

INVESTOR RELATIONS 2012

- 2012 Review
- 2012 Main Business Activities
- 2013 Outlook
- Appendices



KUMHO PETROCHEMICAL

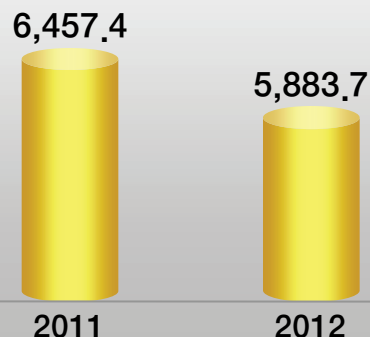
2012 Overview

Sales & Operating Income

- Sales declined by 8.9% down to KRW 5,883.7bn. Operating income decreased by 73.3% down to KRW 223.8bn.
- Sales and Profitability declined mainly due to worsening business conditions in Synthetic Rubbers.

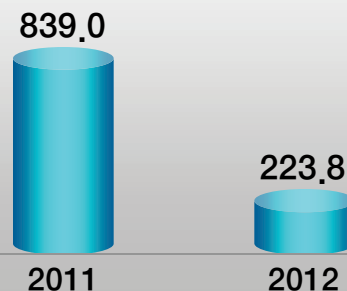
Sales

Unit: KRW billion



Operating Income

Unit: KRW billion



2012 Performance

(Unit: KRW billion)

	2012	2011	Difference(YoY)	
			Cost	Ratio
S a l e s	5,883.7	6,457.4	-573.7	-8.9%
[Syn. Rubbers]	3,037.7	3,535.9	-498.2	-14.1%
[Syn. Resins]	1,288.9	1,246.4	42.5	3.4%
[O t h e r s]	1,557.1	1,675.1	-118.0	-7.0%
Phenol Derivatives	1,050.6	1,222.1	-171.5	-14.0%
Specialty Chemicals	162.2	186.0	-23.8	-12.8%
E n e r g y	168.2	155.0	13.2	8.5%
O t h e r s	176.2	112.0	64.2	57.3%
Operating Income	223.8	839.0	-615.2	-73.3%
[%]	3.8	13.0	-9.2p	-
Income before Income Taxes	133.7	758.4	-624.7	-82.4%
Net Income	129.6	505.6	-376.0	-74.4%
Gain/Loss on Valuation of Equity M e t h o d I n v e s t m e n t s	67.0	72.8	-5.8	-8.0%

* Net Income is based on Controlling Interests.

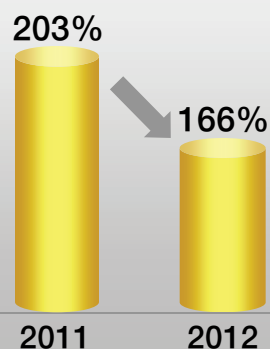
Financial Highlights

beyond the best
KUMHO PETROCHEMICAL

- Maintained steady cash flows even when profits decreased in Synthetic Rubbers/Phenol Derivatives.
- Financial structures improved consistently through short-term debt repayments and lowering the interest rates by raising the credit ratings of the firm.

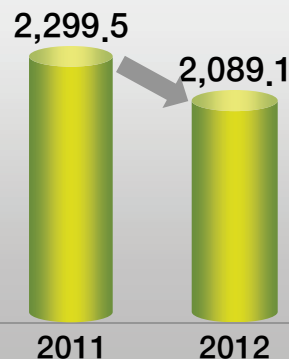
Debt to Equity Ratio

(Unit: %)



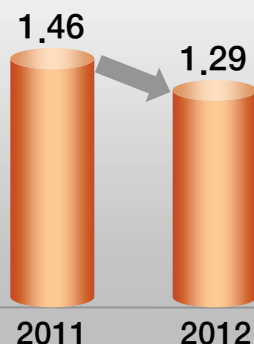
Borrowings

(Unit: KRW billion)



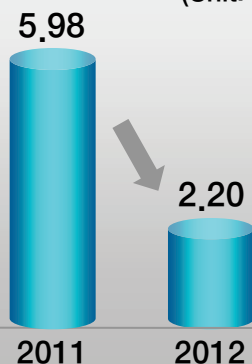
Asset Turnover Ratio

(Unit: Times)



Interest Coverage Ratio

(Unit: Fold)



