



# INVESTOR RELATIONS 2010

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- 2010 Review
- 2010 Main Business Activities
- 2011 Outlook
- Appendices



*beyond*  
the best  
**KUMHO PETROCHEMICAL**

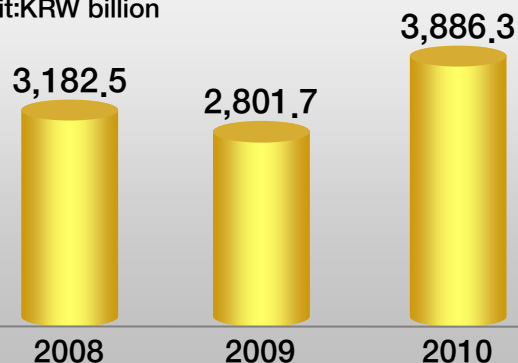
# 2010 Overview

## Sales & Operating Income

- Achieved a record sales of KRW 3,886.3 billion and operating income of KRW 359.6 billion.
- Gain on valuation of equity method investments increased due to strong earnings of affiliates, and turnaround due to one-off gains from the disposal of investment assets.

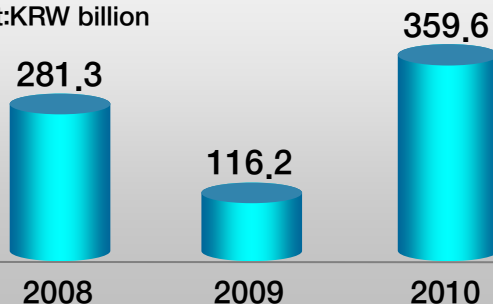
### Sales

Unit:KRW billion



### Operating Income

Unit:KRW billion



### 2010 Performance

(Unit:KRW billion)

	2009	2010	Difference	
			Cost	Ratio
S a l e s	2,801.7	3,886.3	1,084.6	38.7%
[Syn. Rubbers]	1,478.7	2,234.0	755.3	51.1%
[Syn. Resins]	1,010.2	1,220.4	210.2	20.8%
[O t h e r s]	312.8	431.9	119.1	38.1%
Operating Income	116.2	359.6	243.4	209.5%
[ % ]	4.1	9.3	5.2p	-
Income before Income Taxes	-841.8	595.1	1,436.9	Turnaround
N e t I n c o m e	-614.8	471.4	1,086.2	Turnaround
Gain/Loss on Valuation of Equity Method Investments	-733.5	145.0	878.5	Turnaround

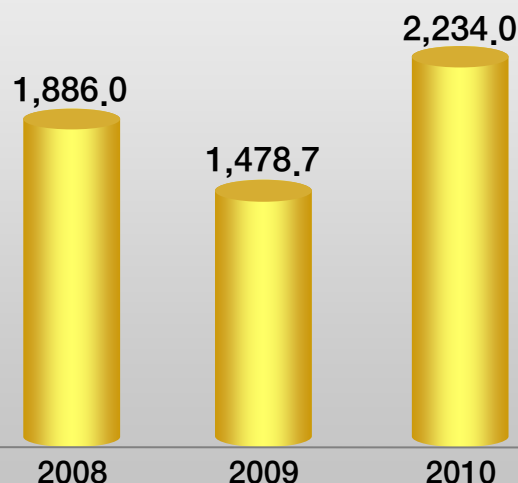
# Performance Results for Synthetic Rubbers

## Synthetic Rubbers

- Sales increased 51.1% YoY to KRW 2,234.0 billion(57.5% in total Sales).
- Expanded profitability due to increase in sales prices that reflected a surge in Natural rubber prices and tightening of supply.

### Sales

Unit:KRW billion



### Performance Analysis

- Strong BD price maintenance in 4Q due to :
  - Increasing demand of Downstream(Syn. Rubber/ABS) in Asia
- BD price changes by region

(Unit:USD/Ton)

	'10.1Q	'10.2Q	'10.3Q	'10.4Q
Asia	1,873	2,081	1,719	1,979
N. America	1,856	2,307	2,051	1,881
Europe	1,643	2,025	1,902	1,707

- Synthetic Rubbers price increase in 4Q due to :
  - Surge in Natural rubber prices and tightening of supply in Asia
  - Improvement profitability due to spread expansion between BD price and selling price

(Unit:USD/Ton)

