



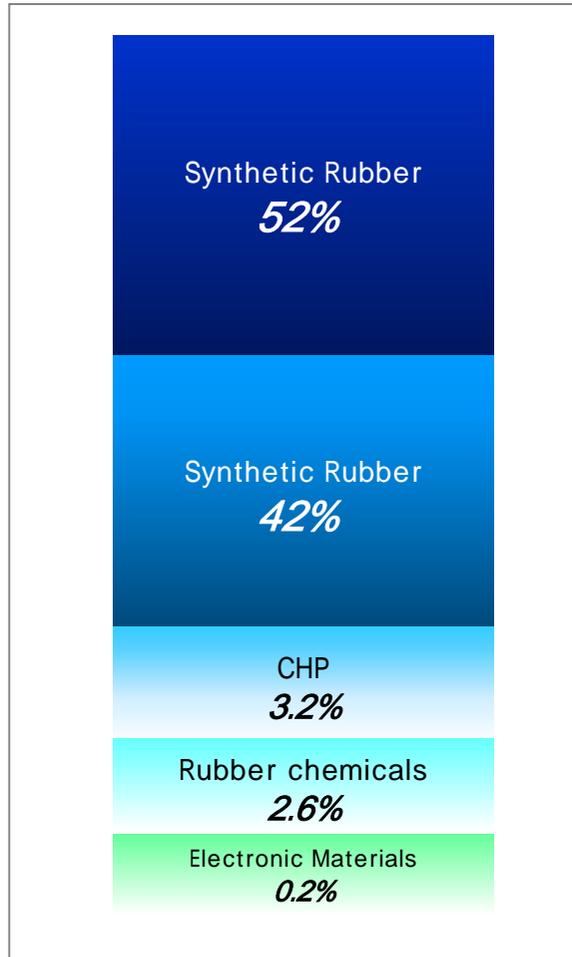
KUMHO
PETROCHEMICAL



This document is provided for investors while the operating results presented herewith have not yet received a complete and full review by external auditor, which may be subject to change in the course of further process,

1. Overview of KKPC
2. 1Q, 2006 results
3. 2Q, 2006 plans
4. Appendix

Business Portfolio



* Sales (2005)

Synthetic rubber

- SBR, HBR, NBR, Latex, SBS, ETC
- World's 4th Production capacity[in SBR & BR]
- Production Capacity : 629,000Mt/Year

Synthetic resin

- ABS,PS,EPS,PPG
- Production Capacity : 577,000Mt/Year

Combined heat plant

- Steam & Electricity
- Self consumption & sale to Neighboring Companies
- Production Capacity : 630 Mt/Hr, 36MWH/Hr

Rubber chemicals

- Antioxidants and Vulcanization Accelerators
- Korea's No 1 in M/S[70%]
- Production Capacity : 26,200Mt/Year

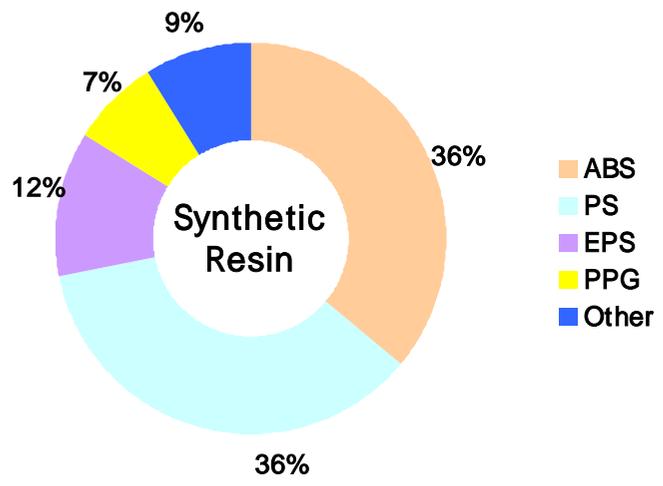
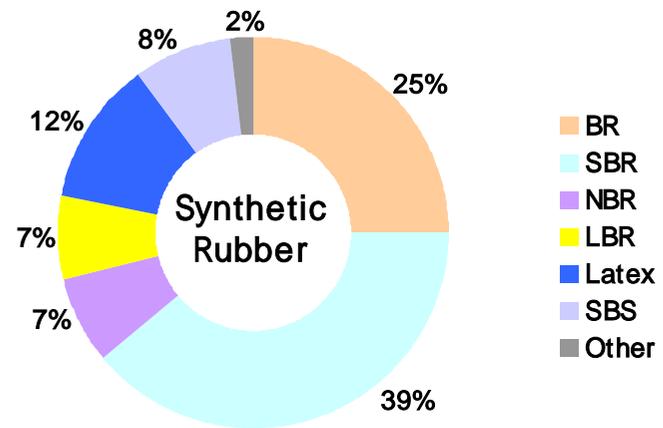
Electronic Materials

- Developer & Stripper used in manufacturing LCD
- Next Generation photo-resist for semiconductor
- Production Capacity : 2,000Mt/Year

