



INVESTOR RELATIONS 2008 2Q

# KUMHO PETROCHEMICAL

- 2Q, 2008 Review
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- 3Q, 2008 Outlook
- Appendices



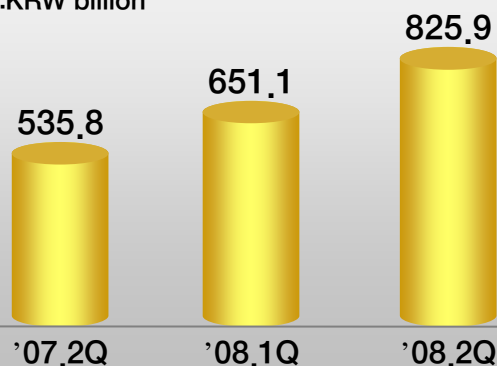
# 2Q, 2008 Overview

## Sales and Operating Income

- Implementing our “Full Production and Full Sales” initiative, the company recorded its strongest performance ever.
- Sales increased 26.8% to KRW 825.9 billion and operating income rose 88.6% to KRW 101.3 billion.

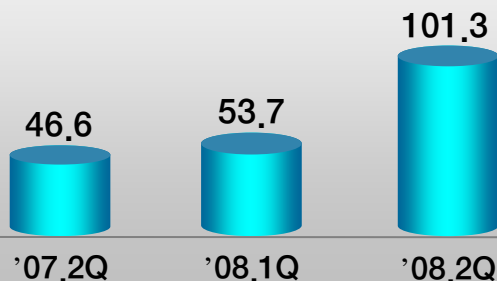
### Sales

Unit:KRW billion



### Operating Income

Unit:KRW billion



### 2Q, 2008 Performance

Unit:KRW billion

	'07.2Q	'08.1Q	'08.2Q	Change Rate	
				YoY	QoQ
S a l e s	535.8	651.1	825.9	54.1%	26.8%
[Syn. Rubber]	278.3	349.2	488.0	75.4%	39.7%
[Syn. Resin]	223.9	246.5	283.2	26.5%	14.9%
[O t h e r s]	33.6	55.4	54.7	62.8%	-1.3%
Operating Income	46.6	53.7	101.3	117.4%	88.6%
[ % ]	8.7	8.2	12.3	3.6	4.1
[Syn. Rubber]	36.0	35.3	80.5	123.6%	128.0%
[Syn. Resin]	0.2	0.5	5.5	2650%	1000%
[O t h e r s]	10.4	17.9	15.3	47.1%	-14.5%
Income Before Income Taxes	52.6	10.2	98.1	86.5%	861.8%
Net Income	37.9	7.5	74.8	97.4%	897.3%
Gain/Loss on Valuation of Equity Method Investments	40.6	-20.4	10.4	-74.4%	-

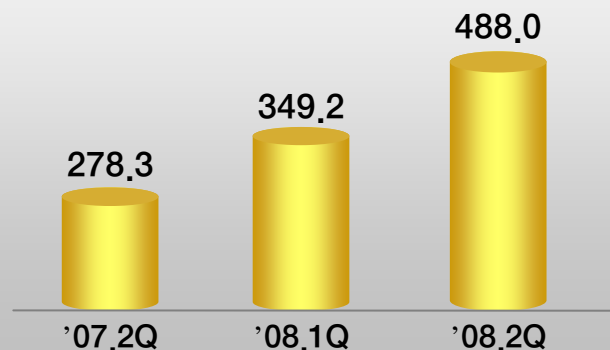
# Performance Results for Synthetic Rubbers

## Synthetic Rubbers

- Sales increased 39.7% to KRW 488.0 billion and operating income rose 128.0% to KRW 80.5 billion.
- Strongest performance ever in sales and operating income is based on Product price rising by a combination of tight supplies and strong N/R price, despite a sudden rise of BD price.

