

Kumho Petrochemical Value-up Plan

2025.02

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01. Company Overview

- ① General Overview
- ② Business Overview

① General Overview

Company Overview

Name	Kumho Petrochemical Co.
Founded	December 28, 1970
Listing Date	January 22, 1988
Address	100 Cheonggyecheon-ro, Jung-gu, Seoul
CEO	Jong-hoon Baek
Industry	Synthetic Rubber, Synthetic Resin, Chemicals, Energy, etc.
Number of Shares Issued	30,358,073 Shares Common 27,334,587 Preferred 3,023,486
Market Cap	3.64 Trillion Won (As of 2024.09.30)
Credit Rating	A+ (Corporate Bond Rating) (As of 24.03.21)

Key Events

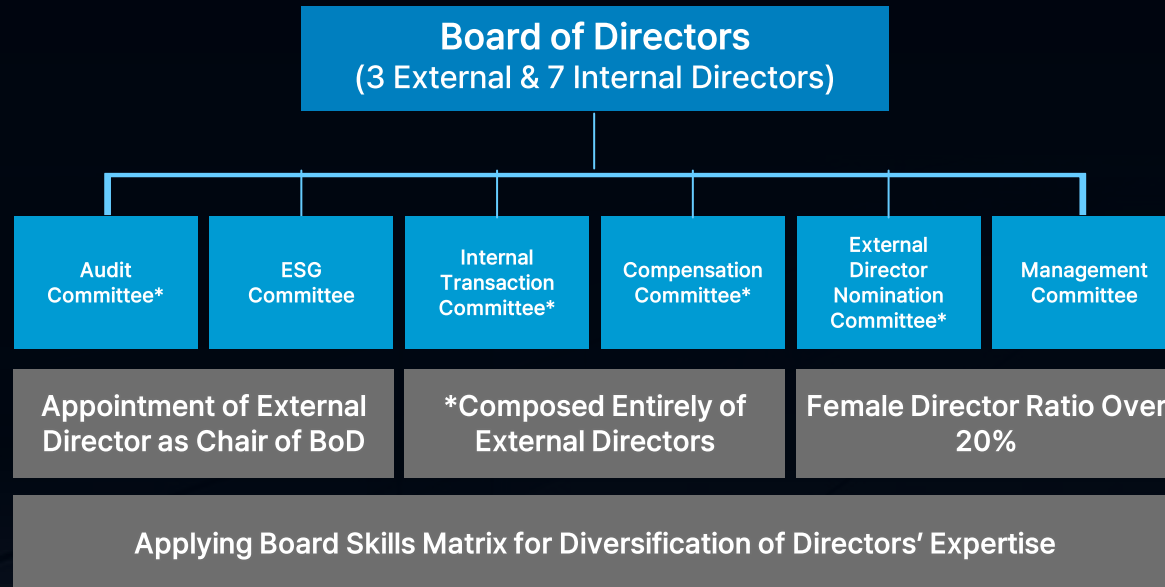
- 1970 ● Established Korea Synthetic Rubber Industries Co., Ltd
- 1976 ● Established Kumho P&B Chemicals, Inc.
- 1985 ● Established Kumho Polychem Co., Ltd
- 1985 ● Merged Korea Synthetic Rubber Industries Co., Ltd and Kumho Chemicals Co., Ltd and changed its name to Kumho Petrochemical Co., Ltd
- 1987 ● Listed on the Korea Stock Exchange (IPO)
- 1989 ● Established Kumho Mitsui Chemicals, Inc.
- 2001 ● Merged and acquired Kumho Chemicals, Inc. (Synthetic Rubber)
- 2002 ● Merged and acquired Kumho Monsanto Co., Ltd (Specialty Chemicals)
- 2010 ● Voluntary Agreement, Separate Management (Kumho Asiana → Kumho Petrochemical)
- 2012 ● Voluntary Agreement Completion
- 2018 ● Acquisition of Kumho P&B Chemicals, Inc.
- 2021 ● Acquisition of Kumho Polychem Co., Ltd and Kumho Resort Co., Ltd

① General Overview

Vision



Current Board of Directors



Key Financial Information

(Unit: KRW in 100M)

