

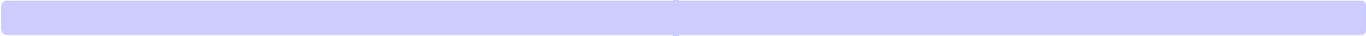
INVESTOR RELATIONS NOVEMBER 2005  
**KUMHO PETROCHEMICAL**

2005. 11. 30



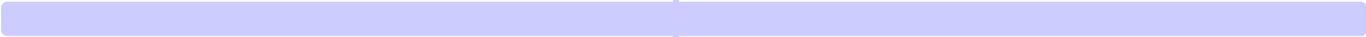
KOREA KUMHO PETROCHEMICAL CO.,LTD.

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# I. Overview



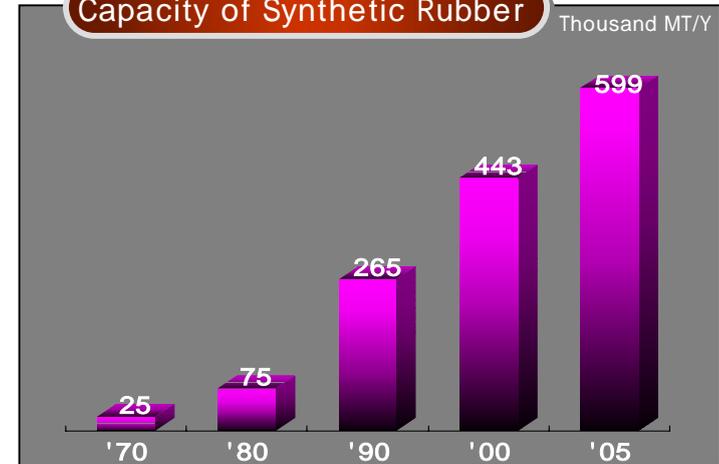
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1. History & Capacity
  2. Business Portfolio
  3. Synthetic Rubber
  4. Synthetic Resin
  5. Other Business
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# 1. History & Capacity

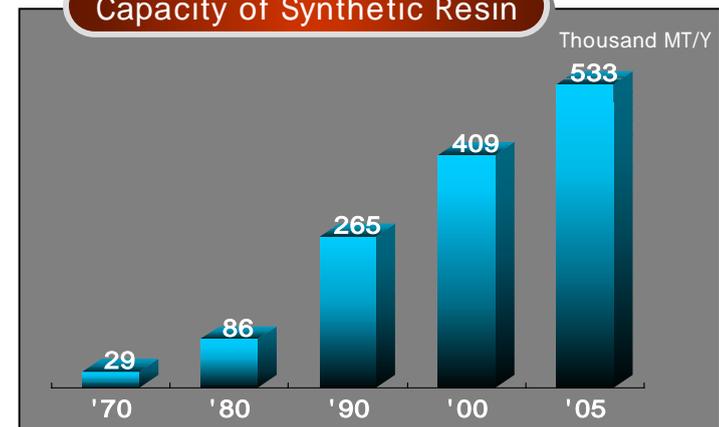
## History

- 1970 Korea Synthetic Rubber Industries Co., Ltd. established
- 1973 SBR plant launched. (Ulsan 25,000MT)
- 1979 BD plant launched. (Yeosu 50,000MT)
- 1985 Korea Synthetic Rubber Industries Co., Ltd. and Korea Kumho Chemicals, Inc. merged.  
Company name changed to Korea Kumho Petrochemical Co., Ltd
- 1987 IPO
- 1997 Combined heat & power plant in Yeosu built
- 1998 Asan plant (Electronic materials division) launched
- 2001 Merged with Kumho Chemicals, Inc.(Synthetic Resin)
- 2002 Took over Rubber Chemical Business Division
- 2004 Overseas office opened in LA, U.S.A
- 2005 Capacity
  - Capacity of Synthetic Rubber : 599,000/Year
  - Capacity of Synthetic Resin : 533,000/Year
  - Capacity of Rubber Chemical : 25,000/Year

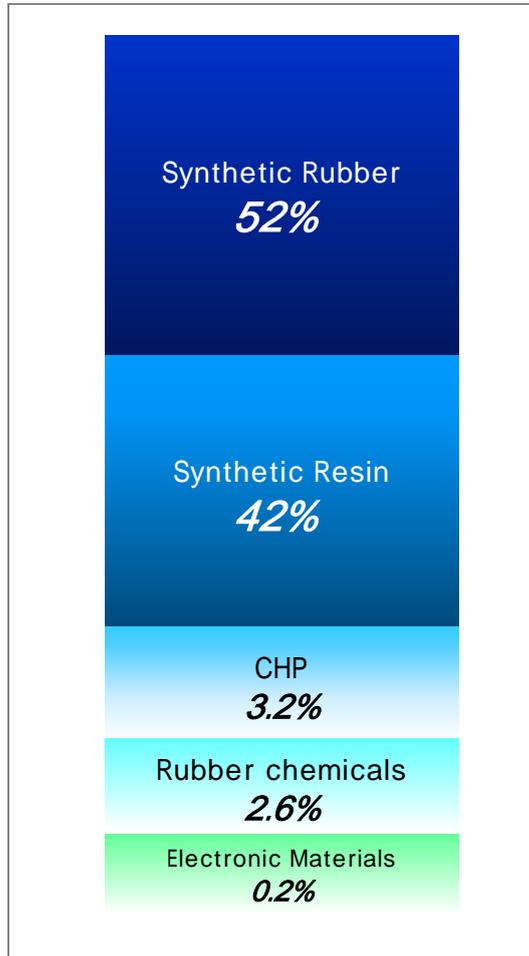
## Capacity of Synthetic Rubber



## Capacity of Synthetic Resin



## 2. Business Portfolio



\* Basis : Sales (1H. 2005)