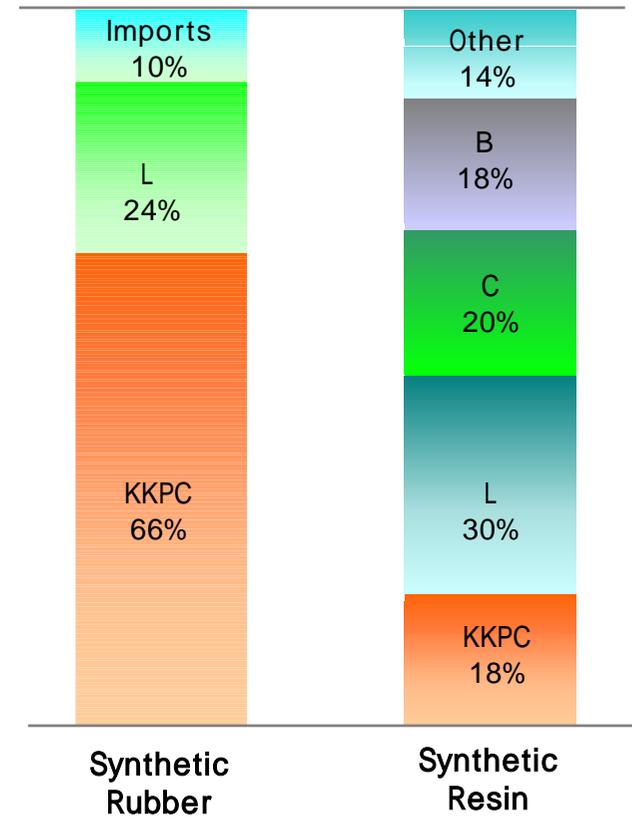


Market position

Sales breakdown by product

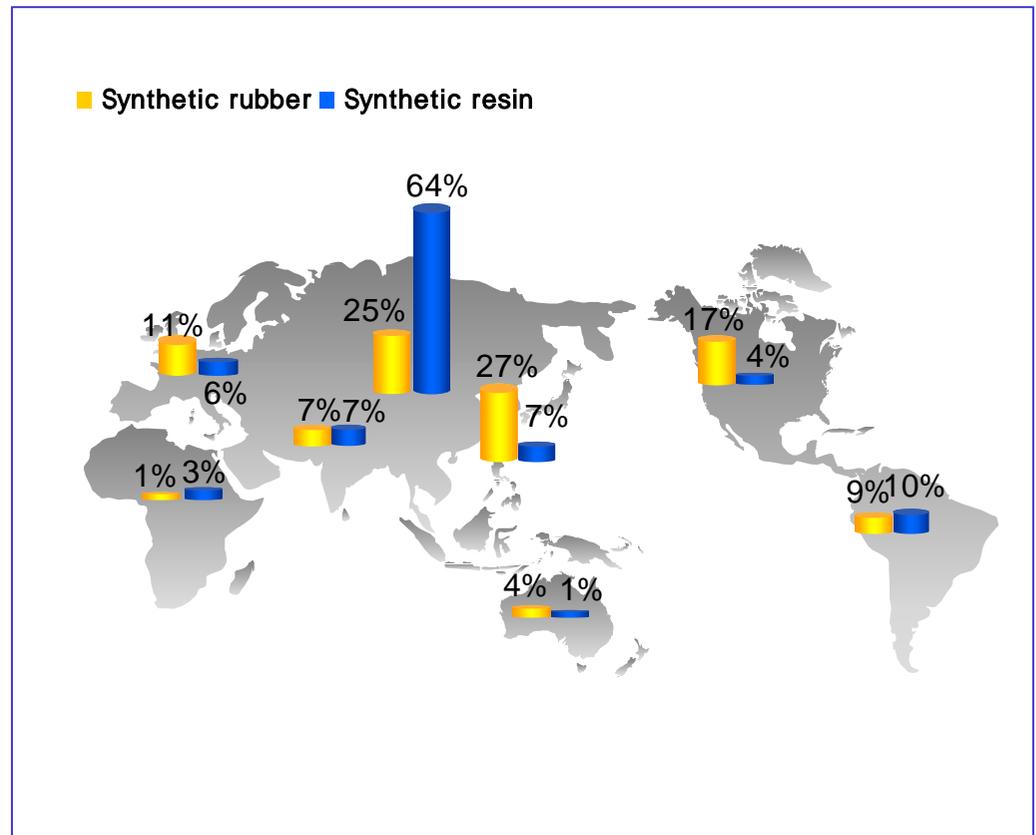


M/S by company

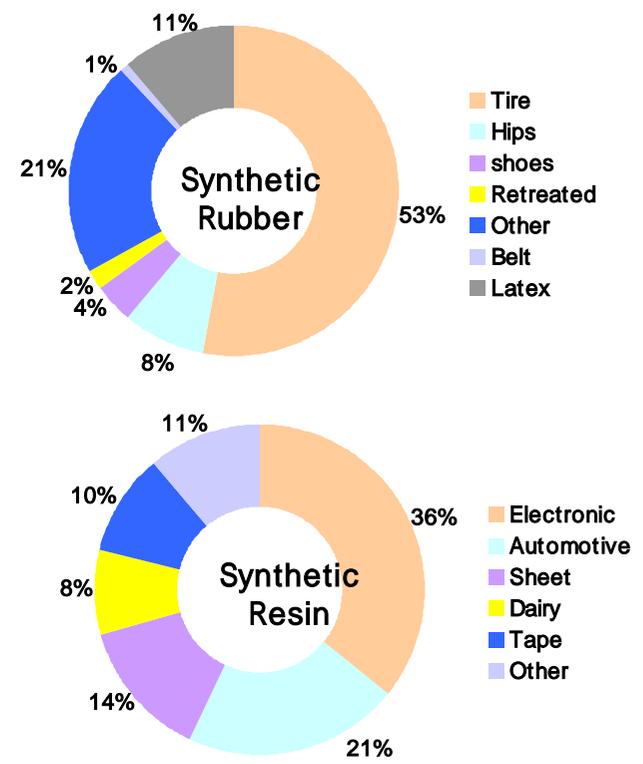


Market position

Operational network for each business sector

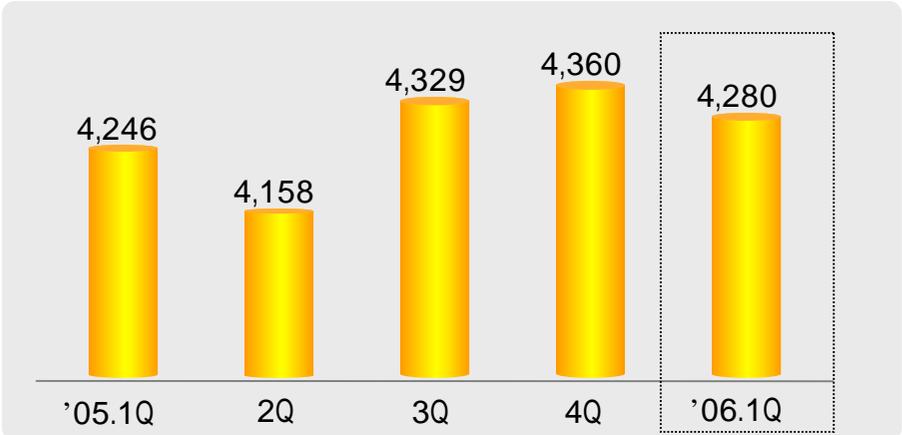


