

20051Q

Business Performance & 2Q Prospects

Korea Kumho Petrochemical.Co.,LTD

2005. 4. 22

Contents

This document is written for investors while an audit by an external auditor for a performance of 2005. 1Q has not be completed.

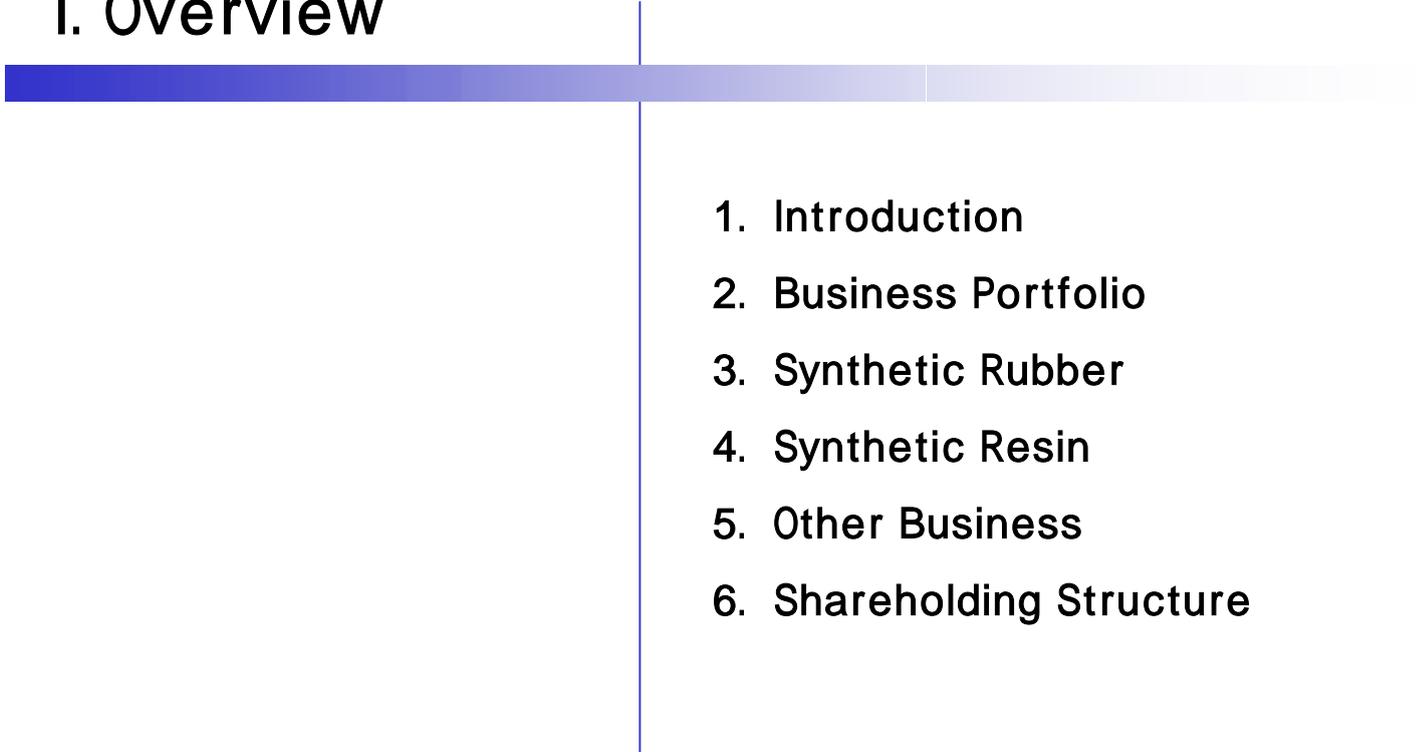
Therefore, some of the contents put forth here might be modified throughout the course of a financial audit.

Furthermore, please be informed the prospects for 2005. 1Q are only estimates

Korea Won amounts have been translated Into U.S. Dollars at the rate of W1,022 per US\$ 1.00 [average 2005. 1Q]

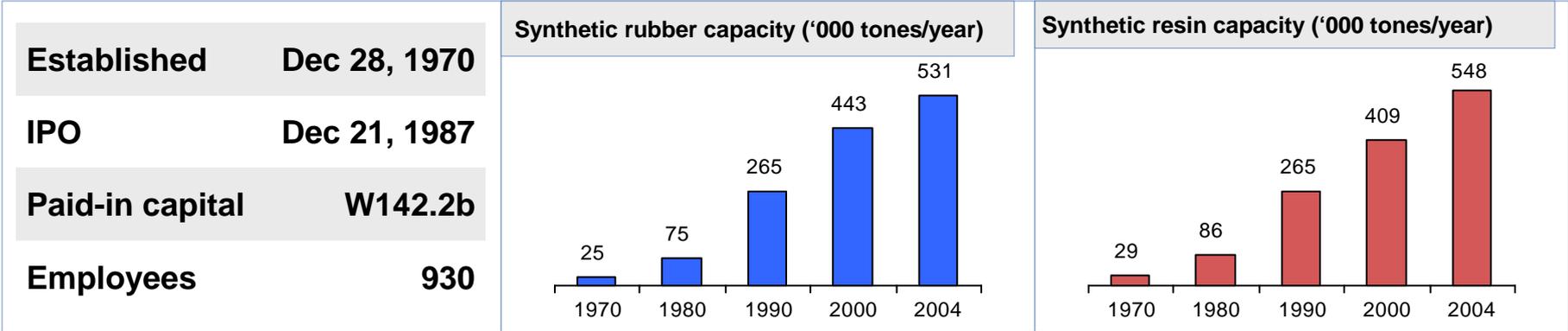
- I. Overview
- II. 1Q Business Performance
- III. 2Q Prospects & Plans
- IV. Appendix

