

# INVESTOR RELATIONS

## 2012 3Q

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- 3Q, 2012 Review
- Main Business Activities
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- Appendices

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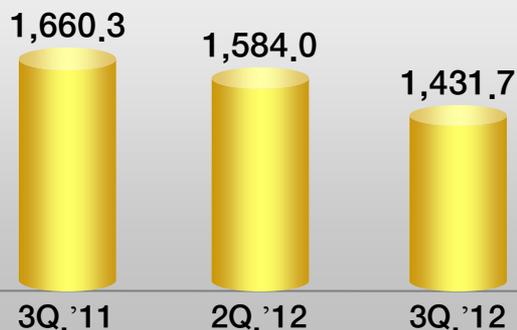
# 3Q, 2012 Overview

## Sales & Operating Income

- Sales declined by 9.6% to KRW 1,431.7 bn, operating income rose by 72.5% to KRW 45.2 bn.
- Recovery level of profitability for syn. rubber was behind expected date : Demand for syn. rubbers decreased due to overstock tires from the global economic slowdown.

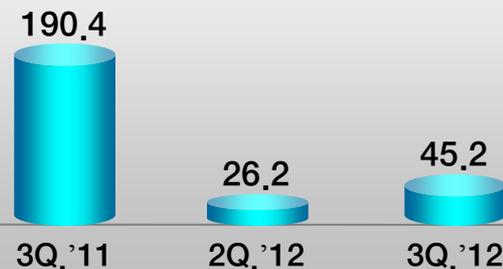
### Sales

Unit: KRW billion



### Operating Income

Unit:KRW billion



### 3Q, 2012 Performance

(Unit: KRW billion)

	3Q, '12	2Q, '12	3Q, '11	Change Ratio	
				QoQ	YoY
S a l e s	1,431.7	1,584.0	1,660.3	-9.6%	-13.8%
[Syn. Rubbers]	692.8	856.7	945.6	-19.1%	-26.7%
[Syn. Resins]	337.1	322.7	274.1	4.5%	23.0%
[Others]	401.8	404.6	440.6	-0.7%	-8.8%
Phenol Derivatives	274.3	271.2	324.8	1.1%	-15.5%
Specialty Chemicals	37.2	45.1	47.0	-17.5%	-20.9%
E n e r g y	42.6	39.2	37.7	8.7%	13.0%
O t h e r s	47.7	49.1	31.1	-2.9%	53.4%
Operating Income	45.2	26.2	190.4	72.5%	-76.3%
[ % ]	3.2	1.7	11.5	-	-
Income before Income Taxes	44.3	9.7	141.0	356.7%	-68.6%
Net Income	40.6	8.9	91.0	356.2%	-55.4%
Gain/Loss on Valuation of Equity Method Investments	17.5	14.7	19.2	19.0%	-8.9%

\* Operating income is subject to the revised K-IFRS(10/17/12).

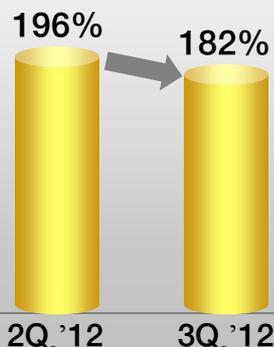
\* Net Income is based on Controlling Interests.

# Financial Highlights

- Financial structure improved due to decreasing financial cost and increasing profit of syn. rubbers.
- Debt to equity ratio improved consistently due to partial repayment and decreasing payables through falling raw material prices.

## Debt to Equity Ratio

(Unit:%)



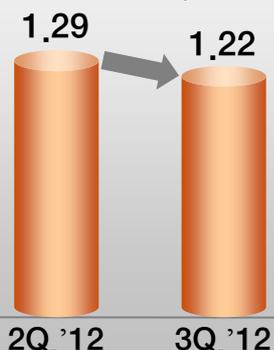
## Borrowings

(Unit:KRW billion)



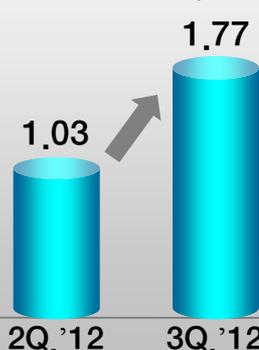
## Asset Turnover Ratio

(Unit:Times)



## Interest Coverage Ratio

(Unit:Fold)



