

2005 2Q

Business performance & 3Q Prospects

2005. 7. 22



KOREA KUMHO PETROCHEMICAL CO.,LTD.

Contents

This document is written for investors while an audit by an external auditor for a performance of 2005. 2Q has not be completed.

Therefore, some of the contents put forth here might be modified throughout the course of a financial audit.

Furthermore, please be informed the prospects for 2005. 2Q are only estimates

Korea Won amounts have been translated into U.S. Dollars at the rate of W1,009 per US\$ 1.00 [average 2005. 2Q]

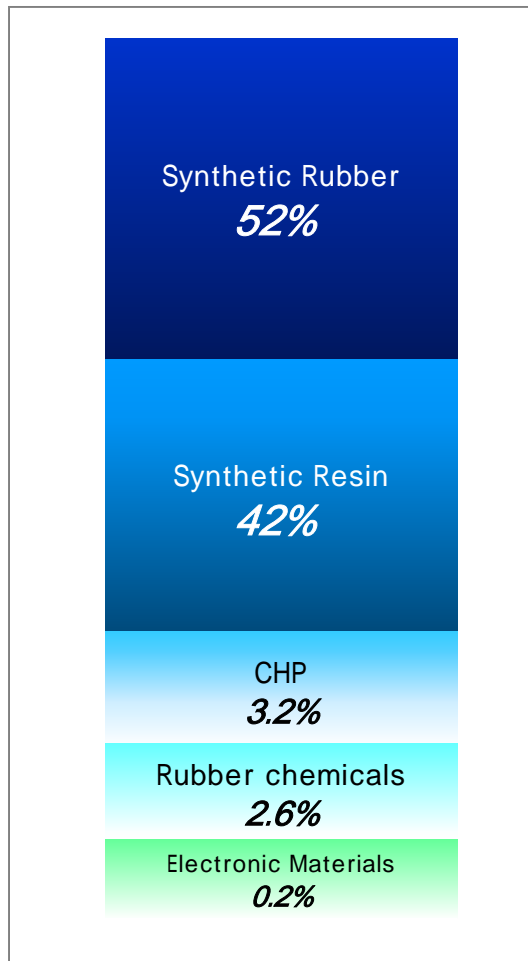
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- II. 2Q business performance**
- III. 3Q prospects & plans**
- IV. APPENDIX**

I. Overview



1. Business Portfolio
2. Synthetic Rubber
3. Synthetic Resin
4. Other Business
5. Shareholding Structure

1. Business Portfolio



* Sales (2005.)

Synthetic Rubber

- SBR, HBR, NBR, Latex, SBS, ETC
- World's 4th Production capacity(in SBR & BR]
- Production capacity : 573,000Mt/Year

Synthetic Resin

- Styrenics(ABS, PS, EPS)ABS ,PS, EPS, PPG
- Production capacity : 533,000Mt/Year

Combined Heat and Power

- Steam and Electricity
- Self consumption or sale to Neighboring companies
- Production capacity : 630Mt/Hr, 36MWH/Hr

Rubber Chemicals

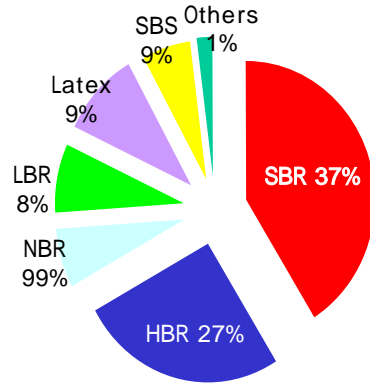
- Antioxidants and Vulcanization Accelerators
- Korea's No 1 in M/S (70%)
- Production capacity : 21,000Mt/Year

Electronic Materials

- Developer and Stripper used in manufacturing LCD
- Next generation Photo-resist for semiconductor
- Production capacity : 2,000Mt/Year