	'10.1Q	'10.2Q	'10.3Q	'10.4Q
SBR	2,037	2,113	1,978	2,467
BR	2,521	2,745	2,615	3,201

\* Source: ICIS 2010/PLATTS 2010

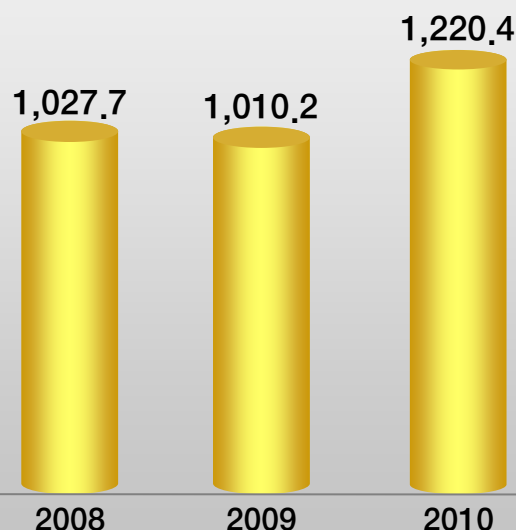
# Performance Results for Synthetic Resins

## Synthetic Resins

- Sales increased 20.8% YoY to KRW 1,220.4 billion(31.4% in total Sales).
- Improved profitability due to increase in demand from China, steady decrease in cost reduction, and increase in sales of high profit margin products.

### Sales

Unit:KRW billion



### Performance Analysis

- Strong SM price maintenance in 4Q due to :
  - Steady rising of Raw materials(Ethylene/Benzene) prices
  - Increasing demand of ABS
- SM price changes

(Unit:USD/Ton, CFR China)

	'10.1Q	'10.2Q	'10.3Q	'10.4Q
SM	1,281	1,173	1,095	1,283

- Synthetic Resins price increase in 4Q due to :
  - Tightening of supply of ABS in China and rising demand of automobile markets
  - Selling price of ABS hikes due to strong price of SM

(Unit:USD/Ton)

	'10.1Q	'10.2Q	'10.3Q	'10.4Q
PS	1,409	1,292	1,192	1,337
ABS	1,822	1,916	1,897	2,100

\* Source: PLATTS 2010

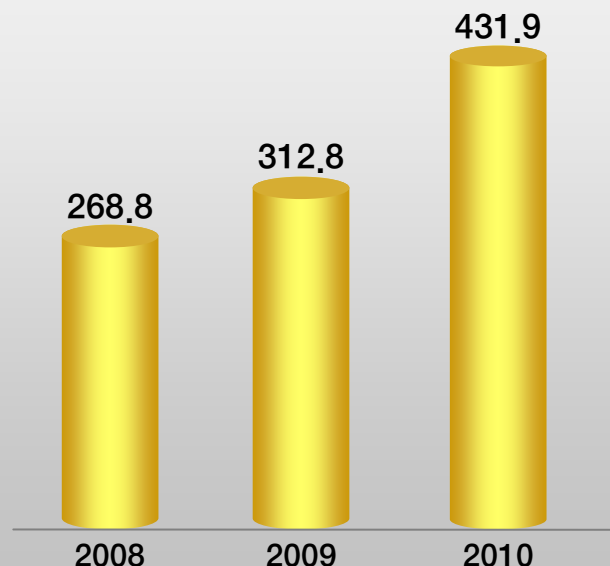
# Performance Results for Others

## Others

- Sales increased 38.1% YoY to KRW 431.9 billion(11.1% in total Sales).
- For Specialty Chemicals, established a base for market expansion after winning the Flexsys suit.
- For Combined Heat & Power Plants, expanded profitability through increasing Energy II plant's productivity and reducing manufacturing cost.

### Sales

Unit:KRW billion



### Performance Analysis

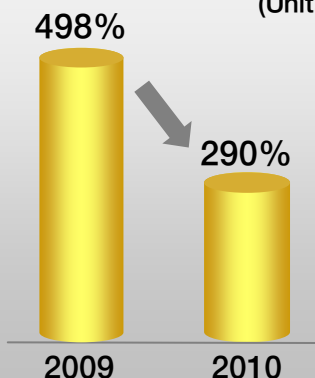
- Specialty Chemicals
  - Demand for 6PPD grew due to increasing demand of tire makers
  - Selling prices increased restrictively by cost competition
  - Established a base for market expansion after winning the Flexsys suit
- Combined Heat & Power Plants
  - Sales and operating income grew on higher demand for steam and electricity

# Financial Highlights

- Financial structure improved due to increasing in shareholders' equity by both continuous profit realization and repaying short-term debt.
- Asset turnover ratio and interest coverage ratio both improved on increased sales and operating income.