I. Overview

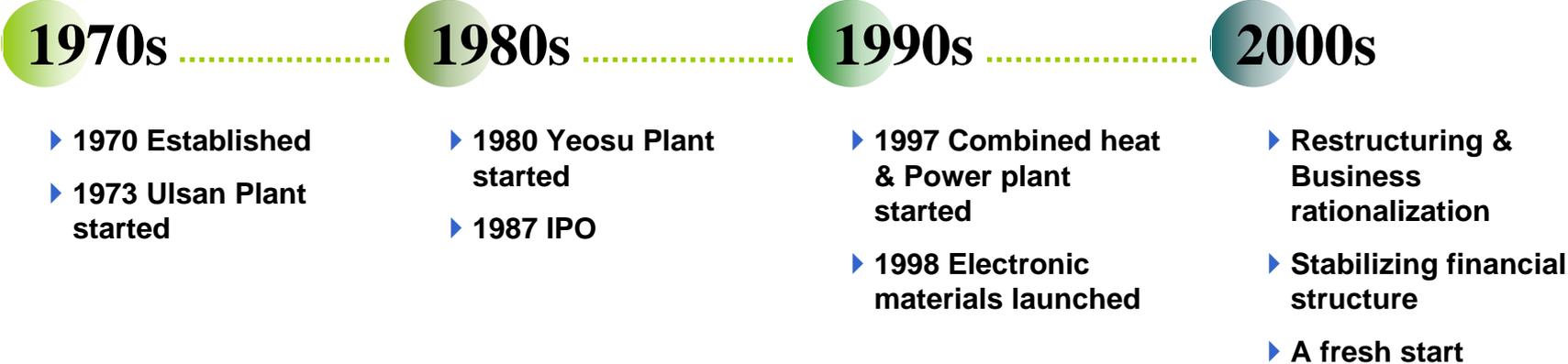


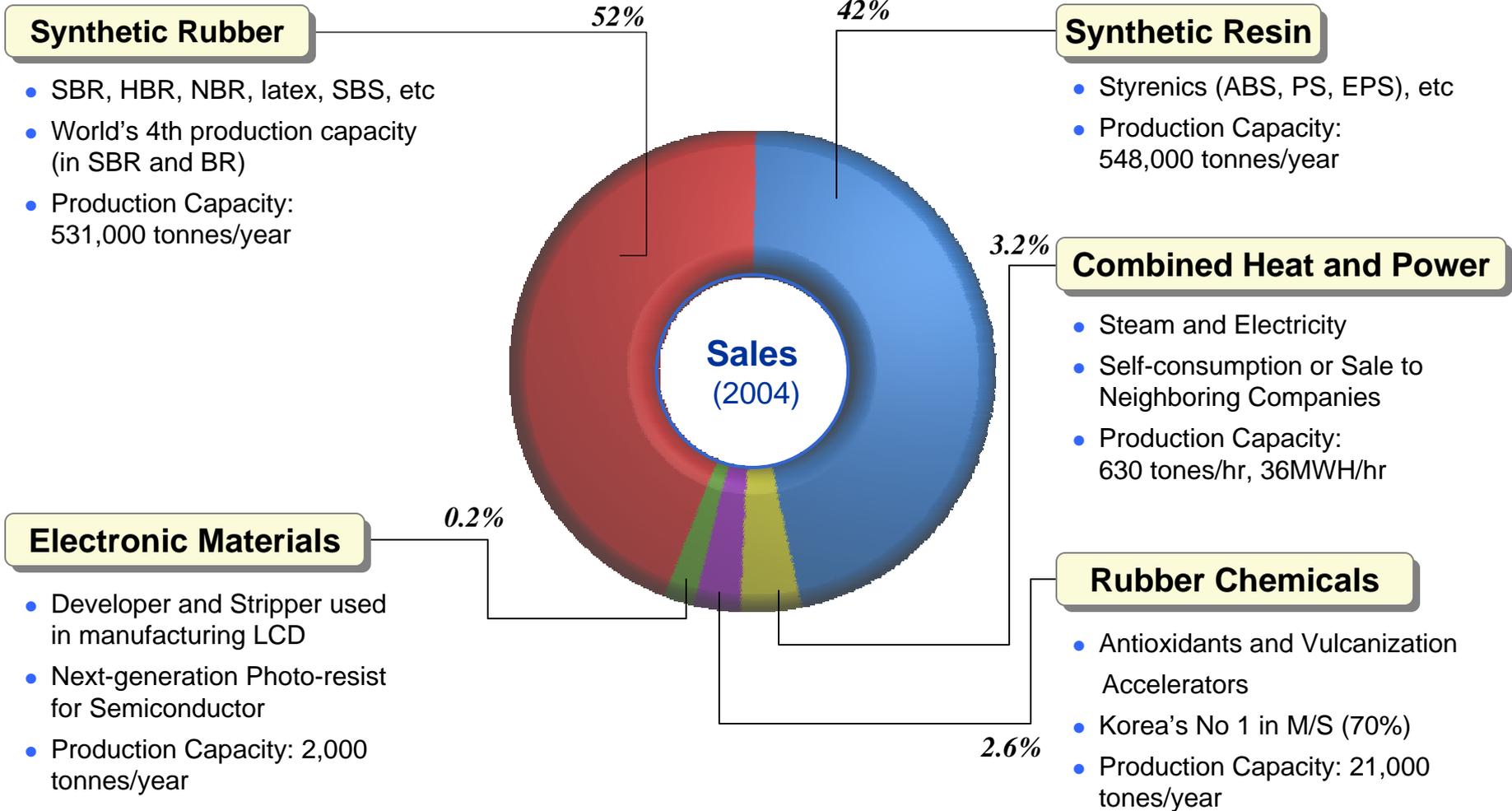
1. Introduction
2. Business Portfolio
3. Synthetic Rubber
4. Synthetic Resin
5. Other Business
6. Shareholding Structure

Overview

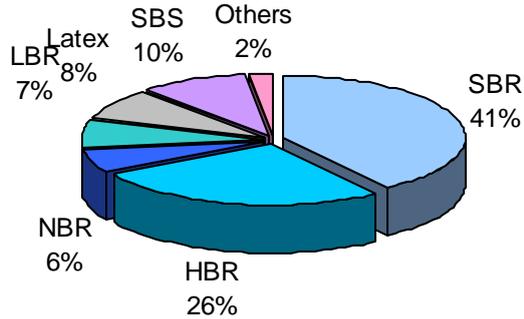


History



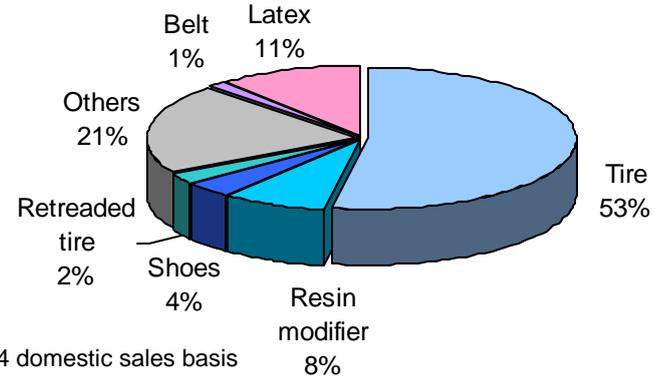


Sales Breakdown



* 2004 sales basis

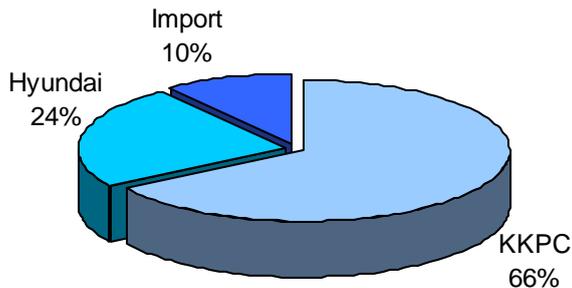
Sales by use



* 2004 domestic sales basis

Market Position

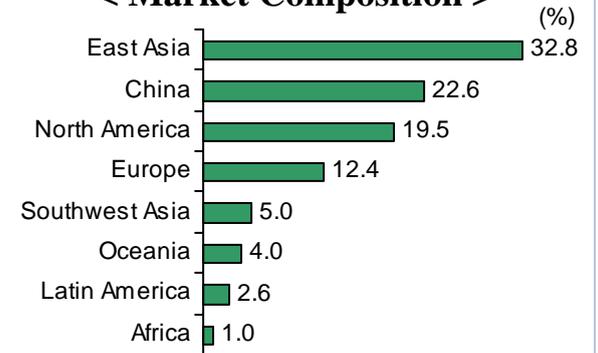
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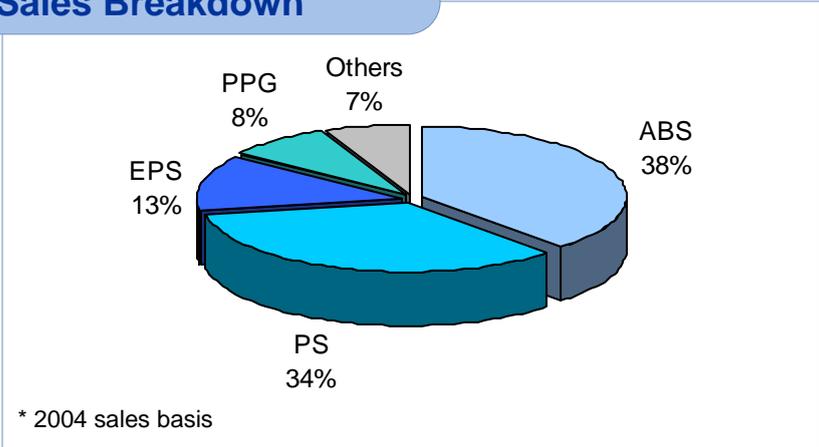
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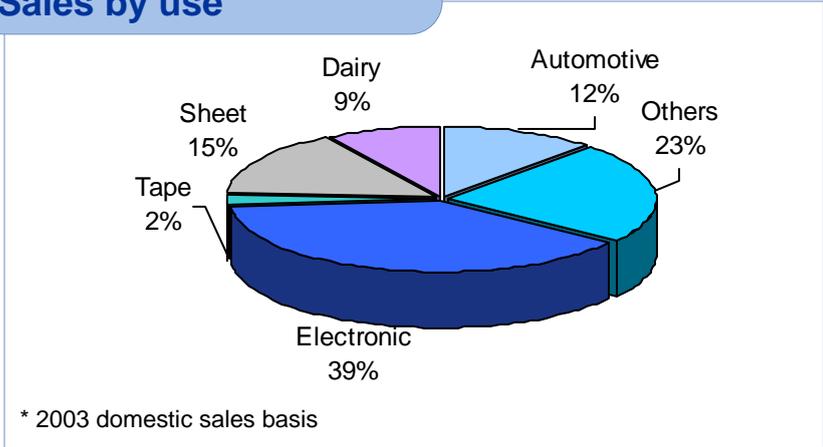
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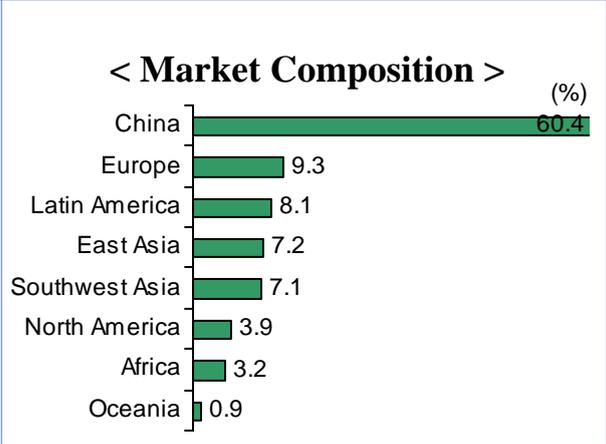
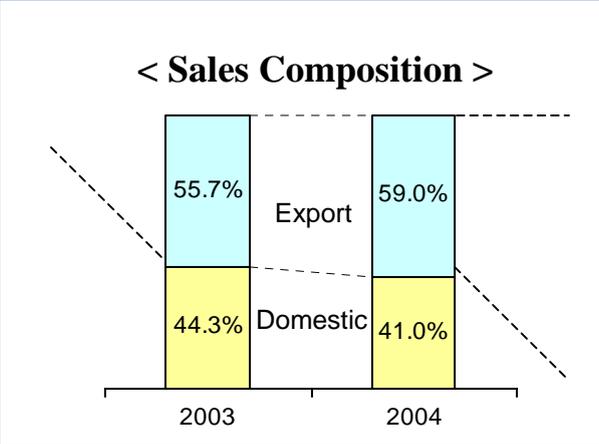
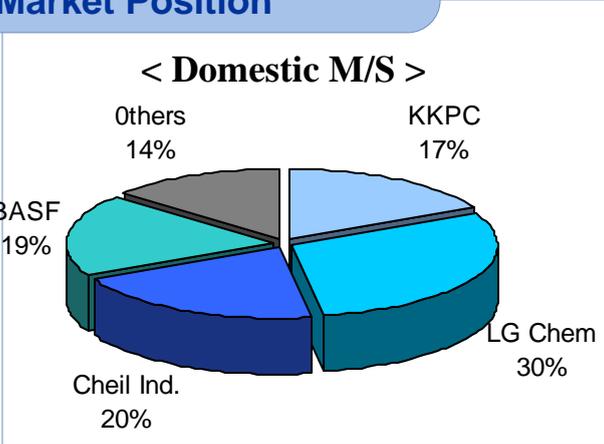
Sales Breakdown