Sales breakdown by application

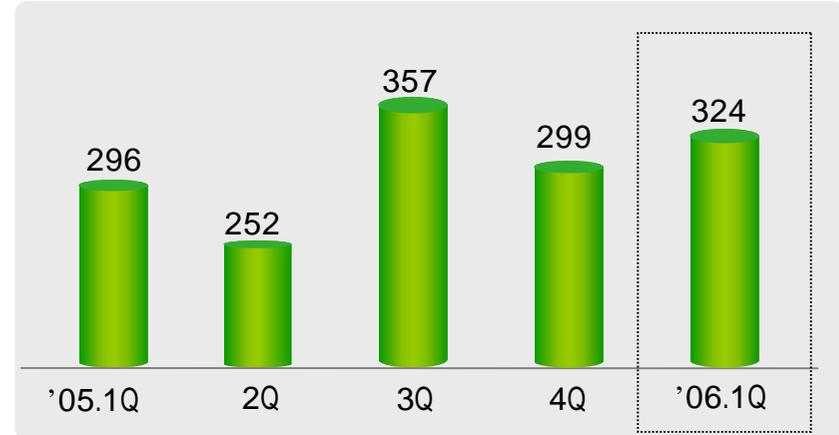


1Q, 2006 results[summary]

Sales[unit : KRW 100 mil.]



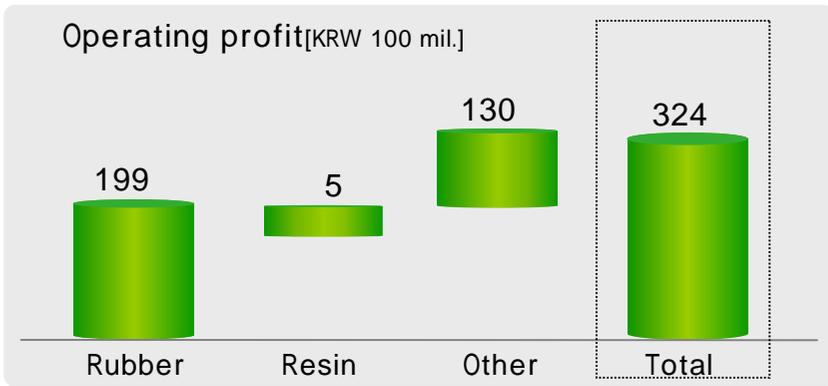
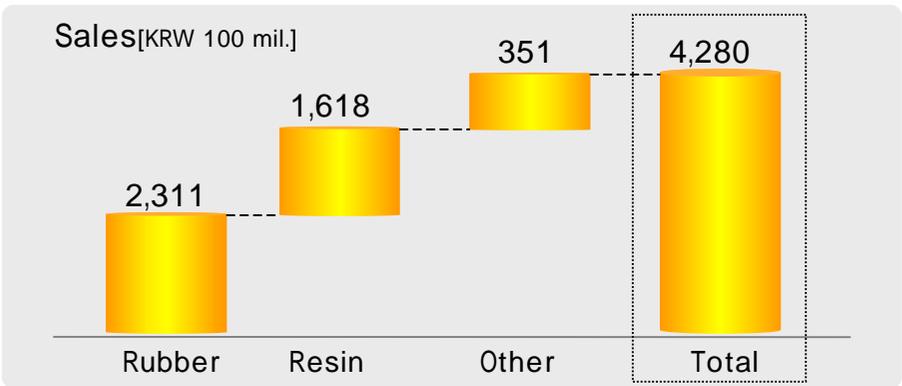
Operating profit[unit : KRW 100 mil.]