	Unit	2012	2011	Difference(YoY)	
				Cost	Ratio
Assets	KRW bn.	4,410.7	4,714.2	-303.5	-6.4%
Liabilities	KRW bn.	2,752.4	3,157.2	-404.8	-12.8%
Shareholders' Equity		1,658.3	1,557.0	101.3	6.5%
Controlling Interests	KRW bn.	1,547.6	1,447.7	99.9	6.9%
Non-Controlling Interests		110.7	109.3	1.4	1.3%
Debt to Equity Ratio	%	166	203	-37p	-
Borrowings		2,089.1	2,299.5	-210.4	-9.1%
Won-Denominated	KRW bn.	1,651.3	1,688.4	-37.1	-2.2%
Foreign Currency-Denominated		437.8	611.1	-173.3	-28.4%
Asset Turnover Ratio	Times	1.29	1.46	-0.17	-11.6%
Interest Coverage Ratio	Fold	2.20	5.98	-3.78	-63.2%

Performance Results for Synthetic Rubbers

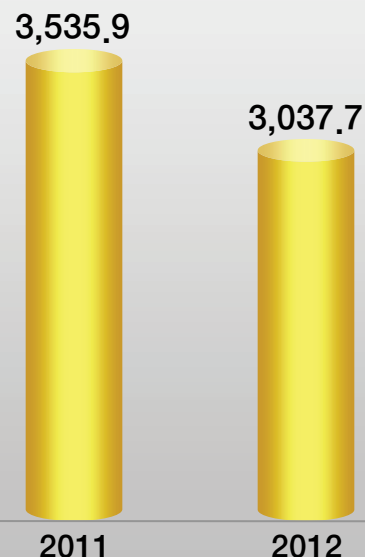
beyond the best
KUMHO PETROCHEMICAL

Synthetic Rubbers

- To the previous year, sales decreased by 14.1% to KRW 3,037.7bn (51.6% of total sales)
- Drop in selling prices due to weakening in demand, and the decrease in the profitability through volatility of BD prices.

Sales

Unit: KRW billion



2012 Performance

- Sharp fluctuations in the prices of BD
 - The tight balance between the supply and demand intensified the fluctuations of BD prices and also, increased the frequency of fluctuations when the NCC suppliers underwent adjustments in production and troubles/issues
 - BD price changes by region (Unit: USD/Ton)
- Decreased in profit margins of Synthetic rubbers
 - Fall in selling prices due to the weak demand from low operating ratio of tire makers
 - Drop in the profitability as a result of having difficulties in proper spreads from fluctuation of BD prices (Unit: USD/Ton)

	1Q.'12	2Q.'12	3Q.'12	4Q.'12
Asia	3,426	2,479	2,183	1,704
N.America	3,262	2,643	1,944	1,628
Europe	3,085	2,209	1,759	1,238

	1Q.'12	2Q.'12	3Q.'12	4Q.'12
SBR	3,186	2,866	2,487	2,275
BR	3,633	3,359	2,850	2,565

* Source: ICIS/PLATTS 2012

Performance Results for Synthetic Resins

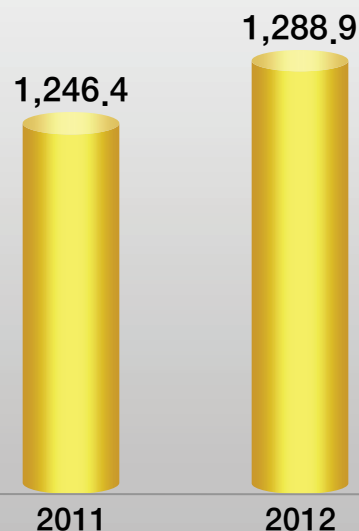
beyond the best
KUMHO PETROCHEMICAL

Synthetic Resins

- Sales increased by 3.4% YoY to KRW 1,288.9bn (21.9% of total sales)
- Profitability decreased due to European economy crisis and deceleration of China's economic growth

Sales

Unit: KRW billion



2012 Performance

- Sharply rise in SM price
 - Despite decrease in the demand due to the drop in operating ratio in the downstream, feedstock (Benzene/Ethylene) price is still going strong

(Unit: USD/Ton, CFR China)

	1Q.'12	2Q.'12	3Q.'12	4Q.'12
SM	1,445	1,399	1,454	1,630

- Depreciation in the profitability of Synthetic Resins
 - Sluggish demand for ABS continued due to the economic downturn in Europe and the deceleration of China's economic growth
 - Decreased profitability due to feedstock prices rising.

