

Mid/Long-term Growth Strategy for Sustainable Business Management

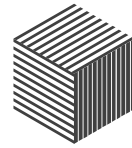
KUMHO
PETROCHEMICAL

Mar. 08, 2022





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Performance Highlights/ Outlook



Mid/long-term growth strategy



Shareholders policy

Kumho delivered record performances in FY21 thanks to its ongoing efforts to switch to green/high-value products

Strategic Focus

Intensive investment in strategic products

- Maintain global no.1 position in NB-Latex
- Develop materials wind power generation materials (Epoxy)

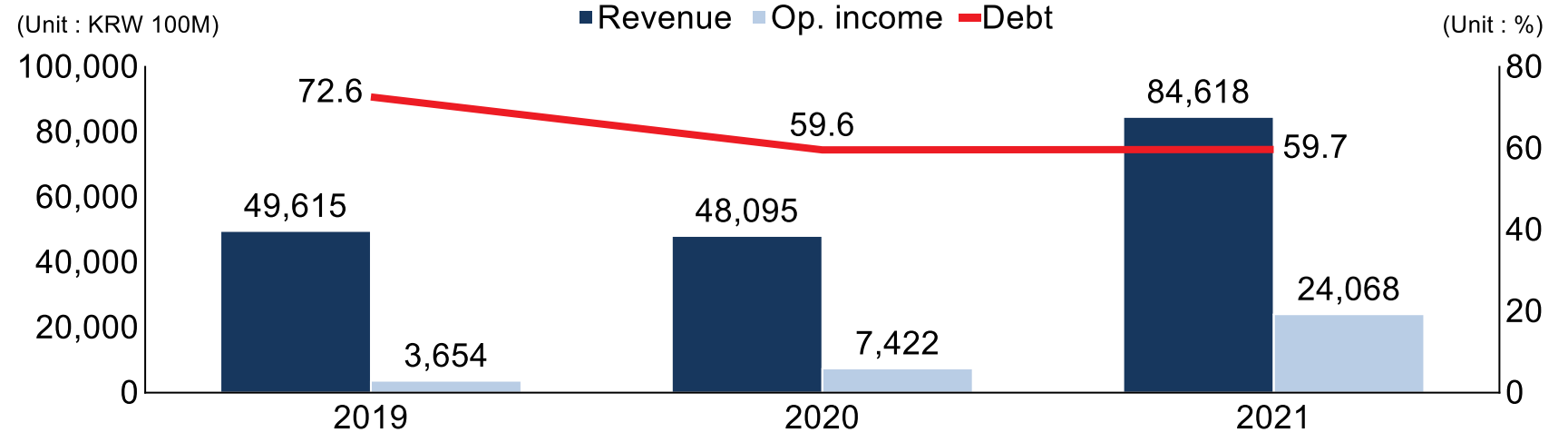
Improvement of portfolio fundamentals

- Produce both general and high-value/ green products (SBS, SSBR)

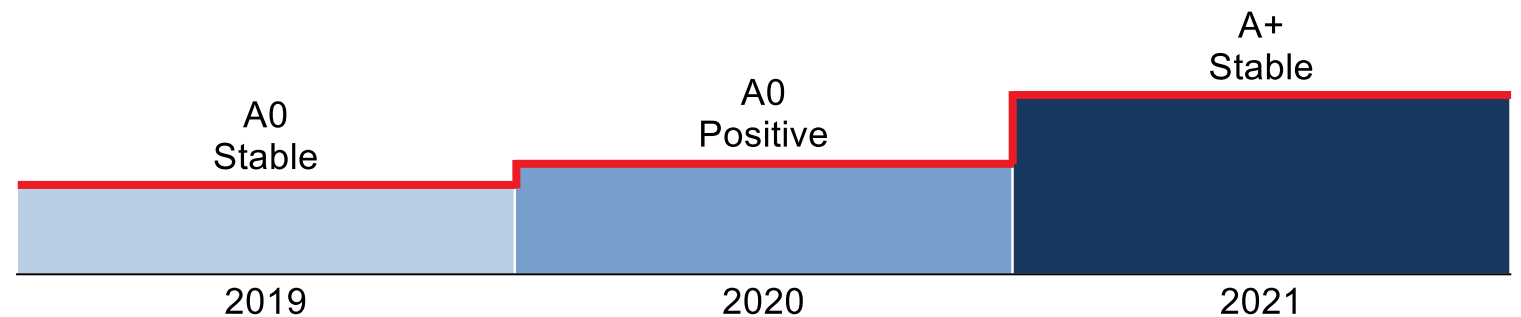
1st year of ESG strategy plan

- Enhance mgmt. transparency through ESG strategy set-up & governance improvement

Financial Performance



Credit Rating



Kumho reached the highest TSR compared to its industry peers or Korean Top chem players