	1Q, 05	4Q, 05	1Q, 06	Growth[%]	
				Y - Y	Q - Q
sales	4,246	4,360	4,280	0.80	1.83
Gross profit	608	630	644	5.92	2.22
[%]	14.3	14.4	15.0		
Operating Profit	296	299	324	9.46	8.36
[%]	7.0	6.9	7.6		
Ordinary profit	565	444	312	44.78	29.73
[Except equity method gains]	224	101	129	42.41	27.72
Net profit	468	375	129	72.44	65.60
Equity method gains	341	343	183	46.33	46.65

Income analysis

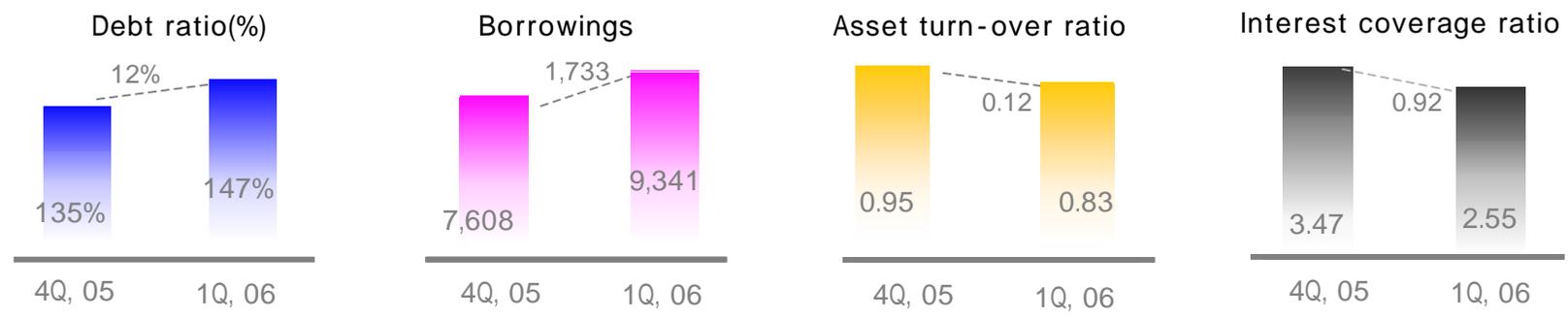
- Sales -1.83% q-q, +0.8% y-y
- Operating profit +8.36 q-q, +9.46 y-y



	1Q, 05	4Q, 05	1Q, 06	Growth[%]	
				Y-Y	Q-Q
Sales	4,246	4,360	4,280	0.80	1.83
[Synthetic Rubber]	2,244	2,367	2,311	2.99	2.37
[Synthetic Resin]	1,650	1,665	1,618	1.94	2.82
[Other]	351	328	351	0	7.01
Operating profit	296	299	324	9.46	8.36
[Synthetic Rubber]	266	202	199	25.19	1.49
%	11.85	8.53	8.61		
[Synthetic Resin]	-56	-25	-5	1,020	400
%	-3.39	-1.5	-0.3		
[Other]	86	122	130	51.16	6.56
%	24.5	37.2	37.0		

Financial structure

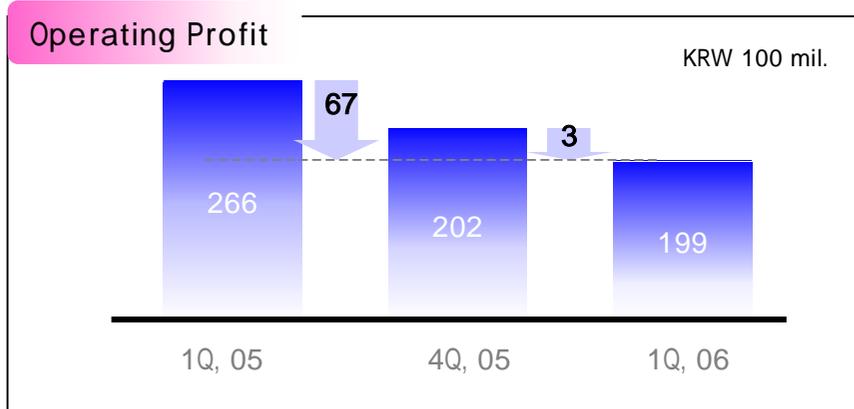
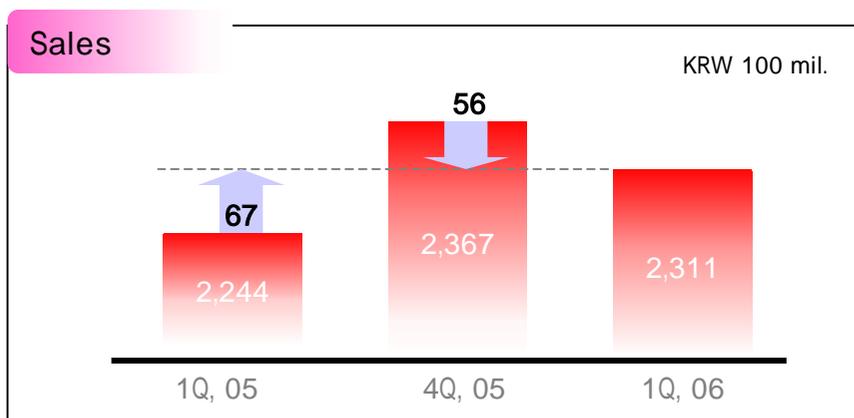
- Increase of liabilities 1,555, Debt ratio 12% q-q
- Increase of Borrowings 1,733 q-q, 3,396 y-y



	Unit	1Q, 05	4Q, 05	1Q, 06	Change	
					Y-Y	Q-Q
Assets	KRW 100 mil.	16,296	19,736	21,626	5,330	1,890
Liabilities	KRW 100 mil	8,805	11,331	12,886	4,081	1,555
Equity	KRW 100 mil	7,491	8,405	8,740	1,249	335
Debt ratio	%	118	135	147	29	12
Borrowings	KRW 100 mil	5,945	7,608	9,341	3,396	1,733
Assets turn-over ratio		1.04	0.95	0.83	0.21	0.12
Interest coverage ratio		3.17	3.47	2.55	0.62	0.92