(Unit: USD/Ton)

	1Q.'12	2Q.'12	3Q.'12	4Q.'12
PS	1,549	1,533	1,563	1,710
ABS	2,099	1,962	1,957	1,923

* Source: PLATTS 2012

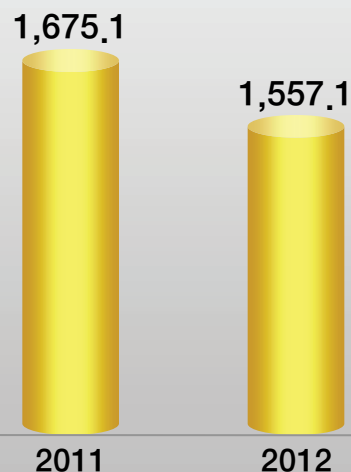
Performance Results for Others

Others

- Sales decreased by 7.0% to KRW 1,557.1bn (26.5% of total sales)
- Phenol Derivatives: Decreased in profit from the rise in the prices of raw materials and restraint in price volatility from weak demand

Sales

Unit: KRW billion



2012 Performance

- Phenol Derivatives
 - The highest price has been maintained due to tight balance between demand and supply for feedstock (Benzene) within the area
 - Despite the fact that the feedstock price rose sharply, the profit dropped as a result of difficulties in transferring the price increase in the feedstock to the selling price caused by shrinks in the demand and production adjustments due to overstock storages
- Energy
 - Rise in sales and profit margin due to increase in sales volume from revamping capacity of Kumho Mitsui Chemicals and the rise in unit cost of electricity

2012 Main Business Activities

beyond the best
KUMHO PETROCHEMICAL

Strengthened Market Position in Synthetic Rubber

- Revamping Capacity(MT/Y): SBR 110K(Ulsan), SSBR 60K(Yeosu)
 - Completion of Construction: SBR(Sept. '12), SSBR(Nov. '12)
 - Total Investment: KRW 121.5bn
 - Total Capacity of SBR (E-SBR +S-SBR) /BR: 868K MT/Y at the end of '12
(Unit: 1000MT/Y)

	2010	2011	2012	Note
SBR	481	481	481	- Non reflection of Revamping Capa. Of SBR 110K (running parallel with NBR Latex line → available to run SBR line exclusively)
BR	222	342	327	
S-SBR	-	-	60	
NdBR	-	-	36	
NBR Latex	-	-	140	
Total	703	823	1,044	

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 solid fuel extracted from wasted tires.
 - Total Investment: KRW 425.8bn
 - Construction completion date: By the end of 2015