### Synthetic Rubber

- SBR, HBR, NBR, Latex, SBS, ETC
- World's 4<sup>th</sup> 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

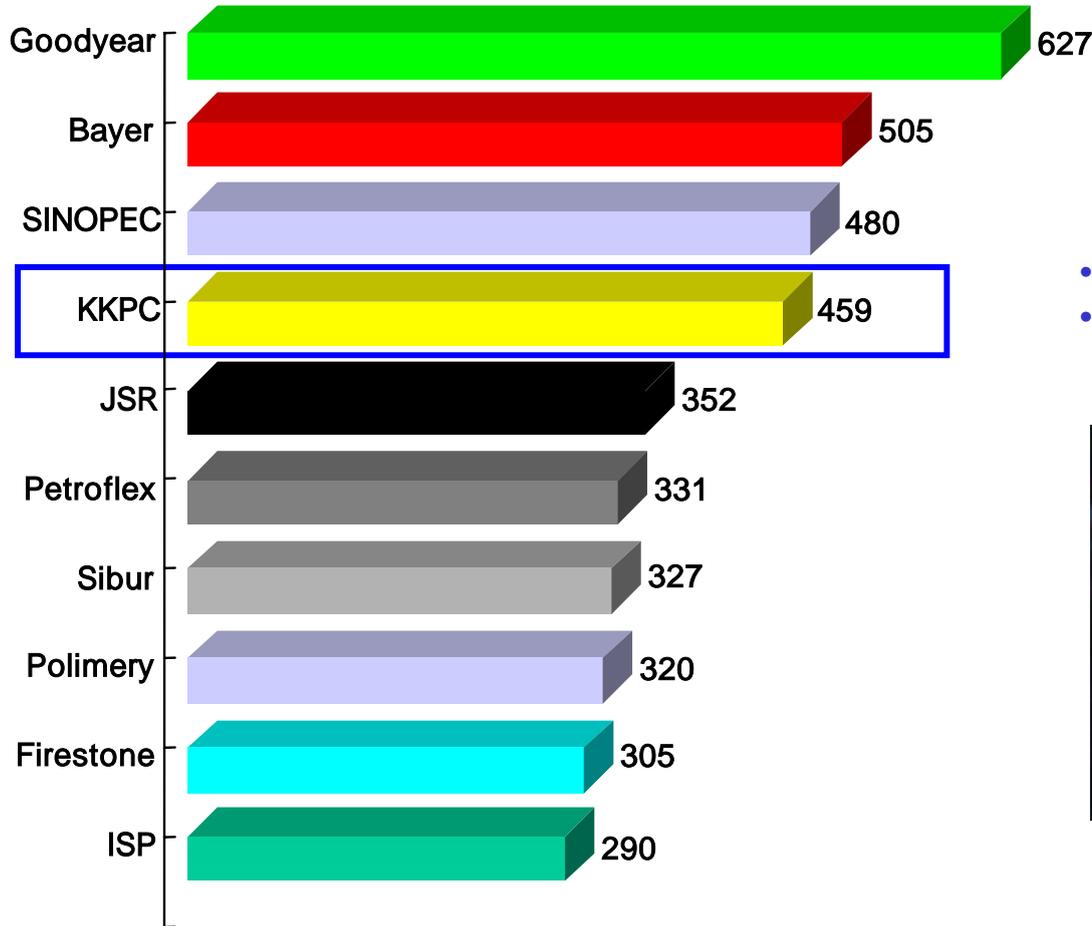
### Electronic Materials

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

# # World Capacity of Synthetic Rubber

(Unit : Thousand MT/Year)