	FY20	FY21	FY22	FY23	FY24 Q3
Revenue	48,095	84,618	79,756	63,225	53,479
Operating Profit	7,422	24,068	11,473	3,590	2,628
EBITDA	9,151	26,051	13,797	5,984	4,546
Net Income	5,830	19,656	10,201	4,470	2,873
Assets	50,273	81,340	77,174	79,797	81,761
Liabilities	18,780	30,009	20,381	21,457	22,021
Equity	31,493	51,331	56,793	58,340	59,740
Credit Rating	A	A+	A+	A+	A+

(Based on Consolidated Financial Statements, Cumulative Basis for Q3 2024)

② Business Overview

Synthetic Rubber



- Leads in production, quality, and R&D in the synthetic rubber sector, including SBR, BR, NB Latex, and EPDM
- Production and sale of high-performing synthetic rubber products (SSBR, NdBR)
- Key Products: NB Latex, SBR, BR, EPDM, SSBR, NdBR, SBS, etc.

Sales Proportion

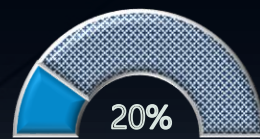


Synthetic Resin



- Synthetic resin production using basic petrochemical materials
- Expansion of high performing, high value products such as eco-friendly compound materials and plastic
- Key Products: ABS, PS, EPS, PPG, etc.

Sales Proportion



Specialty Chemicals



- Production and sale of key industrial materials and chemical products such as BPA, phenol, and epoxy
- Develop eco-friendly alternative materials and lead construction technology globally
- Key Products: BPA, phenol, epoxy, acetone, antioxidants, paint additives, etc.

Sales Proportion

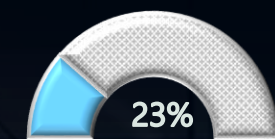


Others



- Energy: Production of steam and electricity through cogeneration power plants
- Building Materials: Sale of low-carbon certified materials under the 'Hugreen' brand
- Others: Port unloading, resorts/golf course operation, solar/wind power generators, etc.

Sales Proportion



02. Business Status

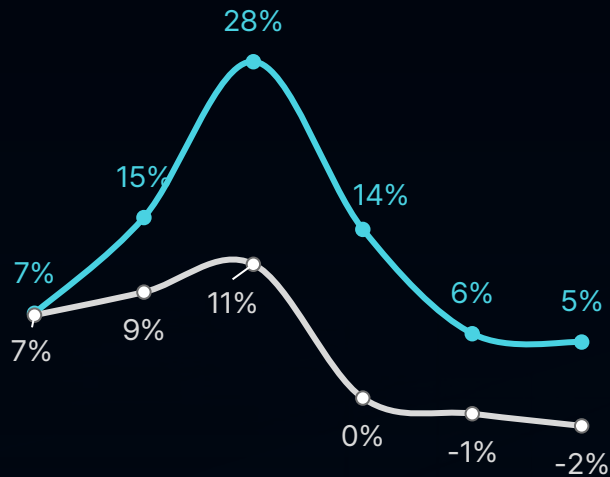
- ① Key Financial Metrics
- ② Shareholder Return Policy

① Key Financial Metrics

Despite the slow economic downturn in the petrochemical industry, we were able to maintain a good operating profit ratio and a stable financial structure compared to peer companies through strong core businesses and improving our portfolio

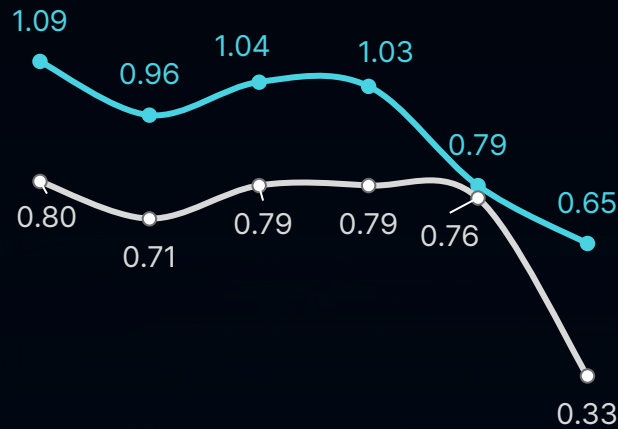
Operating Profit Ratio

Although favorable compared to our peers, declining trend continues due to the economic downturn since 2021



