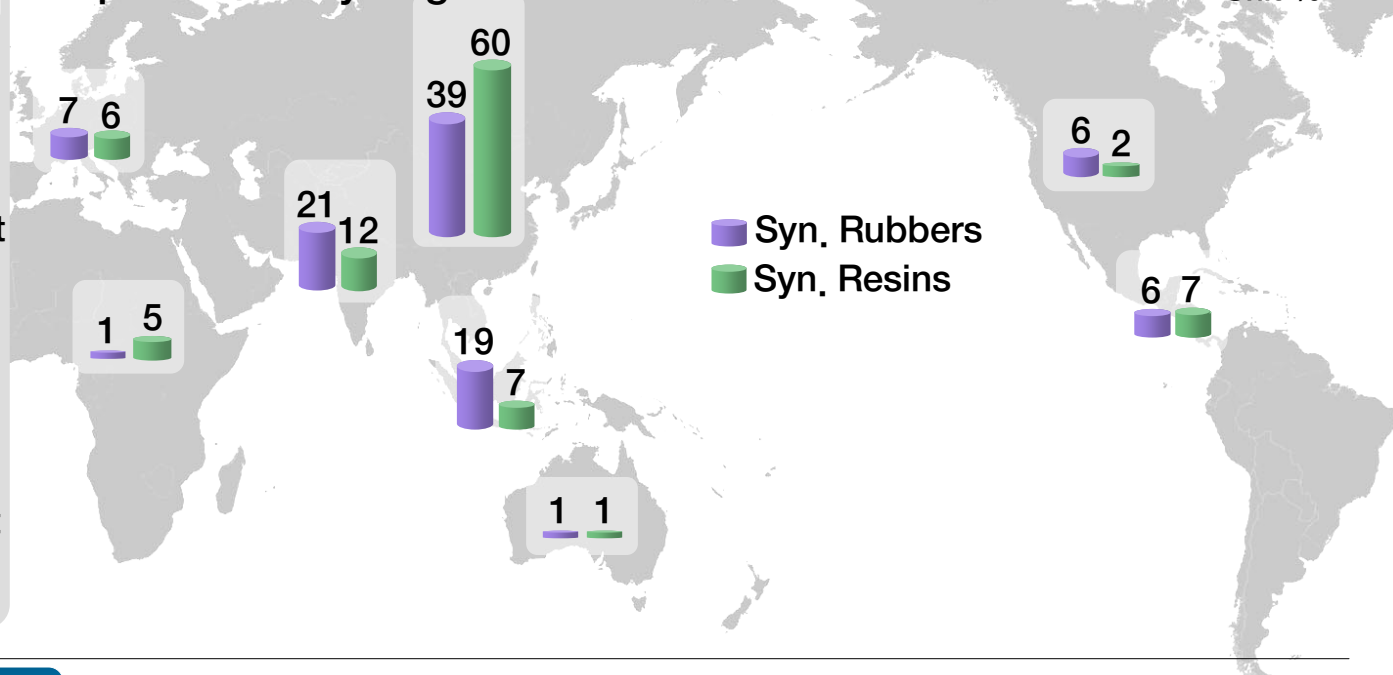
# Sales Status

## Sales by Region and Application

### '09.1H Sales Breakdown



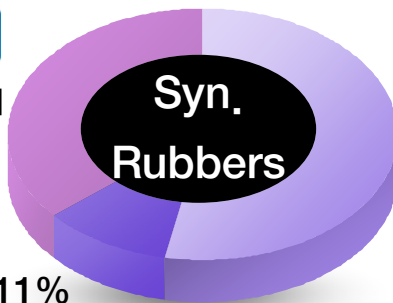
### Export Share by Region



### Sales Share by Application

Shoes and Others  
36%