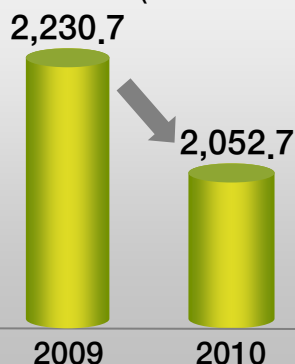
Debt to Equity Ratio

(Unit:%)



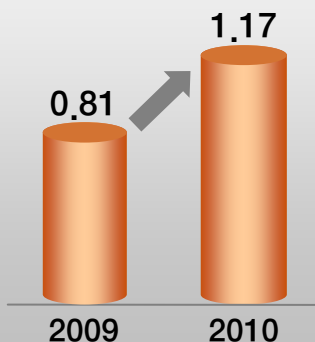
Borrowings

(Unit:KRW billion)



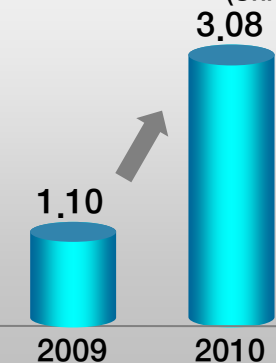
Asset Turnover Ratio

(Unit:Times)



Interest Coverage Ratio

(Unit:Fold)



	Unit	2009	2010	Difference	
				Cost	Ratio
Assets	KRW bil.	3,199.9	3,435.7	235.8	7.4%
Liabilities	KRW bil.	2,664.8	2,555.4	-109.4	-4.1%
Shareholders' Equity	KRW bil.	535.1	880.3	345.2	64.5%
Debt to Equity Ratio	%	498	290	-208p	-
Borrowings	KRW bil.	2,230.7	2,052.7	-178.0	-8.0%
Won-denominated		1,897.0	1,855.8	-41.2	-2.2%
Foreign currency-denominated		333.7	196.9	-136.8	-41.0%
Asset Turnover Ratio	Times	0.81	1.17	0.36	44.4%
Interest Coverage Ratio	Fold	1.10	3.08	1.98	180.0%



# 2010 Main Business Activities

## ● Conclusion of MOU for Company normalization plan

- Date of Conclusion : June 08, 2010
- Duration of Contract : ~ Dec 31, 2011
- Organization for MOU : Bond Bank Council(Main Bond Bank : KDB)
- Postponed Borrowings : 14 Bond Banks(KRW 1,914.1 billion)

## ● Disposal of Assets

- Disposal of Kumho Life Insurance shares(KRW 92.8 billion)
- Disposal of Asiana Airlines shares(KRW 95.2 billion)

## ● KDB-Consus Value PEF Capital commitments to Private Equity Funds

- Purpose of Investment : Debt restructuring agreements with creditors
- Conclusion of Investment : March 12, 2010
- Sum of Investment : KRW 61.8 billion

# 2010 Main Business Activities



## ● Issuance of Convertible Bond(200.0 KRW billion)

- Purpose of Issuance : Raise capital for facility investment
- Date of Subscription : May 03, 2010
- Date of Expiration : May 03, 2013
- Convertible Bond Price : 39,657won/Share
- Convert CBs to Equity : May 03, 2011 ~ May 02, 2013
- Acquiring Bank
  - KDB : KRW 169.8 billion
  - KB : KRW 18.5 billion
  - NH : KRW 11.7 billion

## ● Completion 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)
- Completion Ceremony Date : Sept. 8, 2010



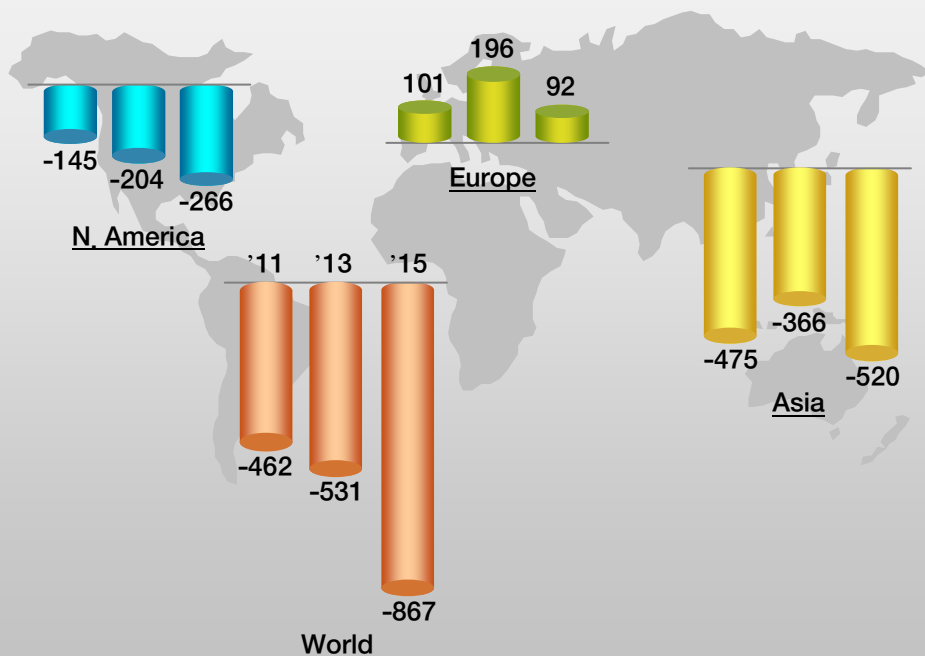
# Outlook : BD

## Supply & Demand Balance / Price

- Steady tightening of supply BD in Asia, Fluctuations in prices due to changes in balance in market supply and demand.
- BD price in the Asian region likely to be USD 2,070/Ton in 2011.