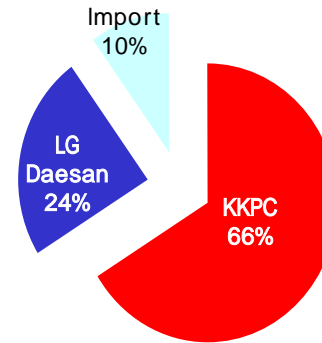
2. Synthetic Rubber

Sales Breakdown

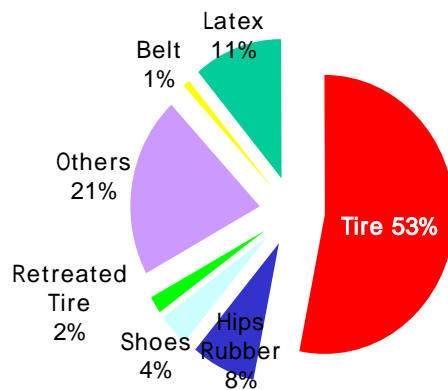


Market position

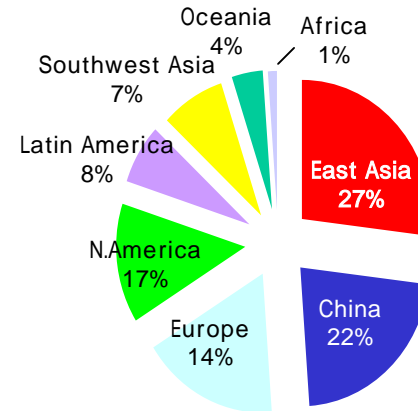
* Basis : 1H, 2005



Sales by use



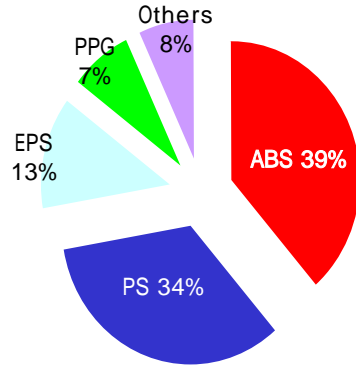
Market composition



* Export : 56%, Domestic 44%

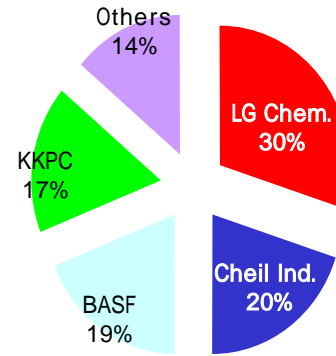
3. Synthetic Resin

Sales Breakdown

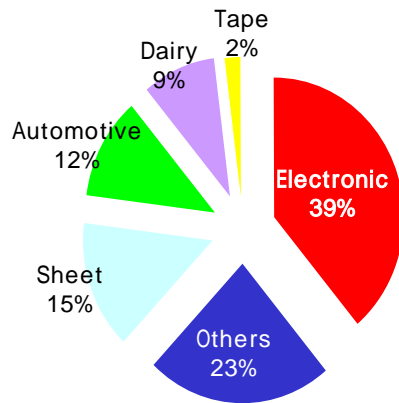


Market Position

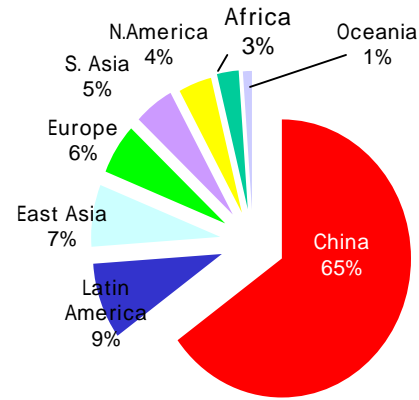
* Basis : 1H, 2005



Sales by use



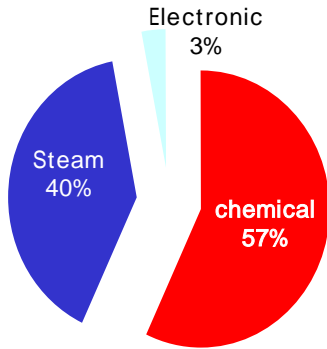
Market Composition



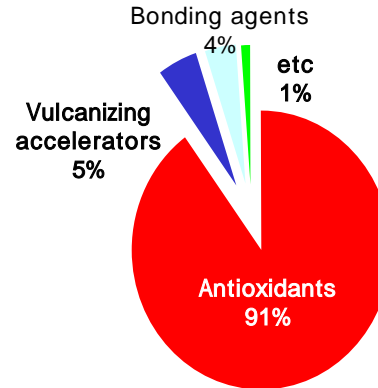
* Export : 60%, Domestic 40%

4. Other business

Sales breakdown

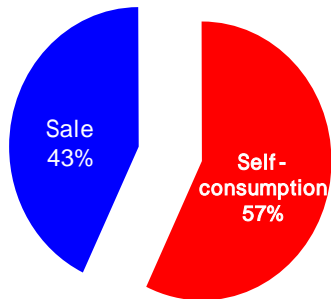


Rubber chemical sales mix

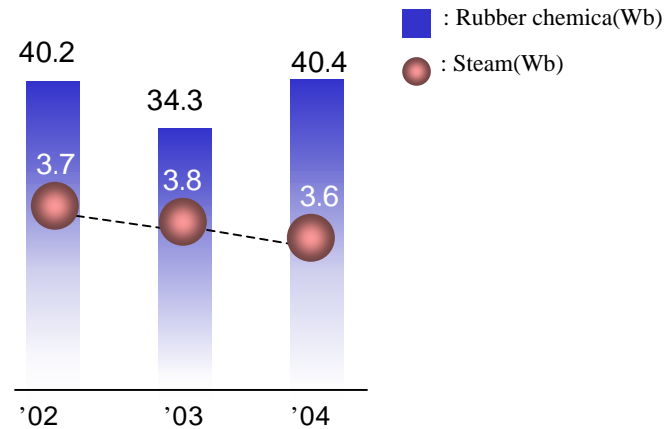


* Basis : 1H, 2005

Steam by use



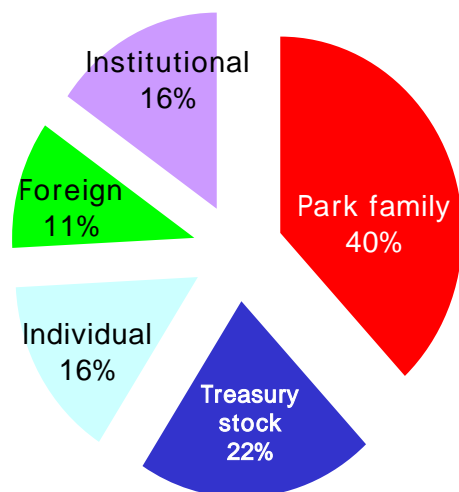
Sales trend



■ : Rubber chemica(Wb)
● : Steam(Wb)

5. Shareholding structure

Shareholding Structure



Share information

	shares	Price*	Market cap	Capital
Common	25,424,447	20,300	516Wb	127.1Wb
Preferred	3,023,486	10,000	30Wb	15.1Wb
TOTAL	28,447,933	-	546Wb	142.2Wb

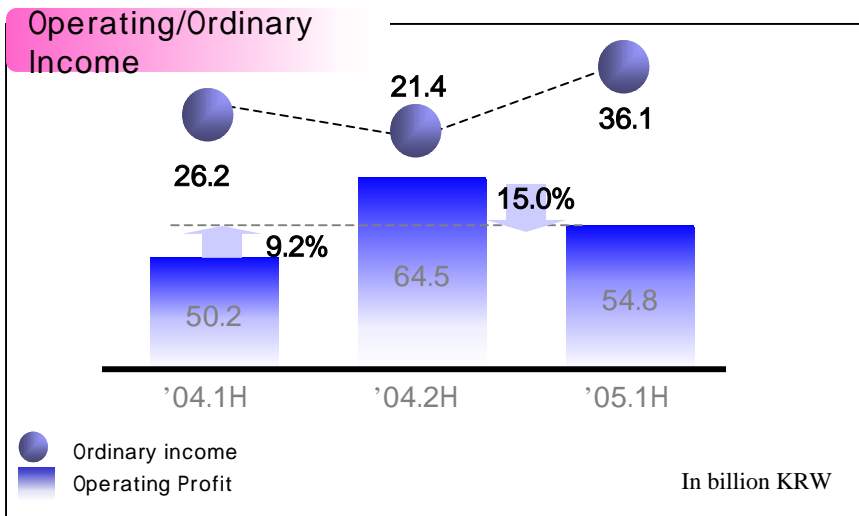
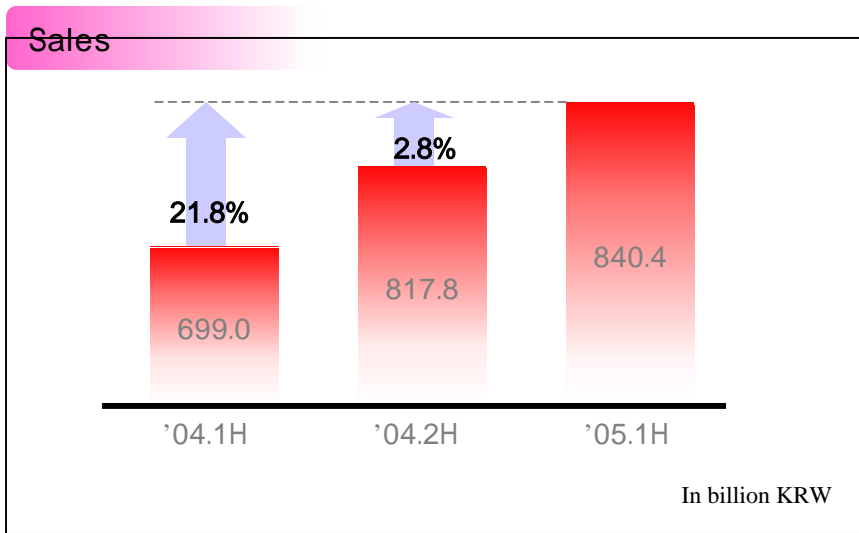
Note