Sales by use

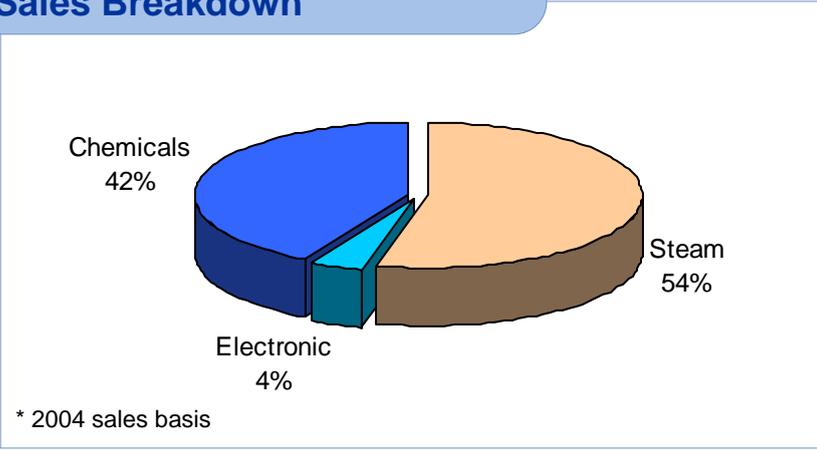


Market Position

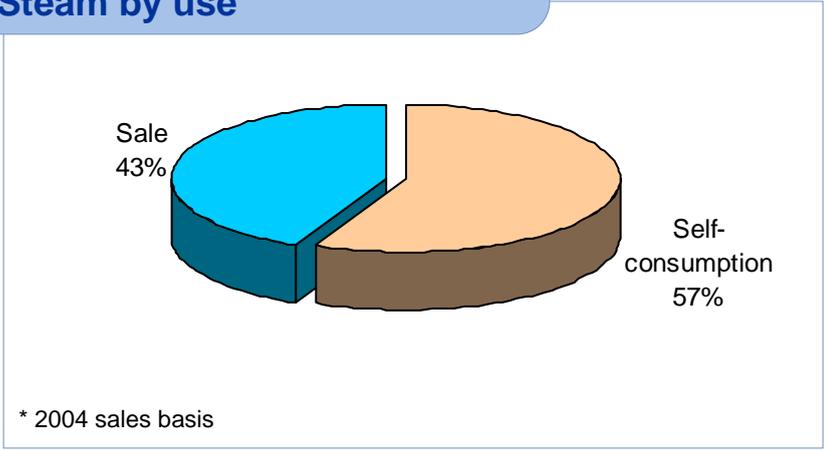


5. Other Business

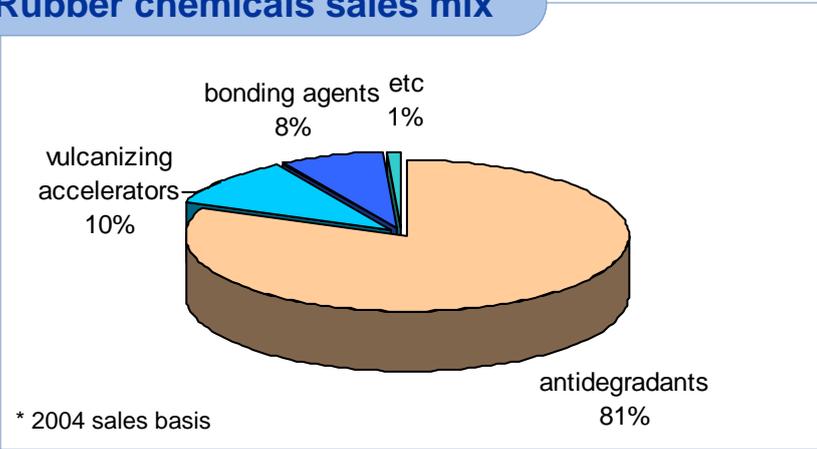
Sales Breakdown



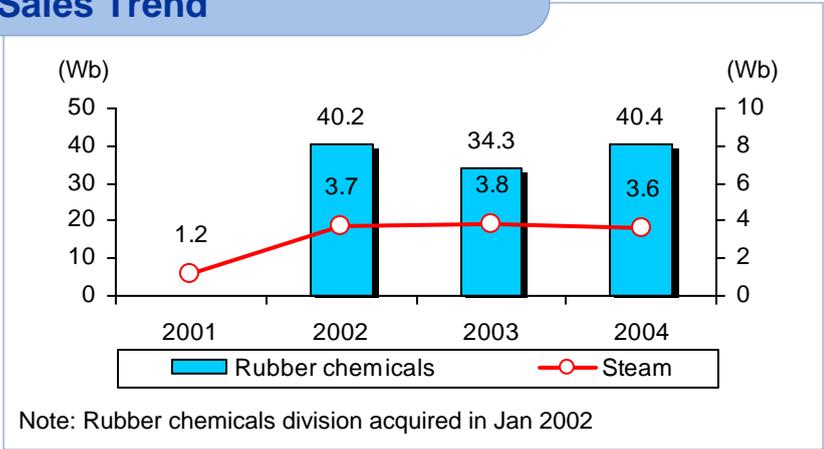
Steam by use



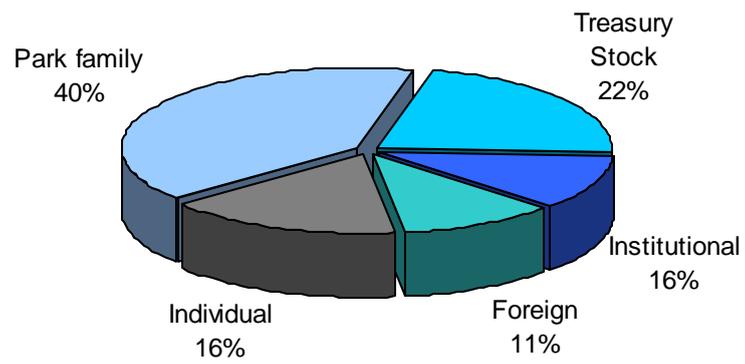
Rubber chemicals sales mix



Sales Trend



Shareholding Structure



Note: Common Stock as of Dec. 30, 2004

Share Information

| | Shares | Price* | Market Cap | Capital** (Paid in) |
|--------------|-------------------|----------|----------------|---------------------|
| Common | 25,424,447 | 14,000 | W355.9b | W127.1b |
| Preferred | 3,023,486 | 6,300 | W19.0b | W15.1b |
| Total | 28,447,933 | - | W374.9b | W142.2b |