### Supply & Demand Balance of BD

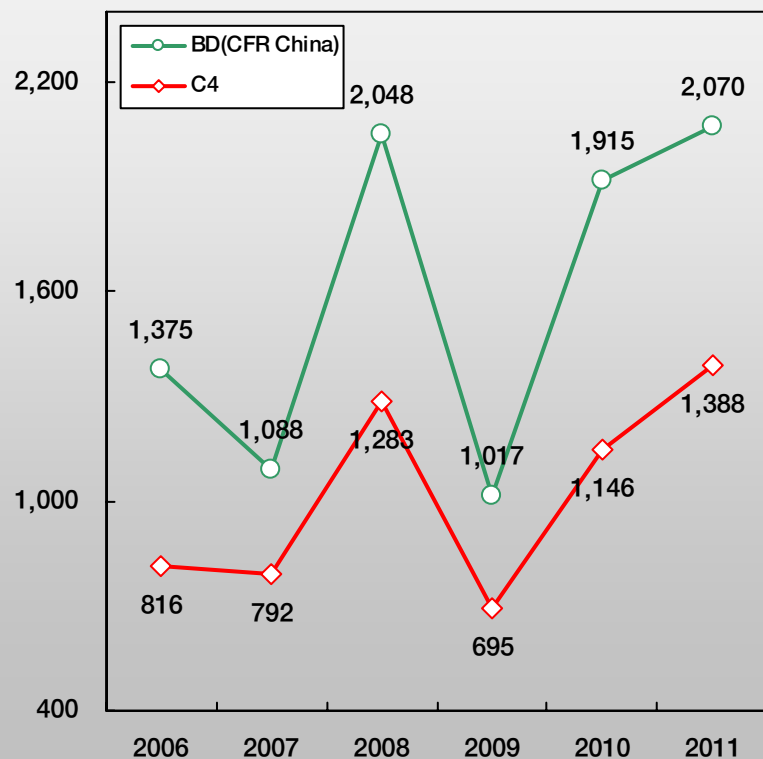
(Unit:1,000Tons/Y)



\* Source: CMAI 2010

### Price Trends of BD & C4

(Unit:USD/Ton)



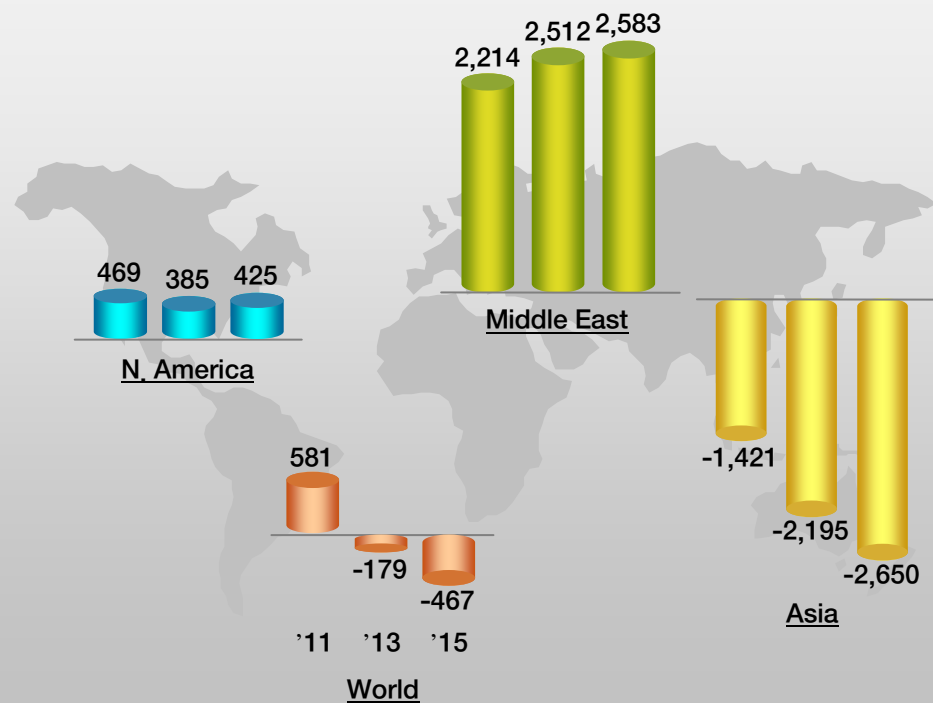
# Outlook : SM

## Supply & Demand Balance / Price

- Stable balance and in market supply and demand due to the inflow of supply from the Middle East despite tightening of SM supply from Asia.
- SM price in the Asian region likely to increase by a small margin with the price of USD 1,223/Ton in 2011.