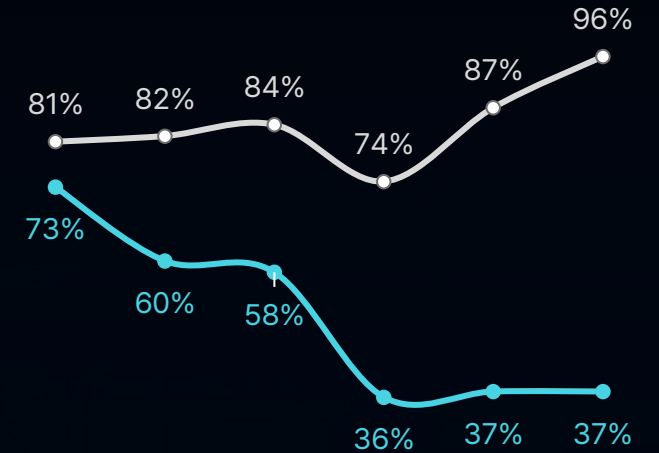
Asset Turnover Ratio

Maintained a consistently favorable level compared to peer companies



Debt Ratio

Secured financial stability despite economic downturn



— Kumho Petrochemical — Peer Average

— Kumho Petrochemical — Peer Average

— Kumho Petrochemical — Peer Average

• Operating Profit Ratio (Operating Efficiency) = Operating Profit / Total Revenue

• Total Asset Turnover = Total Revenue / Average Total Assets

• Debt Ratio = Total Liabilities / Total Equity

• Source: DART Public Disclosure

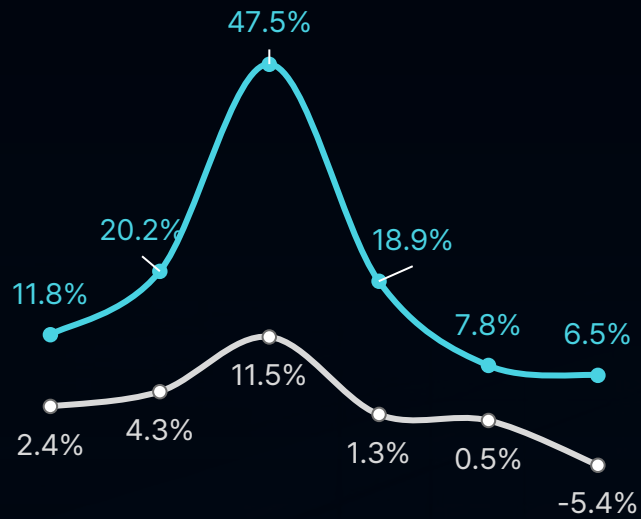
• Peer Companies: 4 Comprehensive Chemical Companies – LG Chemical, Lotte Chemical, Hanwha Solutions, Korea Petrochemical Ind. Co. ((Operating profit margin reflects LG Chemical and Lotte Chemical)

① Key Financial Metrics

We were able to maintain a high ROE compared to peer companies due to stable profit structures centered on high-value products, but still need to meet market expectations for future growth

ROE

Maintained a high ROE compared to peer companies attributed to stable profit structures

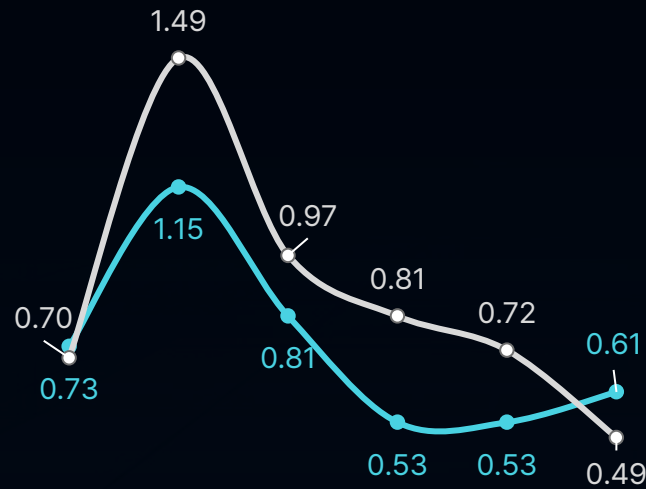


● Kumho Petrochemical ● Peer Average

• Return on Equity (ROE) = Net Income / Average Equity (Annualized for 3Q)