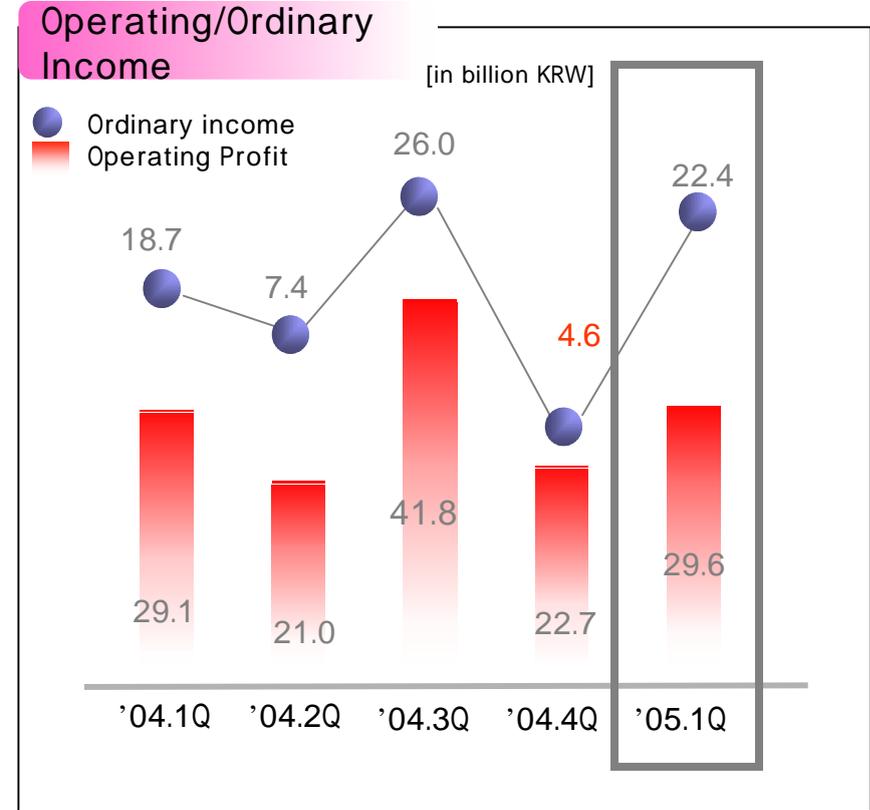
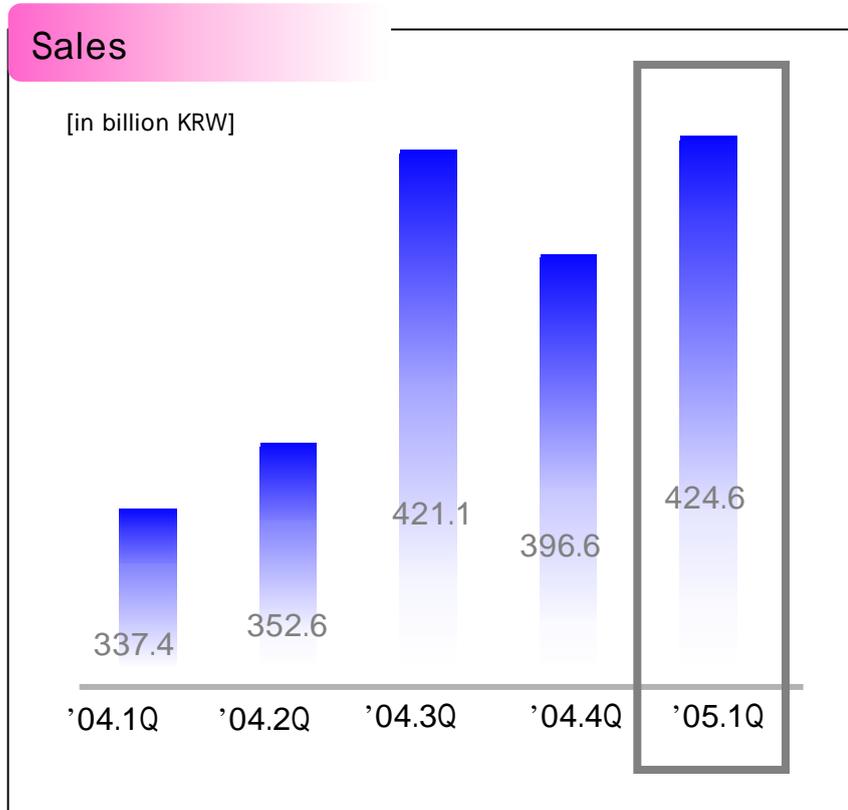
Note:
 * Price : Market price on Dec 30, 2004
 ** Paid-in capital : down from W171.1b as of Apr 26, 2004
 (Share cancellation: common 3,944,300, preferred 1,757,476)

II. 1Q Business Performance



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

- Sales up 7.1% q-q , 25.8% y-y[the largest sales q-q]
- Operating Profit +30.4% q-q, +1.7% y-y
- Ordinary Profit +587% q-q, +19.7% y.y[turnover black figures over 2004.4Q]



• Ordinary income : Except for Equity Method Income
 •'04 4Q

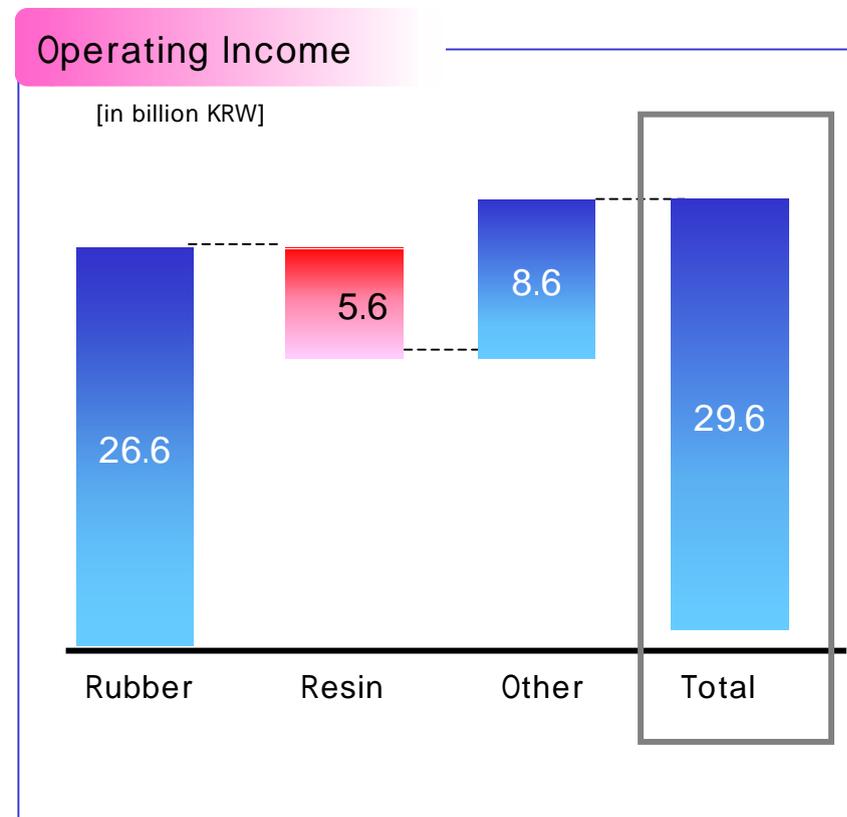
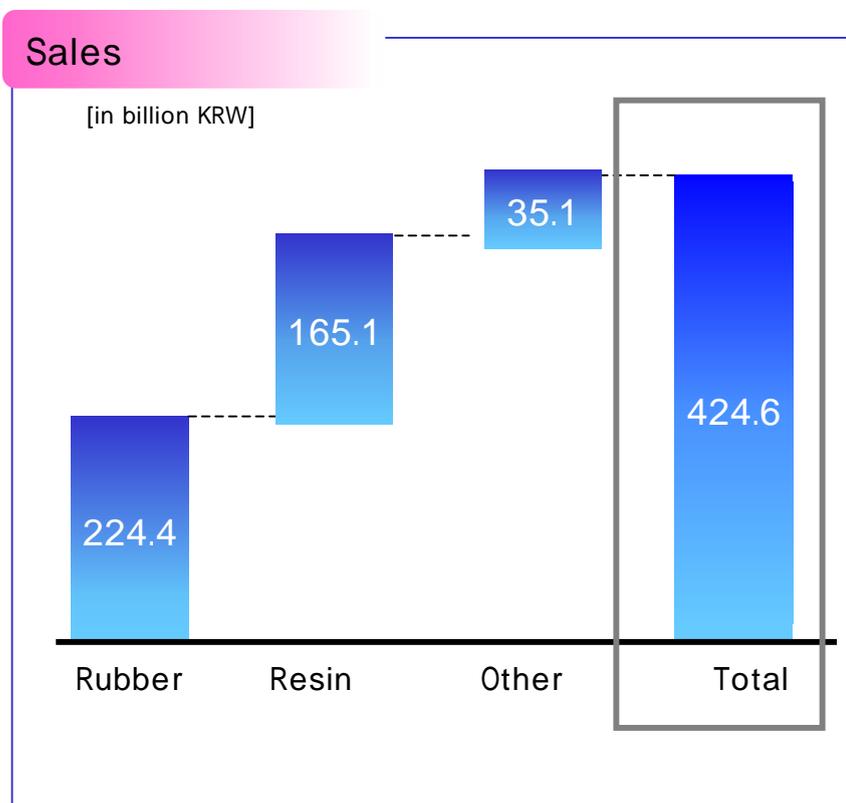
1. 1Q Business Performance[Summary]