2012 Main Business Activities

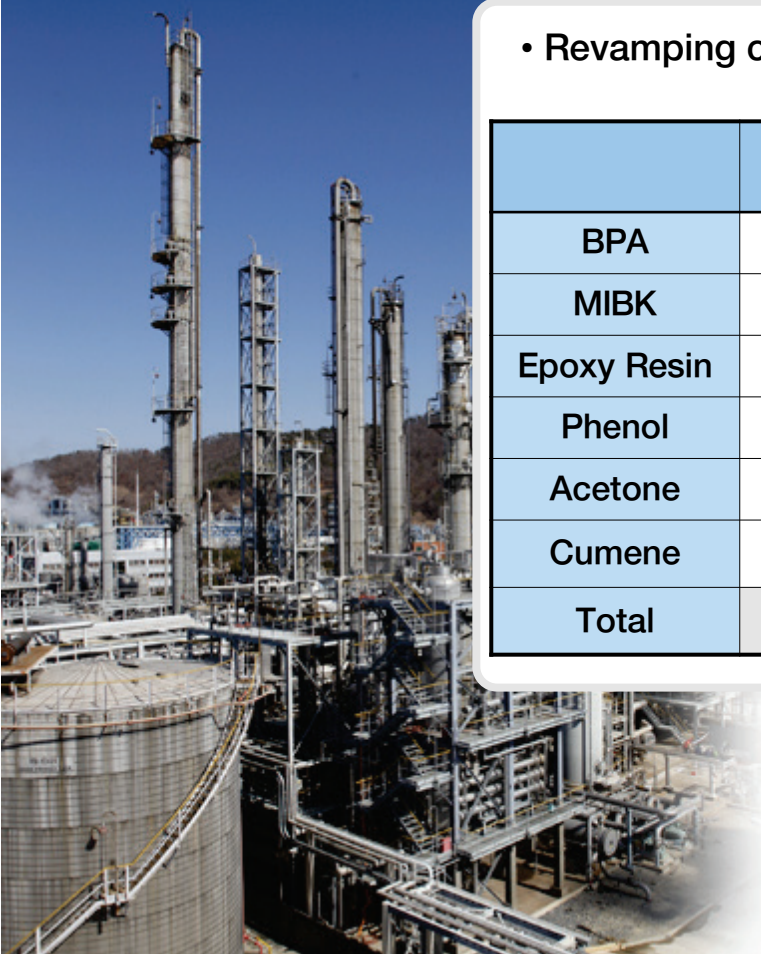
beyond the best
KUMHO PETROCHEMICAL

● New Leap of Phenol Derivatives

- Revamping capacity for the World' s No.5 Maker of BPA Capa.

(Unit: 1000MT/Y, KRW billion)

	Revamping Capacity	Completion	Investment	Note
BPA	150	May '13	110.0	-No.1:SABIC(1,230) -No.2:Bayer(1,180) -No.3:Nanya(550) -No.4:Mitsui(505) -No.5:KPB(430)
MIBK	25	Dec '12	18.1	
Epoxy Resin	70	Aug '13	23.9	
Phenol	300	July '14	220.0	
Acetone	185			
Cumene	460			
Total	1,190		372.0	



2013 Outlook

● Synthetic Rubbers

- Global sales volume of cars and the production of tires are expected to increase by 3.4% and 4.2%, respectively.
- Profit margin is expected to improve due to the recovery in demand from the rise in feedstock(BD) prices, as well as strong price elasticity of natural rubber
- Level of BD price is expected to increase slightly and remain sustained through tight balance between the supply and the demand and also the rise in operating ratio of downstream suppliers

● Synthetic Resins

- Market condition is looking to be improved due to rise in the operating ratio of downstream suppliers from the recovery of global economy
- Improvement in profitability margin through diversification of exporting regions, consolidations of Chinese marketing, and the expansion of sales region along with specific strategies for products
- Strengthening of SM prices is expected due to the strong price in feedstock(Benzene/Ethylene) and the recovery in the operating ratio of downstream suppliers

● Others

- Phenol Derivatives
 - Newly completed BPA factories would cause oversupplies of BPA and strong competitions within the domestic market
- Energy
 - Sales and profit margin are expected to rise due to the increase in steam sales volume from the revamping capacity of demand and strong unit cost of electricity

Income Statement

beyond the best
KUMHO PETROCHEMICAL

(Unit:KRW billion)

	2012					2011	Difference (YoY)	
	1Q	2Q	3Q	4Q	Total		Amount	Ratio
Sales	1,622.6	1,584.0	1,431.7	1,245.4	5,883.7	6,457.4	-573.7	-8.9%
Operating Income	121.9	26.1	45.2	30.6	223.8	839.0	-615.2	-73.3%
<i>(Operating Margin)</i>	<i>7.5%</i>	<i>1.6%</i>	<i>3.2%</i>	<i>2.5%</i>	<i>3.8%</i>	<i>13.0%</i>	<i>-9.2%p</i>	-
<i>Net Interest Expense</i>	<i>19.1</i>	<i>33.9</i>	<i>9.1</i>	<i>2.5</i>	<i>64.6</i>	<i>156.6</i>	<i>-92.0</i>	<i>-58.7%</i>
<i>Gain/Loss on Valuation of Equity Method Investments</i>	<i>22.1</i>	<i>14.7</i>	<i>17.5</i>	<i>12.7</i>	<i>67.0</i>	<i>72.8</i>	<i>-5.8</i>	<i>-8.0%</i>
Income before Income Taxes	132.3	9.7	44.3	-52.6	133.7	758.4	-624.7	-82.4%
<i>(Ordinary Income Margin)</i>	<i>8.2%</i>	<i>0.6%</i>	<i>3.1%</i>	<i>-4.2%</i>	<i>2.3%</i>	<i>11.7%</i>	<i>9.4%p</i>	-
Net Income	101.6	8.8	40.6	-21.4	129.6	505.6	-376.0	-74.4%
<i>(Net Income Margin)</i>	<i>6.3%</i>	<i>0.6%</i>	<i>2.8%</i>	<i>-1.7%</i>	<i>2.2%</i>	<i>7.8%</i>	<i>-5.6%p</i>	-

* Net Income is based on Controlling Interests.