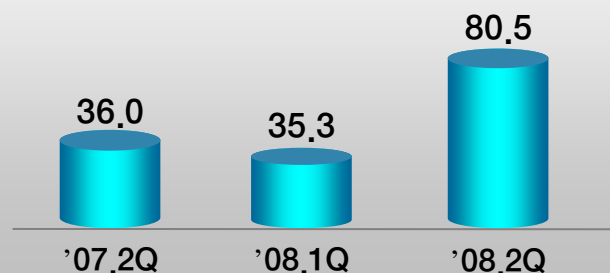
### Sales

Unit:KRW billion



### Operating Income

Unit:KRW billion



### Performance Analysis

- A sudden rise of BD Price
  - Strong price of Naphtha and Crude Oil, NCC and BD company trouble(Maoming, Formosa)
  - BD Price Changes by Region

(Unit:USD/Ton)

	'08.02	'08.03	'08.04	'08.05	'08.06
Asia	1,780	1,721	1,856	2,065	2,733
N. America	1,490	1,706	1,836	1,997	2,115
Europe	1,341	1,420	1,600	1,700	1,863

- Strong Price of N/R

(Unit:USD/Ton)

	'08.02	'08.03	'08.04	'08.05	'08.06
TSR-20	2,721	2,696	2,704	2,960	3,171

\* Aug. 2008 : USD 2,910/Ton



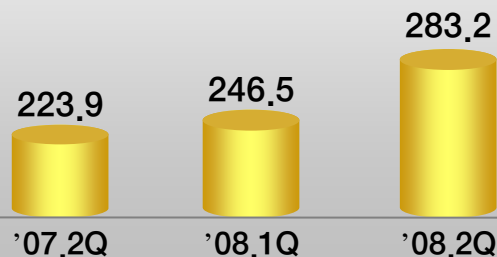
# Performance Results for Synthetic Resins

## Synthetic Resins

- Sales increased 14.9% to KRW 283.2 billion and operating income rose to KRW 5.5 billion.
- Sales and Operating income improved due to price rising by seasonal higher demand season entry.

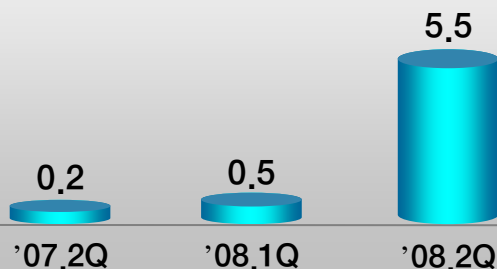
### Sales

Unit:KRW billion



### Operating Income

Unit:KRW billion



### 실적 분석

- SM raw material prices remain high  
- SM Price Changes

(Unit:USD/Ton, CFR China)

	'08.02	'08.03	'08.04	'08.05	'08.06
SM	1,387	1,436	1,443	1,551	1,649

- Selling price increased due to the price rising of main feedstocks(SM/BD/AN)
- Improved production cost by optimization of lay-out at Synthetic Resin Plant
- Domestic Market : Strong demand season arrival
- Overseas Markets : Increased demand by special demand of Olympic and rising the exchange rate



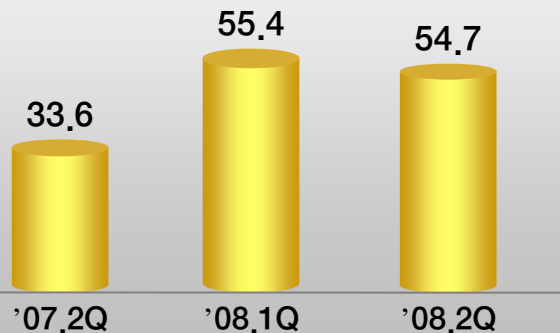
# Performance Results for Other Sectors

## Other Sectors

- Sales decreased 1.3% to KRW 54.7 billion and operating income decreased 14.5% to KRW 15.3 billion.
- Reduced the operating ratio both Specialty Chemicals(a short supply of 4-ADPA) and Combined Heat & Power Plant(Annual S/D at users).

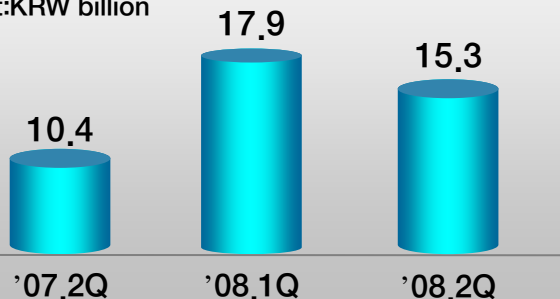
### Sales

Unit:KRW billion



### Operating Income

Unit:KRW billion



### 실적 분석

#### •Specialty Chemicals

- Selling price increased due to rising the price of main feedstocks and tight supply of 6PPD
- Profitability declined due to reducing the operating ratio by a short supply of 4-ADPA(main feedstock).