Sector analysis – Synthetic rubber

- Revenue and operating income slightly decreased due to lowering sales price caused by price reduction of BD, main feedstock
- increase of Operating profit margin 0.08 q-q
 - Tight demand/supply and strong natural rubber price continued



- Decrease of sales and operating profit
 - due to lowering sales price caused by price reduction of BD, main feedstock

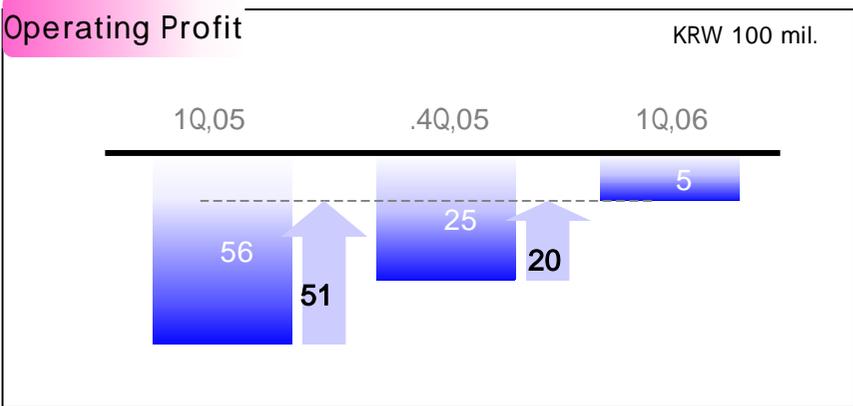
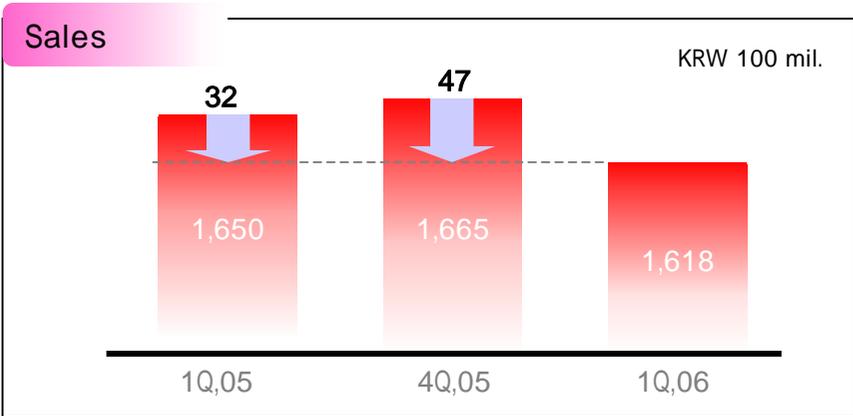
	'05.11	'05.12	'06.1	'06.2	'06.3
BD Price	1,056	938	1,010	1,171	1,299

* unit: \$/Mt, CFR Taiwan

- Operating income decreased due to strong currency, but the ratio of operating income increased by 0.08% y-y
- Tight demand/supply and strong natural rubber price continued
 - natural rubber import price : 2,000\$/Mt
- Sales boost expected as India withdrew punitive tariff on HSR [The India Supreme Court withdrew punitive tariff [USD 68.9/Mt]

Sector analysis – Synthetic resin

- Revenue decreased because of lowering sales price as SM price stabilized at low level
- Operating loss decreased by 2 billion KRW over previous q-q due to stable sales spread



- Revenue decreased by 4.7 billion KRW, but operating loss decreased by 2 billion KRW q-q as SM price stabilized at low level

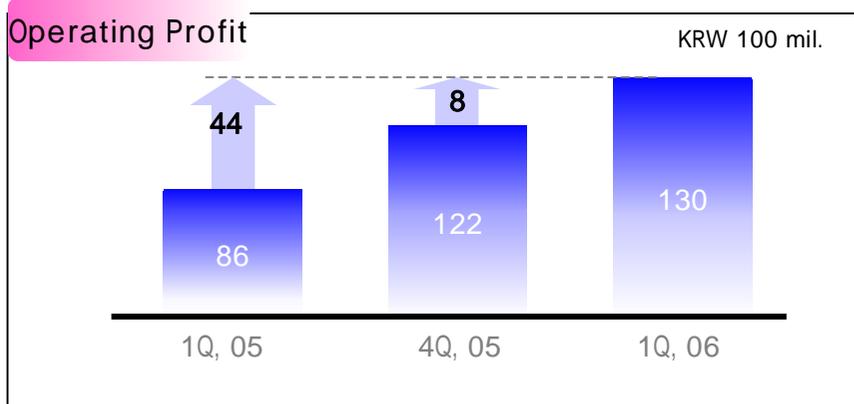
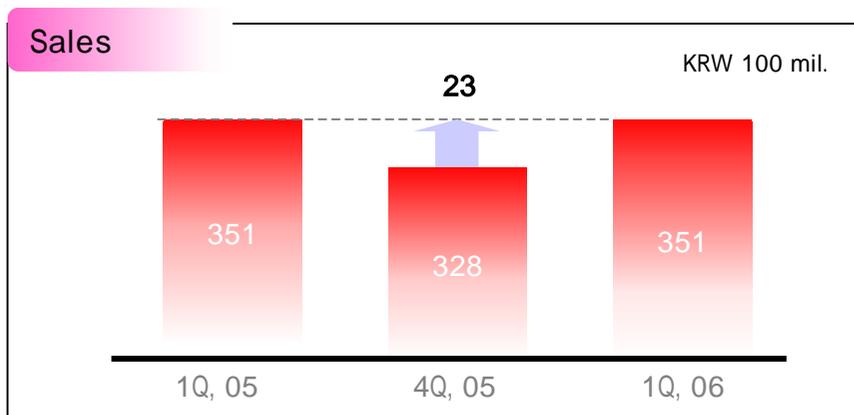
	'05.11	'05.12	'06.1	'06.2	'06.3
SM Price	944	983	1,082	1,057	1,020