* Price : Market Price on June 30, 2005

II. 2Q Business Performance

1. 1H Business performance[summary]
2. 2Q Business performance[summary]
3. Income Analysis
4. Financial Structure
5. Cash Flow
6. Business performance[Business Unit]
7. Main Achievements of 2Q 2005

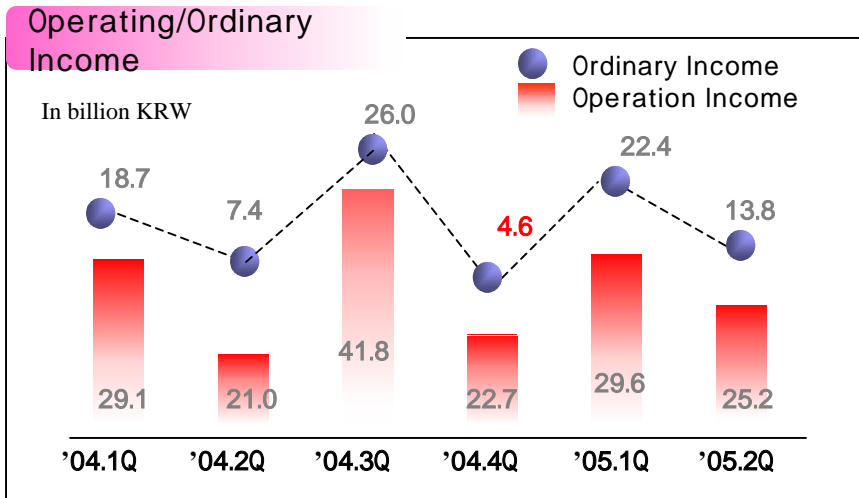
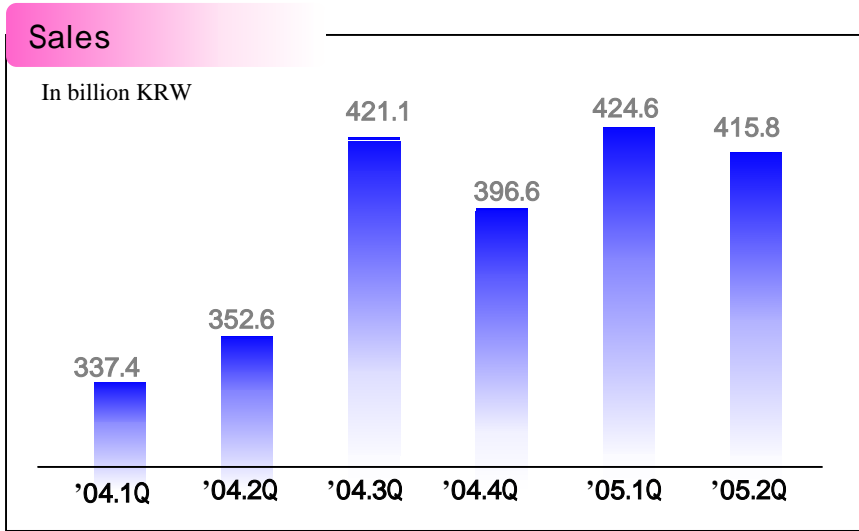
1. 1H Business Performance[summary]



[in billion KRW]

	'04.1H	'04.2H	'05.1H Actual	Growth[%]	
				Y-Y	Q-Q
sales	690.0	817.8	840.4	21.8	2.8
Gross margin	113.7	125.9	1,17.0	2.9	7.1
[%]	16.5	15.4	13.9		
Operating Income	50.2	64.5	54.8	9.2	15.0
[%]	7.3	7.9	6.5		
Ordinary Income	72.0	92.6	88.6	23.1	4.3
Except for Equity Method income	26.2	21.4	36.1	37.8	68.7
Net Income	51.6	82.8	7.14	38.4	13.8
E.M.Income	45.8	71.2	52.5	14.6	26.3