II. 1Q Business Performance

| in billion KRW | '04. 1Q | '04. 4Q | '05. 1Q | | Growth(%) | | |
|-----------------------------------|---------|---------|---------|--------|-----------|-------|---------|
| | | | Plant | Actual | Y-Y | Q-Q | Vs Plan |
| Sales | 337.4 | 396.7 | 407.4 | 424.6 | 25.8 | 7.1 | 4.2 |
| Gross Margin | 60.4 | 51.0 | 59.8 | 60.8 | 0.7 | 19.2 | 1.7 |
| [%] | 17.9 | 12.8 | 14.7 | 14.3 | | | |
| Operation Income | 29.1 | 22.7 | 30.0 | 29.6 | 1.7 | 30.4 | 1.3 |
| [%] | 8.6 | 5.7 | 7.4 | 7.0 | | | |
| Ordinary Income | 45.6 | 38.9 | - | 54.4 | 19.3 | 39.8 | - |
| (Except for equity Method Income) | 18.7 | 46 | 17.6 | 22.4 | 19.7 | 587.0 | 27.3 |
| Net Income | 31.6 | 43.0 | 12.6 | 40.9 | 29.4 | 4.9 | 224.6 |
| E.M.Income | 26.8 | 43.5 | - | 32.0 | 19.4 | 26.4 | - |

• Equity Method Income : Industrial 16.3, Mitsui 6.2, Airlines 5.0, Life Insurance 2.6, P&B 1.5
 Polychem 1.3, Terminal 0.4, Rent-a-car 1.3, Shanghai Kumho 0.05

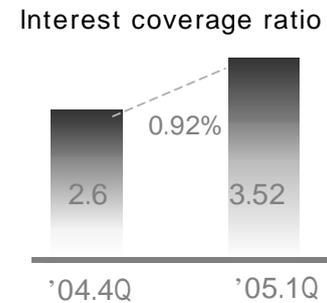
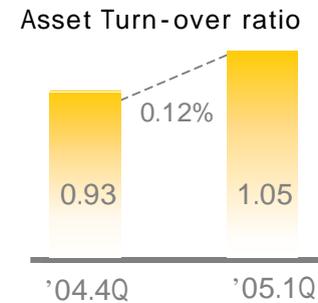
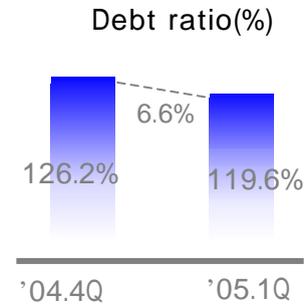
- Sales Portion : Rubber 53%, Resin 39%, Others 8%
- Operating Income : Rubber 266, Resin 56, Other 86



| in billion KRW | '04. 1Q | '04. 4Q | '05. 1Q | | Growth(%) | | |
|-----------------------------|--------------|--------------|--------------|--------------|-------------|-------------|------------|
| | | | Plan | Actual | Y-Y | Q-Q | Vs Plan |
| Sales | 337.4 | 396.6 | 407.4 | 424.6 | 25.8 | 7.1 | 4.2 |
| [Rubber] | 155.5 | 198.7 | 191.3 | 224.4 | 44.3 | 12.9 | 17.3 |
| [Resin] | 154.9 | 168.9 | 186.1 | 165.1 | 6.6 | 2.2 | 11.3 |
| [Other] | 26.9 | 29.1 | 30.0 | 35.1 | 30.5 | 20.6 | 17.0 |
| Operation Income | 29.1 | 22.7 | 30.0 | 29.6 | 1.7 | 30.4 | 1.3 |
| [%] | 8.6 | 5.7 | 7.4 | 7.0 | | | |
| [S.Rubber] | 17.7 | 17.5 | 19.3 | 26.6 | 50.3 | 52.0 | 37.8 |
| [%] | 11.4 | 8.8 | 10.1 | 11.9 | | | |
| [S. Resin] | 2.3 | 1.3 | 2.3 | 5.6 | 343.5 | 330.8 | 343.5 |
| [%] | 1.5 | 0.77 | 1.2 | 3.4 | | | |
| [Other] | 9.0 | 6.6 | 8.4 | 8.6 | 4.4 | 30.3 | 2.4 |
| [%] | 33.5 | 22.7 | 28.0 | 24.5 | | | |

- Decrease of Liabilities 23.3, Debt ratio 6.6% q-q
- Decrease of Debt 41.4 y-y, 16.0 q-q

| in billion KRW | '04.1Q | '04.4Q | '05.1Q | Y-Y | Q-Q |
|-------------------------|---------|---------|---------|-------|------|
| Assets | 1,440.3 | 1,626.7 | 1,623.8 | 183.5 | 2.9 |
| Liabilities | 868.6 | 907.6 | 884.3 | 15.7 | 23.3 |
| Equity | 571.7 | 719.1 | 739.4 | 167.7 | 20.3 |
| Debt ratio[%] | 151.9 | 126.2 | 119.6 | 32.3 | 6.6 |
| Debt | 635.9 | 610.5 | 594.5 | 41.4 | 16.0 |
| Asset Turn-over ratio | 0.94 | 0.93 | 1.05 | 0.11 | 0.12 |
| Interest coverage Ratio | 2.2 | 2.6 | 3.52 | 1.32 | 0.92 |

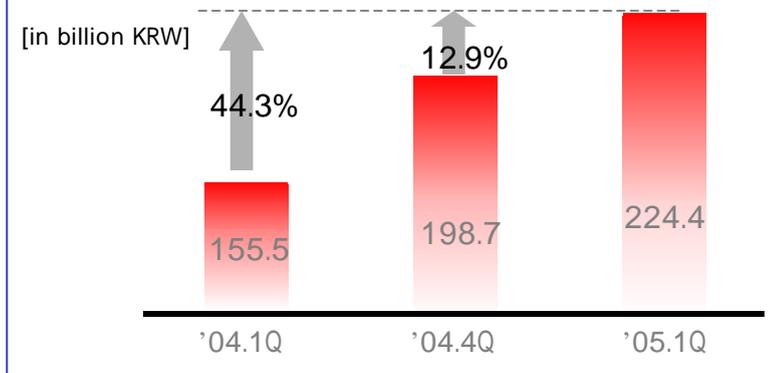


| in billion KRW | '04. 1Q | '04. 4Q | '05.1Q | Y-Y | Q-Q |
|-----------------------------------|---------|---------|--------|------|------|
| 1. Operating | 0.9 | 19.1 | 2.1 | 1.2 | 21.2 |
| - Net Income | 31.6 | 43.1 | 40.9 | 9.3 | 2.2 |
| - Depreciation/severance benefits | 16.6 | 16.6 | 17.3 | 0.7 | 0.7 |
| - Other | 49.1 | 40.6 | 56.1 | 7.0 | 15.5 |
| 2. Investment | 10.0 | 27.7 | 22.1 | 32.1 | 49.8 |
| - Tangible | 8.3 | 14.7 | 12.7 | 4.4 | 2.0 |
| - Other | 1.7 | 13.0 | 34.8 | 36.5 | 47.8 |
| 3. Financing | 11.6 | 6.7 | 15.6 | 27.2 | 22.3 |
| - Borrowings | 19.3 | 14.5 | 16.2 | 37.5 | 32.7 |
| - Treasury stock/dividend | 5.3 | - | - | 5.3 | - |
| - Other | 2.4 | 7.8 | 0.6 | 3.0 | 8.4 |
| Net Cash Flow | 0.7 | 1.9 | 4.4 | 3.7 | 6.3 |

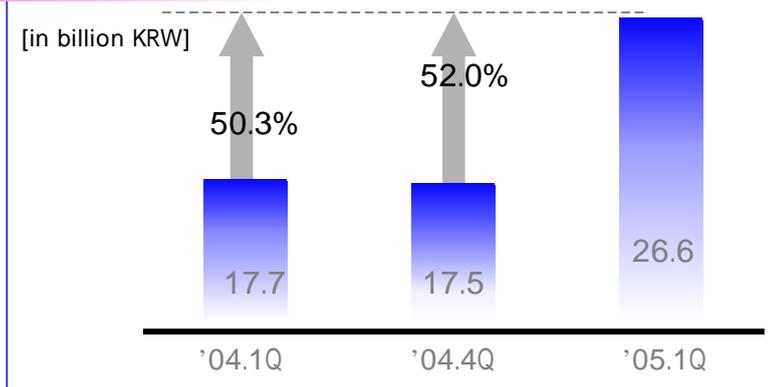
•Operating Other of 2005 1Q : Equity method income [33.3], increase of sales bond[31.7], etc.