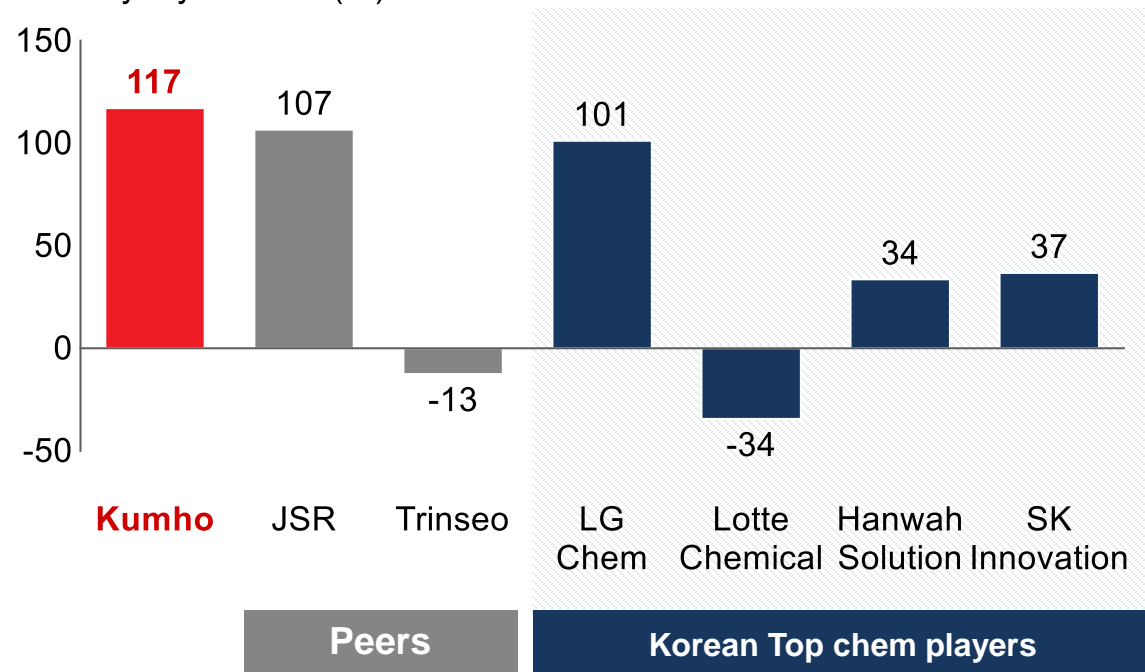
What is TSR?

- TSR (Total Shareholder Return) measures the amount of value created for shareholders and indicates the total return gained by shareholders for a certain period of time
- Cumulative TSR=[(current price-purchase price)+dividends]/purchase price

5 Year-TSR

Total Shareholder Return for 5 years

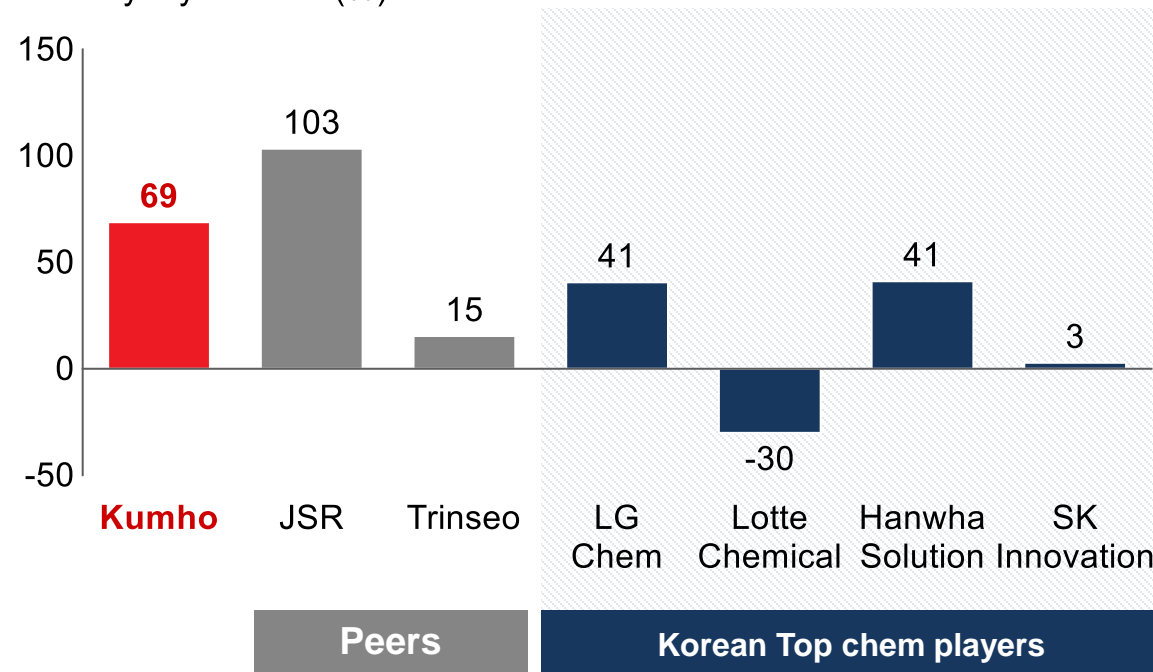
Industry 5 year TSR (%)



3 Year-TSR

Total Shareholder Return for 3 years

Industry 3 year TSR (%)