Basis: SBR, BR

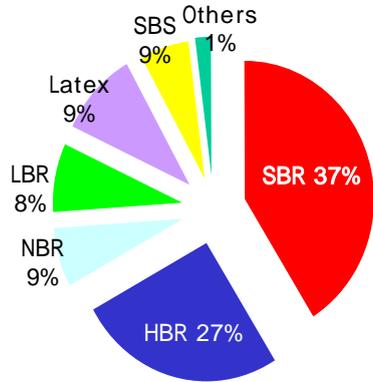


- World's 4th Production Capacity
- Korea's No 1 in M/S



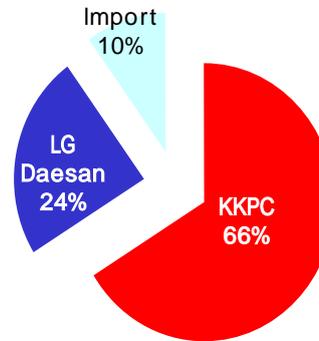
### 3. Synthetic Rubber

Sales Breakdown

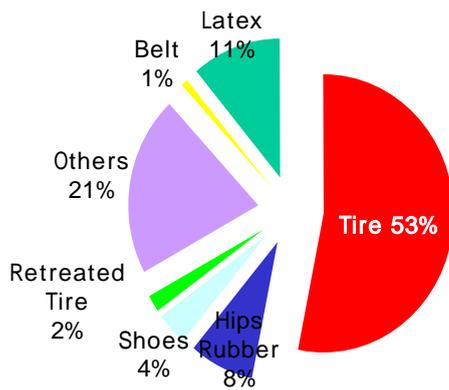


Market position

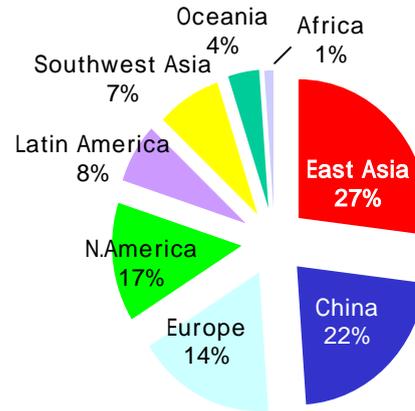
\* Basis : 1H, 2005



Sales by use



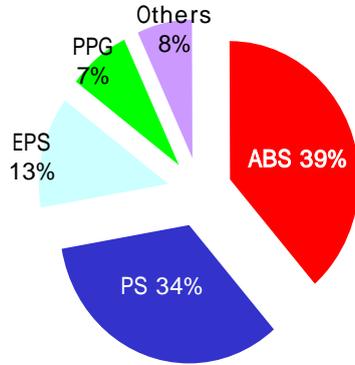
Market composition



\* Export : 56%, Domestic 44%

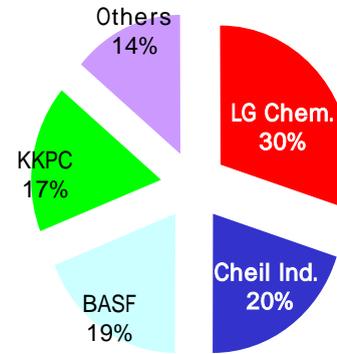
# 4. Synthetic Resin

Sales Breakdown

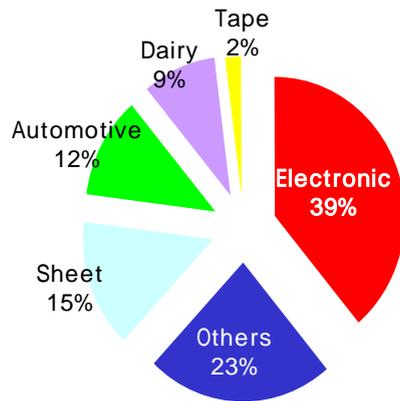


Market Position

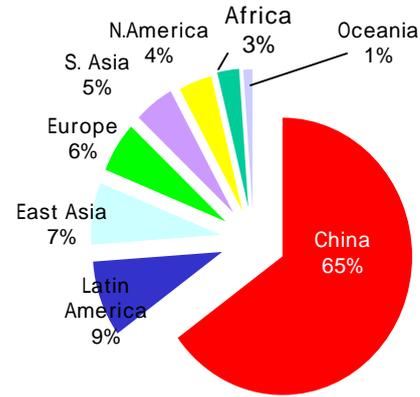
\* Basis : 1H, 2005



Sales by use