- Achieved Quarterly record revenue and operating income by raising sales price aided by tight supply/demand and booming forward industries
- Operating income increased by 52% q-q, increased by 50.3% y-y

Sales



Operating Income

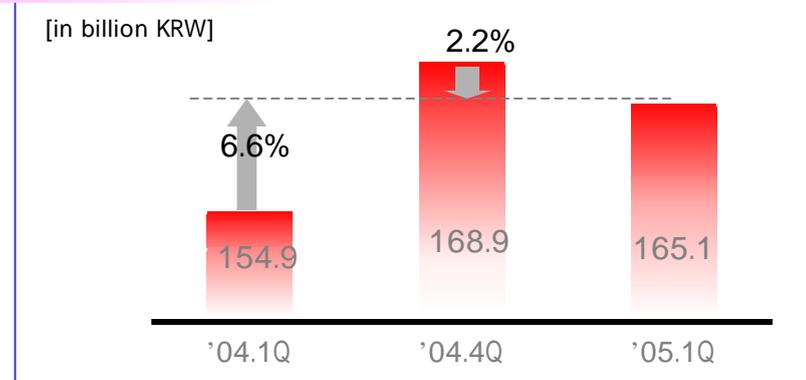


Performance Analysis

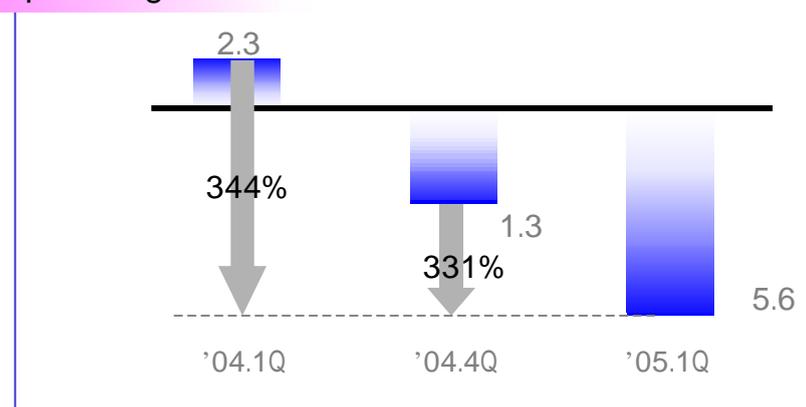
- Achieved quarterly record revenue and operating income by raising sales price despite of high BD(feedstock) price
- Strong export price aided by tight supply/demand and strong natural rubber price [Natural rubber price : \$1,200 ~ \$ 1,250]
- Sales rose because SBS sales rose [1,325Mt(1,'05) '05.3 6,861Mt[3.05], 418%]
* Influenced by the closing of EU Anti-Dumping investigation
- Strong sales expected due to booming auto and tire industries and rising demand in china and SE Asia

- Operating income decreased because of operation ration control and lowering sales price caused by plunging SM Price.
- Profit expected to be improved after march due to stable SM price

Sales



Operating Income

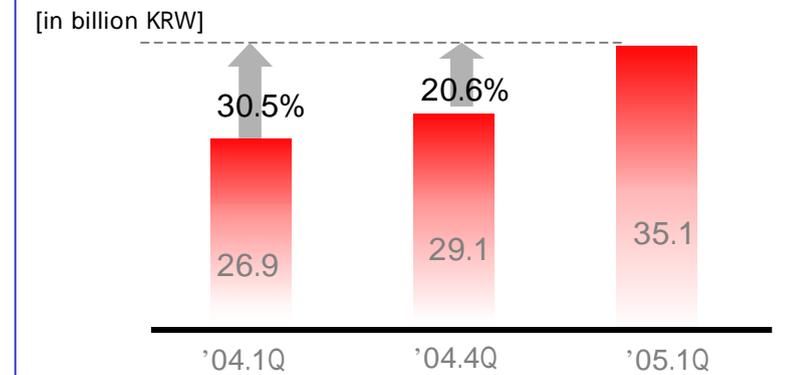


Performance Analysis

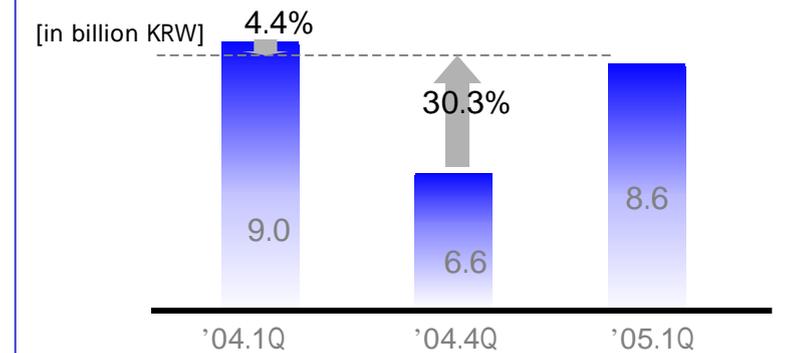
- Operating income decreased because of operation ratio control caused by plunging SM Price
 - income decreased because of the burden of high priced feedstock inventory and plunging sales price
- Weak demand due to chinese new year holidays in korea & china
- Strengthen sales of higher value-added product new organization for developing new customers
- Operating income expected to increase after march due to seasonal peak and stable SM price (Operating income in march turned black to 0.25 billion kwon)

- Profit improved because of rising operation ratio of combined-heat power plant and tight supply/demand of Rubber chemical

Sales



Operating Income



Performance Analysis

- Profit improved because of rising operation ratio of combined heat power plant and raising sales price of rubber chemical
 - Rubber chemical price 3,2million KRW /Mt(1Q '04)
4.46million KRW/Mt[1Q. '05]
- Sales increased over the same period of last year
 - Rubber Chemical : 53.1%[2,900Mt 4,440Mt]
 - C.H.P : 4.3%[324 KMt 338 KMt]
 - * Operation ratio rose[KKPC & group chemical companies]
- Revenue increased over the same period of last year[in billion KRW]
 - Rubber Chemical : 112.9%[9.3 19.8]
 - C.H.P : 4.4%[13.6 14.2]

Improving Profitability

- TDF Power Plant Construction approved by gov't [inside yeosu complex]
- Increasing capacity [1Q]
 - SBR 195,500 Mt/Y → 238,000 Mt/Y [+42,500 Mt]
 - CPP 6,000 Mt/Y [New]



shareholder value maximizing management

- Aggressive IR
 - Participated IR event held by ABN-AMRO for overseas investors [3/7~3/8]
- Post quarterly performance and hold investor Meeting
- Sold the shares of kumho industrial
 - 1,520,000 shares [23.6 billion KRW]
- Invite analysts for IR at least 3 times a week

Aggressive PR

- PR for improving brand value and recruiting
 - Advertising at airport : Gimpo, Ulsan, Yeosu airport
 - Advertising on college Newspapers : 9 universities
 - Draft advertisement for future use : newspapers, etc.