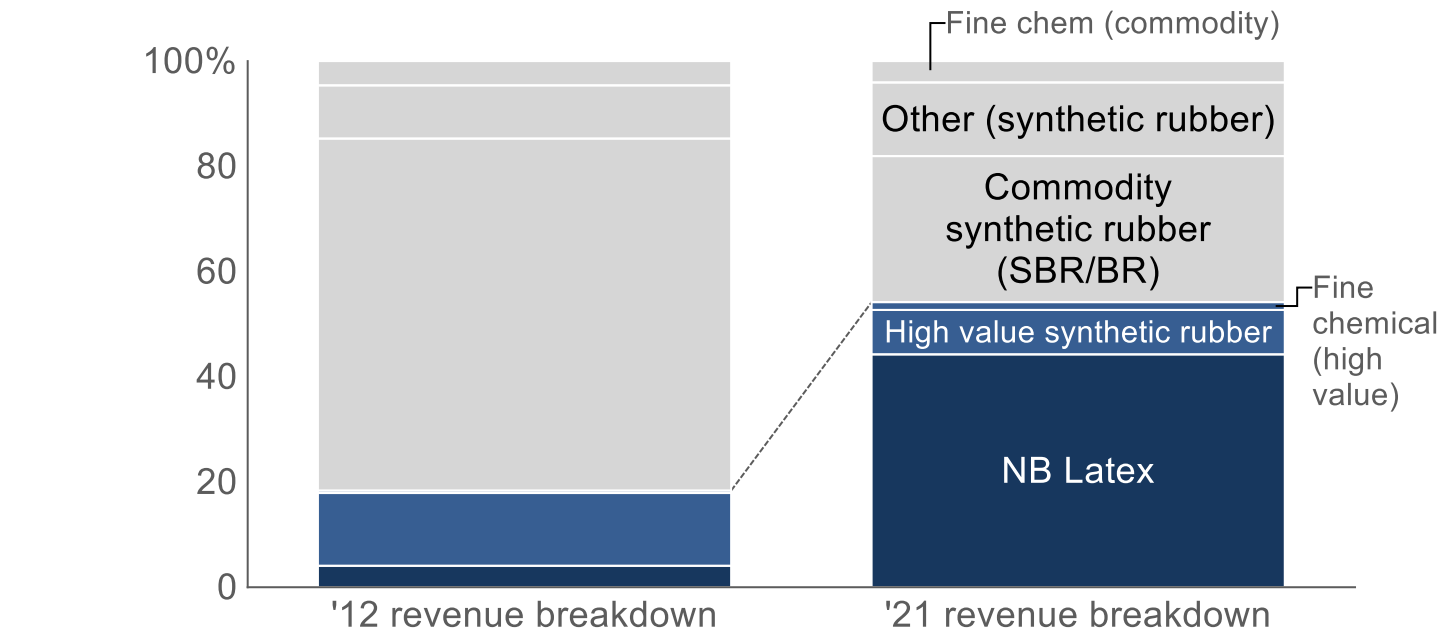


Note: 5 yr-TSR and 3 yr-TSR can increase by 17.7% and 14.1% respectively if including the dividend of this year
Source: Capital IQ (stock prices, February 7, 2022)

Strong business outcomes were driven by Kumho's continued efforts to improve the business fundamentals over the past decade

Revenue breakdown by business (improved fundamentals for Kumho's core businesses: synthetic rubber & fine chemical)

Kumho improved the core business (synthetic rubber and fine chemical) by increasing high-value products in the business portfolio led to strong operating profit margin.



% high value	18%	~3x up	59%
% operating margin*	3%	~13x up	39%

* Synthetic rubber BU

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Key Efforts

Enhance Global Position in NB-Latex

- Enhanced of NB-Latex product capacity : 140K ton/year → 710K ton/year
(End of FY12) (End of FY21)
- Market penetration/expansion through the portfolio combination of continuous + batch productions

Migrate/Expand to High -Value Synthetic Rubber Production

- Improved the business fundamentals and respond flexibly to the market by utilizing of two-track lineup of commoditized ↔ high value/green synthetic rubber
 - HBR ↔ SBS (+45K ton/year, '21-end)
 - HBR ↔ SSBR (+60K ton/year, '22-end)

Improve Sustainability of High Value Fine Chemical Products

- Optimized K-3020 manufacturing process
 - Reduce the amount of wastewater generated
- Established K-5010 green manufacturing process

In line with ESG trends, Kumho develops an industry-leading level ESG strategy and proactively executes some of the early actions including governance improvements

ESG Strategy Overview

ESG vision	Direction	Management Key Focus
Let's Act, Advance, and Accelerate for ESG !	Act on Climate & Environment	Climate change response
		Stronger product liabilities
		Green mgmt. upgrade
	Advance Social Value Management	Safety & wellness improvement
		Human capital mgmt.
		SCM social responsibility upgrade
	Accelerate Sustainable Portfolio	Recycled/reused product development
		ESG product portfolio mgmt.
		ESG investment
	Foundation for ESG mgmt.	ESG mgmt. refinement
		ESG info mgmt. & disclosure
		ESG op. system build-up
		Compliance/risk mgmt.

Key Achievements in '21

Industry-leading level governance transparency

- **Shift to the professional management system**
 - 3-pillar management system (sales, finance, R&D) (May '21~)
- **Established additional committees (mostly independent directors) for stronger expertise/committee independence**
 - ESG Committee : To establish ESG strategy & Policy
 - Internal Transaction Committee : To provide better transparency for internal transactions with affiliates especially related persons
 - Compensation Committee : To provide objectivity and transparency in setting director compensation Setting
- **Disclosure of Board and Committee Charts on the official website.**

Committee	Independent Directors
Independent Director Candidate Recommendation Committee (3 members)	All Independent
Audit Committee (4 members)	All Independent
ESG committee (4 members)	>75%
Internal transaction committee (3 members)	All Independent
Compensation committee (3 members)	All independent

Despite the expected market headwinds, Kumho will deliver strong business performance through ongoing improving business fundamentals and enhancing ESG practices

Key Strategy

Enhance our response to business Cycle of core businesses

- Complete the two-track lineup of commoditized & high-value products portfolio
 - Focus on increasing profitable/qualitative growth
- Increase the Asia market share for short/mid-term*

ESG strategy articulation & strengthen execution

- Create a new growth platform for Net Zero 2035
- Accelerate green product/business development

Intensive incubation of new business

- Drive mid/large-scale M&A deals in 3 areas**
- Stabilize business operations in new businesses & build CVC***