PBR

Market undervaluation on potential business growth

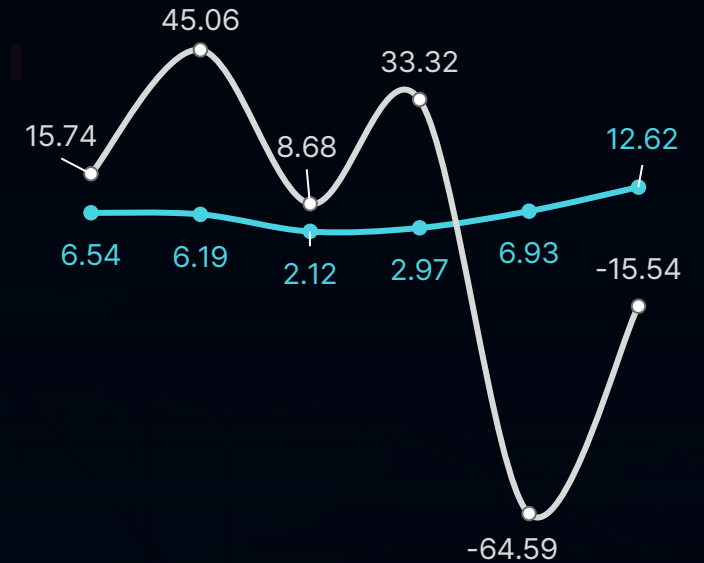


● Kumho Petrochemical ● Peer Average

• Price-to-Book Ratio (PBR) = Stock Price / Book Value per Share (BPS)

PER

Need for improvement on stability or growth potential



● Kumho Petrochemical ● Peer Average

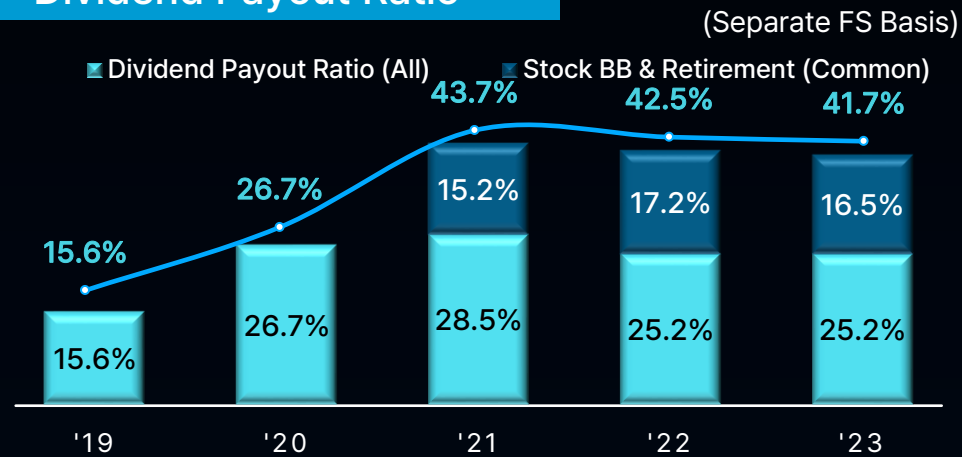
• Price-to-Earnings Ratio (PER) = Stock Price / Earnings per Share (EPS)

• Source: DART Public Disclosure

• Peer Companies: 4 Comprehensive Chemical Companies – LG Chemical, Lotte Chemical, Hanwha Solutions, Korea Petrochemical Ind. Co. ((Operating profit margin reflects LG Chemical and Lotte Chemical)

② Shareholder Return Policy

Shareholder Return and Dividend Payout Ratio



Extent of Shareholder Returns



Shareholder Return Status

✓ Current Shareholder Policy (FY21~FY23)

Set shareholder return rate at **25~35% of net income based on separate financial statement (FS)**

- ① Maintain 20~25% dividend payout ratio
- ② Retire/Buyback (BB) stocks equivalent to 5~10% of net income based on separate FS

📌 Implement shareholder return policy for the next 3 years

✓ Implement Shareholder Value-Up Policy

- Retire 50% shares over the next 3 years
- Retired 875,000 treasury shares in March 2024

03. Goal Setting

- ① Metric Selection
- ② Value-up Goals

① Metric Selection

In response to the prolonged downturn in the petrochemical industry, it is crucial to focus on financial soundness while actively preparing to secure a competitive and sustainable growth foundation.

- Promote sustainable growth through investment in existing core businesses and pursue stable and predictable shareholder returns based on enhanced quantitative and qualitative profitability.