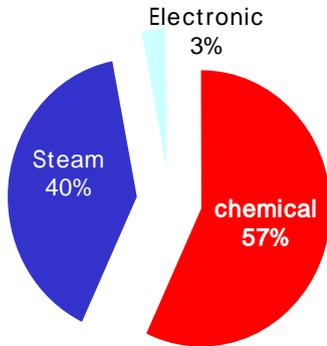
Market Composition



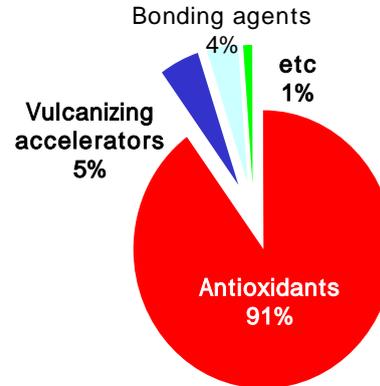
\* Export : 60%, Domestic 40%

# 5. Other business

Sales breakdown

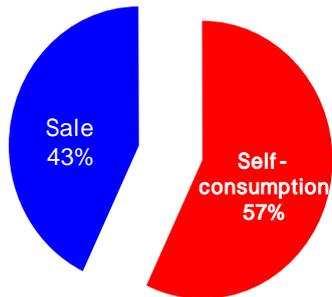


Rubber chemical sales mix

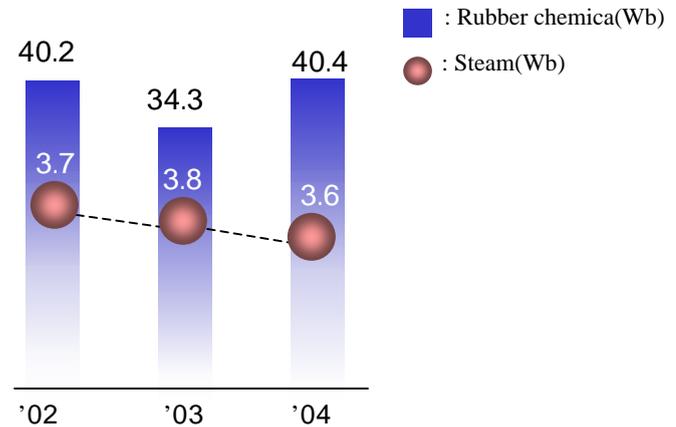


\* Basis : 1H, 2005

Steam by use

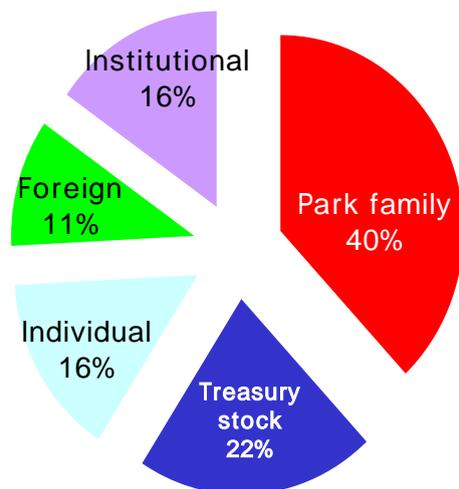


Sales trend



## 6. 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

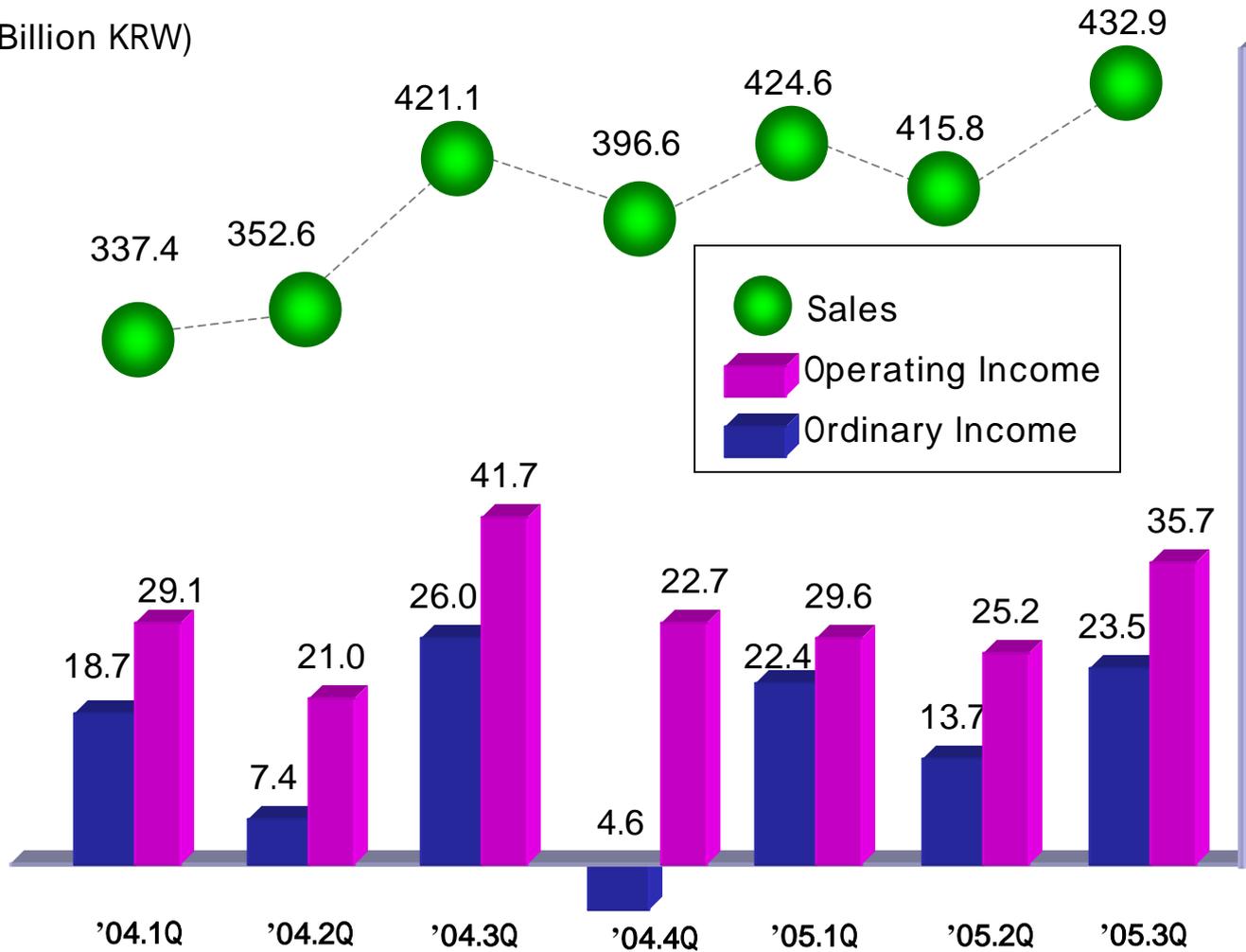
## II. Business Performance

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1. Business performance[Quarterly]
2. Business performance[1Q~3Q '05]
3. Main Financial Indexes
4. Main Achievements of 2005