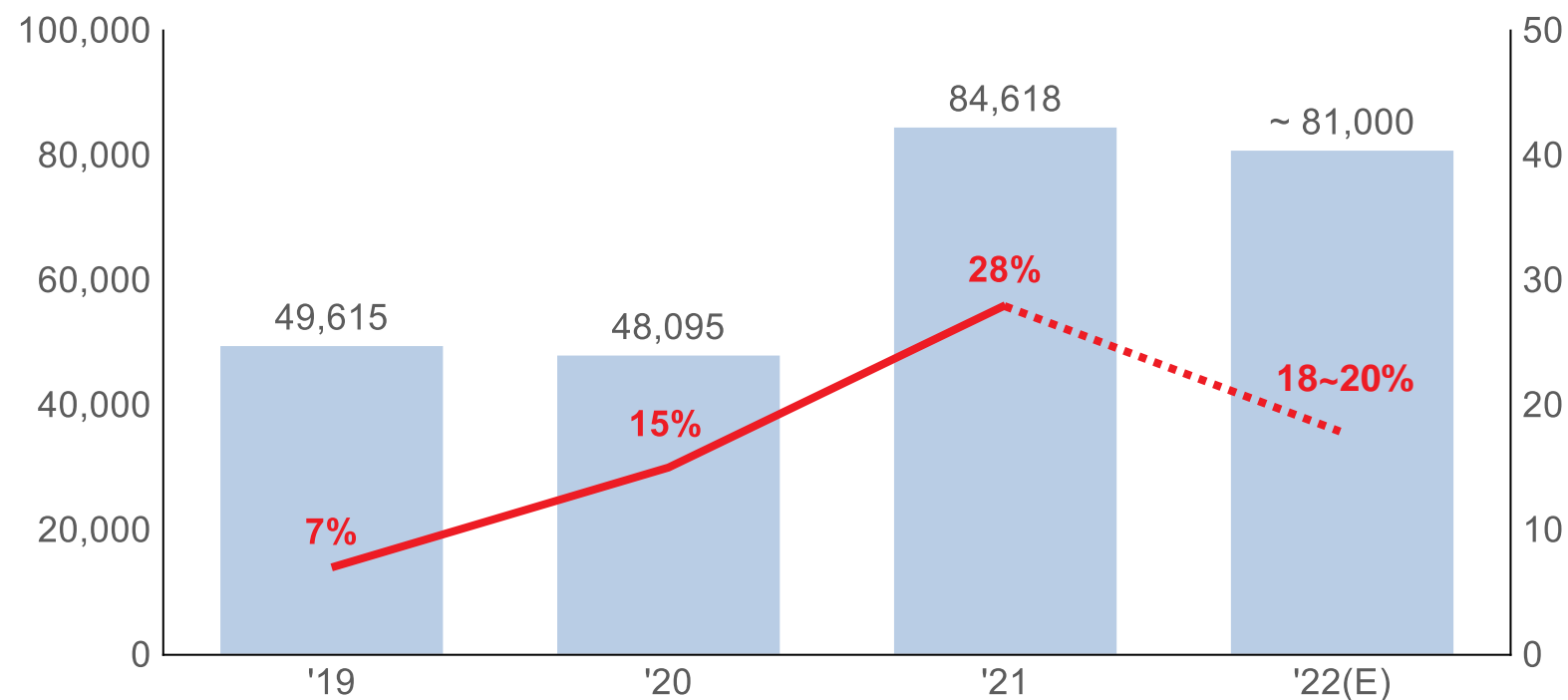
Short/Mid-Term Performance Outlook

Focus on the soft landing of our business operations from the pandemic impacts by strengthening the core businesses and executing ESG action plans as the world begins to embrace “living with COVID”

(Unit : KRW 100M)

■ Revenue — Operating margin

(Unit : %)



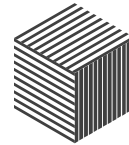
- Minimize the impact of logistical disturbance expected to last until 2023 (However, continue to take proactive actions for mid/long-term plans such as spec-in for EU & NA customers);
- **Green car solution, bio/green materials, high-value specialty areas;
- *** Corporate Venture Capital



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Performance Highlights/ Outlook



Mid/Long-Term Growth Strategy



Shareholders Policy

Vision* : A solution partner that co-creates future beyond chemical

Corporate objective

Company with Long-Term Sustainable Growth R.E.N.E.W: First Steps Towards Net Zero

(FY26 Target Total revenue KRW 12T, Green Biz Revenue KRW 2T, New Biz Revenue KRW 2T included)

Key strategy

1 ESG-led Business Structure

Initiate “2035 Net Zero Growth”

(Reduce carbon 29% by 2030, increase the share of green biz** to 30%)

- 29% Reduction (vs. BAU***) by 2030 with improving efficiency and migrating to renewables/hydrogen
- Expand the foundation for mechanical/chemical recycling, in order to increase the share of green biz to 30%
- Refine the foundation for ESG management and enablers

2 Focus on Core

Maintain global top position in core business and secure the largest profitability

(Achieve KRW 10T in revenue, maintain profitability > 10%)

- Continue to maintain the global Top position in our leading business area (NB Latex)
- Focus on promoting sustainable products (green synthetic rubber and renewable energy power generation/materials)
- Continue to maintain the profitability of the base businesses (synthetic resin and phenol derivatives businesses)

3 Future New Growth Engine

Build the third growth engine & conduct shareholder re-valuation

(Achieve over KRW 2T in revenue)

- Secure new businesses of KRW 1T or more through M&A activities
 - Green car solution
 - Bio/green materials
 - High-value specialties
- Build CVC**** for open innovation
- Create a new business growth platform (CNT, etc.)