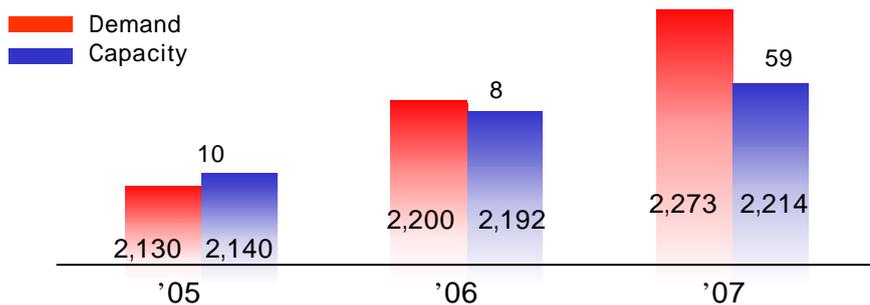
III. Prospects and Plans



1. Business Prospects
2. management Plants

Long Term Supply-demand Forecast[SBR/BR]

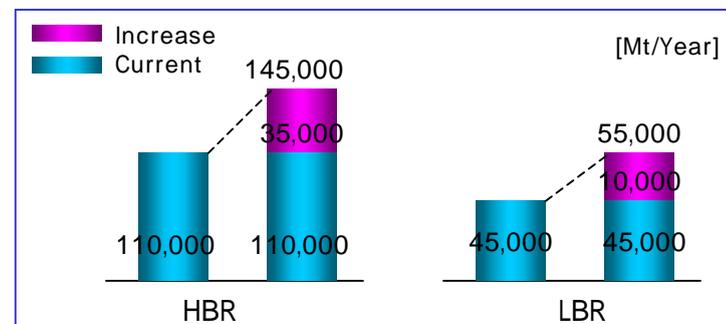
| [1,000Mt/Year] | | 2005 | 2006 | 2007 | AAGR |
|----------------|----------|-------|-------|-------|------|
| East Asia | Demand | 2,130 | 2,200 | 2,273 | 3.4% |
| | Capacity | 2,140 | 2,192 | 2,214 | 1.6% |
| | / (%) | 100% | 100% | 97% | |
| China | Demand | 939 | 1,005 | 1,075 | 7.1% |
| | Capacity | 666 | 713 | 720 | 3.4% |
| | / (%) | 71% | 71% | 67% | |
| Domestic | Demand | 247 | 253 | 260 | 2.7% |
| | Capacity | 429 | 434 | 438 | 1.0% |
| | / (%) | 174% | 171% | 168% | |
| World | / (%) | 109% | 108% | 107% | |



forecast of '05.1Q

Short supply in East Asia due to increasing demand in china

Capacity maximization by revamping[2005.2Q]
 - HBR : 35,000Mt, LBR 10,000Mt]



Decrease of revenue and profit expected due to Yeosu rubber plant annual shut down

[about 15 day shut down expected for each line at the May, 2005]

- Revenue decrease expected of Rubber and C.H.P

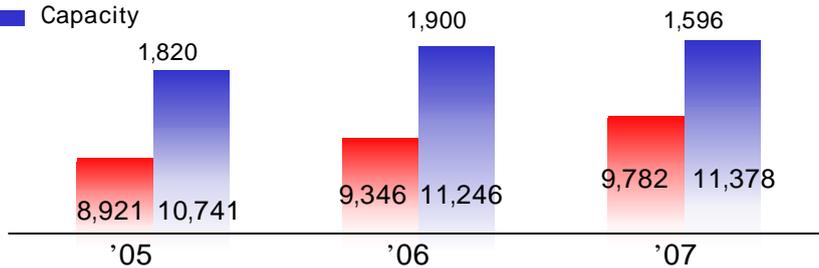
New source of revenue developed by the commercial operation of Nd-BR[Neodymium BR]

- Commercialization by using existing process [30,000Mt/Year , [30 /]
- Environmental - friendly tire material [Sales focused on European market]

Long Term Supply-demand Forecast[ABS/PS]

| 1,000Mt/Year | | 2005 | 2006 | 2007 | AAGR |
|--------------|----------|--------|--------|--------|------|
| East Asia | Demand | 8,921 | 9,346 | 9,782 | 4.6% |
| | Capacity | 10,741 | 11,265 | 11,378 | 3.4% |
| | / (%) | 120% | 121% | 116% | |
| China | Demand | 6,596 | 7,091 | 7,624 | 7.6% |
| | Capacity | 3,572 | 4,096 | 4,137 | 6.5% |
| | / (%) | 54% | 58% | 54% | |
| Domestic | Demand | 540 | 564 | 589 | 2.1% |
| | Capacity | 2,251 | 2,273 | 2,296 | 3.6% |
| | / (%) | 417% | 403% | 390% | |
| World | / (%) | 123% | 120% | 119% | |

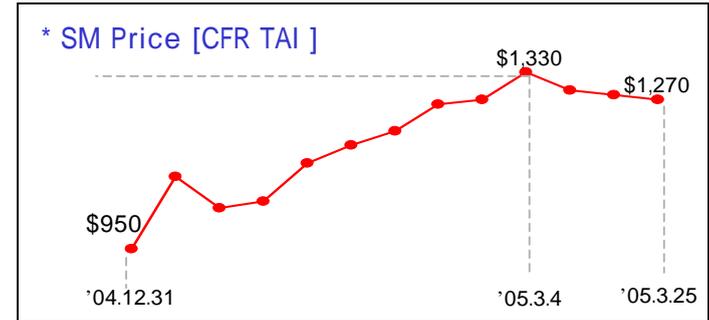
█ Demand
█ Capacity



forecast of '05.1Q

Market condition favorable in the mid/long-term due to increasing demand in China

SM Price expected to be high due to tight demand/supply of benzene[main feedstock of SM]



Price rise of main feedstock easily transferred to sales

revenue and operating income rise expected due to seasonal peak

Sales focused on China and East Asia sales differentiation by product use

- Strengthen sales to auto companies launch new market development T.F.T

Improving profitability

- Outside consulting[by ADL] to reexamine long-term strategy
- Strengthen cost competitiveness by leasing SM storage tank
 - Diversifying SM supplier by increasing capacity[Capacity : 10,000Mt)

Strengthen sales of higher value-added product

- Early commercialization of environmental friendly Nd-BR
- Acceleration of development of specialties and customized product

Enlarge energy sector

- construction of Turbine Generator[going on now]
 - Target operation date : 2005. 10
 - Now construction going on in yeosu complex
 - Purpose : Generate electricity using the iidle capacity of coal boiler and decreased demand for steam during summer
 - Expected profit : 4billion KRW
- Construction of TDF Power Plant[going on now]
 - Target operation date : 2nd half of 2007
 - Designing boiler now
 - Purpose : Generate electricity using waste resources
Build utility supply base in Yeosu Complex

IV. Appendix



1. Income statement
2. Balance Sheet
3. Product nominal Capacity
4. CAPEX
5. Percentage of ownership
6. Investments Plans of domestic tire companies
7. Main customers, by division

| in billion KRW | '04. 1Q | '04. 4Q | '05. 1Q | | remark |
|---|---------|---------|---------|--------|--------|
| | | | Plan | Actual | |
| Sales | 337.4 | 396.6 | 407.4 | 424.6 | |
| Gross Margin | 60.4 | 51.0 | 59.8 | 60.8 | |
| Selling and Administrative expenses | 31.2 | 28.3 | 29.8 | 31.2 | |
| Operating income | 29.1 | 22.7 | 30.0 | 29.6 | |
| [%] | 8.6% | 5.7% | 7.4% | 7.0% | |
| Non-operating Income | 34.4 | 52.2 | 3.2 | 41.1 | |
| Non-operating expenses | 18.0 | 35.9 | 15.6 | 16.4 | |
| Ordinary Income | 45.6 | 38.9 | - | 54.4 | |
| [Except for equity method income] | 18.8 | 4.6 | 17.6 | 22.4 | |
| Net income | 31.6 | 43.0 | 12.6 | 40.9 | |

| in billion KRW | '04. 1Q | '04. 4Q | '05. 1Q | | remark |
|--------------------|----------------|----------------|----------------|----------------|--------|
| | | | Plan | Actual | |
| Assets | 1,440.3 | 1,626.7 | 1,598.9 | 16,23.8 | |
| Current | 288.2 | 366.7 | 380.5 | 3,83.8 | |
| [Inventories] | 131.0 | 206.5 | 173.4 | 179.1 | |
| Non-Current | 1,152.1 | 1,260.0 | 1,218.4 | 1,240.0 | |
| [Tangible] | 489.0 | 488.9 | 522.4 | 487.8 | |
| Liabilities | 868.6 | 907.6 | 924.5 | 884.3 | |
| Current | 660.0 | 501.8 | 490.0 | 457.5 | |
| Non-Current | 208.6 | 405.8 | 434.5 | 426.8 | |
| Equity | 571.7 | 719.1 | 674.4 | 739.4 | |
| Paid-in capital | 170.7 | 142.2 | 142.2 | 142.2 | |
| Retained earnings | 45.2 | 148.1 | 119.5 | 177.4 | |
| Other | 355.8 | 428.8 | 412.7 | 419.8 | |

| Product | | Capacity[Mt/Year] | | |
|------------------|-----------------------|-------------------|-----------|----------|
| | | '04, 4Q | expansion | '05.3.31 |
| Synthetic Rubber | SBR | 195,500 | 42,500 | 238,000 |
| | SSBR | - | | - |
| | HSR | 10,000 | | 10,000 |
| | NBR | 30,000 | | 30,000 |
| | BR | 155,000 | | 155,000 |
| | SB Latex | 70,000 | | 70,000 |
| | BD | 227,000 | | 227,000 |
| | TPE | 70,000 | | 70,000 |
| Synthetic Resin | PS | 177,000 | | 177,000 |
| | ABS | 220,000 | | 220,000 |
| | EPS | 90,000 | | 90,000 |
| | SAN | - | | - |
| | EP | - | | - |
| | TPV | - | | - |
| | PPG | 40,000 | | 40,000 |
| | CPP | | 6,000 | 6,000 |
| Rubber chemical | Rubber Antioxidant | 17,000 | | 17,000 |
| | Rubber Accelerator | 2,000 | | 2,000 |
| | Rubber Bonding Agents | 2,000 | | 2,000 |
| | Rubber Intermediates | - | | - |

| In million KRW | '04. 1Q | '05 1Q | | Change | |
|----------------|---------|--------|--------|--------|--------|
| | | Plan | Actual | Y-Y | Q-Q |
| Ordinary | 1,952 | 7,212 | 5,474 | 3,522 | 1,738 |
| Expansion | 5,501 | 23,983 | 5,833 | 332 | 18,150 |
| New | - | 8,525 | 587 | 587 | 7,938 |
| R&D | 2,519 | 5,468 | 2,081 | 438 | 3,387 |
| T O T A L | 9,972 | 45,188 | 13,975 | 4,003 | 31,213 |