### Supply & Demand Balance of SM

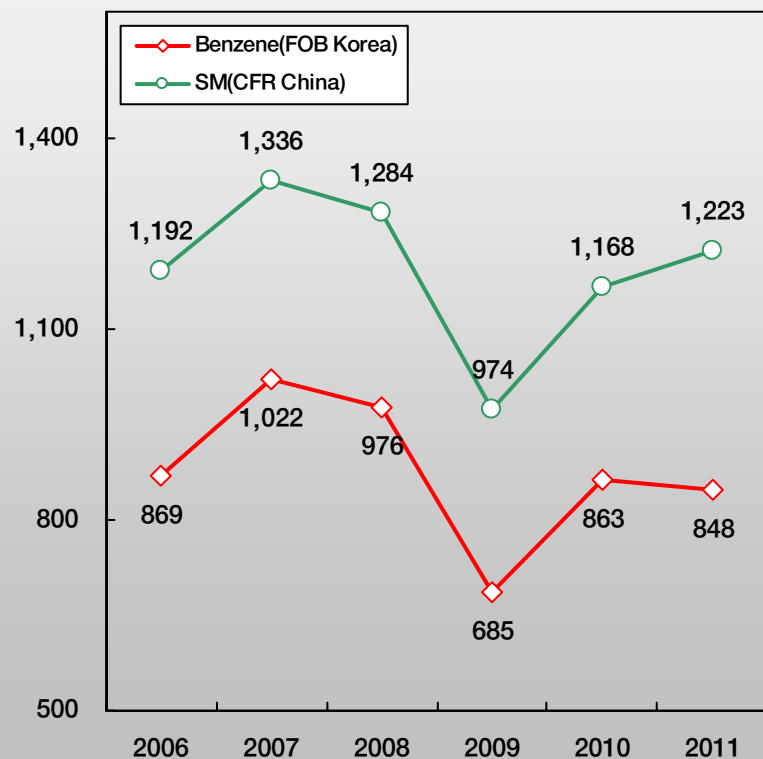
(Unit:1,000Tons/Y)



\* Source: CMAI 2010

### Price Trends of SM & Benzene

(Unit:USD/Ton)



# Outlook : Business Domains

## ● Synthetic Rubbers

- Demand and price of synthetic rubbers will increase
  - Growing demand of OE/RE tires in the China
  - Economic recovery in N. America and Europe
  - Strong natural rubber prices due to low yields and rising product costs
- Expanded sales & operating income following additional sales of Completion of Expansion HBR 12MT/Y
- Strong BD price due to Oil/Naphtha prices advance and increasing demand of Downstream

## ● Synthetic Rubbers

- Increasing demand and shortage of supply in China and shortage will continue, demand from the emerging markets to increase
- Improvement in profitability due to consolidation of Chinese marketing, diversification in export regions, development and sales of high-quality/specialized products
- Slight increase in SM price due to Oil/Naphtha prices advance and increasing demand of Downstream

## ● Others

- Specialty Chemicals
  - Increasing Sales and Improving profitability through active sales to major tire makers of N. America and Europe
- Combined Heat & Power Plants
  - Maximization of profits following optimization of management in Yeosu 1,2 Energy Plants

# Income Statement

(Unit:KRW billion)

	2009	2010					Difference	
		1Q	2Q	3Q	4Q	Total	Cost	Ratio
Sales	2,801.7	886.5	970.4	1,007.2	1,022.2	3,886.3	1,084.6	38.7%
Operating Income	116.2	65.0	98.5	90.8	105.3	359.6	243.4	209.5%
<i>(Operating Margin)</i>	<i>4.1%</i>	<i>7.3%</i>	<i>10.2%</i>	<i>9.0%</i>	<i>10.3%</i>	<i>9.3%</i>	<i>5.2%p</i>	-
Net Interest Expense	105.6	29.2	28.5	29.6	29.5	116.8	11.2	10.6%
Gain/Loss on Valuation of Equity Method Investments	-733.5	13.4	25.9	49.9	55.8	145.0	878.5	Turnaround
Income before Income Taxes	-841.8	104.2	73.9	124.7	292.3	595.1	1,436.9	Turnaround
<i>(Ordinary Income Margin)</i>	<i>-30.0%</i>	<i>11.8%</i>	<i>7.6%</i>	<i>12.4%</i>	<i>28.6%</i>	<i>15.3%</i>	<i>45.3%p</i>	-
Net Income	-614.8	84.1	55.4	95.6	236.3	471.4	1,086.2	Turnaround
<i>(Net Income Margin)</i>	<i>-21.9%</i>	<i>9.5%</i>	<i>5.7%</i>	<i>9.5%</i>	<i>23.1%</i>	<i>12.1%</i>	<i>34.0%p</i>	-