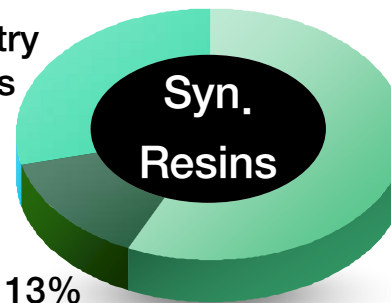
LATEX 11%



Tires  
53%

Dairy industry and Others  
29%

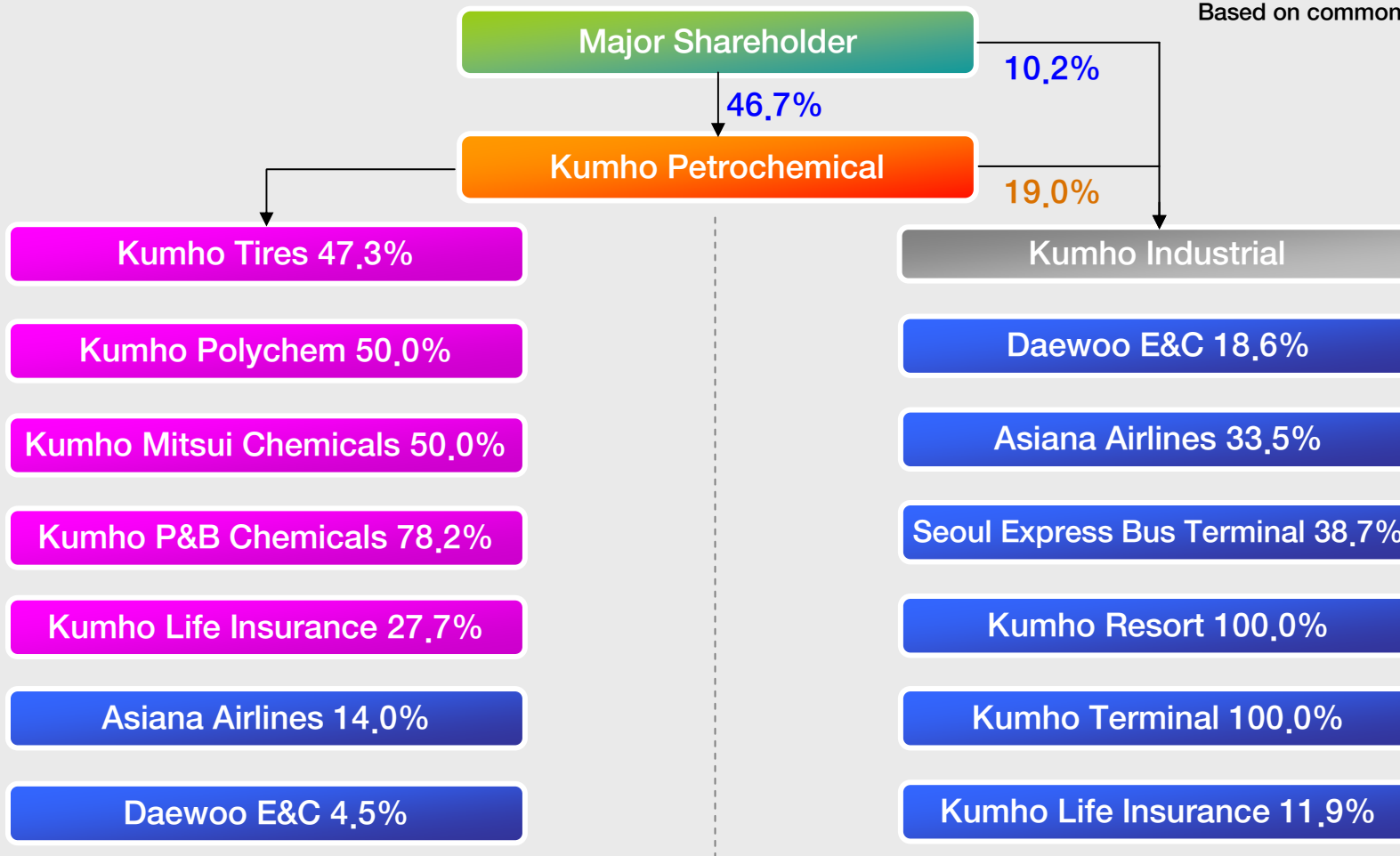
Car/Sheet 13%



Home Appliances  
58%

# Ownership Structure

※ As of 13 August 2009,  
Based on common shares



**Q & A**