	Unit	3Q.'12	2Q.'12	3Q.'11	Change Ratio	
					QoQ	YoY
Assets	KRW bil.	4,653.1	4,753.1	4,852.9	-2.1%	-4.1%
Liabilities	KRW bil.	3,000.7	3,148.7	3,587.1	-4.7%	-16.3%
Shareholders' Equity		1,652.4	1,604.4	1,265.8	3.0%	30.5%
Controlling Interests	KRW bil.	1,540.2	1,492.4	1,168.4	3.2%	31.8%
Non-Controlling Interests		112.2	112.1	97.4	0.1%	15.2%
Debt to Equity Ratio	%	182	196	283	-	-
Borrowings		2,166.3	2,361.9	2,742.5	-8.3%	-21.0%
Won-Denominated	KRW bil.	1,671.1	1,627.1	1,951.4	2.7%	-14.4%
Foreign Currency-Denominated		495.2	734.8	791.1	-32.6%	-37.4%
Asset Turnover Ratio	Times	1.22	1.29	1.40	-5.4%	-12.9%
Interest Coverage Ratio	Fold	1.77	1.03	5.34	71.8%	-66.9%

# Performance Results for Synthetic Rubbers

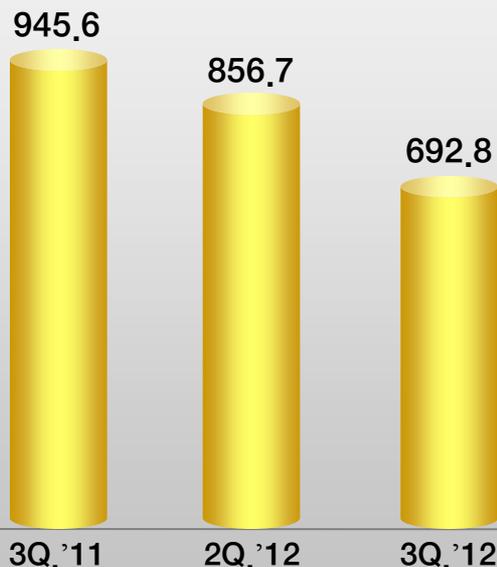
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## Synthetic Rubbers

- Sales decreased by 19.1% to KRW 692.8 bn(48.4% of total sales).
- Margin recovered by widening BD/syn. rubbers spread through exhausting expensive BD stocks.

### Sales

Unit:KRW billion



### 3Q, 2012 Performance

- Drop in BD price
  - Increase in supply due to re-initiation of Formosa plant and European deep sea cargo and decrease in downstream operating ratio would drop BD price

- BD price changes by region

(Unit: USD/Ton)

	04.'12	05.'12	06.'12	07.'12	08.'12	09.'12
Asia	3,120	2,265	2,052	2,495	2,030	2,025
N.America	3,390	2,632	1,907	2,150	1,951	1,731
Europe	2,913	2,169	1,546	1,996	1,706	1,575

- Improvement in profitability of syn. rubbers
  - Sales volume decreased due to a hit by typhoon in August
  - Margin recovered by widening BD/syn. rubbers spread through exhausting expensive BD stocks

(Unit: USD/Ton)

	04.'12	05.'12	06.'12	07.'12	08.'12	09.'12
SBR	3,164	2,884	2,550	2,602	2,490	2,369
BR	3,729	3,404	2,945	2,994	2,848	2,707

\* Source: ICIS/PLATTS 2012

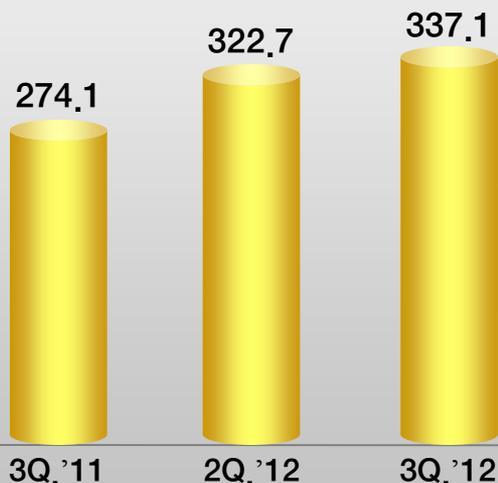
# Performance Results for Synthetic Resins

## Synthetic Resins

- Sales increased by 4.5% to KRW 337.1 bn(23.5% of total sales).
- Demand increased due to China's policy and seasonality, profitability improved through increasing selling prices.