#### •Combined Heat & Power Plant

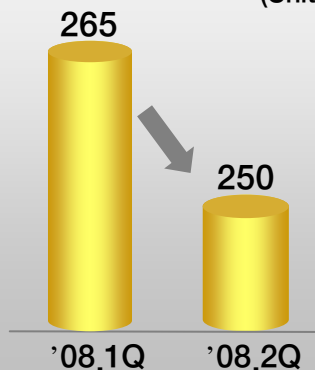
- Sales and Operating Income decreased due to reducing the operating ratio by Annual S/D at users(May '08).

# Financial Highlights

- Debt ratio decreased due to increased operating cash earning and stronger profit margins.
- Asset turnover and interest coverage both improved increased sales and operating income.

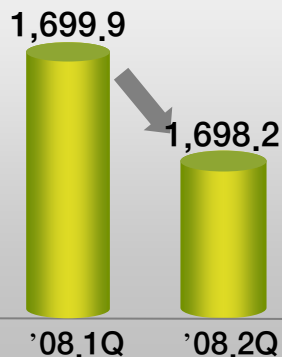
## Debt to Equity Ratio

(Unit:%)



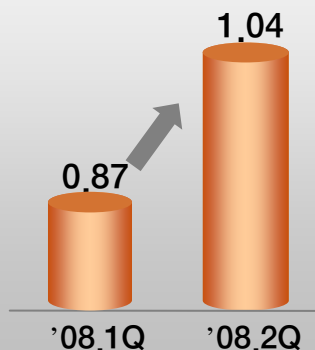
## Borrowings

(Unit:KRW billion)



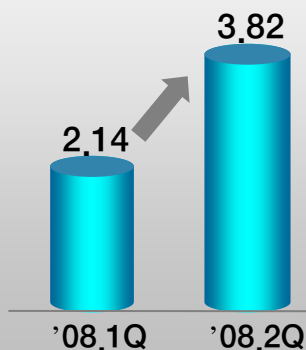
## Asset Turnover Ratio

(Unit:Times)



## Interest Coverage

(Unit:Fold)



	Unit	'07.4Q	'08.1Q	'08.2Q	Change Rate	
					YoY	QoQ
Assets	KRW bil.	2,864.0	3,114.0	3,253.1	13.6%	4.5%
Liabilities	KRW bil.	1,985.0	2,261.5	2,322.5	17.0%	2.7%
Shareholders' Equity	KRW bil.	879.0	852.5	930.6	5.9%	9.2%
Debt to Equity Ratio	%	226	265	250	24%p	-15%p
Borrowings	KRW bil.	1,483.3	1,699.9	1,698.2	14.5%	-0.1%
Won-denominated		1,300.1	1,483.6	1,458.5	12.2%	-1.7%
Foreign currency-denominated		183.2	216.3	239.7	30.8%	10.8%
Asset Turnover Ratio	Times	0.78	0.87	1.04	0.26	0.17
Interest Coverage Ratio	Fold	1.46	2.14	3.82	2.36	1.68



# Main Business Activities



## Established Sales Corporation in China

- Object of establishment
  - Increasing market share by building sales bases across China
  - Contribution to sales increase and profitability improvement
  - Promotion to sales our affiliate's products in petrochemical
- Corporate name : Kumho Petrochemical Shanghai Co., Ltd.
- Initial Capital : USD 300,000
- Business start date : June 1<sup>st</sup>, 2008

## Established PO/PPG/CS Plant in China

- Capa. : PO 80K Tons/Y, PPG 50K Tons/Y, CS 100K Tons/Y
- J/V : KKPC 50%, GPRO 50%
- Location : Nanjing Chemical Industry Park in Nanjing, China
- Total investment amount : USD 113 million(Owner's Equity USD 35 million, Liabilities USD 78 million)
- Completion Ceremony : June 28<sup>th</sup>, 2008

## Energy Business Extension : 2<sup>nd</sup> Combined Heat & Power Plant

- Expanding our energy business and ensuring stable utilities supply and laying the foundation for becoming a key utilities provider
- Total investment amount : KRW 216 billion
- Capa. : 500Mt/Hr, 119MW/Hr
- Construction due to be completed in April 2009



# Main Business Activities

## Reinforcing Our Position in the Synthetic Rubber Market

- Revamping Capa. : SBR 110K Tons/Y(Ulsan), BR 120K Tons/Y(Yeosu)
- Completion of Construction : SBR(April 2009), BR(September 2009)
- Total investment amount : KRW 264 billion
- KKPC will be world's NO.1 Maker once SBR & BR Capa.