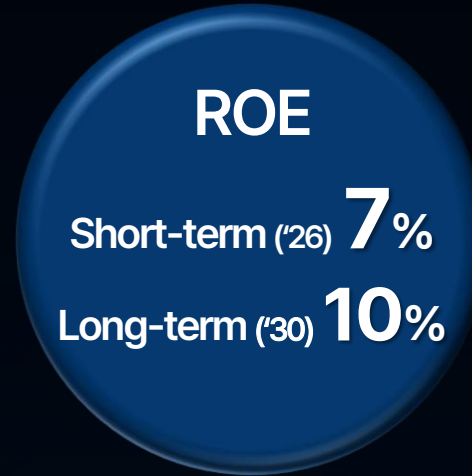


② Value-up Goals

*beyond
the best* KUMHO
PETROCHEMICAL



Future Growth
Active Investments
External Growth



Profit Improvements
Capital Management Efficiency



Enhance Shareholder
Value Through Growth

04. Action Plans

- ① Mid to Long Term Growth Strategy
- ② Planning

① Mid to Long Term Growth Strategy

Risk Factors

- Delay in global demand recovery and oil price volatility
- China's production rate increases & Middle East companies entering the petrochemical industry
- Expanding environmental regulations → Increased pressure to invest in eco-friendly technologies

Opportunity

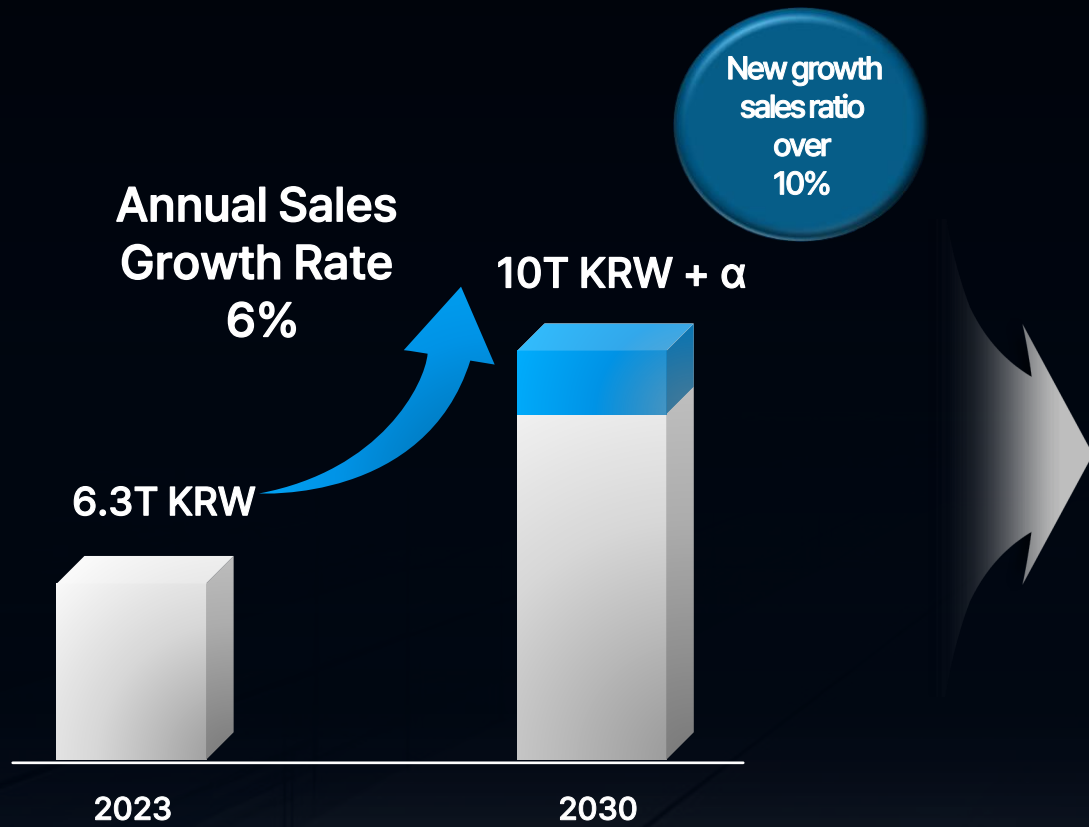
- Increasing interest in eco-friendly (recycle, bio) products
- Prospects entering the petrochemical industry increases demand for petrochemical products
- Accelerating development of technologies in response to climate change