Core value

Passion

Respect

Integrity

Development

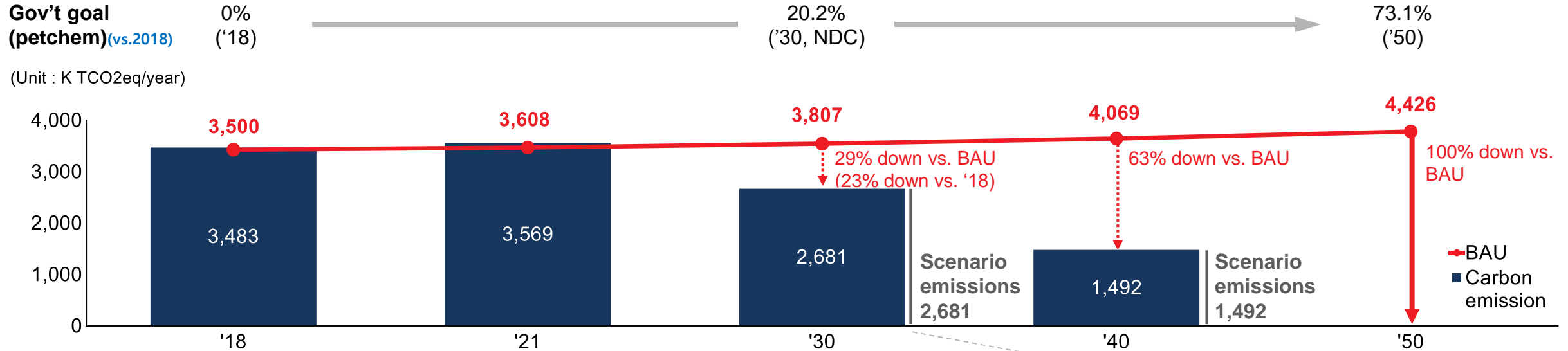
* On December 18, 2020, announced New vision for the next 50 years, ** Green business: Manufacturing with green materials/methods or businesses helpful for environment improvement (Scope 3 carbon emission reduction, etc.)

*** BAU(Business As Usual) : Emissions outlook, **** Corporate venture capital

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Strategy: **1** ESG Strategy_Establish Net-Zero Growth Action Plan

Carbon Emission Reduction Roadmap* : Our target/action plan to reduce emissions 29% vs. BAU** by 2030 and to achieve net-zero by 2050



Initiative

Conversion and expansion to renewables

- Continuously increase biomass blending ratio
- Boost renewable energy inv.
- Adopt CCUS
 - In case of securing customers

Optimization of current business operations

- Optimize power generation energy
 - Use of high efficiency energy source
- Optimize plant operation
 - Shift to less energy-consuming process, etc.

Migration of energy Sources

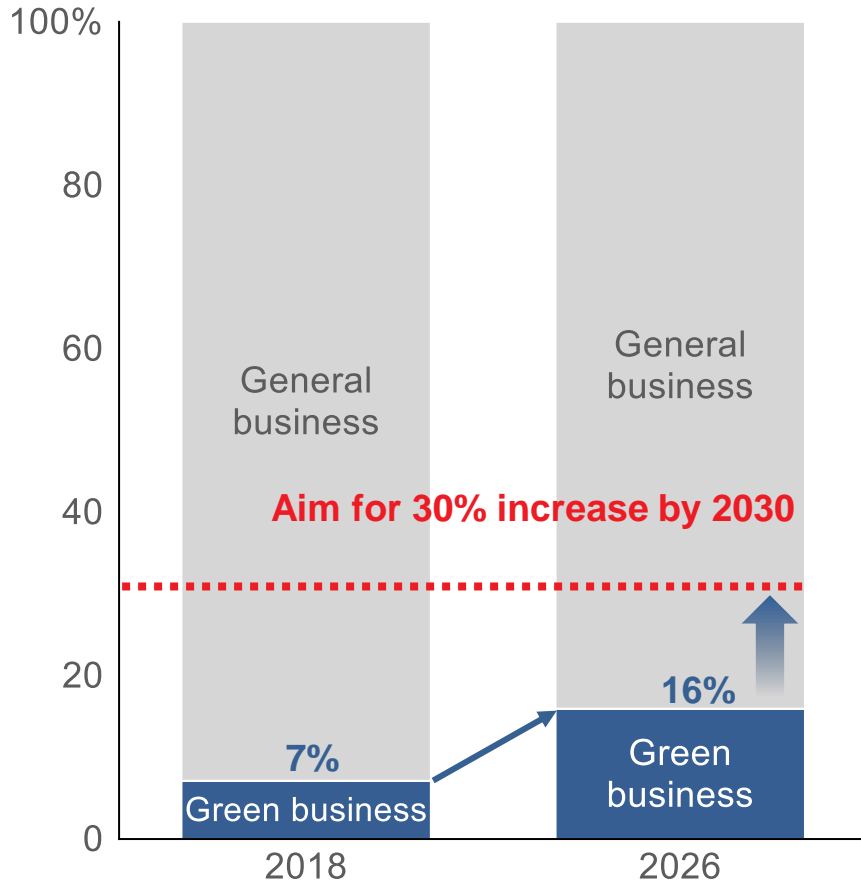
- Reduce fossil fuel use and switch to LNG/hydrogen
 - Technological/economic analysis required

- Develop a long-term roadmap for hydrogen-based energy in response to climate change by 2050: Execute Net-zero growth action plan after tech/economics review
 - Renewable vs hydrogen vs nuclear (SMR***, etc.) vs CCUS

* Scope 1,2, **BAU(Business As Usual) : Emissions outlook, ***Small Modular Reactors

Strategy: **1** ESG Strategy_Expansion of Green Business

Increase in Green Business*



Execution Strategy

Bio-based Low Carbon Product

- Expansion of SSBR (for green car tires)
- Bio-balanced SSBR
 - Use of bio-silica, r-SM
- Bio-degradable NB-Latex
- Continue to develop ESG-compliant products (green CPP, etc.)