### Sales

Unit:KRW billion



### 3Q, 2012 Performance

- SM price advance due to :
  - Fall in supplies by annual S/D of Asian makers
  - Rise in prices of feedstock(Benzene/Ethylene)
- SM price changes

(Unit: USD/Ton, CFR China)

	04.'12	05.'12	06.'12	07.'12	08.'12	09.'12
SM	1,496	1,413	1,289	1,391	1,445	1,518

- Improvement in profitability of syn. resins
  - Demand increased due to China's policy
  - Profitability improved through increasing selling prices, reflecting price increases of the feedstock

(Unit: USD/Ton)

	04.'12	05.'12	06.'12	07.'12	08.'12	09.'12
PS	1,593	1,560	1,445	1,520	1,567	1,602
ABS	2,102	1,956	1,827	1,954	1,971	1,946

\* Source: PLATTS 2012

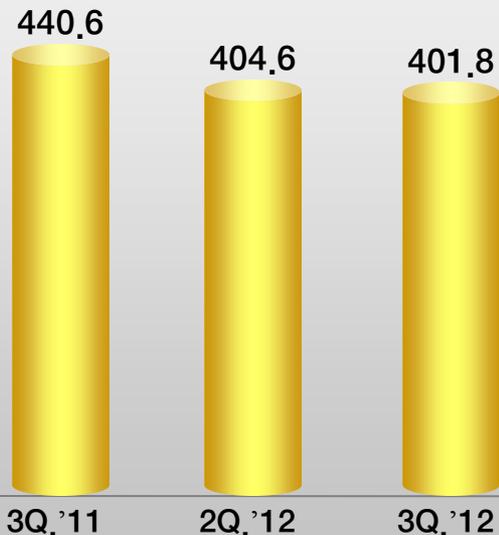
# Performance Results for Others

## Others

- Sales decreased by 0.7% to KRW 401.8 bn(28.1% of total sales).
- Phenol Derivatives : Decreased in profit from the rise in feedstock price in comparison to the constraint in the increase in selling price.

### Sales

Unit:KRW billion



### 3Q, 2012 Performance

- Phenol Derivatives
  - Increase in feedstock price as a result of rise in oil/Naphtha prices and tight supply of Benzene
  - Shrink in profits due to restraint in price volatility from expected rise in supplies via deep-sea cargo and additionally built factories
- Energy
  - Sales and operating income grew on higher demand for steam and electricity

# Main Business Activities

## Strengthened Market Position for Synthetic Rubber

- Revamping Capacity(MT/Y) : SBR 110K(Ulsan), SSBR 60K(Yeosu)
  - Completion of Construction : SBR(Sept. '12), SSBR(Nov. '12)
  - Total Investment : KRW 121,5 bn
  - Total Capa. of SBR/BR : 845,000MT/Y

(Unit:'000MT/Y)

	2010	2011	2012	Note
SBR	481	481	591	-No.1:KKPC(845)
BR	222	364	364	-No.2:SINOPEC(694)
Total	703	845	955	-No.3:Lanxess(661)

## Expansion of Energy Business : New Yeosu Energy II

- Expanding Capacity : Steam 800T/H, Electricity 145MWH
  - Purpose : Steady supply of utilities to newly created plants and businesses of KKPC and its affiliates.
  - Expectation : Saving costs of imported energy and being competent in prices by substituting bituminous coal with the solid fuel extracted from wasted tires.
  - Total Investment : KRW 425,8 bn
  - Completion of Construction : End of 2015

# Main Business Activities

## ● New Leap of Phenol Derivatives

- Revamping Capacity(MT/Y) : BPA 150K, Phenol 300K/Acetone 185K
  - Completion of Construction : BPA(End of '12), Phenol/Acetone(End of '13)
  - Total Investment : BPA(KRW 140 bn), Phenol/Acetone(KRW 190 bn)
  - World's No.5 Maker of BPA Capa.