Mid to Long Term Growth Strategy



② Planning_Sales Growth Rate

Through the 3 major growth strategies, our existing business structure will improve and secure new growth drivers → Lead to securing a foundation for sustainable growth



- 1** Strengthen eco-friendly automobile solutions

Focus on developing materials related to electrical vehicles (EV)
- 2** Expand bio/sustainable materials

Enhance sustainability by producing eco-friendly/bio products in response to climate change
- 3** Transition to high-value, specialty products

Continuous efforts to secure growth drivers by producing high-value materials and actively pursuing M&A with related businesses

② Planning_Sales Growth Rate

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5. Communication

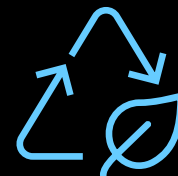
Strengthen eco-friendly automobile solutions

- **High-performing products for electric vehicles (EV)**
 - Amplify next-generation synthetic rubber tires and strengthen partnerships with major tire production companies
 - Enhance EV driving experience (noise, comfort) and manufacture lightweight materials (EPDM, ABS, EP etc)
- **Develop solid-state battery related products**
- **Grow momentum through M&A with related business and investments in future startup prospects**



Expand bio/sustainable materials

- **Recycled / bio materials**
 - Develop recycled plastic products (PCR, RSM, etc.) and bio-balanced products
 - Establish a vibrant economy by recycling waste tires (pyrolysis)
- Lay a foundation for low carbon fuel conversions and **CCUS projects**
- Increase investments in renewable energy (solar and wind power projects)



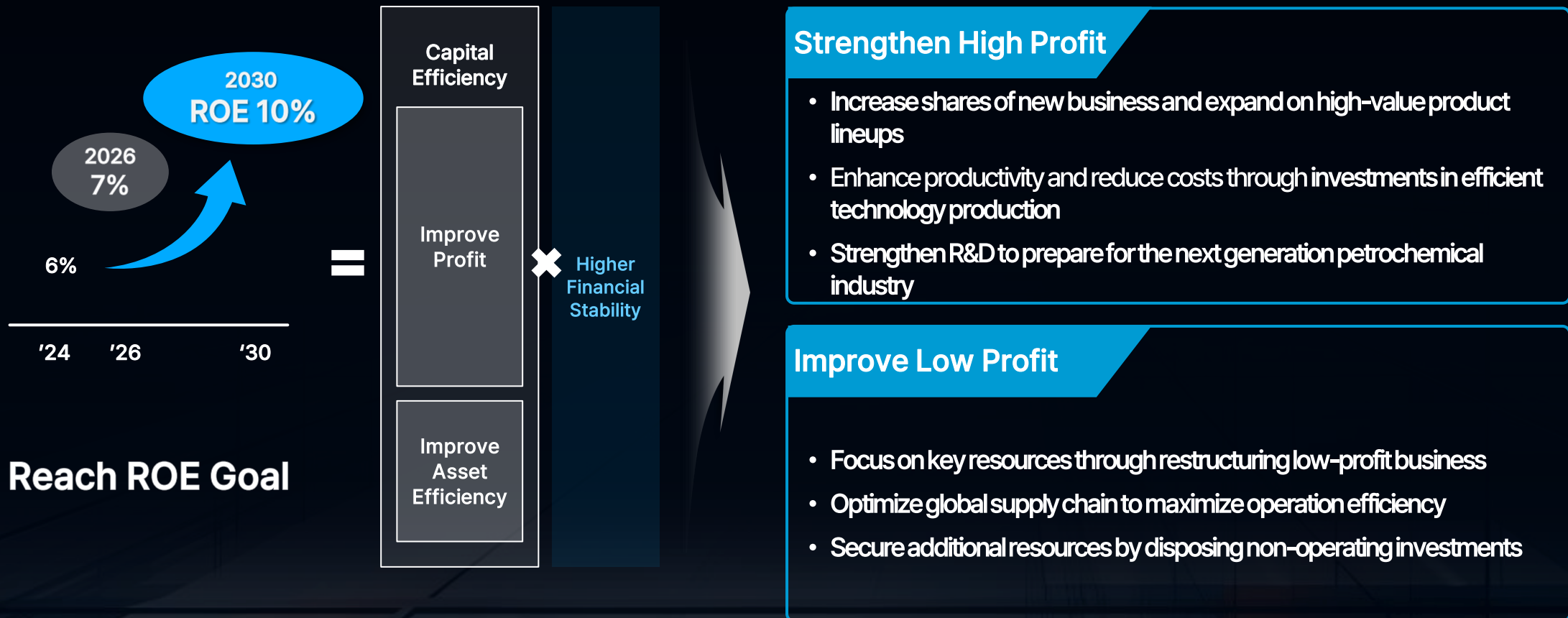
Transition to high-value, specialty products