Green Solution

- Expansion of PV/wind power materials
- Preparation for mechanical/chemical recycling business
- Expansion of EV/FCEV solution business
- M&A-driven entry into bio/green materials biz



Green Energy Migration

- Expansion of biomass
- Renewable energy expansion (PV/wind, etc.)
- Hydrogen migration (long-term)



* Green business: Manufacturing with green materials/methods or businesses helpful for environment improvement (Scope 3 carbon emission reduction, etc.)

Strategy: **1** ESG strategy_Action Plan Enablers

Internalization of ESG strategy with establishment of committees, teams and systems for sustainable management

Let's Act, Advance, and Accelerate for ESG !

- Develop the industry-leading level ESG Triple A strategy
- Articulate action plan & build enablers
- Join strategic initiatives home & abroad to expand sustainable management areas
- UNGC*, KBCSD**

ESG Management Team

- Oversee group & corporate-wide ESG management.
- In charge of strategy-performance-evaluation-disclosure/communication process to mitigate ESG risks and establish a committee reporting line



Committee-led Operation

- Enhance ESG committee activities & Increase disclosure of ESG information
- Further Strengthen independence and transparency of the Board and committees with Independent director candidate recommendation committee, Internal transaction committee, and Compensation committee comprised of all independent directors

Compliance System

- Establish a system separate from the current auditing system for the purpose of risk identification, assessment, and from an ESG perspective in order to strengthen monitoring and implementation of ESG strategy.

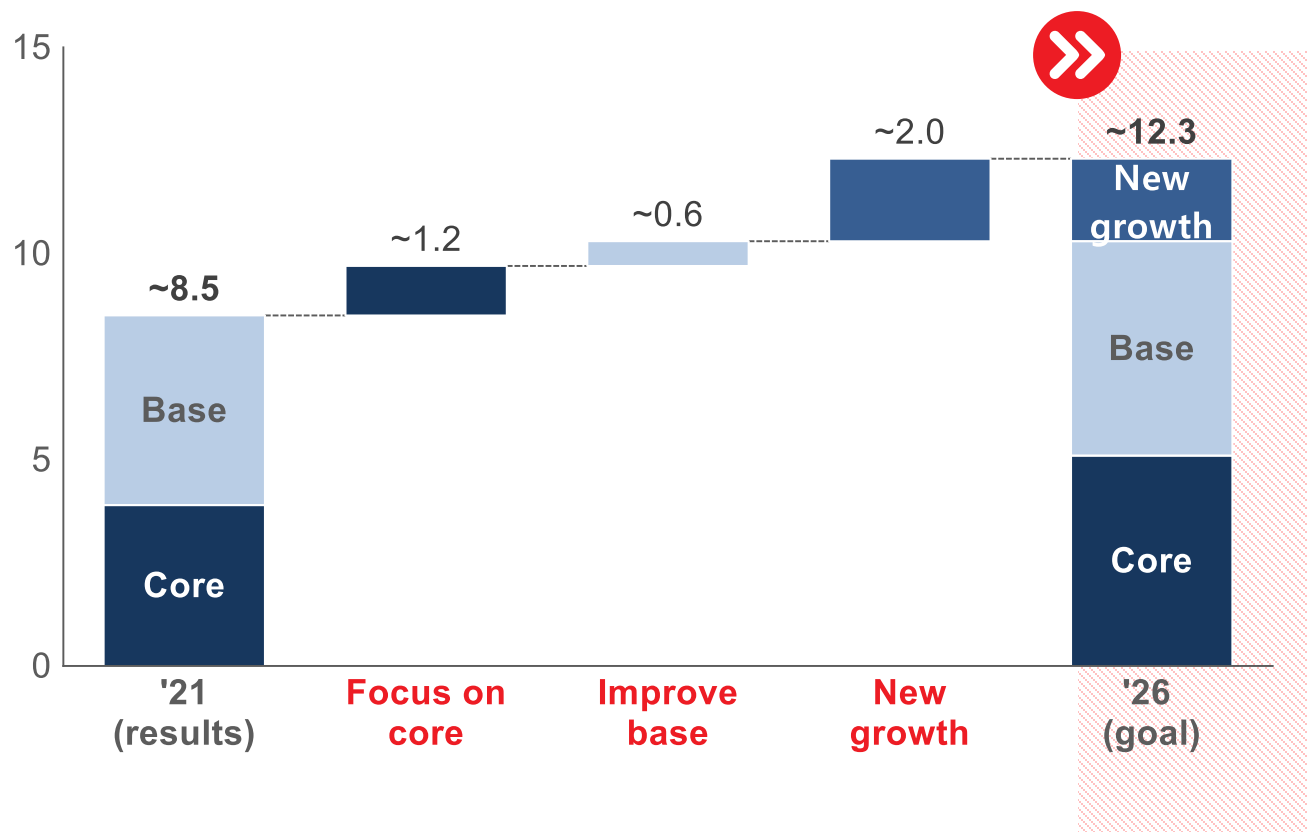
*UNGC(UN Global Compact) : a UN organization, in cooperation with companies, that encourages companies to participate in sustainable & balanced growth and improve international societal ethics and environment

**KBCSD(Korea Business Council for Sustainable Development): a Korean partner for the World Business Council for Sustainable Development, pursuing a harmonized growth of economy, environment and society

Business Portfolio Transformation: **2 3** Focus on Core & Build New Growth Engines to Develop High-Growth Portfolio

Corporate Revenue Goals* (2021 → 2026)

(Unit: KRW T)



Inv.(KRW T)**

Plan to invest KRW 3.5~4.5T* to drive growth in current and new business areas**

Mid/Long-Term Key Strategic Initiatives

Focus on Core

+KRW1.2T

- **Maintain leading position** in the rapidly growing **NB Latex** market
- **Build no. 1 leadership** in Asia for synthetic rubber SSBR
- **Join global Top 5** in epoxy
- **Double** the global **M/S** in fine chemicals