(Unit:1,000Tons)

	2007	Apr. '09	Sep. '09	Remarks
SBR	371	481	481	-No.1:KKPC(823)
BR	222	222	342	-No.2:Lanxess(691)
Total	593	703	823	-No.3:Goodyear(685)

## Strengthening Market Leadership in the Specialty Chemicals

- Revamping Capacity : 6PPD 26K Tons/Y
- Completion of Construction : September 2008
- Total investment amount : KRW 25.2 billion
- KKPC will be world's No.1 Maker of 6PPD Capa.

(Unit:1,000Tons)

	Mar. '08	Sep. '08	Remarks
6PPD	44	70	-No.1:KKPC(70) -No.2:Flexsys(65) -No.3:Lanxess(40)





## ● Synthetic Rubbers

- Maintain strong BD price
  - Annual S/D of NCC Plant in Asia
  - Reduce the operating ration of NCC Plant by strong price of Naphtha
  - Higher demand of Synthetic Rubber Plant.
- Promote the product price rising continuously to adapt increasing the BD price
- Maximize profitability through the optimum portfolio of regional and customer groups

## ● Synthetic Resins

- Maintain strong SM price
  - Expect to increase supply a little by operating start SM Plant of Chevron Philips on July 2009
  - Reduce the operating ratio of SM Maker, Annual S/D of SM Plant
- Increase selling price to improve profitability due to the price rising of main feedstocks(SM/BD/AN)
- Execute strategy which is increasing sales of high value-added products considering regional groups
- Increase sales of high performance product and develop an emerging market which is S. America, M. East, CIS etc.



# Income Statement

(Unit:KRW billion)

	2008			2007			Change			
	1Q (A)	2Q (B)	1H (C=A+B)	1Q (D)	2Q (E)	1H (F=D+E)	QoQ (B-A)		YoY (B-E)	
							증감액	증감율	증감액	증감율
Sales	651.1	825.9	1,477.0	492.4	535.8	1,028.2	174.8	26.8%	290.1	54.1%
Operating Income	53.7	101.3	155.0	31.6	46.6	78.2	47.6	88.6%	54.7	117.4%
<i>(Operating Margin)</i>	<i>8.2%</i>	<i>12.3%</i>	<i>10.5%</i>	<i>6.4%</i>	<i>8.7%</i>	<i>7.6%</i>		<i>4.1%p</i>		<i>3.6%p</i>
<i>Net Interest Expense</i>	<i>21.2</i>	<i>21.3</i>	<i>42.5</i>	<i>19.4</i>	<i>18.7</i>	<i>38.1</i>	<i>0.1</i>	<i>0.5%</i>	<i>2.6</i>	<i>13.9%</i>
<i>Income for Foreign Currency Translation</i>	<i>-7.9</i>	<i>-11.8</i>	<i>-19.7</i>	<i>-1.0</i>	<i>1.9</i>	<i>0.9</i>	<i>-3.9</i>	<i>-</i>	<i>-13.7</i>	
<i>Gain/Loss on Valuation of Equity Method Investments</i>	<i>-20.4</i>	<i>10.4</i>	<i>-10.0</i>	<i>21.0</i>	<i>40.6</i>	<i>61.6</i>	<i>30.8</i>	<i>-</i>	<i>-30.2</i>	<i>-74.4%</i>
Income before Income Taxes	10.2	98.1	108.3	30.9	52.6	83.5	87.9	861.8%	45.5	86.5%
<i>(Ordinary Income Margin)</i>	<i>1.6%</i>	<i>11.9%</i>	<i>7.3%</i>	<i>6.3%</i>	<i>9.8%</i>	<i>8.1%</i>		<i>10.3%p</i>		<i>2.1%p</i>
Net Income	7.5	74.8	82.3	25.5	37.9	63.4	67.3	897.3%	36.9	97.4%
<i>(Net Income Margin)</i>	<i>1.2%</i>	<i>9.1%</i>	<i>5.6%</i>	<i>5.2%</i>	<i>7.1%</i>	<i>6.2%</i>		<i>7.9%p</i>		<i>2.0%p</i>