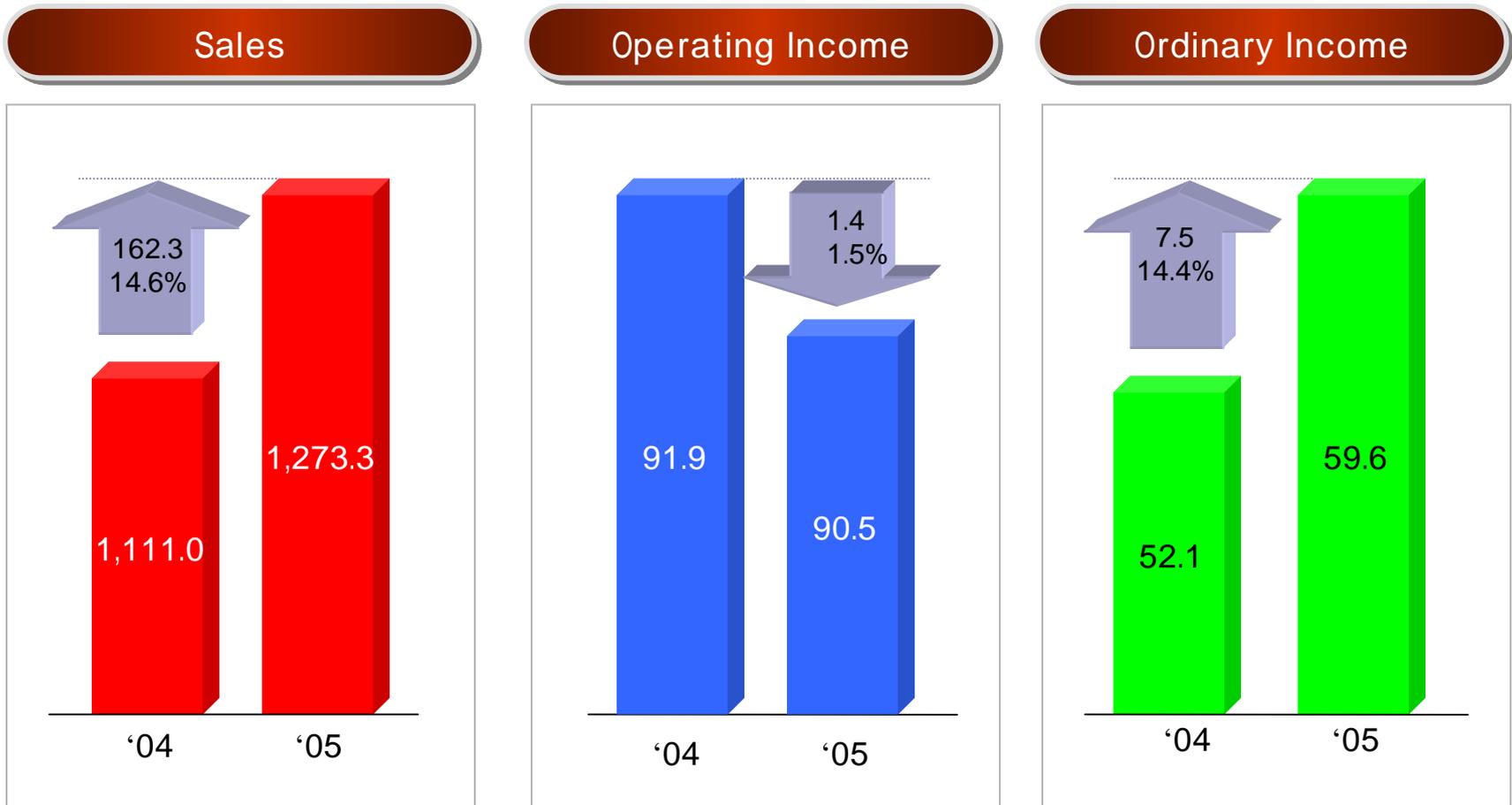
# 1. Business Performance[Quarterly]

(Unit : Billion KRW)