Balance Sheet

(Unit:KRW billion)

	2012	2011	Difference (YoY)	
			Amount	Ratio
1. Current Assets	1,490.1	2,058.1	-568.0	-27.6%
- Cash	246.2	505.1	-258.9	-51.3%
2. Non-Current Assets	2,920.6	2,656.1	264.5	10.0%
Total Assets	4,410.7	4,714.2	-303.5	-6.4%
1. Current Liabilities	1,438.5	2,713.2	-1,274.7	-47.0%
2. Non-Current Liabilities	1,313.9	444.0	869.9	195.9%
■ Interest Bearing Liabilities	2,089.1	2,299.5	-210.4	-9.1%
- Short-Term Debts	879.0	1,934.7	-1,055.7	-54.6%
- Long-Term Debts	1,210.1	364.8	845.3	231.7%
■ Non-Interest Bearing Liabilities	663.3	857.7	-194.4	-22.7%
Total Liabilities	2,752.4	3,157.2	-404.8	-12.8%
1. Common & Preferred Stock	167.5	167.5	-	-
Total Shareholder Equity	1,658.3	1,557.0	101.3	6.5%
Net Debt Ratio	41.8%	38.1%	3.7%p	-
Long-Term Debts to Total Debts Ratio	57.9%	15.9%	42.0%p	-
Current Ratio	103.6%	75.9%	27.7%p	-
Total Liabilities to Equity Ratio	166.0%	202.8%	-36.8%p	-

Production Capa.(KKPC)

	Product	Capa.	Unit	Note
Synthetic Rubbers	SBR	481,000	MT/Y	Completion of Expansion : 110,000MT/Y(Ulsan), Sept. 2012
	HBR	284,000		
	LBR	43,000		
	S-SBR	60,000		Completion of Expansion : 60,000MT/Y(Yeosu), Nov. 2012
	NdBR	36,000		
	NBR	50,000		
	HSR	10,000		
	NBR Latex	140,000		
	SB Latex	70,000		
	SBS	70,000		
	Total	1,244,000		
Synthetic Resins	PS	230,000	MT/Y	
	ABS	250,000		
	EPS	75,000		
	PPG	80,000		
	Total	635,000		
Specialty Chemicals	Antioxidants	80,300	MT/Y	
Energy	Steam	910	T/H	Completion of Expansion : Steam 800T/H & Electricity 145MWH, in 2015
	Electricity	155	MWH	
BD	Ulsan Plant	90,000	MT/Y	
	Yeosu Plant	147,000		
	Total	237,000		

Production Capa.(Affiliates)

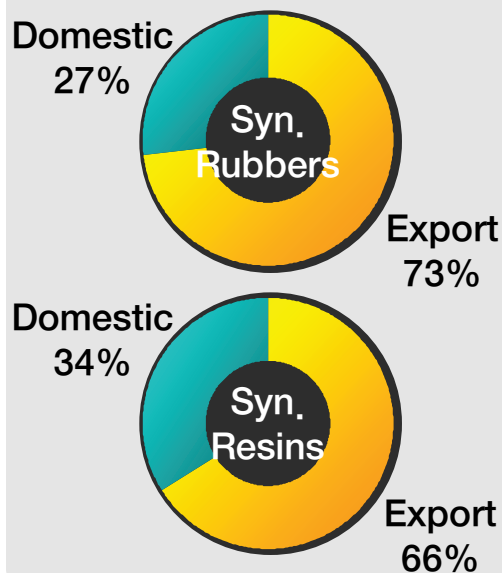
	Product	Capa.	Unit	Note
Kumho P&B Chemiclas	Phenol	380,000	MT/Y	Completion of Expansion : 300,000MT/Y, July 2014
	Acetone	235,000		Completion of Expansion : 185,000MT/Y, July 2014
	MIBK	55,000		Completion of Expansion : 25,000MT/Y, Dec. 2012
	Cumene	440,000		Completion of Expansion : 460,000MT/Y, July 2014
	BPA	280,000		Completion of Expansion : 150,000MT/Y, Mar. 2013
	Epoxy Resin	90,000		Completion of Expansion : 70,000MT/Y, Aug. 2013
	Total	1,480,000		
Kumho Polychem	EP(D)M	100,000	MT/Y	Completion of Expansion : 60,000MT/Y, 2Q in 2013
	TPV	7,000		
	Total	107,000		
Kumho Mitsui Chemicals	MDI	200,000	MT/Y	Completion of Expansion : 50,000MT/Y, June 2012
	Aniline	2,000		
	Total	202,000		