# Balance Sheet

(Unit:KRW billion)

	2010 (A)	2009 (B)	2008 (C)	Difference	
				YoY(2009) (A-B)	YoY(2008) (A-C)
1. Current Assets	890.5	775.8	783.3	114.7	107.2
- Cash	106.8	77.2	12.1	29.6	94.7
2. Non-Current Assets	2,545.2	2,424.1	2,931.5	121.1	-386.3
Total Assets	3,435.7	3,199.9	3,714.8	235.8	-279.1
1. Current Liabilities	1,694.9	2,058.8	1,117.0	-363.9	577.9
2. Non-Current Liabilities	860.5	606.0	1,434.7	254.5	-574.2
■ Interest Bearing Liabilities	2,052.7	2,230.7	1,971.5	-178.0	81.2
- Short-Term Debts	1,201.5	1,645.6	661.1	-444.1	540.4
- Long-Term Debts	851.2	585.1	1,310.4	266.1	-459.2
■ Non-Interest Bearing Liabilities	502.7	434.1	580.2	68.6	-77.5
Total Liabilities	2,555.4	2,664.8	2,551.7	-109.4	-3.7
1. Common & Preferred Stock	142.2	142.2	142.2	-	-
Total Shareholder Equity	880.3	535.1	1,163.1	345.2	-282.8
Net Debt Ratio	56.6%	67.3%	52.7%	-10.7%p	3.9%p
Long-Term Debts to Total Debts Ratio	41.5%	26.2%	66.5%	15.3%p	-25.0%p
Current Ratio	52.5%	37.7%	70.1%	14.8%p	-17.6%p
Total Liabilities to Equity Ratio	290.3%	498.0%	219.4%	-207.7%p	70.9%p

# Cash Flow

(Unit:KRW billion)

	2010 (A)	2009 (B)	2008 (C)	Difference	
				YoY(2009) (A-B)	YoY(2008) (A-C)
Cash flow from operating activities	253.2	278.1	-37.3	-24.9	290.5
- Net Income	471.4	-614.8	-19.7	1,086.2	491.1
- Depreciation/Retirement allowance	116.6	112.7	81.5	3.9	35.1
- Others	-334.8	780.2	-99.1	-1,115.0	-235.7
Cash flow from investing activities	-52.8	-465.9	-381.0	413.1	328.2
- Tangible assets	-174.9	-263.7	-334.8	88.8	159.9
- Others	122.1	-202.2	-46.2	324.3	168.3
Cash flow from financing activities	-170.8	252.9	419.0	-423.7	-589.8
- Borrowings	-170.8	270.2	436.3	-441.0	-607.1
- Treasury stock/Dividends	-	-17.3	-17.3	17.3	17.3
- Others	-	-	-	-	-
Net Cash Flow	29.6	65.1	0.7	-35.5	28.9



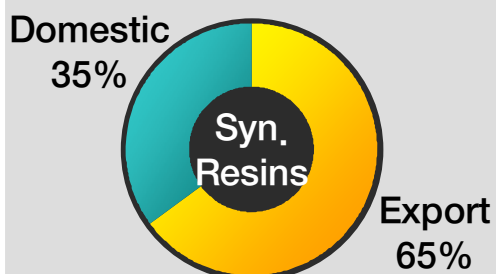
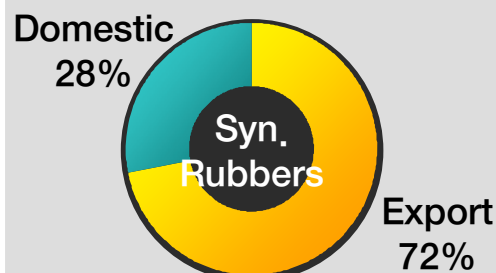
# Production Capacity

	Product	Capa.	Unit	Note
Synthetic Rubbers	SBR	481,000	MT/Y	Completion of Expansion : 120,000MT/Y(Yeosu), Jan. 2011
	HBR	287,000		
	LBR	55,000		
	NBR	50,000		
	HSR	10,000		
	SB Latex	70,000		
	SBS	70,000		
	<b>Total</b>	<b>1,023,000</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 Plants	Steam	1,130	T/H	
	Electricity	186	MWH	
BD	Ulsan Plant	90,000	MT/Y	
	Yeosu Plant	147,000		
	<b>Total</b>	<b>237,000</b>		