- Strengthen market responsiveness through conversion from **general** → **high-value products**
- **Maintain global top tier position for NB latex** and enhance technological competitiveness
- **Focus on epoxy becoming top 5 in the global industry**
 - Complete vertical integration for phenol chain and develop environmentally friendly and high-value epoxy
- Create new markets and **maximize group synergies** through active M&A considerations



② Planning_ROE

By improving our business portfolio and optimizing resource allocation, we can enhance our capital efficiency and strengthen our financial stability

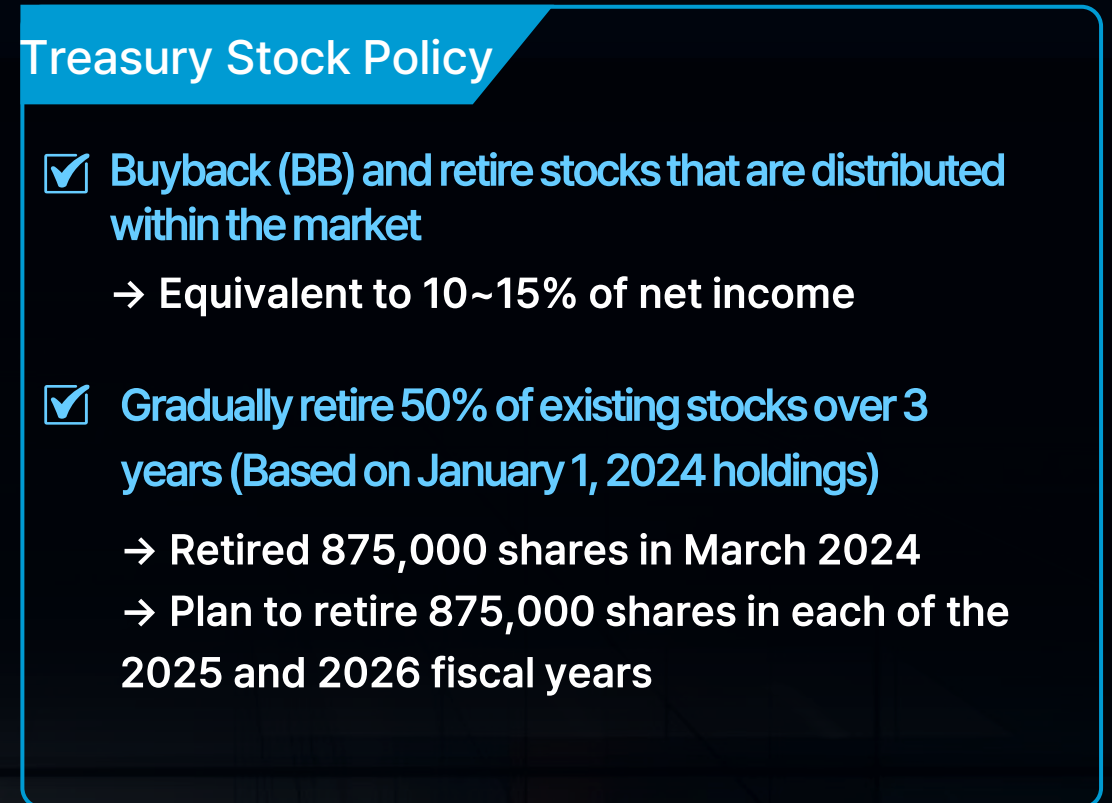
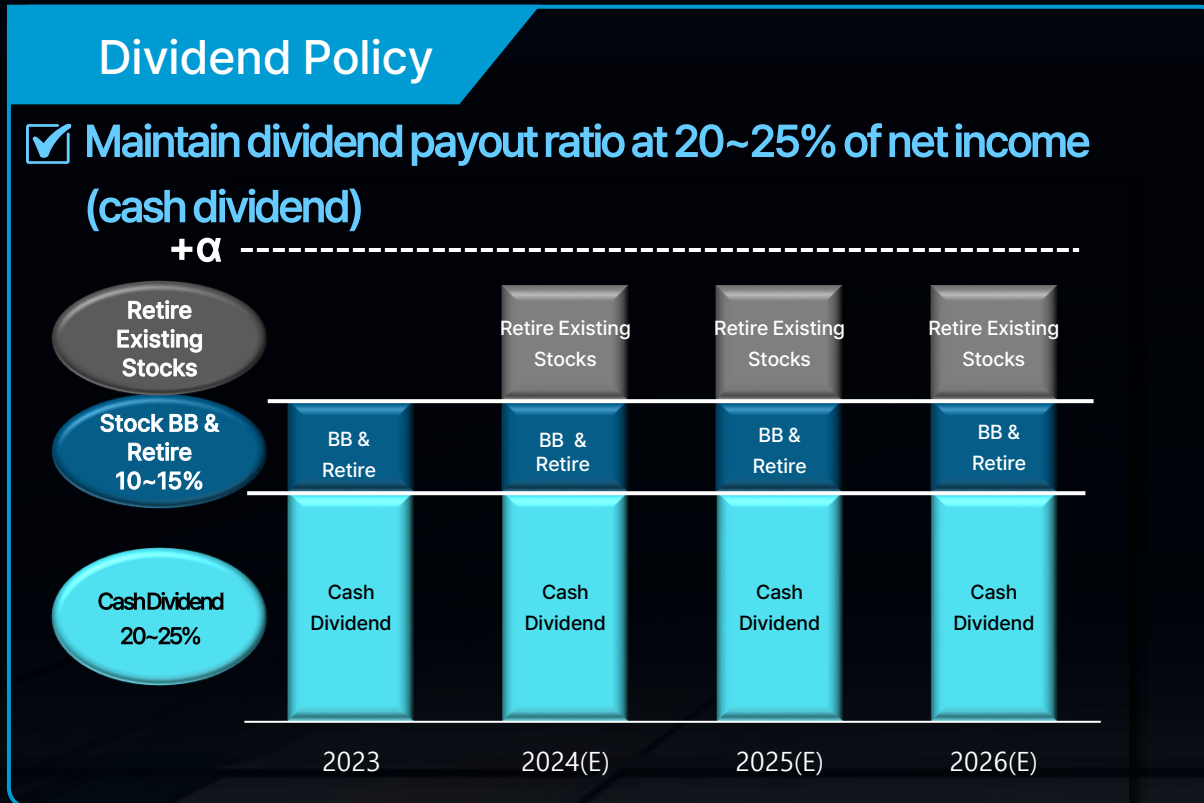