(Unit:'000MT/Y)

	June '08	Dec. '12	Dec. '13	Note
BPA	280	430	430	-No.1:SABIC(1,230)
Phenol	380	380	680	-No.2:Bayer(1,180)
Acetone	238	238	423	-No.3:Nanya(550) -No.4:Mitsui(505)
Total	898	1,048	1,533	-No.5:KPB(430)

## ● Synthetic Rubbers

- Exports to US and the operating ratio of tire makers in China are expected to increase due to the termination of safeguard in US.
- The price of Synthetic Rubber is forecasted to rise due to the growth of sales in volume and strong price elasticity of natural rubber despite the annual S/D in Oct.
- Level of BD price is expected to fall slightly and sustain due to supply increase at reactivated BST BD plant in Thailand and a weak demand through production adjustment of downstream suppliers and annual S/D.

## ● Synthetic Resins

- Demand expected to rise mainly for seasonal appliances and automobiles in the domestic market (Kimchi refrigerators, heating devices and new automobiles).
- Strengthening of SM price is expected due to the strong price in feedstock(Benzene/Ethylene) and restriction in the supply of deep-sea cargo.
- Improvement in profitability margin through the rise in sell prices, reflected by the price increase in the feed stocks and also by focusing on the highly profitable products.

## ● Others

- Phenol Derivatives
  - Deterioration in the profitability from a continuous weak demand, overstocks and restraint in price volatility from the expected rise in supplies via additionally built factories.
- Energy
  - Similar turnover of sales and profit is expected in this quarter compared to the previous one through the growth of sales in winter steam and the rise in unit cost of electricity.

# Income Statement

(Unit:KRW billion)

	3Q.'12	2Q.'12	3Q.'11	Difference			
				QoQ		YoY	
				Amount	Ratio	Amount	Ratio
Sales	1,431.7	1,584.0	1,660.3	-152.3	-9.6%	-228.6	-13.8%
Operating Income	45.2	26.2	190.4	19.0	72.5%	-145.2	-76.3%
<i>(Operating Margin)</i>	<i>3.2%</i>	<i>1.7%</i>	<i>11.5%</i>	<i>1.5%p</i>	-	<i>-8.3%p</i>	-
<i>Net Interest Expense</i>	<i>9.1</i>	<i>33.8</i>	<i>97.5</i>	<i>-24.7</i>	<i>-73.1%</i>	<i>-88.4</i>	<i>-90.7%</i>
<i>Gain/Loss on Valuation of Equity Method Investments</i>	<i>17.5</i>	<i>14.7</i>	<i>19.2</i>	<i>2.8</i>	<i>19.0%</i>	<i>-1.7</i>	<i>-8.9%</i>
Income before Income Taxes	44.3	9.7	141.0	34.6	356.7%	-96.7	-68.6%
<i>(Ordinary Income Margin)</i>	<i>3.1%</i>	<i>0.6%</i>	<i>8.5%</i>	<i>2.5%p</i>	-	<i>-5.4%p</i>	-
Net Income	40.6	8.9	91.0	31.7	356.2%	-50.4	-55.4%
<i>(Net Income Margin)</i>	<i>2.8%</i>	<i>0.6%</i>	<i>5.5%</i>	<i>2.2%p</i>	-	<i>-2.7%p</i>	-

\* Operating income is subject to the revised K-IFRS(10/17/12).

\* Net Income is based on controlling interests.

# Balance Sheet

(Unit:KRW billion)

	3Q.'12	2Q.'12	3Q.'11	Change Amount	
				QoQ	YoY
1. Current Assets	1,773.2	1,964.3	2,237.5	-191.1	-464.3
- Cash	332.1	279.5	421.2	52.6	-89.1
2. Non-Current Assets	2,879.9	2,788.8	2,615.4	91.1	264.5
<b>Total Assets</b>	<b>4,653.1</b>	<b>4,753.1</b>	<b>4,852.9</b>	<b>-100.0</b>	<b>-199.8</b>
1. Current Liabilities	2,119.7	2,670.6	2,901.7	-550.9	-782.0
2. Non-Current Liabilities	881.0	478.1	685.4	402.9	195.6
■ Interest Bearing Liabilities	2,166.3	2,361.9	2,742.5	-195.6	-576.2
- Short-Term Debts	1,406.7	1,994.6	2,155.3	-587.9	-748.6
- Long-Term Debts	759.6	367.4	587.2	392.2	172.4
■ Non-Interest Bearing Liabilities	834.4	786.8	844.6	47.6	-10.2
<b>Total Liabilities</b>	<b>3,000.7</b>	<b>3,148.7</b>	<b>3,587.1</b>	<b>-148.0</b>	<b>-586.4</b>
1. Common & Preferred Stock	167.5	167.5	142.2	-	25.3
<b>Total Shareholder Equity</b>	<b>1,652.4</b>	<b>1,604.4</b>	<b>1,265.8</b>	<b>48.0</b>	<b>386.6</b>
Net Debt Ratio	39.4%	43.8%	47.8%	-4.4%p	-8.6%p
Long-Term Debts to Total Debts Ratio	35.1%	15.6%	21.4%	19.5%p	13.7%p
Current Ratio	83.7%	73.6%	77.1%	10.1%p	6.6%p
Total Liabilities to Equity Ratio	181.6%	196.3%	283.4%	-14.7%p	-101.8%p