Sales Status

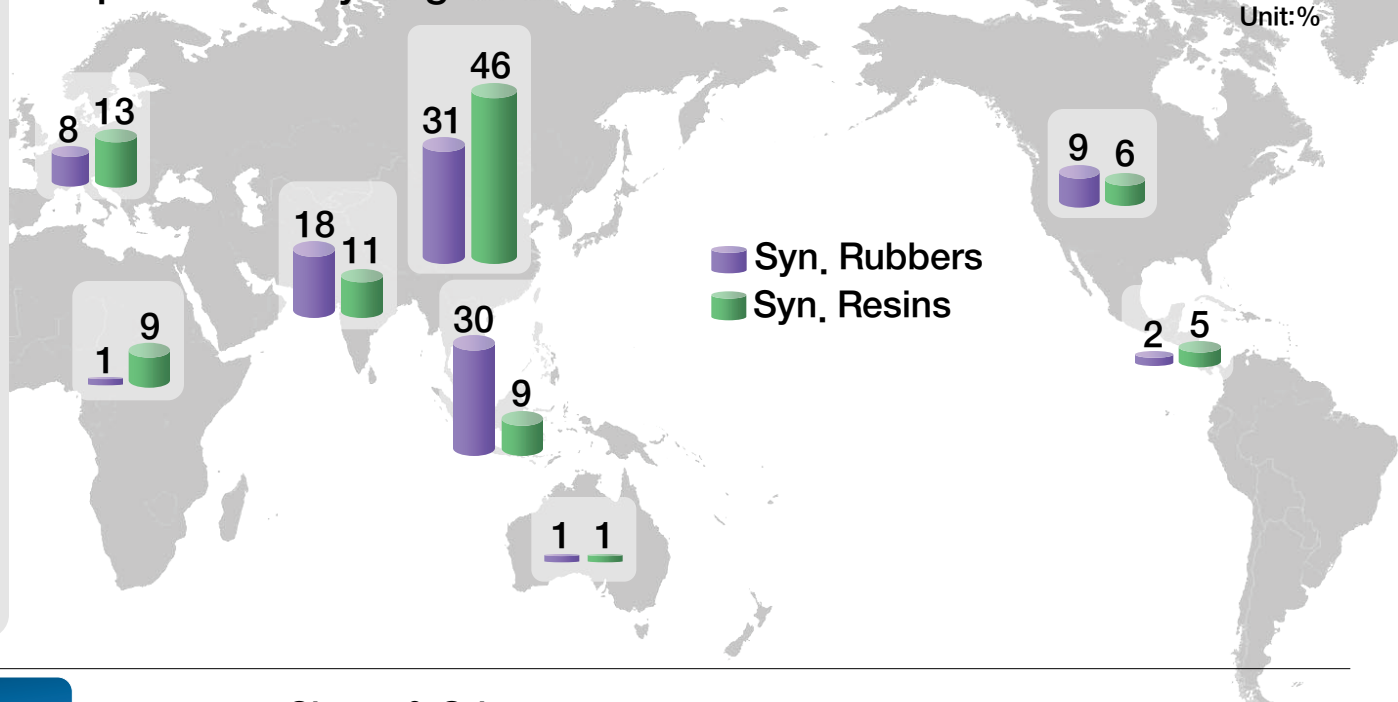
beyond the best
KUMHO PETROCHEMICAL

Sales by Region & Application

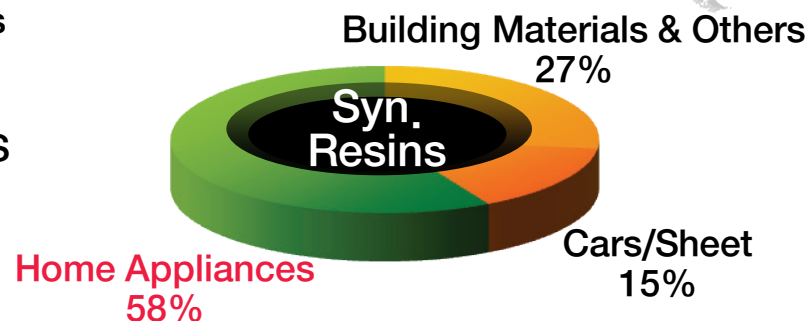
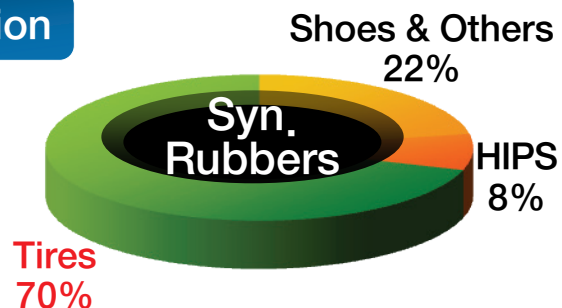
2012 Sales Breakdown