Improve Base

+KRW 0.6T

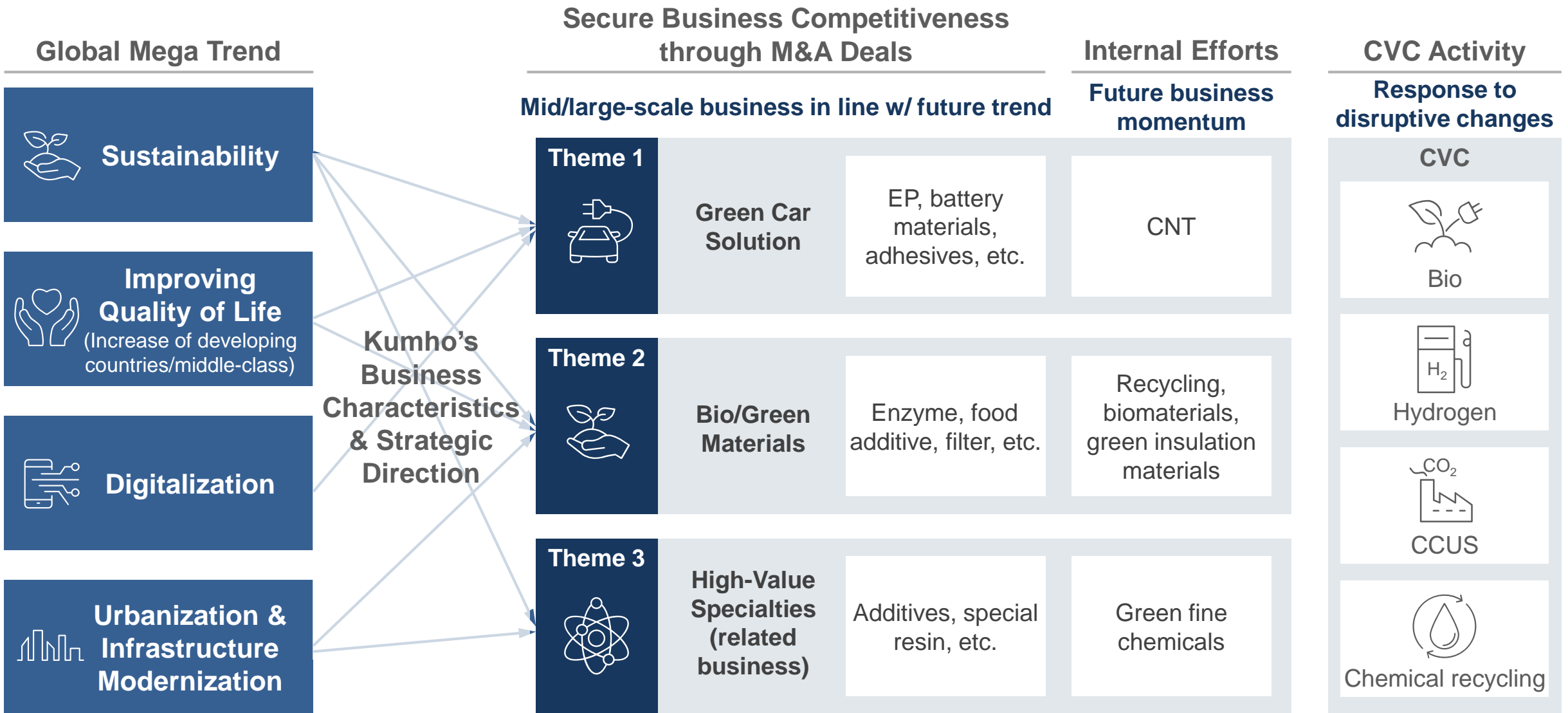
- Maximize profits through diversifying grades & product mix of **synthetic resin**
- Improve profitability of **phenol derivatives**
- Gradually downsize business for **the products facing the limit**

Build New Growth Platform

+KRW 2.0T

- Establish **businesses** worth more than KRW 1T in **3 areas** through M&A deals
 - Green car solution
 - Bio/green materials
 - High-value specialty
- **Build CVC** for future growth

Strategy: **3** Build New Growth Engines





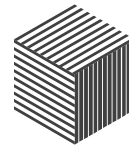
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Performance Highlights/ Outlook