* Unit : \$/Mt, CFR Taiwan

- Expand the sales of high value-added products
 - Aggressive marketing of construction material made from KKPC's ASA product
 - Focus on the sales of highly heat insulating EPS
- Consider overseas compounding facility
 - Secure overseas production/distribution base for market accessibility and logistical cost reduction
 - candidates are Guangdong/Shandong provinces of China, Vietnam, etc.

Sector analysis – Other divisions

- The operating income of combined heat power plant increased because import price of coal plunged due to strong Korean currency
- Rubber chemical price slightly lowered because of price competition among rival producers[Lanxess, Crompton, etc.) vying for expanding overseas sales



- CHP division
 - The operating income of CHP plant increased because import price of coal plunged due to strong Korean currency
- Rubber chemical division
 - Sales volume increased, but sales price slightly reduced [because of price competition among producers for sales expansion]
- Rubber chemical in North America expected due to the victory in the lawsuit with Plexxis
 - ruled not guilty by ITC

Main Achievement 1Q, 2006

Strengthening Market dominance

- Revamping of SBR,NBR
 - Expansion : SBR 28,000, NBR 11,000Mt/Year
 - Target launch 4Q, 2006
- Construction of SBR
 - Expansion : 80, 000 Mt/Year
 - Target launch 2008



Developing eco-friendly material and special grade

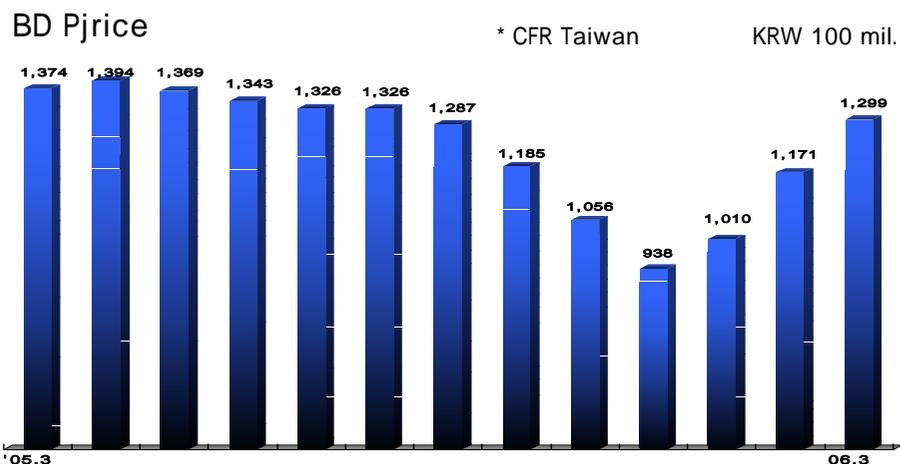
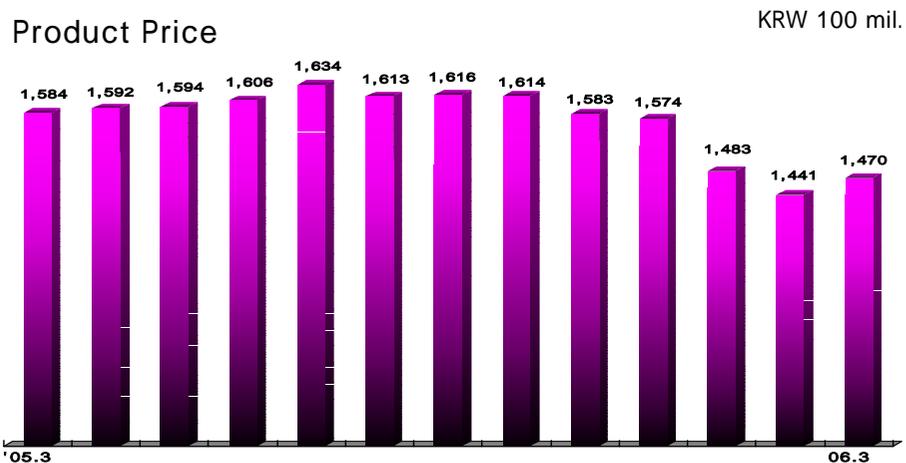
- Develop SBR containing low aromatic compound
 - Conventional SBR be replaced by 2010
- Develop HOT SBR
 - used as bounding material as well as Tire bead
 - more expensive than conventional SBR(200~300\$)
- Expand eco-friendly construction material business
 - Applied in the newly built apartment by Kumho E&C
- Increase the sales of high-heat-insulating EPS
 - increase sales to Kumkang panel/Greenpia