Export Share by Region



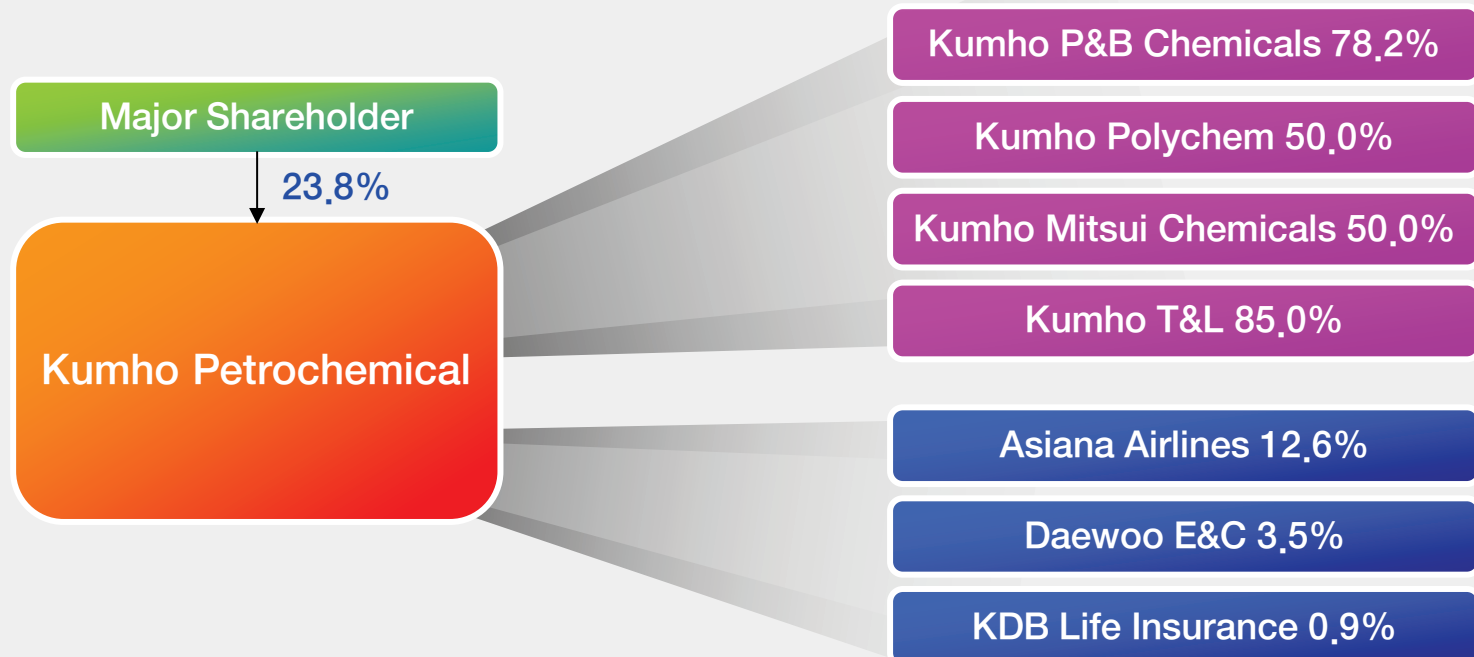
Sales Share by Application



Investments in affiliates

beyond the best
KUMHO PETROCHEMICAL

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



Q & A