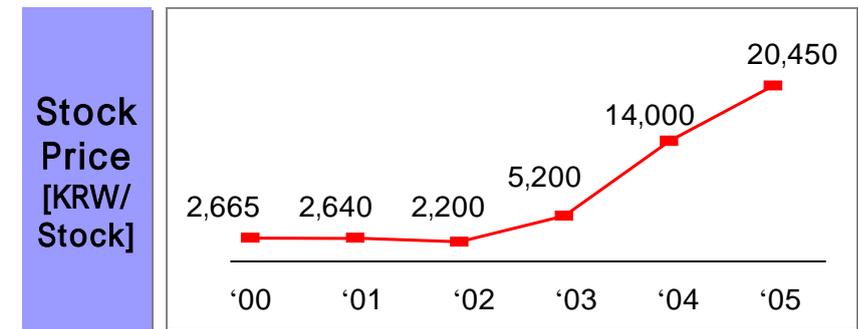
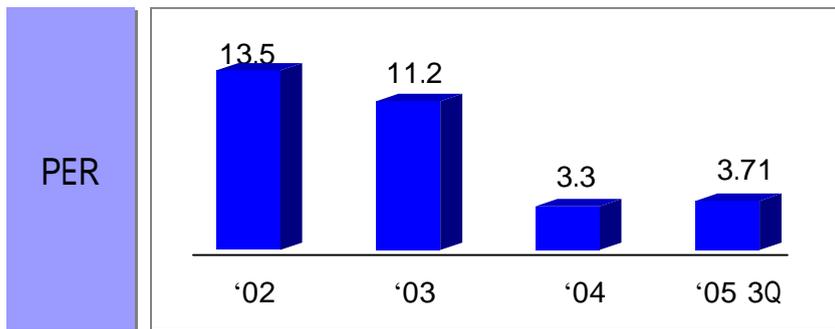
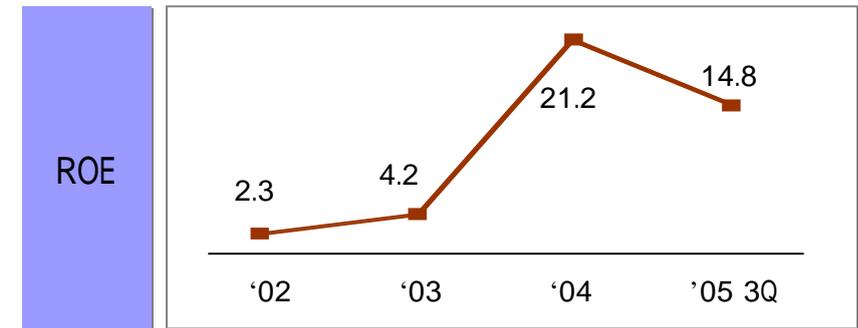
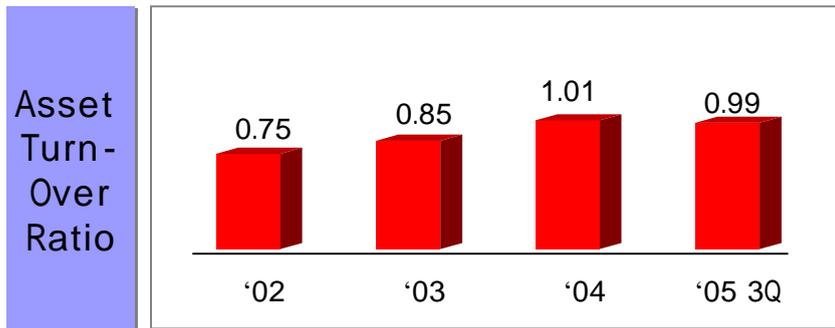
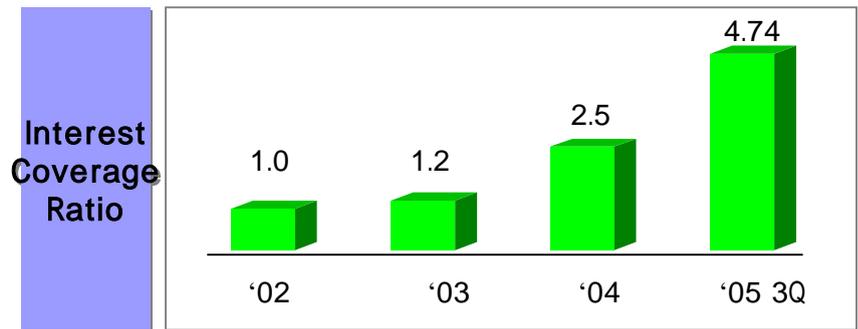
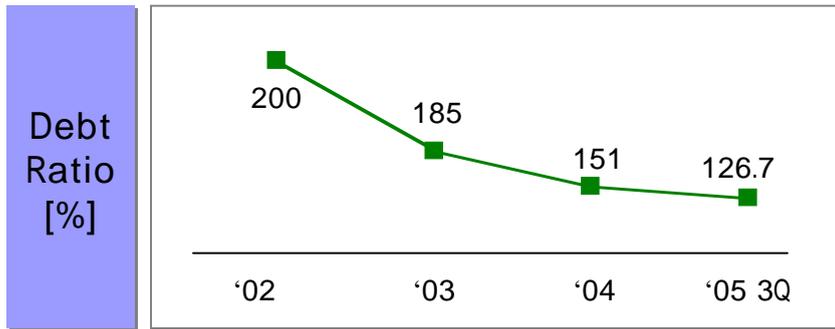
\* Ordinary Income : Except for Equity Method Income

## 2. Business Performance [1Q~3Q '05]



\* In Billion KRW, Ordinary Income : Except for Equity Method Income

### 3. Main Financial Indexes



## 4. Main Achievement of 2005

### Improving profitability

- Expand production capacity
  - 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
- Expand into new markets
  - expand marketing into newly developed construction material sector

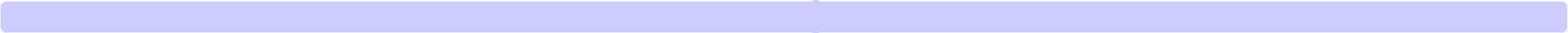
### Reviewing business opportunities

- 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 of 4Q. '05
2. Management plans
3. Business Environment & Strategies of 2006

## 1. Business Prospects of 4Q '05

### SYNTHETIC RUBBER DIVISION

Operation income expected to increase due to  
The sales effect of hurricane in the USA.

- Sales expected to increase by SBR, BR revamping  
- SBR: 15,000 MT, BR: 11,000 NT
- BD prices expected to be stable due to BD capacity expansion in late 2005.
- Imports are expected to increase due to hurricane damage in the USA.
- High natural rubber prices continue because of bad weather condition.