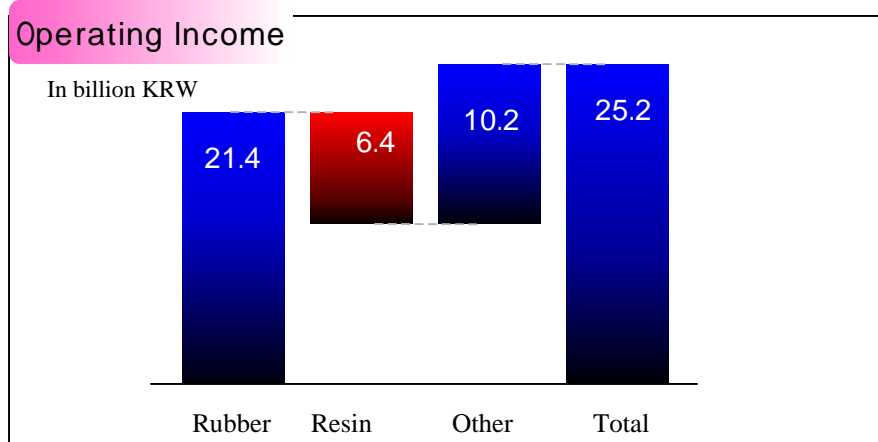
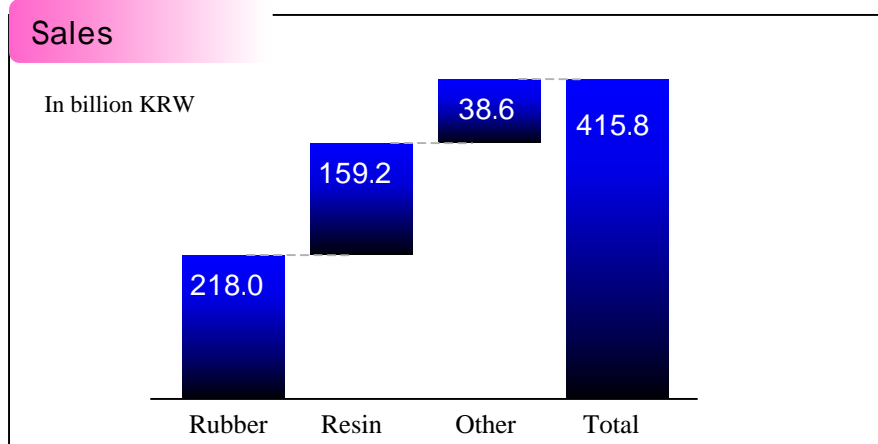
2. 2Q Business Performance [summary]



In billion KRW	'04.2Q	'05.1Q	'05.2Q	Growth[%]	
			Actual	Y-Y	Q-Q
sales	352.6	424.6	415.8	17.9	2.1
Gross Margin	53.3	60.8	56.2	5.4	7.6
[%]	15.1	14.3	13.5		
Operating Income	21.0	29.6	25.2	20.0	14.9
[%]	5.9	7.0	6.1		
Ordinary Income	26.4	56.5	32.1	21.6	43.2
Except for Equity Method Income	7.4	22.4	13.8	86.5	38.4
Net Income	20.0	46.8	24.6	23.0	47.4
E.M.Income	19.0	34.2	18.3	3.7	46.5

3. Income Analysis

- 53% of revenue came from synthetic rubber, 38% form synthetic resin, 9% form other sectors
- Achieved 25.2billion KRW of operating income 21.4 billion came from synthetic rubber, 6.4 billion from synthetic resin, 10.2 billion from other sectors.

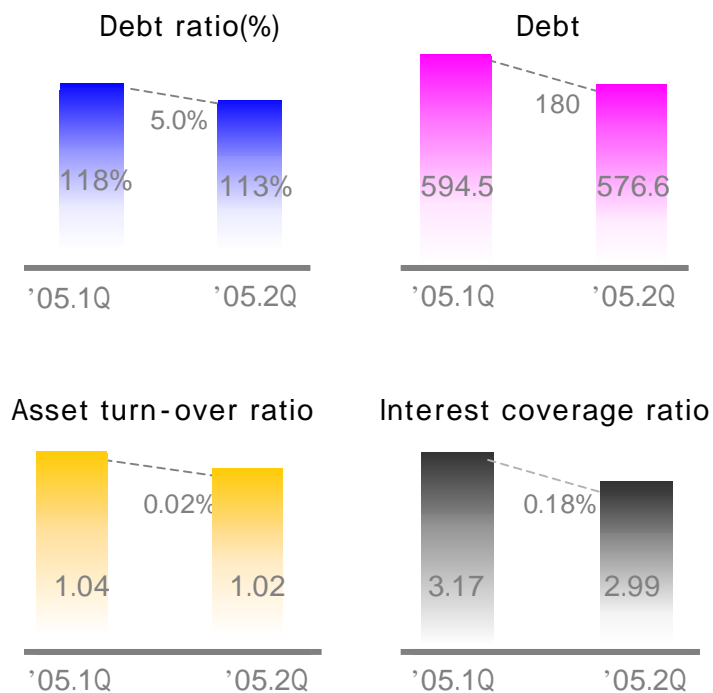


In billion KRW	'04.2Q	'05.1Q	'05.2Q		
			Actual	Y-Y	Q-Q
Sales	352.6	424.6	415.8	17.9	2.1
[Rubber]	156.5	224.4	218.0	39.3	2.9
[Resin]	169.1	165.1	159.2	5.9	3.6
[Other]	27.0	35.1	38.6	43.2	10.2
Operating Income	21.0	29.6	25.2	19.6	15.0
[%]	6.0	7.0	6.1		
Rubber	10.0	26.6	21.4	114.0	19.5
[%]	6.4	11.9	9.8		
Resin	2.8	5.6	6.4	328.6	14.3
[%]	1.7	3.4	4.0		
Other	8.2	8.6	10.2	24.4	18.6
[%]	30.4	24.5	26.4		

4. Financial structure

- Liability increased by 2.3 billion KRW over previous quarter, debt ratio decreased by 5.0% over previous quarter.
- Borrowings decreased by 35.1 billion KRW over last year decreased by 18.0 billion KRW over previous quarter.

	Unit	'04.2Q	'05.1Q	'05.2Q	Y-Y	Q-Q
Assets	Wb	1,470.6	1,629.6	1,662.7	192.1	33.1
Liabilities	Wb	858.8	880.5	882.8	24.0	2.3
Equity	Wb	611.8	749.1	779.9	168.1	30.8
Dept ratio(%)	%	140	118	113	27	5.0
Dept	Wb	611.7	594.5	576.6	35.1	18.0
Asset turn-over ratio		0.97	1.04	1.02	0.05	0.02
Interest Coverage ratio		1.60	3.17	2.99	1.39	0.18