The Main Investment of 1Q

- SBR B-Line Revamping : 3.2 billion KRW
- S-Line Heat Pump Capa-Up] : 2.3 billion KRW

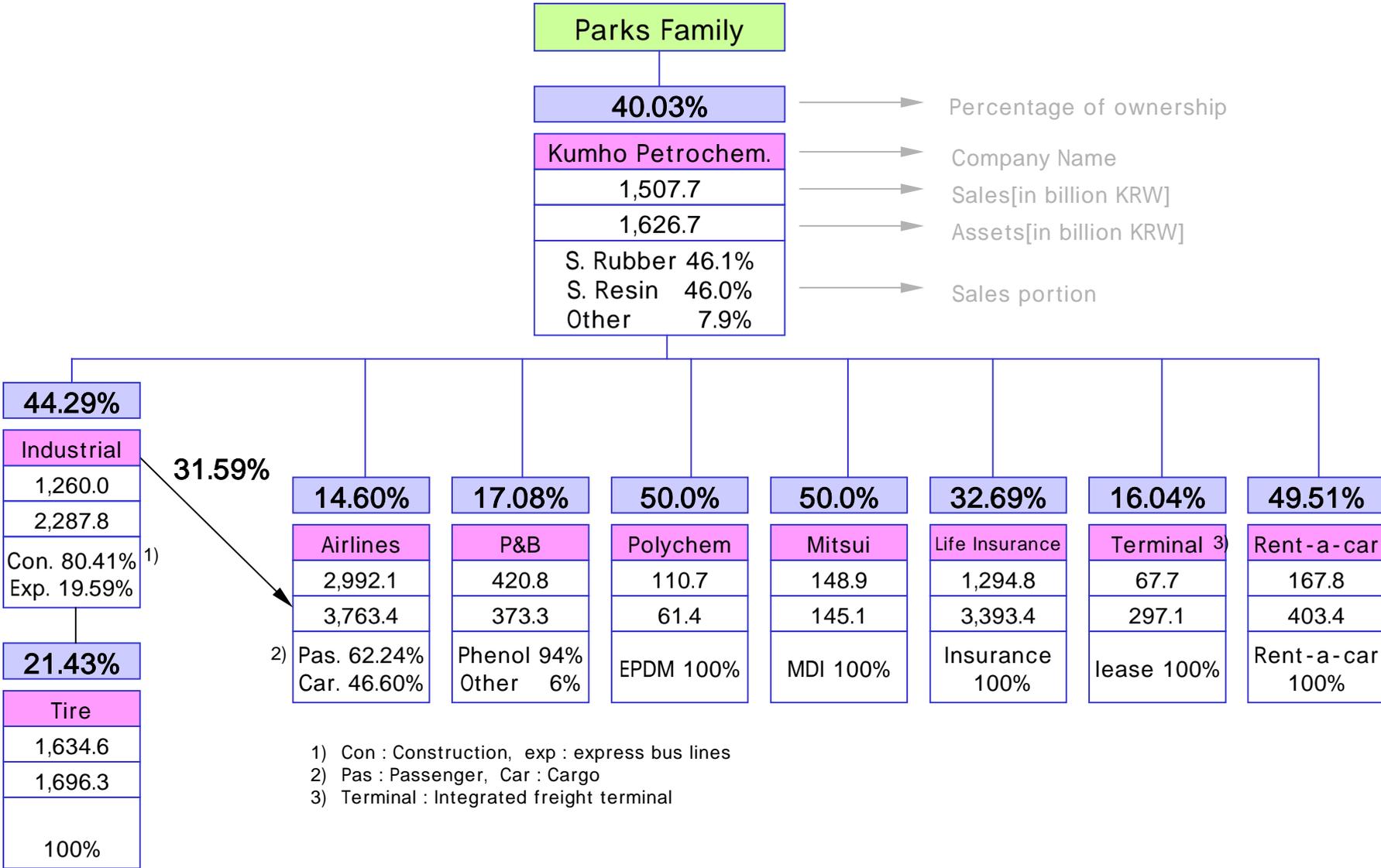
Unfinished investment

- Construction of SEBS Plant : 6.0 billion KRW
- expansion of C-3 Plant : 3.7 billion KRW

The Main Investment plan of 2005. 2Q

- Construction of TDF Power plant [new] : 7.6 billion KRW
- Construction of SEBS Plant [new] : 6.1 billion KRW
- Expansion of HIPS Plant : 4.0 billion KRW

5. Percentage of ownership



Kumho Tire

- Feb 2004 Commissioned Pyongtaek Plant
 - Capacity : 2m units/year
- 2004 2005 Expansion of Nanjing Plant
 - 2003: 3m ->2004: 5m->2005: 10m units
- 2006 2007 Tianjin Plant & Ulsan Plant

Capacity in Jun 2004

- Gwangju Plant : 17m units/year
- Gokseong Plant : 15m units/year
- Pyongtaek Plant : 2m units/year
- Nanjing Plant : 5m units/year

37m units/year

Hankook Tire

- 2004 Increase 35% of Gumsan Plant capa
 - 2003: 12m units/year -> 2004: 16m units/year
- 2005 Increase 83% of Jiaxing Plant capa
 - 2004: 4.8m -> 2005: 8.8m units/year
- 2007 Increase 75% of Jiangsu Plant capa
 - 2004: 3.2m -> 2007: 5.8m units/year

Capacity in Jun 2004

- Daejeon Plant : 23m units/year
- Gumsan Plant : 12m units/year
- Jiangsu Plant : 3.2m units/year
- Jiaxing Plant : 4.8m units/year

43m unit/Year

Synthetic Rubber

Synthetic Resin

| (Wb) | Ranking | Customer | Sales | Ratio |
|--------|---------|---------------------|-------|-------|
| Local | 1 | Kumho Tire | 77 | 12.6% |
| | 2 | Hankook Tire | 34 | 5.6% |
| | 3 | Nexen Tire | 11 | 1.8% |
| | 4 | Shin Moo Rim Paper | 9 | 1.5% |
| | 5 | BASF Korea | 8 | 1.3% |
| | 6 | LG Chemical | 7 | 1.1% |
| | 7 | Cheil Industries | 5 | 0.8% |
| | 8 | Woojin Corporation | 4 | 0.7% |
| | 9 | Shin Ho Paper Mfg | 4 | 0.7% |
| | 10 | Jungwoo Trading | 4 | 0.7% |
| Export | 1 | Bridgestone Tire | 33 | 5.4% |
| | 2 | Cooper Tire | 28 | 4.6% |
| | 3 | Carlisle Tire&Wheel | 6 | 1.0% |
| | 4 | Sime Tires | 5 | 0.8% |
| | 5 | Grandtour Tire | 4 | 0.7% |
| | - | Michelin Tire | 3 | 0.5% |
| | - | Goodyear Tire | 1 | 0.2% |

| Customer | Sales | Ratio |
|----------------|-------|-------|
| Daewoo Elec. | 19 | 3.0% |
| Kumho Polymer | 9 | 1.4% |
| APtech | 9 | 1.4% |
| Greenpia | 8 | 1.3% |
| LG Elec | 8 | 1.3% |
| Hyundai Motor | 8 | 1.3% |
| Samsung Elec | 7 | 1.1% |
| Daekyung Resin | 6 | 1.0% |
| Selim TTC | 5 | 0.8% |
| Korea Yakult | 5 | 0.8% |
| Sony | 25 | 4.0% |
| JVC | 13 | 2.1% |
| TCL | 10 | 1.6% |
| Haier | 9 | 1.4% |
| Electrolux | 5 | 0.8% |
| Panasonic | 4 | 0.6% |
| GE | 4 | 0.6% |

Note: Based on estimated 2004 sales. Ratio figures are vs total sales of each division