Mid/Long-Term Growth Strategy

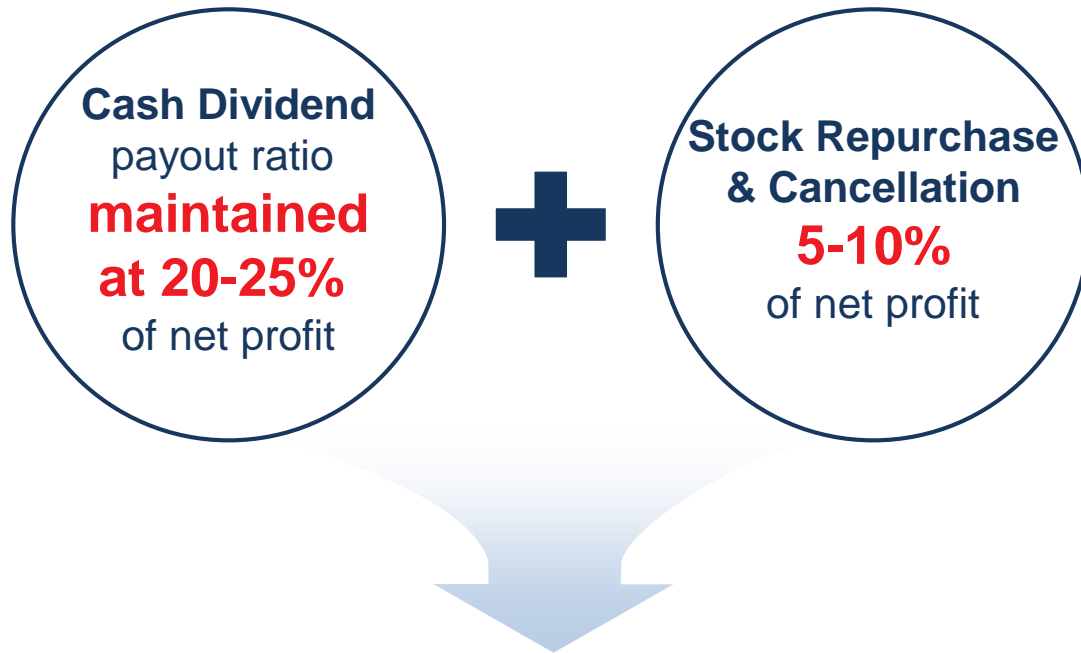


Shareholders Policy

Kumho is enhancing & proactively executing its shareholder policy to deliver consistent and strong shareholder returns, allocating increased profit/values driven by business fundamental improvements

Shareholder-Friendly Policy

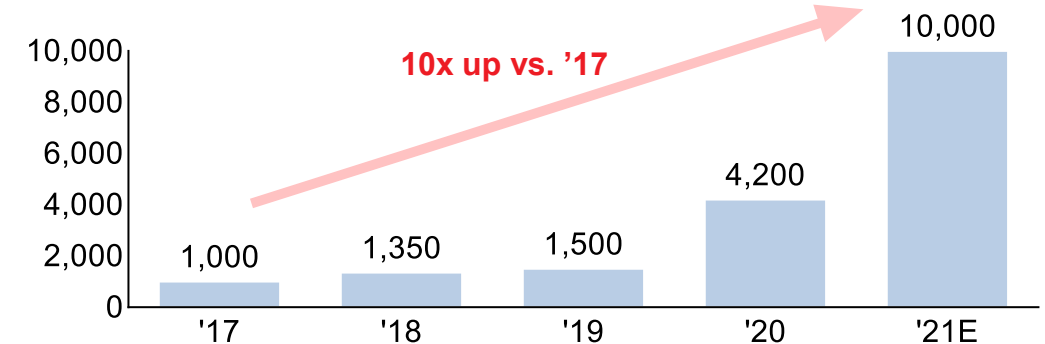
25-35% of net profit (separate F/S basis) will be allocated as shareholder returns over the next 2-3 years



Gradual increase of shareholder returns by improving business fundamentals

Results

DPS Trend (KRW, '17~'21)



Total shareholder return (100M)	273	367	409	1,158	4,309
Resource for shareholder return	20.2%	20.1%	15.6%	26.7%	43.7%
Stock repurchase & cancellation					15.2%
Payout ratio	20.2%	20.1%	15.6%	26.7%	28.5%

* Stock repurchase & cancellation : planned in March



Kumho announced the shareholder policy including 'cancellation of some treasury stocks'

As part of its shareholder return policy... Kumho decided to cancel ~170K shares worth KRW 31.5B ... up to 35% of the net profit set aside for shareholder return... "Stronger focus on shareholder-friendly policy. In addition to cancellation, also sold its shares for investment in new biz-materials acquisition, etc."

New daily Economy, Dec. 24, 2021

Share-buy back program carried out during the restructuring process and those shares are currently held by Kumho due to lowered valuation; however, the shares will be utilized for strategic investment within 10 years

Reasons for Holding Treasury Stocks

Stocks acquired during the restructuring will be strategically sold when valuation is high



Current treasury shares (17.3% of outstanding shares) are the remainder of **the shares acquired during the merger of a subsidiary in the past**

: The remainder after canceling the half of its treasury stocks acquired during the merger of Kumho Chemical, a synthetic resin maker



Concerns over potential damage to future valuations in case of immediate treasury stock sell since the market conditions of our core businesses have deteriorated since 2011

Consider selling at higher valuations after improving our business fundamentals rather than immediately selling at low valuations.

Future Plan

Gradual sales & cancellation of treasury stocks over the next 10 years



Utilizing some shares for future growth investment while canceling others

Fund for strategic partnership

- Resource to improve structural competitiveness via strategic partnerships
 - Consider partnerships with related industry players to create strategic synergies (stable feedstock sourcing, etc.)

Fund for new growth platform

- Investment for future growth
 - Consider driving new business opportunities via M&A (green car solution, bio/green materials, high-value specialty, etc.)

2021

- Treasury stock sales: Dec., 171,847 shares (~31.5B)
 - Partnership with OCI for Bio ECH JV and strategic cooperation
- Treasury stock cancellation: Dec., 171,847 shares (~31.5B)

Kumho expects to gradually sell non-relevant assets acquired by Kumho Asiana Group once the valuation is recovered in order to fund the future investment plans

Unrelated Assets						
	Why acquired	FY2021 Ownership	Share value			
			'15	'17	'19	'21
Daewoo E&C	Acquired to share the Group's investment funding (decision made by Kumho Asiana Group)	3.36%	KRW 81.9B	KRW 82.6B	KRW 66.1B	KRW 80.5B
Asiana Airlines		11.02%	KRW 113.9B	KRW 111.5B	KRW 132.8B	KRW 164B
KDB Life Insurance		0.41%	KRW 2.8B	KRW 0.2B	KRW -B	KRW 0.9B
KDB consus value PEF	Acquired during financial structuring with creditors	4.97%	(Loss Offset)			



It will be used to funding for building our new future portfolio once the valuations recover

- Daewoo E&C Shares: Plan to sell in 2022
- Asiana Shares: Plan to sell when the valuation improves after deal closing with Korean Air



Thank you

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