# Production Capa.(KKPC)

	Product	Capa.	Unit	Note
Synthetic Rubbers	SBR	591,000	MT/Y	Completion of Expansion : 110,000MT/Y(Ulsan), Sept. 2012 Added 22,000MT/Y by improving productivity as of late 2011
	HBR	309,000		
	LBR	55,000		
	NBR	50,000		
	HSR	10,000		
	SB Latex	70,000		
	SBS	70,000		
	<b>Total</b>	<b>1,045,000</b>		Completion of Expansion : SSBR 60,000MT/Y(Yeosu), Nov. 2012
Synthetic Resins	PS	227,500	MT/Y	
	ABS	250,000		
	EPS	72,600		
	PPG	77,700		
	<b>Total</b>	<b>627,800</b>		
Specialty Chemicals	Antioxidants	80,300	MT/Y	
Combined Heat & Power Plants	Steam	1,130	T/H	Completion of Expansion : Steam 800T/H & Electricity 145MWH, in 2015
	Electricity	186	MWH	
BD	Ulsan Plant	90,000	MT/Y	
	Yeosu Plant	147,000		
	<b>Total</b>	<b>237,000</b>		

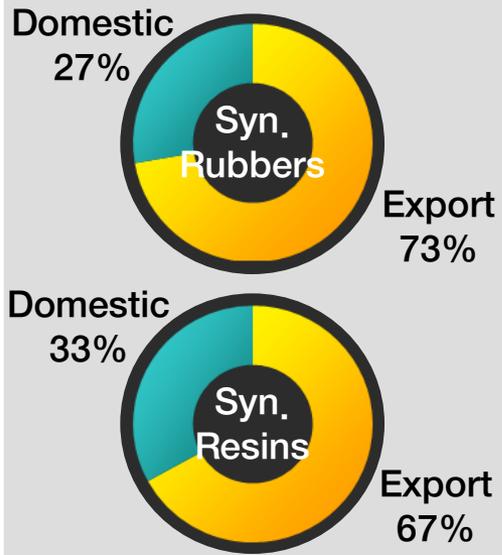
# Production Capa.(Affiliates)

	Product	Capa.	Unit	Note
Kumho P&B Chemicals	Phenol	380,000	MT/Y	Completion of Expansion : 300,000MT/Y, in 2013
	Acetone	238,000		Completion of Expansion : 185,000MT/Y, in 2013
	MIBK	30,000		
	Cumene	440,000		
	BPA	280,000		Completion of Expansion : 150,000MT/Y, in 2012
	Epoxy Resin	74,000		
	<b>Totals</b>	<b>1,442,000</b>		
Kumho Polychem	EP(D)M	100,000	MT/Y	Completion of Expansion : 60,000MT/Y, 2Q in 2013
	TPV	7,000		
	<b>Totals</b>	<b>107,000</b>		
Kumho Mitsui Chemicals	MDI	200,000	MT/Y	Completion of Expansion : 50,000MT/Y, June 2012
	Aniline	2,000		
	<b>Totals</b>	<b>152,000</b>		