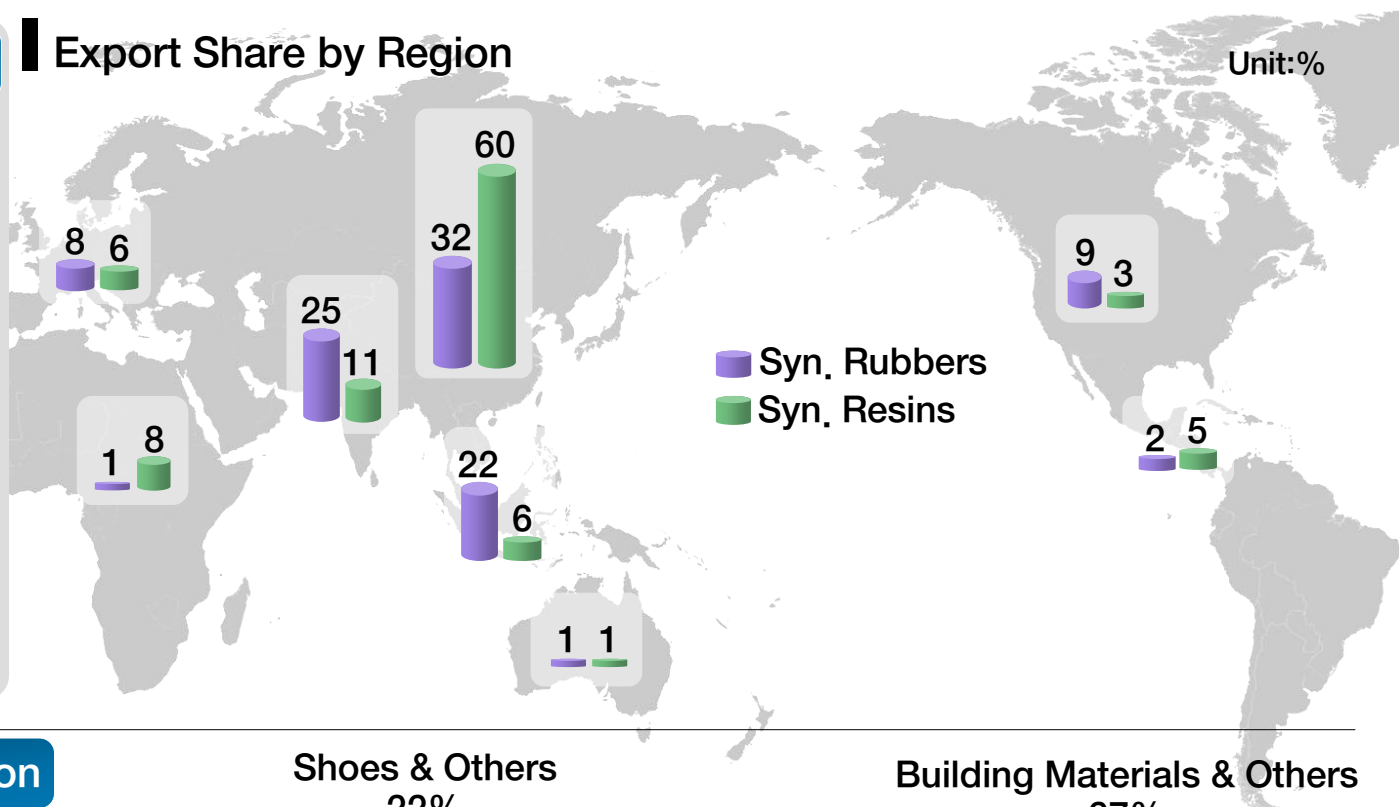
# Sales Status

## Sales by Region & Application

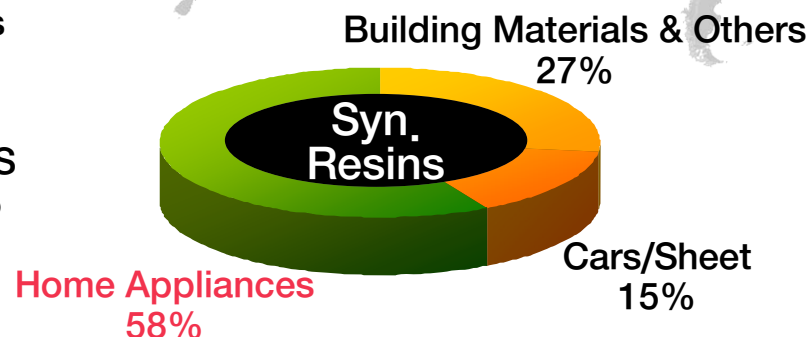
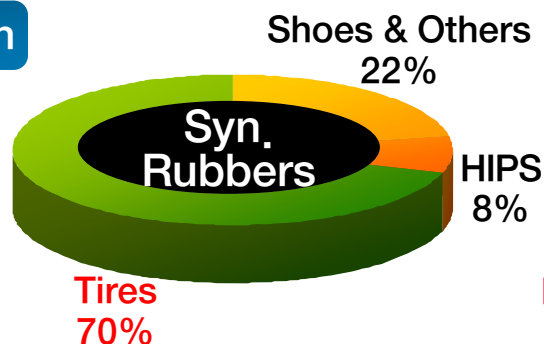
### 2010 Sales Breakdown