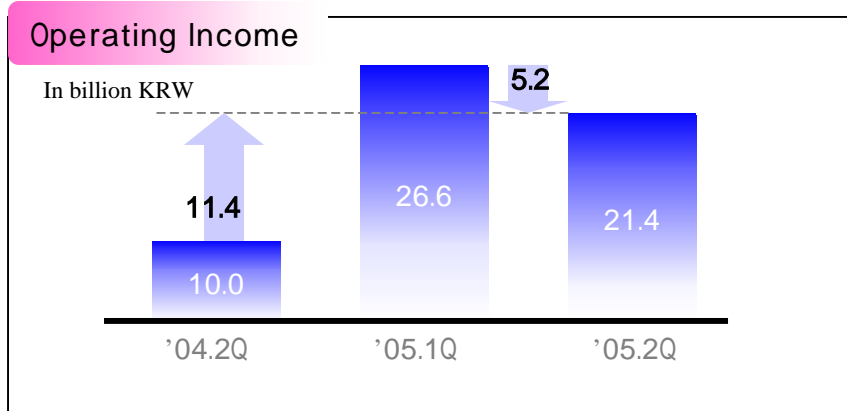
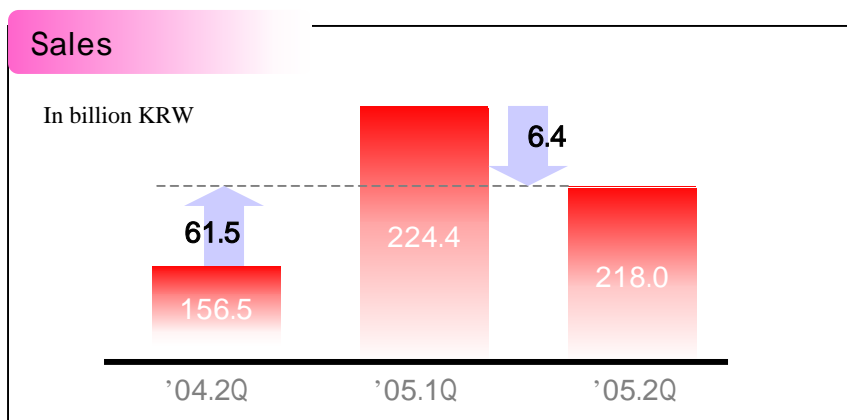
5. Cash Flow

[in billion KRW]

	'04.2Q	'05.1Q	'05. 2Q	Y-Y	Q-Q
1. Operating	32.4	2.1	45.2	12.8	47.3
- Net Income	20.0	46.8	24.6	4.6	22.2
- Depreciation/severance benefits	15.7	16.1	15.7	0	0.4
- Other	3.3	65.0	4.9	8.2	69.9
2. Investment	26.3	22.1	17.1	9.2	39.2
- Tangible	9.9	12.7	33.5	23.6	20.8
- Other	16.4	34.8	16.4	32.8	18.4
3. financing	5.4	15.6	32.0	26.6	16.4
- Borrowings	2.6	16.2	18.5	15.9	2.3
- Treasury stock/dividend	18.1	-	11.5	29.6	11.5
- Other	20.9	0.6	2.0	18.9	2.6
Net Cash Flow	0.7	4.5	3.9	4.6	8.4

6. Synthetic Rubber

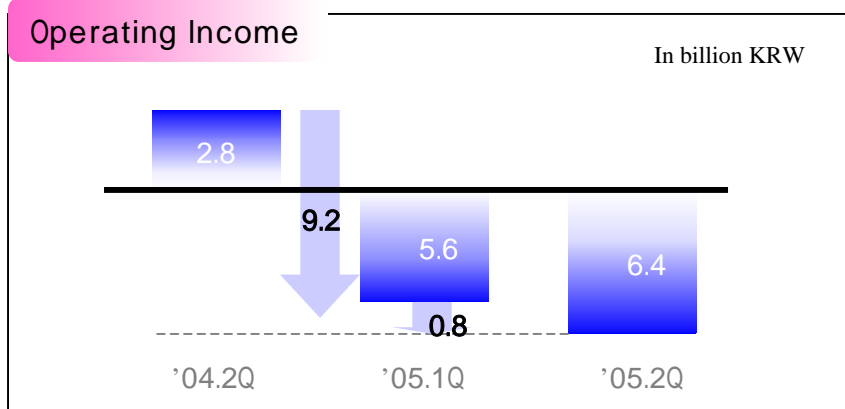
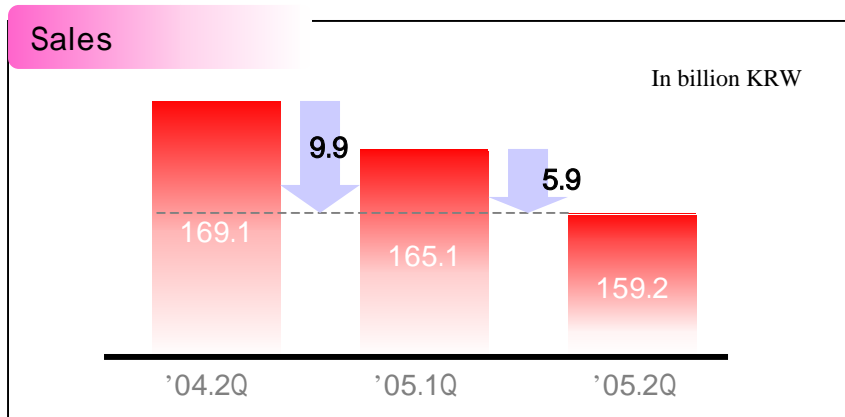
- Solid profit continued aided by soaring export to Asia and America(23% increase over the same period last year)
- Revenue slightly decreased due to Yeosu plant annual shut down in may June 2005



- Despite strong BD price, export increased by 23% and operating income increased by 15.2 billion KRW over the same period last year aided by increasing demand in Asia, America and Europe
- Tight demand/supply and strong natural rubber price continued(Natural rubber import price : \$1,370)
- In May&June, the sale of SBR temporarily decreased due to the influx of low-price products from Russia and other places caused by low SM price.
(In July sales is rapidly recovering because the influx of low-price products halted as SM price Stabilized)
- Sales a bit decreased due to Yeosu Plant annual Shut-down
 - Each line shut down for 15 days for maintenance in May/June 2005
 - Production line tied in for revamping

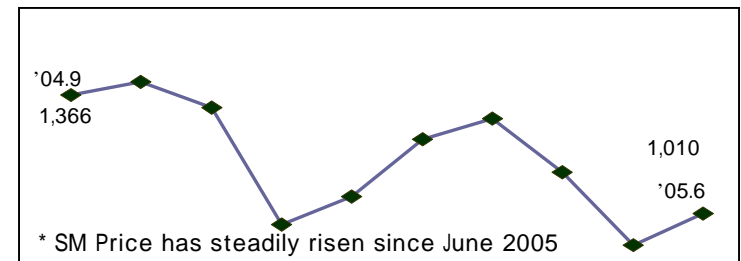
6. Synthetic Resin

- Revenue and operating income reduced due to the sharp fluctuation of SM price
- 3Q operating income expected to increased as SM price has steadily risen since June 2005