# Balance Sheet

(Unit:KRW billion)

	2008		2007	2006	Change		
	2Q (A)	1Q (B)	4Q (C)	4Q (D)	QoQ (A-B)	YoY (A-C)	Yo06 (A-D)
1. Current Assets	689.2	658.0	489.1	461.8	31.2	200.1	227.4
- Cash	10.0	22.1	11.4	3.1	-12.1	-1.4	6.9
2. Non-Current Assets	2,563.9	2,456.0	2,374.9	2,152.8	107.9	189.0	411.1
Total Assets	3,253.1	3,114.0	2,864.0	2,614.6	139.1	389.1	638.5
1. Interest Bearing Liabilities	1,698.2	1,699.9	1,483.3	1,391.2	-1.7	214.9	307.0
- Short-Term Debts	309.1	377.1	344.3	490.9	-68.0	-35.2	-181.8
- Long-Term Debts	1,389.1	1,322.8	1,139.0	900.3	66.3	250.1	488.8
- Current Liabilities	833.1	825.0	712.9	795.1	8.1	120.2	38.0
2. Non-Interest Bearing Liabilities	624.3	561.6	501.7	450.5	62.7	122.6	173.8
Total Liabilities	2,322.5	2,261.5	1,985.0	1,841.7	61.0	337.5	480.8
1. Common & Preferred Stock	142.2	142.2	142.2	142.2	-	-	-
Total Shareholder Equity	930.6	852.5	879.0	772.9	78.1	51.6	157.7
Net Debt Ratio	51.9%	53.9%	51.4%	53.1%	-2.0%	0.5%	-1.2%
Long-Term Debts to Total Debts Ratio	81.8%	77.8%	76.8%	64.9%	4.0%	5.0%	16.9%
Current Ratio	82.7%	79.8%	68.6%	58.1%	2.9%	14.1%	24.6%
Total Liabilities to Equity Ratio	249.6%	265.3%	225.8%	238.3%	-15.7%	23.8%	11.3%



# Cash Flow

(Unit:KRW billion)

	'08.2Q	'08.1Q	'07.2Q	Change	
				YoY	QoQ
Cash flow from operating activities	127.7	-32.4	125.8	160.1	1.9
- Net Income	74.8	7.5	37.9	67.3	36.9
- Depreciation/Retirement allowance	22.8	17.5	15.4	5.3	7.4
- Others	30.1	-57.4	72.5	87.5	-42.4
Cash flow from investing activities	-117.8	-164.2	-57.2	46.4	-60.6
- Tangible Assets	-112.5	-94.5	-50.3	-18.0	-62.2
- Others	-5.3	-69.7	-6.9	64.4	1.6
Cash flow from financing activities	-22.0	207.3	-69.6	-229.3	47.6
- Borrowings	-4.2	207.5	-52.9	-211.7	48.7
- Treasury stock/dividends	-17.3	-	-16.1	-17.3	-1.2
- Others	-0.5	-0.2	-0.6	-0.3	0.1
Net Cash Flow	-12.1	10.7	-1.0	-22.8	-11.1