Expansion of related market

- PPS[Polyphenylene Sulfide]
- Insoluble Sulfur

Sector Prospects – Synthetic Rubber

Production/Feedstock price trend

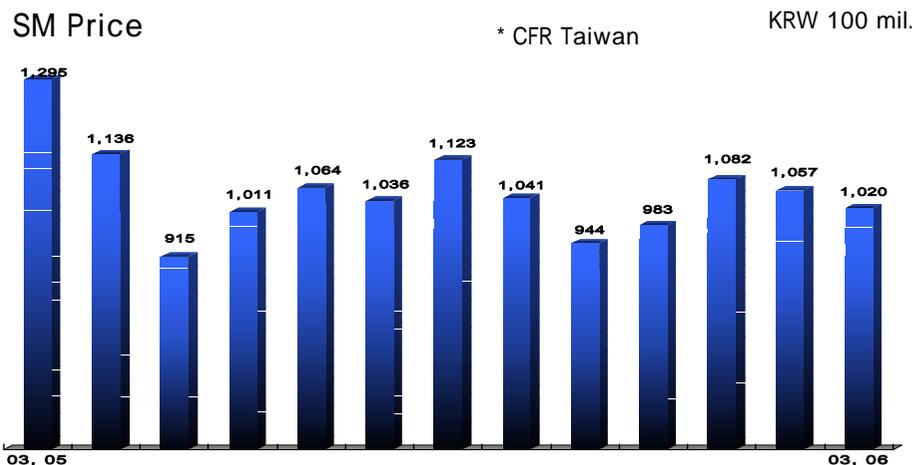
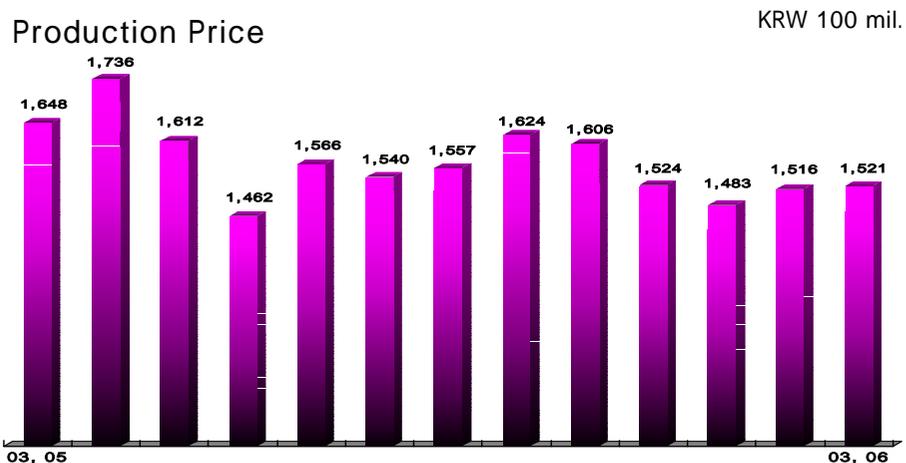


2Q, 2006 Prospects

- Sales increase expected as the operating ratio of tire industry goes up
- Substituting demand for synthetic rubber expected to increase as natural rubber price remains strong
- Sales price expected to increase as the price of feedstock(BD) goes up
- operating income expected to increase over 1Q due to increasing demand from SE Asia and China
- The sales of SBS expected to increase as sales season starts

Sector Prospects – Synthetic Resin

Production/Feedstock price trend



2Q, 2006 Prospects

- Sales increase expected as sales season starts (Air conditioner, refrigerator, etc.)
- Demand increase from China will boost synthetic resin sales high oil price will raise sales price
- Sales price expected to be stabilized as feedstock price stabilizes at low level [We forecast sharp fluctuation will barely occur.]
- Focus on eco-friendly/high value-added/special product
 - Eco-friendly construction material
 - High heat insulating EPS
 - Improve profitability of special products as incombustible resin
- Make efforts to grab new market and strategic captive user
 - Russia, Vietnam, North America, etc

Management Plans

Improving Profitability

- High-margin and high growth products
 - SEBS/EPS

Developing eco-friendly material

- Expand eco-friendly construction material business
- Expand Nd-BR[eco-friendly rubber]
- Expand SBS[eco-friendly Asphalt modification]

Expansion of related markets

- PPS
- Insoluble sulfur
- Build overseas production facility of rubber chemical and feedstock

Entry into energy business

- construction of Turbine Generator[going on now]
 - Now construction going on in yeosu complex
 - Purpose : Generate electricity using the iidle capacity of coal boiler and decreased demand for steam
 - Target launch 2H 07
- Overseas resources exploration
 - Oil exploration in West Kamchatka, Russia/Bolz, kazakhstan



Income statement

KRW 100 mil.

	1Q, 2005	4Q, 2005	1Q, 2006	Remark
Sales	4,246	4,360	4,280	
Gross profit	608	631	644	
Selling & Administrative expenses	311	332	320	
Operating profit	296	299	324	
[%]	7.0	6.9	7.6	
Non-operating income	433	345	302	
Non-operating expenses	164	199	314	
Recurring profit	565	444	312	
[except equity method gains]	224	101	129	
Net profit	468	375	129	

Balance sheet

KRW 100 mil.

	1Q, 2005	4Q, 2005	1Q, 2006	Remark
Assets	16,296	19,736	21,626	
Current	3,842	6,081	4,207	
[inventories]	1,791	2,069	2,032	
Non-current	12,454	13,655	17,419	
[Tangible]	4,878	5,473	5,385	
Liabilities	8,805	11,331	12,886	
Current	4,579	5,396	7,221	
Non-current	4,226	5,934	5,665	
Equity	7,491	8,405	8,740	
Paid-in capital	1,422	1,422	1,422	
Retained earnings	1,841	2,580	2,497	
Others	4,228	4,403	4,821	

Cash flow statement

KRW 100 mil.