### SYNTHETIC RESIN DIVISION

Operating income expected to improve  
due to high-demand season and stabilization  
of SM price

- SM price expected to be stable since June. '05.
- Sales expected to increase due to stabilization of sales prices and high-demand of China.
- Sales of high - quality, high - tech products expected to increase.

## 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

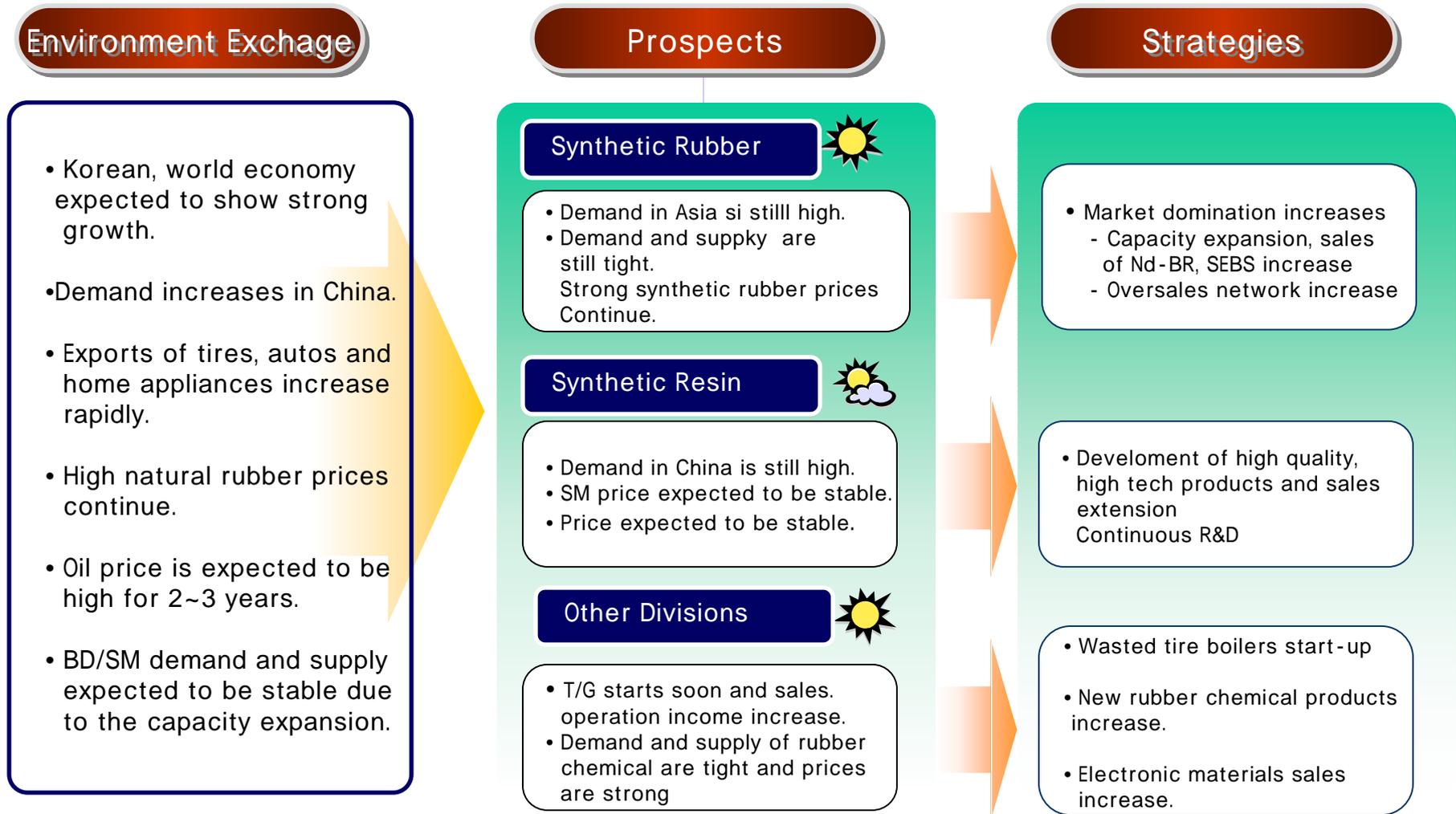
### Expand marketing activity of Synthetic Resin sector

- 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 [2<sup>nd</sup> 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

### 3. Business Environment & Strategies of 2006



## IV. APPENDIX

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

## 1. Income statement

In Billion KRW	1Q~3Q '04 (A)	1Q~3Q '05 (B)	B-A	Remark
Sales	1,111.0	1,273.3	162.3	
Gross Margin	188.6	183.0	-5.6	
S&A Expenses	96.7	92.5	-4.2	
Operating Income	91.9	90.5	-1.4	
[%]	8.3	7.1		
Non-operating income	87.8	72.8	-15.0	
Non-operating expenses	54.1	47.8	-6.3	
Ordinary Income	125.7	115.5	-10.2	
Income Tax Expenses	34.2	31.6	-2.6	
Net Income	91.5	83.9	-7.6	