② Planning_Shareholder Return Rate

Implement New Shareholder Return Policy (FY24~FY26)

→ **Maintain shareholder return rate at 30~40% of net income based on separate FS**

(Increase total shareholder return rate by implementing dividend and treasury stock policies)



05. Communication

Maximize long-term shareholder value by diversifying investor communication methods and expanding investor access to information

Diversify Communication Methods

✓ Regular Activities

- ✓ Business reports including disclosures (Quarterly / Semi-Annual)
- ✓ Conduct quarterly earnings presentations and NDR

✓ Ongoing Activities

- ✓ Meetings and conference calls conducted with domestic and international investors
- ✓ Participate in IR conferences
- ✓ Site tours and provide analysis for domestic and international investors
- ✓ Chairman's opinions to shareholders
 - Communication on management status, key business strategies, and shareholder return policies

Increase Investor Access to Information

✓ Regular Activities

- ✓ Include Korean and English public disclosures
- ✓ Provide detailed shareholders' meeting notes in Korean and English
- ✓ Disclose corporate value-up plans

✓ Provide ESG Information and Provisions

- ✓ Sustainability report publication
- ✓ Disclose ESG policies and guidelines

✓ Disclose Major Issues

- ✓ Actively disclose related information on the company website

Highlights of Value-up Plan

Revenue Growth · Improve ROE · Shareholder Return Rate

Enhance Corporate Value through Goal Achievements

Revenue
Growth Rate

6%

ROE

'26 **7%**,
'30 **10%**

Shareholder
Return Rate

40%

('24~'26, Separate FS)

Held Treasury
Stocks

50%

3-Year Retirement
Plan

beyond

the best

KUMHO
PETROCHEMICAL