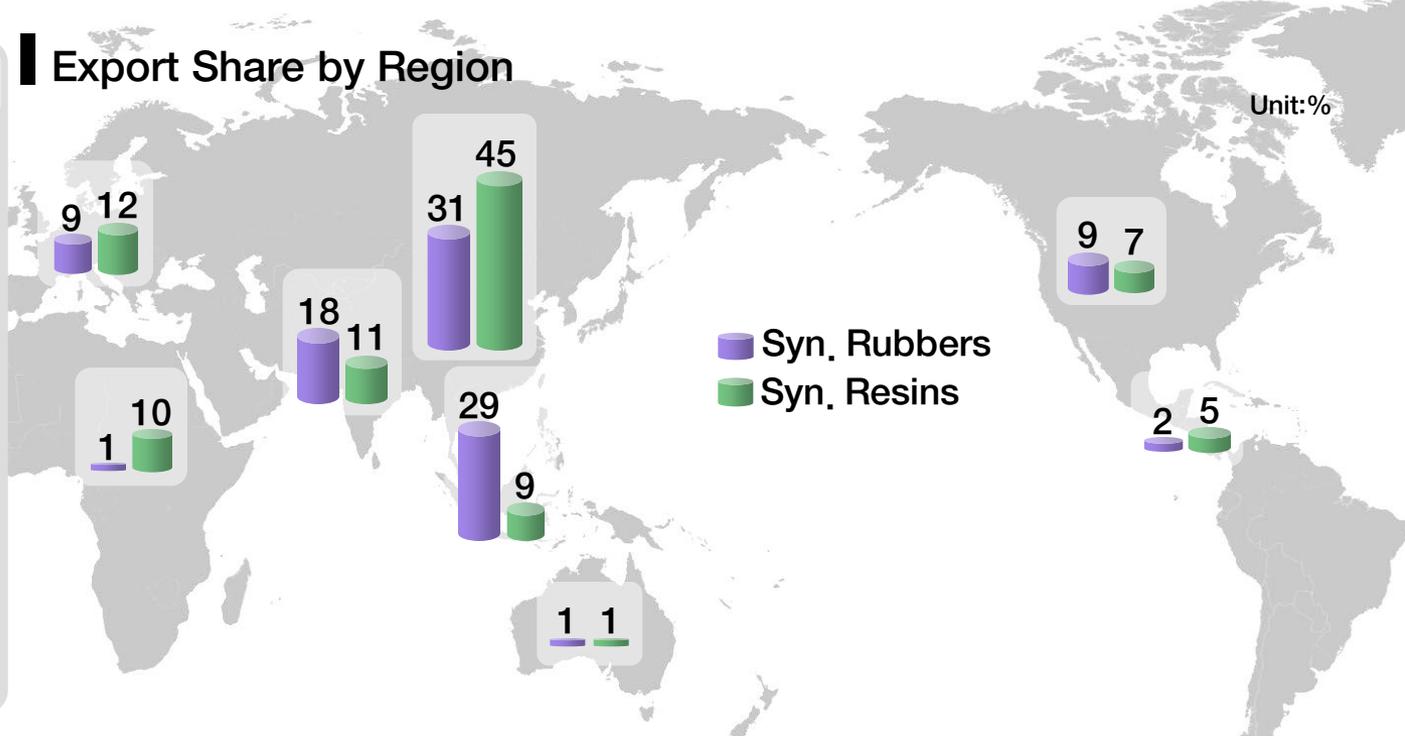
# Sales Status

**Sales by Region & Application**

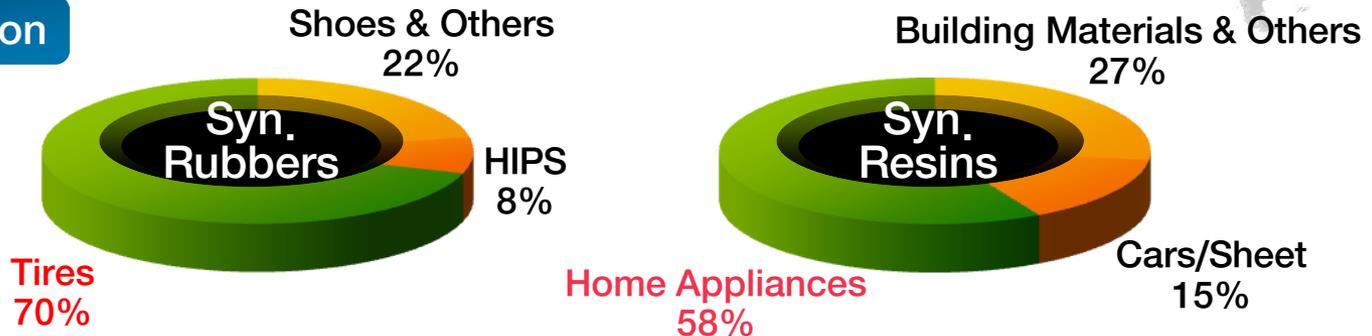
**3Q '12 Sales Breakdown**



**Export Share