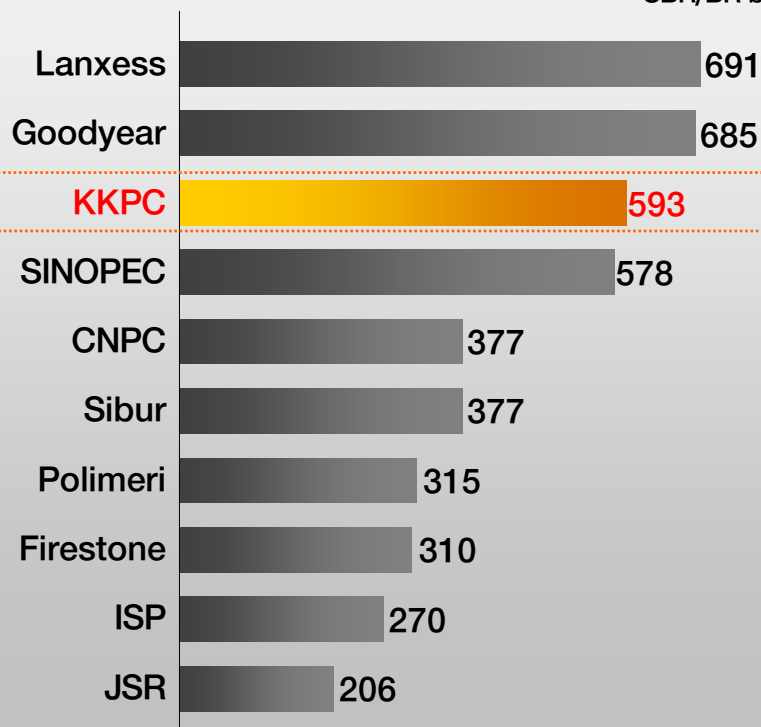
# Market Position

## Synthetic Rubbers

- World's 3<sup>rd</sup> largest maker of Synthetic Rubber
- KKPC will be world's No.1 maker and take 10% share of the world market once SBR and BR Capa. is increased to 110K Tons and 120K Tons respectively by 2009

### Production Capa. (June 2008)

Unit:1,000Tons  
SBR/BR based



### Market Position

Unit:1,000Tons  
SBR/BR based

	Company	June '08	Sep. '09
1	KKPC	593	823
2	Lanxess	691	691
3	Goodyear	685	685
4	SINOPEC	578	658
5	CNPC	377	577
5	Sibur	377	417
7	Polimeri	315	315
8	Firestone	310	310
9	ISP	270	270
10	JSR	206	206



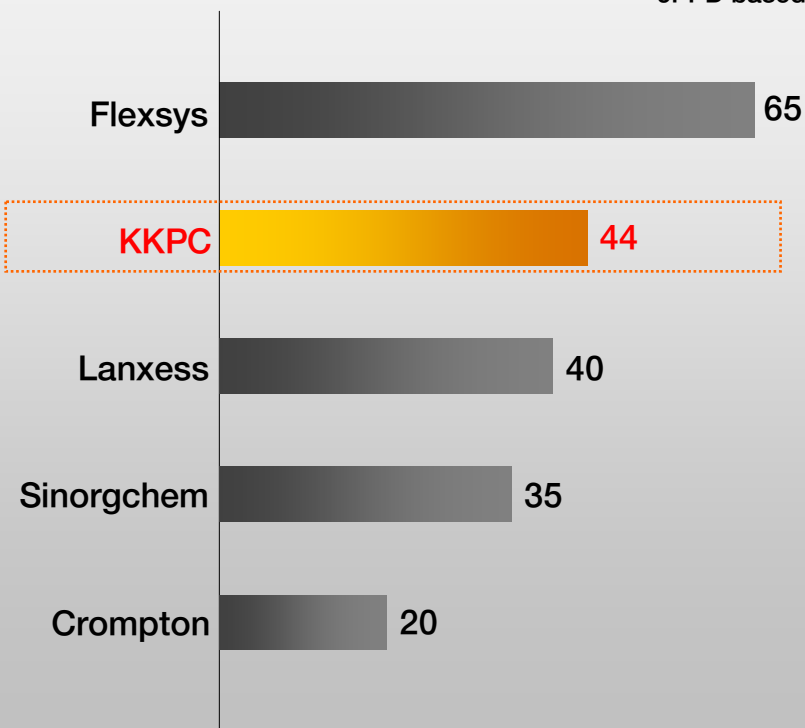
# Market Position

## Specialty Chemicals

- Currently world's 3<sup>rd</sup> largest maker of Specialty Chemicals ; will leap to No.1 position after revamping that will allow Capa. of 70K Tons in 2008
- Strengthening competitiveness through vertical integration of Tire, Synthetic Rubber and Specialty Chemicals Businesses

Production Capa. (June '08)

Unit:1,000Tons  
6PPD based



Market Position

Unit:1,000Tons  
6PPD based

순위	Company	June '08	Sep. '08
1	KKPC	44	70
2	Flexsys	65	65
3	Lanxess	40	40
4	Sinorgchem	35	35
5	Crompton	20	20