	1Q, 2005	4Q, 2005	1Q, 2006	Remark
1. Operating	21	358	17	
- Net profit	468	375	129	
- Depreciation/ severance benefits	161	191	187	
- Other	650	208	333	
2. Investment	221	529	3,380	
- Tangible assets	127	361	75	
- Others	348	168	3,305	
3. Financing	155	1,184	1,691	
- Debt	162	1,125	1,705	
- Treasury stock/ dividends			-	
- Others	7	59	14	
Net cash flow	45	1,013	1,706	

CAPEX

KRW 100 mil.

	1Q, 2005	4Q, 2005	1Q, 2006	Remark
Ordinary	55	63	30	
Expansion	58	170	16	
New	6	47	6	
R&D/IT	21	90	29	
Total	140	370	81	

Ordinary : Synthetic rubber[SBR] 's Revamping

New : PDF Boiler construction & 4-ADPA Plant Construction, etc.

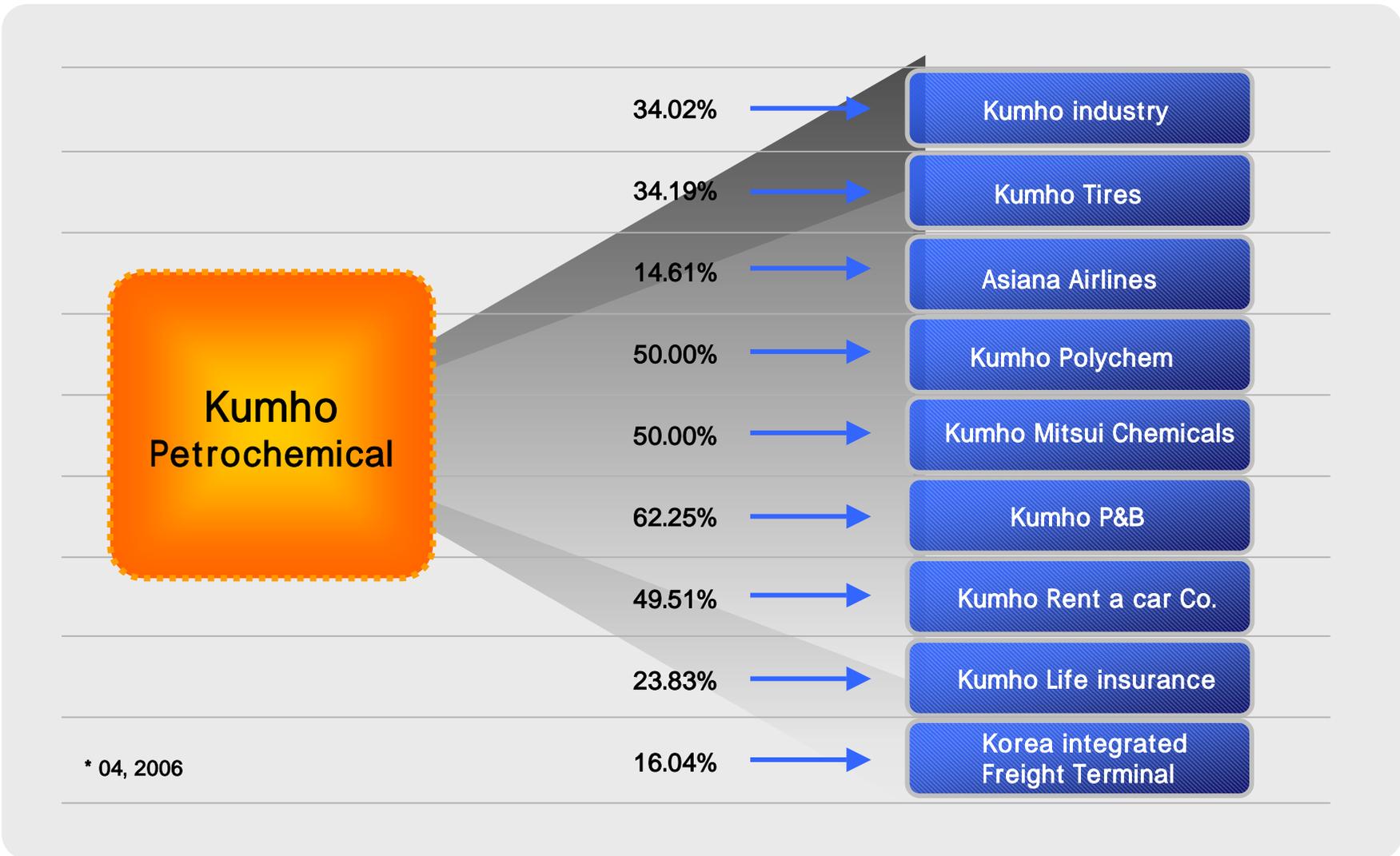
R&D/IT : APC(Advanced Process Control), etc.

Capacity

Unit : 1,000Mt/Year

		4Q, 2005	expansion	Current Capa.	Remark
Synthetic Rubber	SBR	253		253	
	HSR	10		10	
	NBR	30		30	
	B R	206		206	
	SB Latex	70		70	
	TPE	60		60	
Synthetic resin	PS	228		228	
	ABS	220		220	
	EPS	74		74	
	PPG	55		55	
Rubber Chemical		26.2		26.2	

Ownership structure



* 04, 2006