by Region**

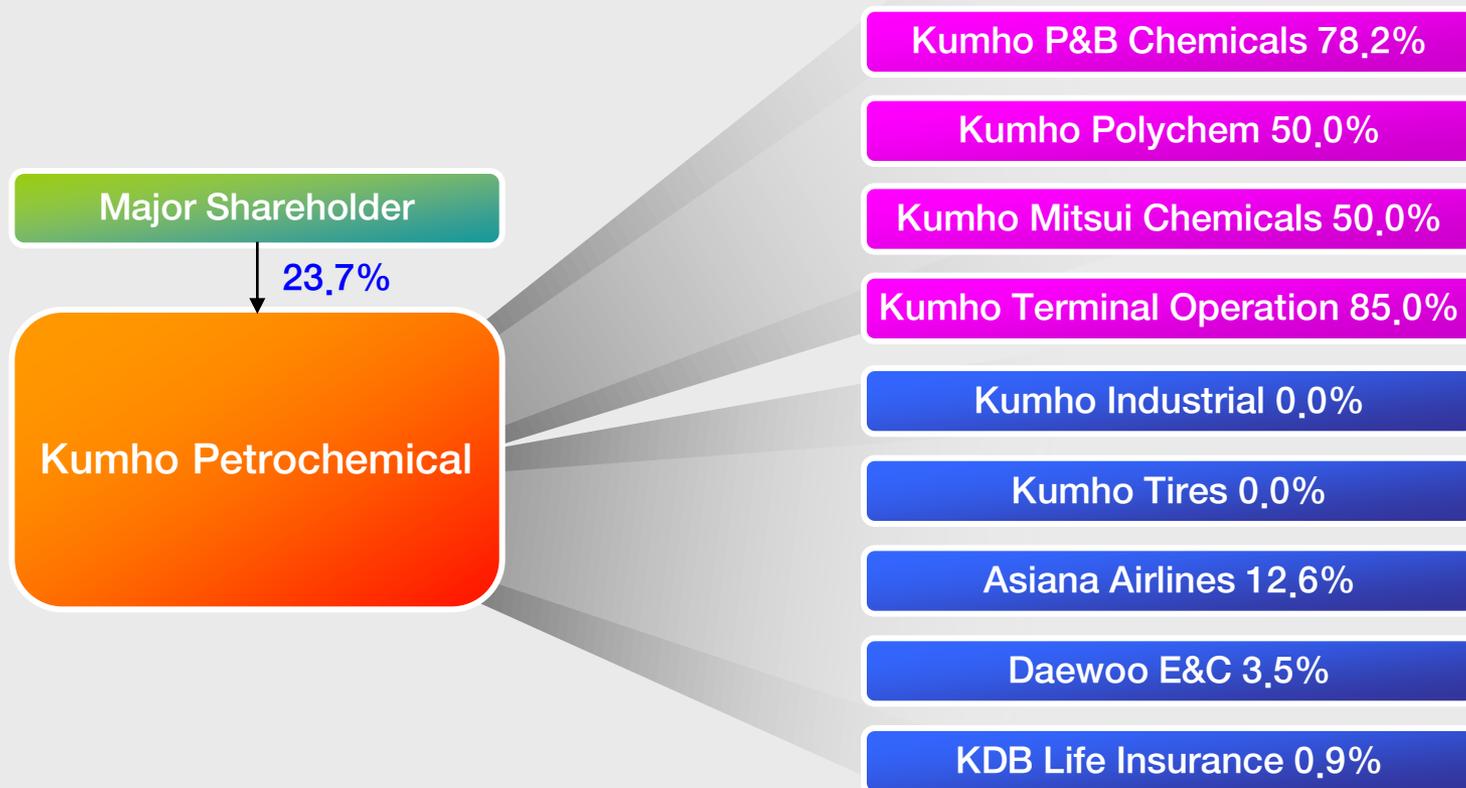


**Sales Share by Application**



# Investments in affiliates

※ As of 30 Sept, 2012,  
Based on common shares



Q & A