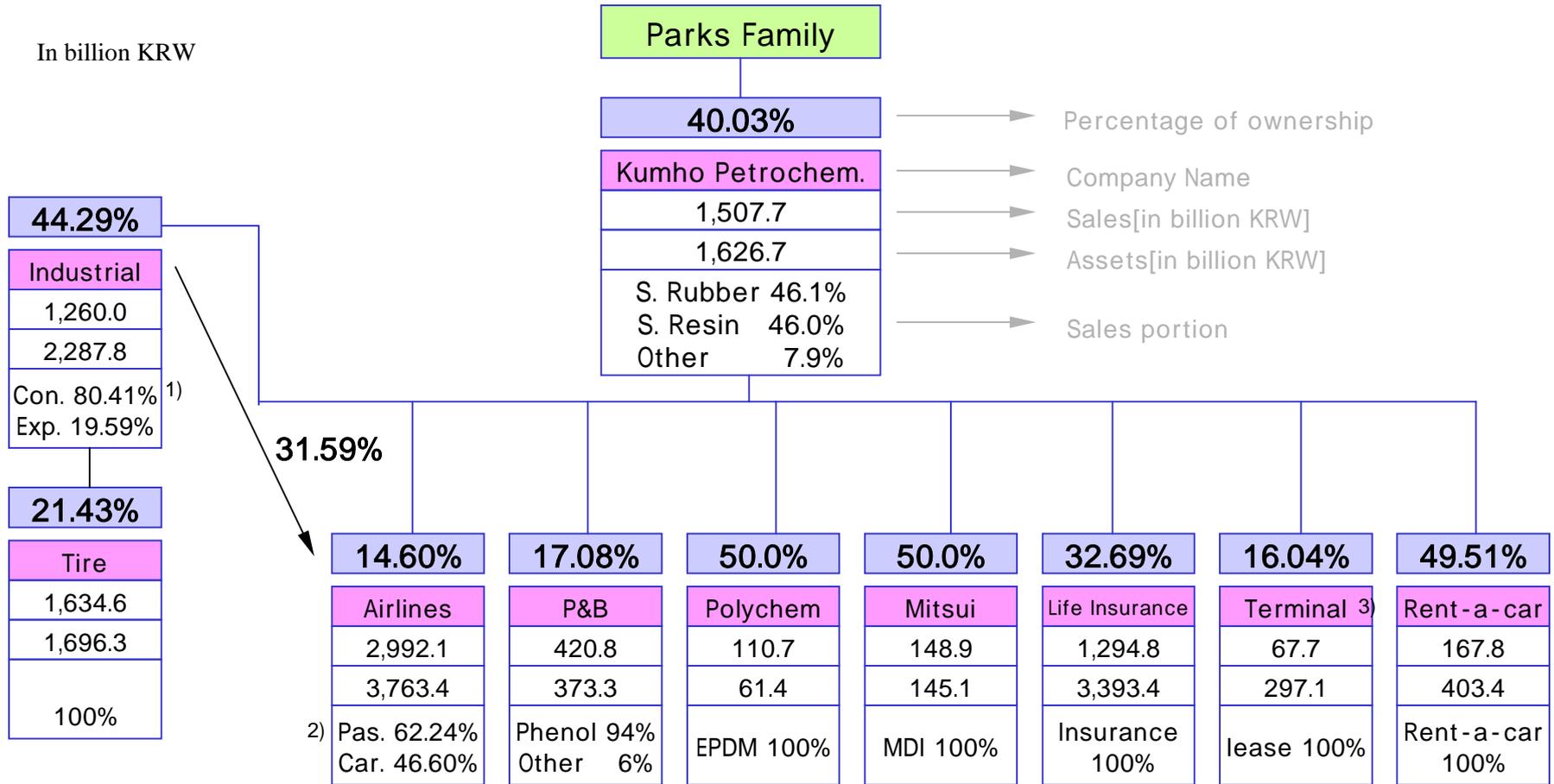
## 2. Balance sheet

In Billion KRW	3Q '04 (A)	3Q '05 (B)	B-A	Remark
Asset	1,569.5	1,795.9	226.4	
Current	365.1	499.7	134.6	
[Inventories]	177.1	201.0	23.9	
Non-Current	1,204.5	1,296.2	91.7	
[Tangible]	485.1	529.2	44.1	
Liabilities	909.5	1,003.7	94.2	
Current	651.7	497.6	-154.1	
Non-Current	257.8	506.2	248.4	
Equity	660.0	792.1	132.1	
Paid-in Capital	142.2	142.2	0	
Retained Earnings	105.1	221.1	116.0	
Others	412.7	428.8	16.1	

### 3. Cash Flow

In Billion KRW	1Q~3Q '04 (A)	1Q~3Q '05 (B)	B-A	Remark
1. Operating	66.5	72.3	5.8	
- Net Income	91.5	83.9	-7.6	
- Depreciation/ Severance benefits	47.6	47.9	0.3	
- Other	-72.6	-59.5	13.1	
2. Investment	-53.2	-36.8	16.4	
- Tangible	-26.5	-83.3	-56.8	
- Other	-26.7	46.5	73.2	
3. Financing	-10.7	32.9	43.6	
- Borrowings	-21.0	43.3	64.3	
- Treasury Stock/ Dividend	12.8	-11.6	-24.4	
- Other	-2.5	1.2	3.7	
Net Cash Flow	2.6	68.4	65.8	

# 4. Percentage of Ownership



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