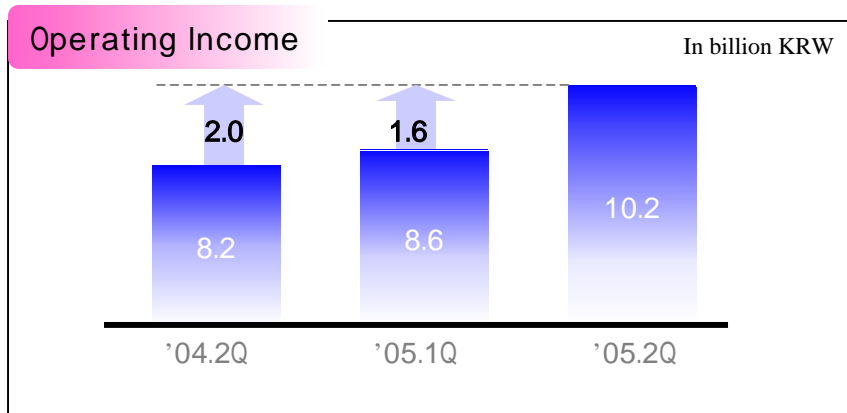
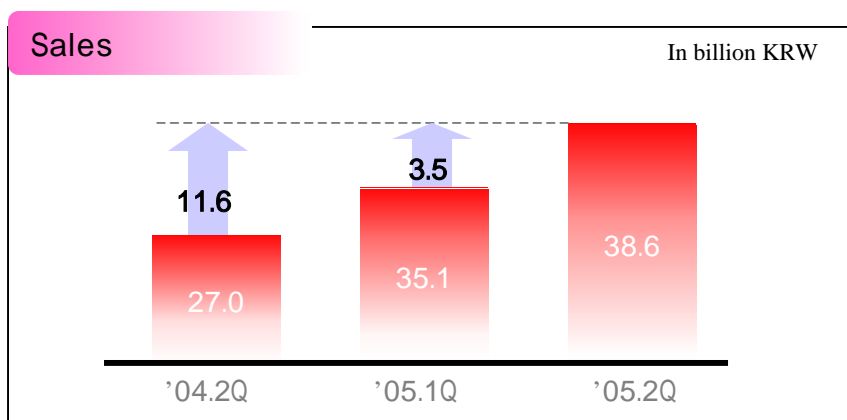
- Revenue and operating income decreased due to the burden of high cost inventory and sluggish sales caused by the sharp fluctuation of SM price
- Price slightly went down in May 2005 due to sluggish Chinese market and the entry of China's SECCO
- SM Price trend (CFR Taiwan, \$, Month, 2005]

1	2	3	4	5	6
1,048	1,233	1,295	1,136	915	1,010



6. Other divisions

- Profitability improved due to brisk antioxidants sales in the rubber chemical sector and the utility price hike in the combined heat power plant



- Profitability improved due to utility price hike of combined heat power plant and rubber chemical
 - Chemical price : 3,200 million KRW/Ton[1Q '04]
4,690 million KRW/Ton[2Q '05]

- Sales volume increased over the same period last year
 - Chemical : 55% [3,100Ton 4,800Ton]
 - C.H.P : 9.5% [294Kton 322Kton]

- Revenue increased over the same period last year [in billion KRW]
 - Chemical : 127% [99 225]
 - C.H.P : 18.0% [124 147]
 - Electronic : 25.0% [8 10]

7. Main Achievement of 2Q, 2005

Improving profitability

- Expand production capacity [2Q capacity addition]
 - HBR: 155Kt/Y 200Kt/Y[45Kt]
 - * swing LBR Production Line
- Considering expanding rubber chemical production capacity
 - Considering increasing production capacity of antioxidants[K-13], [1,300Mt/Year]
- Turbine Generator Tie In completed
 - Construction to be completed in October 2005
- Expand into new markets
 - expand marketing into newly developed construction material sector

Reviewing business opportunities

- Mid to long term strategy consulting for chemical affiliates
 - objects
 - Future prospects of existing businesses
 - Business prospects of chemical affiliates
 - New business prospect
 - Follow up
 - Use consulting report for business plan

Shareholder value maximizing management

- Aggressive IR activity
 - held 1Q business performance seminar[April 22]
 - Distributed 2004 Annual Report
- Post quarterly performance and hold investor Meeting
- Invite analysts for IR at least 3 times a week

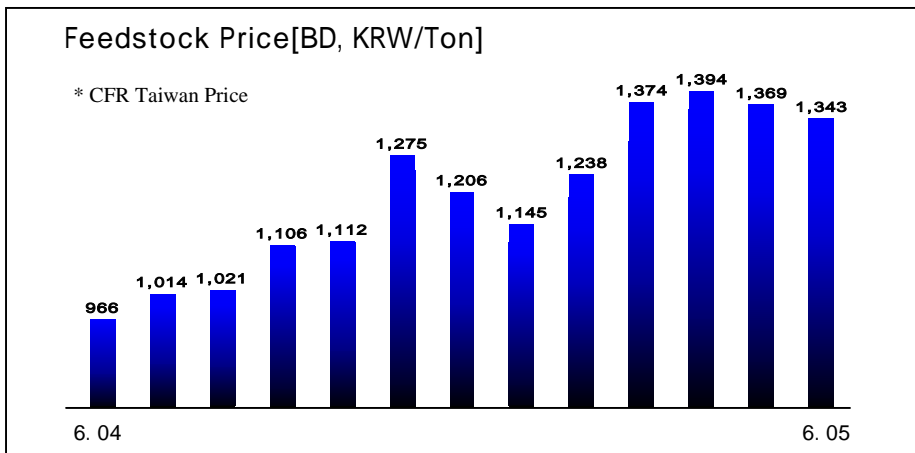
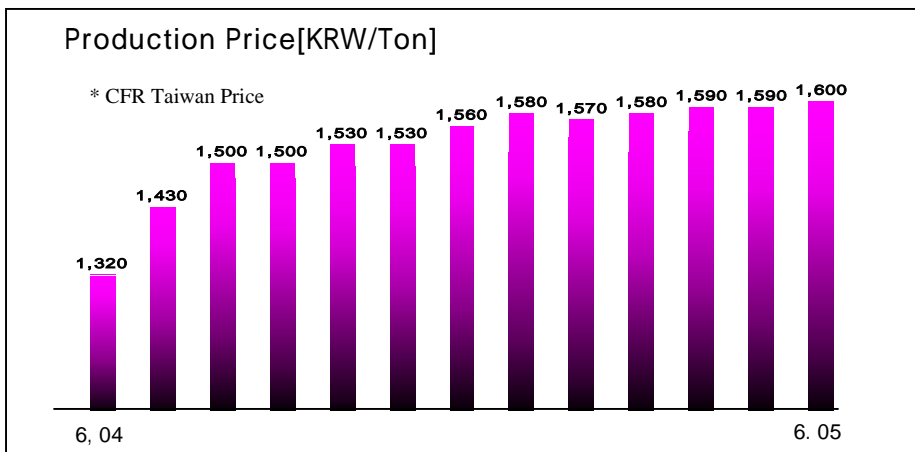
III. Prospects and plans