### Export Share by Region

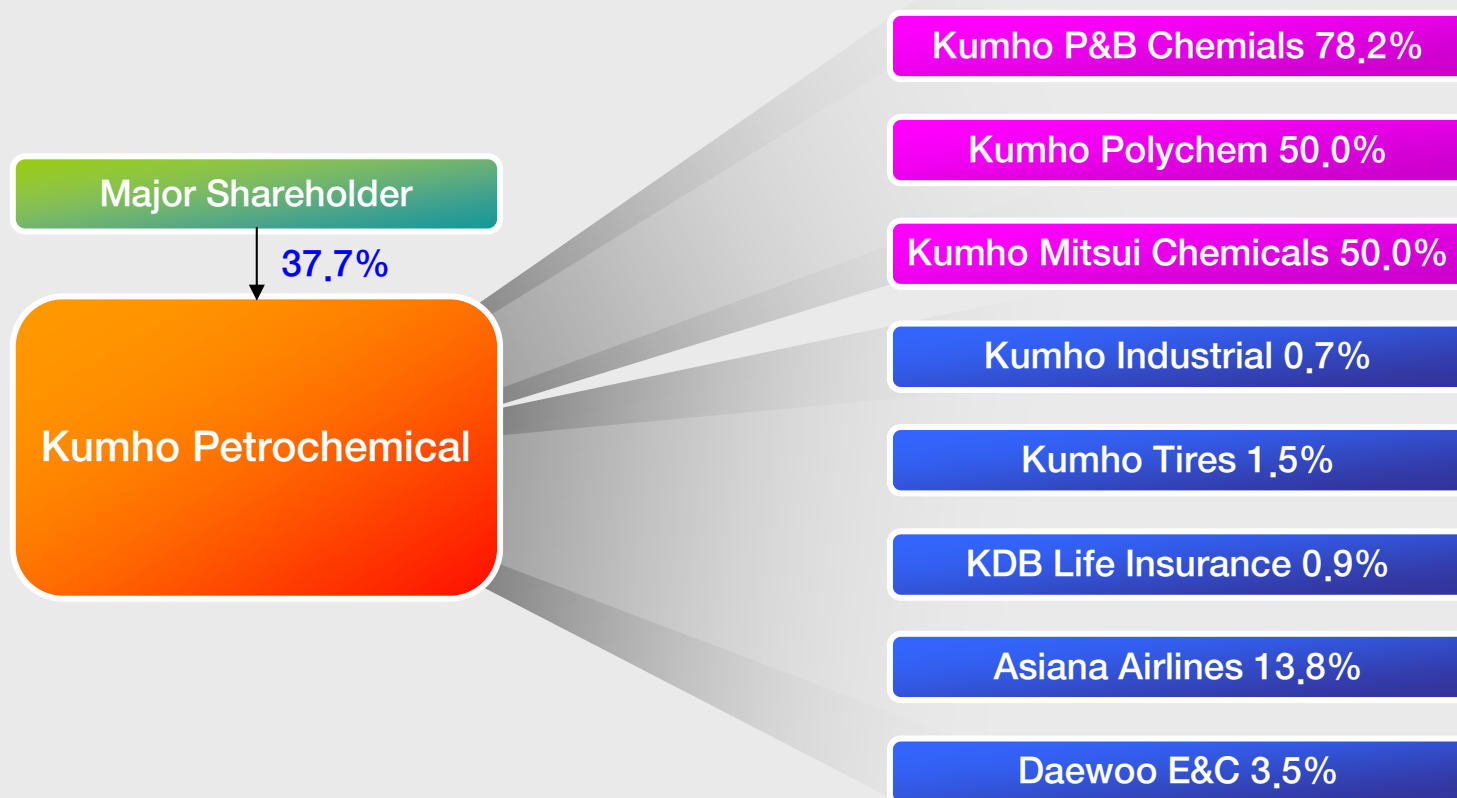


### Sales Share by Application



# Investments in affiliates

※ As of Feb.28, 2011,  
Based on common shares



**Q & A**