

Dear Shareholders,

On behalf of the Board of Directors, I would like to thank you for your continued trust and support of Kumho Petrochemical.

At the Annual General Meeting in March, the Board reappointed Inside Director Park Jun-Kyung and Independent Directors Park Sang-Soo, Kwon Tae-Kyun, and Lee Jee-Yoon. We also welcomed a new Independent Director, Min Se-jin, whose expertise in economics, finance, public policy, and corporate governance further strengthens the Board's oversight capabilities. With this appointment, the Board now includes three female directors, marking an important step in strengthening gender diversity.

This letter provides an overview of the Board's key actions and outcomes during the first half of 2025 and outlines our priorities for the remainder of the year. For further insight into our sustainability initiatives, I invite you to review our 2024 Sustainability Report, which was published in May.

Business Performance and Outlook

In the first half of 2025, Kumho Petrochemical reported revenue of KRW 3.68 trillion and operating profit of KRW 185.8 billion, despite persistent global economic uncertainty and volatile raw material prices. Although U.S. tariffs weighed on demand, performance improved compared to the second half of last year, driven by a stronger sales mix of high value-added products, disciplined cost control, and gains in production efficiency.

The petrochemical sector is expected to remain under pressure in the second half of 2025, with excess supply, muted demand, and tariff burdens weighing on the market. In response, the Korean government and leading domestic companies are reviewing broad restructuring measures, which may include large-scale business reorganization and a reduction of up to 3.7 million metric tons of naphtha cracking center (NCC) capacity.

Amid these headwinds, we are expanding sales of high value-added products and improving NB Latex profitability to ensure stable growth. Our newly expanded 70,000-ton EPDM facility, completed earlier this year, is enhancing our competitive position, and by year-end we expect to add further capacity for high-performance SSBR used in electric-vehicle tires, increasing the share of higher-margin products in our portfolio. At the same time, we are accelerating the commercialization of next-generation EV-grade SSBR and high-elongation NB Latex, while intensifying research and development in bio-based, eco-friendly, and specialty products that will support long-term growth.

Climate Change

We remain firmly committed to achieving net-zero greenhouse gas emissions by 2050, guided by a detailed roadmap with interim targets through 2030. In 2024, our total emissions amounted to 3.31 million metric tons, representing a reduction of 150,000 metric tons ahead of our target of 3.46 million. This progress reflects initiatives implemented across major sites, including waste-heat recovery for steam utilization, process-efficiency improvements, increased biomass co-firing at the Yeosu energy facility, energy-saving programs, the expansion of our zero-emission vehicle fleet, and greater on-site renewable energy generation. Alongside Scope 1 and Scope 2 reductions, we are strengthening emissions accounting to identify additional opportunities to reduce Scope 3 emissions.

To advance our ESG management framework, we introduced an internal carbon pricing system in 2025. The methodology was finalized in March and rolled out in July, embedding sensitivity and materiality by investment type into project economics. As the system is in its early stages, we are coupling the rollout with internal training and ongoing refinements to ensure effective adoption. At the same time, we closely monitor global carbon markets and evolving emissions-trading policies at home and abroad, incorporating these insights into our decision-making processes.

Natural Capital

Our commitment extends beyond climate to the broader stewardship of natural capital. In 2024, we undertook a structured assessment of how our operations interact with ecosystems by mapping value-chain industries under the International Standard Industrial Classification (ISIC) and applying the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) framework. This analysis covered the five principal drivers of biodiversity and ecosystem change across 13 impact categories, as well as dependencies across 25 ecosystem service categories. The findings provide a more quantitative and transparent picture of our environmental impacts and dependencies, forming the basis for systematic risk management.

Building on these insights, we continue to advance community-based conservation initiatives, such as preserving green spaces near production sites, organizing “Adopt-a-Beach” cleanups, and supporting projects to protect endangered species, including the *Asplenium antiquum*. We remain committed to fulfilling our social responsibilities and promoting coexistence with nature.

Human Rights and Supply Chain Management

Starting in 2025, we will expand our human rights impact assessments—previously limited to selected sites—to cover all operating locations. We are also evaluating public disclosure of the results to enhance transparency and strengthen our risk-management framework.

In May, we completed ESG self-assessments covering 140 suppliers, and since August we have been conducting independent third-party evaluations for 14 of them. At the same time, we continue to provide training and consulting programs to help our partners strengthen their capabilities in sustainable management and to ensure that ESG principles are embedded consistently throughout the supply chain.

Corporate Governance

Kumho Petrochemical introduced a Board evaluation program in 2023, guided by detailed evaluation guidelines, to enhance transparency and independence in Board operations. Since 2024, evaluations have been conducted annually, with the results directly informing decisions on director compensation and reappointment.

As of August 2025, the Board and its committees have convened 19 times. Key agenda items included the approval of share repurchases and cancellations, review of corporate value enhancement initiatives, and approval of updates to ESG policies and guidelines. During the first half of the year, the Board also reviewed medium- to long-term R&D strategies and introduced industry and product training for newly appointed directors, further strengthening the Board’s expertise.

We are also mindful of recent amendments to the Korean Commercial Act, including expanded fiduciary duties, stricter audit-committee requirements, introduction of cumulative voting, and the separate election of audit-committee members. In response, we have organized Board trainings and seminars to assess implications and refine internal processes. We remain committed to enhancing transparency, independence, and accountability in Board operations to ensure responsible governance and sustainable value creation.

Shareholder Returns

Enhancing shareholder value remains a central priority for the Board. In February, we announced a shareholder return policy for 2024–2026, introduced in tandem with our corporate-value enhancement plan. Under this policy, we are targeting a total shareholder return ratio of 40%, comprising a dividend payout of 20–25% of standalone net profit and expanded share repurchases and cancellations of 10–15%, up from the previous 5–10%.

In line with these commitments, we distributed cash dividends of approximately KRW 57.3 billion earlier this year. On July 25, we completed a KRW 50 billion share repurchase, with all repurchased shares scheduled for cancellation on September 26. In addition, under the three-year cancellation plan (2024–2026) announced last year, we canceled 875,000 common shares in March, representing the second year of a total planned cancellation of 2,624,417 shares.

Looking ahead, we will continue to enhance the predictability of our dividend policy and actively pursue additional return measures, including further buybacks and cancellations. Within a disciplined capital-allocation framework—balancing investment in growth with steady returns—we are committed to building a more competitive global business, delivering sustainable growth, and creating long-term value for shareholders.

On behalf of the Board, I thank you once again for your trust and confidence. We remain focused on disciplined growth, transparent governance, and consistent shareholder returns, while strengthening the foundations for enduring value creation. We look forward to meeting you at the upcoming Annual General Meeting.

Thank you.

September 2025

Chair of the Board of Directors

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