1. Business prospects
2. Management plans

1. Business Prospects – Synthetic Rubber

Production/Feedstock Price Trend

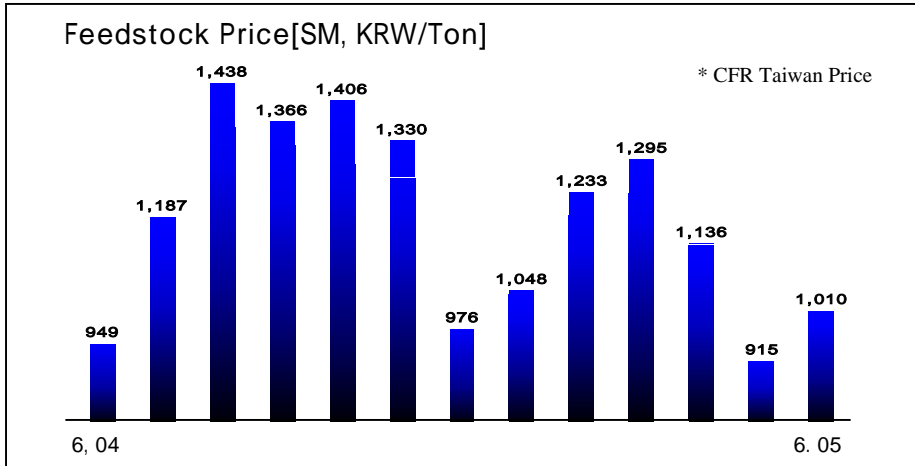
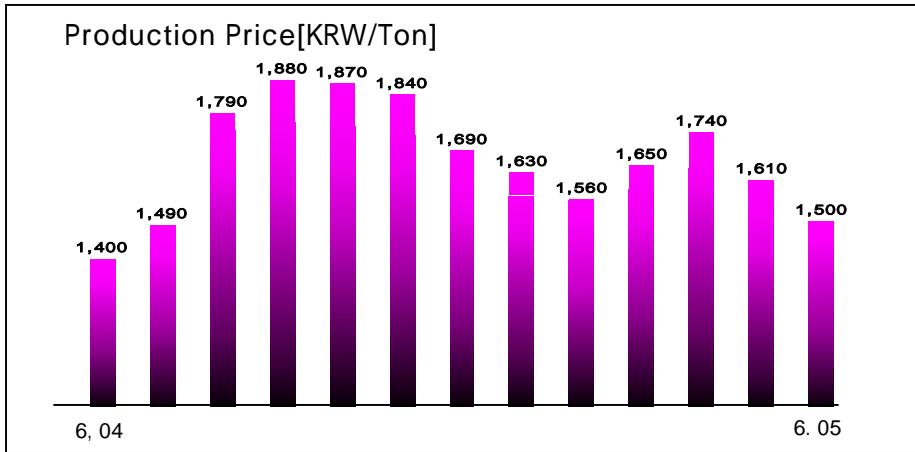


forecast of 3Q, 2005

- Sales and operating income expected to grow due to ever growing demand in South-East Asia and China
- BR sales in Europe expected to increase aided by the completion of Nd-BR[new environment – friendly product) capacity addition
- SBR sales expected to grow due to capacity addition
 - Capacity addition of 30,000 ton to be completed in October 2005
- High natural rubber price continues caused by bad weather conditions in the natural rubber producing nations [Thailand, etc.]
- Considering commercialization of MMA
 - Utilizing surplus acetone produced by Kumho P&B chem. create synergy effect among group affiliates.
- Maximize profit by expanding direct marketing

1. Business prospects – Synthetic Resin

Production/Feedstock Price Trend



forecast of 3Q, 2005

- Sales volume expected to increase as demand rises in the China market
- Expand sales to Japan and East Asia
- SM price expected to remain strong since July. unlike 2Q, there won't be sharp fluctuation of sales price
- Revenue and operating income expected to rise due to seasonal peak
- Strengthen marketing in the construction material sector
 - Try to enter window material business with KKPC's ASA product
 - form construction material sales T.F.T to facilitate marketing
- Improve profitability by removing low-profit-generating grade

2. Management Plants

Improving Profitability

- Maximize production capacity by revamping Synthetic rubber production line
 - Capacity addition of SBR 30,000ton(to be completed in October 2005)
- Commercial production of Nd-BR (Environment - friendly material)
- Complete turbine generator tie in
 - construction to be completed in Oct,2005

Expand marketing activity of Synthetic Resin sector

- Expand marketing into construction material sector
 - Enter window material business with KKPC's ASA product

Energy sector & New business

- Building TDF Power Plant (going on)
 - Target Operation Date [2nd half of 2007]
 - Currently : designing boiler
 - Purpose : generate electricity utilizing garbage resource.
build utility supply base for Yeosu industrial complex
 - Improving profitability
cut 23% of steam cost compared to existing coal boiler
- MMA project
 - Purpose : Create new profit source and synergy among affiliates
 - structure : J/V
 - construction period : 2 yrs. Yeosu
 - currently : reviewing feasibility

IV. APPENDIX



1. Income statement
2. Balance sheet
3. CAPEX
4. Percentage of ownership

1. Income statement

In billion KRW	'04.2Q	'05.1Q	'05.2Q	remark
Sales	352.6	424.6	415.8	
Gross margin	53.3	60.8	56.2	
Selling and Administrative expenses	32.3	31.2	31.0	
Operating Income	21.0	29.6	25.2	
[%]	5.9	7.0	6.1	
Non-operating Income	23.0	43.3	20.6	
Non-Operating expenses	17.6	16.4	13.7	
Ordinary Income	26.4	56.5	32.1	
[Except for equity Method income]	7.3	22.4	13.8	
Net income	16.9	46.8	24.6	

2. Balance sheet

In billion KRW	'04.2Q	'05.1Q	'05.2Q	Remark
Assets	1,470.6	1,629.6	1,662.7	
Current	295.5	384.2	380.7	
[Inventories]	146.6	179.1	184.1	
Non-Current	1,175.1	1,245.4	1,282.0	
[Tangible]	485.6	487.8	503.6	
Liabilities	858.8	880.5	882.8	
Current	610.5	457.9	451.5	
Non-Current	248.3	422.6	431.3	
Equity	611.8	749.1	779.9	
Paid-in capital	142.2	142.2	142.2	
Retained earnings	65.3	184.1	208.7	
Other	404.3	422.8	429.0	

3. CAPEX

In billion KRW	'04. 2Q	'05. 2Q		Change	
		Plan	Actual	Y-Y	P-P
Ordinary	8,7	19,1	10,7	2,0	8,4
Expansion	3,6	19,8	18,7	15,1	1,1
NEW		9,1	0,3	0,3	8,7
R&D	5,1	8,8	6,2	1,1	2,6
TOTAL	17,4	56,8	35,9	18,5	20,1

The main Investment of 2Q

- SEBS Plant Revamping[5.4]
- T/G expansion [3.3]
- ABS Sheet expansion [2.2]

Unfinished investment

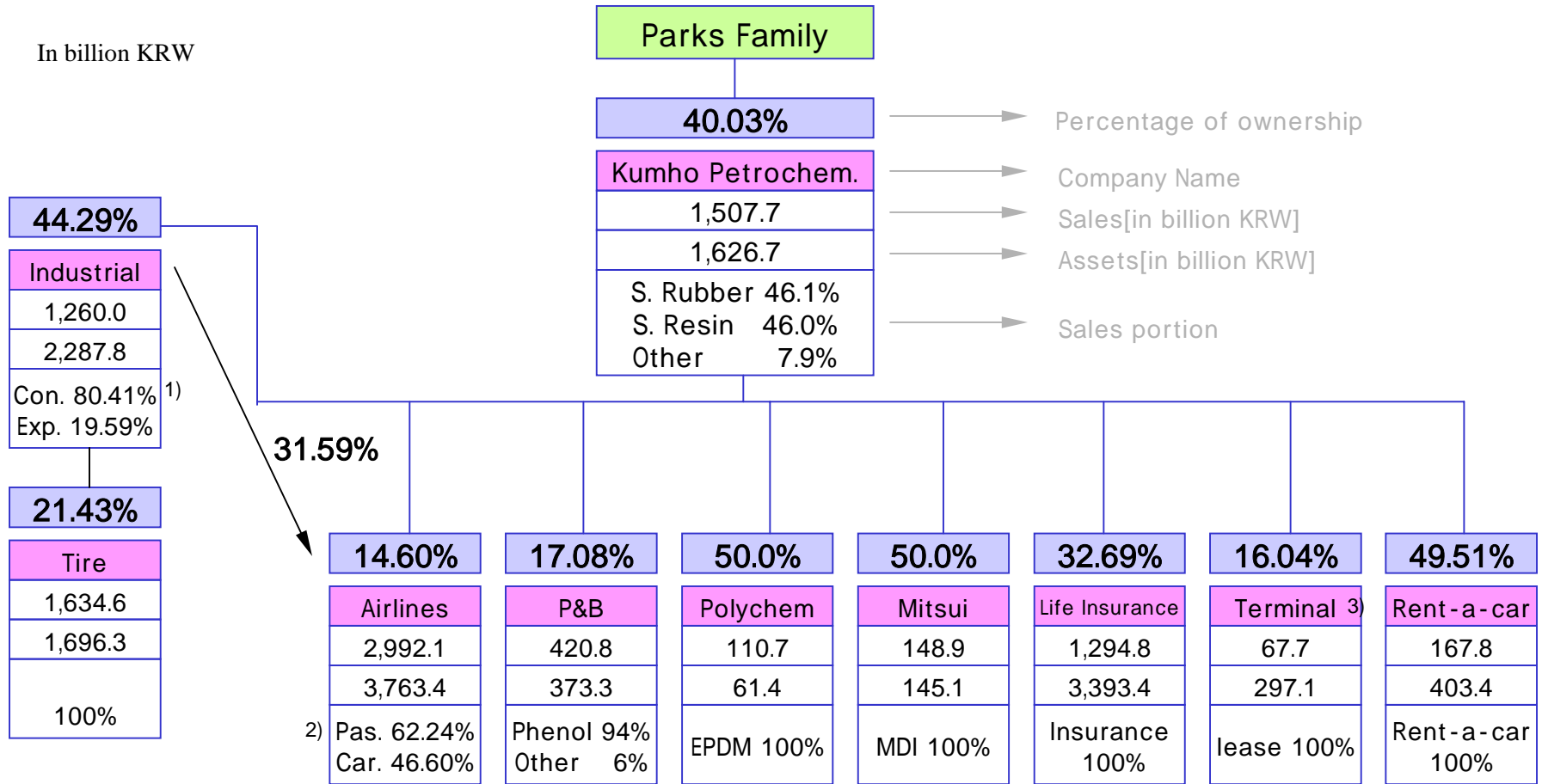
- ABS Dry Part Capa Up [2.2]
- Yeosu rubber plant Heat Pump Capa-Up[2.3]

The main Investement plan of 3Q, 2005

- Yeosu rubber plant Heat Pump Capa-Up [2.3]
- SBR Plant Revamping [1.3]
- SGT change [1.6], etc.

* [] : in billion KRW

4. Percentage of Ownership



1) Con : Construction, exp : express bus lines
2) Pas : Passenger, Car : Cargo
3) Terminal : Integrated freight terminal