



KUMHO PETROCHEMICAL

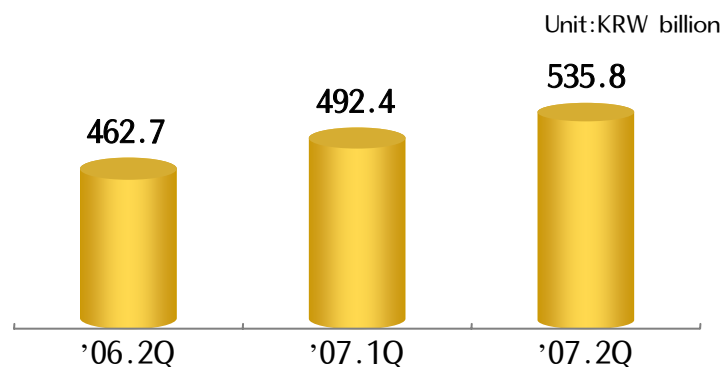
This document is provided for investors while the operating Results herewith have not yet received a complete and full review By external auditor, which may be subject to change in the due Course of further process.

1. 2Q, 2007 Business Performance
2. Main Business Activities
3. Other Management Information
4. 3Q, 2007 Business Plan
5. Appendix

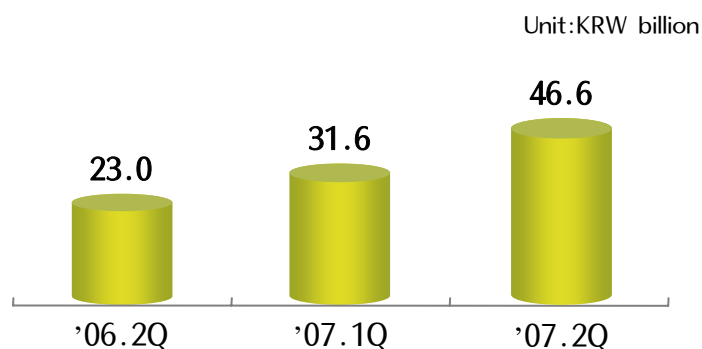
2Q, 2007 Overview

► Sales & Operating Income

Sales



Operating Income



2Q, 2007 Business Performance

Unit:KRW billion

	'06.2Q	'07.1Q	'07.2Q	Change	
				Y-Y	Q-Q
S a l e s	462.7	492.4	535.8	15.8%	8.8%
[Syn. Rubber]	241.4	259.2	278.3	15.3%	7.4%
[Syn. Resin]	185.7	197.8	223.9	20.6%	13.2%
[O t h e r]	35.6	35.4	33.6	-5.6%	-5.1%
O p . I n c o m e	23.0	31.6	46.6	102.6%	47.5%
[%]	5.0%	6.4%	8.7%	3.7%p	2.3%p
[Syn. Rubber]	12.5	22.3	36.0	188.0%	61.4%
[Syn. Resin]	-0.4	-1.4	0.2	-	-
[O t h e r]	10.9	10.7	10.4	-4.6%	-2.8%
O r . I n c o m e	42.4	31.7	51.9	22.4%	63.7%
[excl. valuation of equity method investments]	16.3	10.8	16.3	-	50.9%
N e t I n c o m e	31.1	25.5	33.7	8.4%	32.2%
Gain on valuation of equity method investments	26.1	20.9	35.6	36.4%	70.3%

Business Performance - Synthetic Rubber

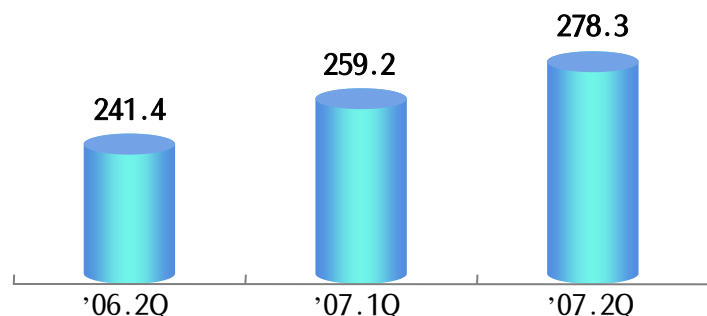


► Synthetic Rubber

- Synthetic rubber business posted KRW 278.3 billion in sales, a 7.4% increase, with operating income up 61.4% to 36 billion compared to 1Q.
- Sales and operating income increased due to sales increase of export parts and lower feedstock[BD] price.

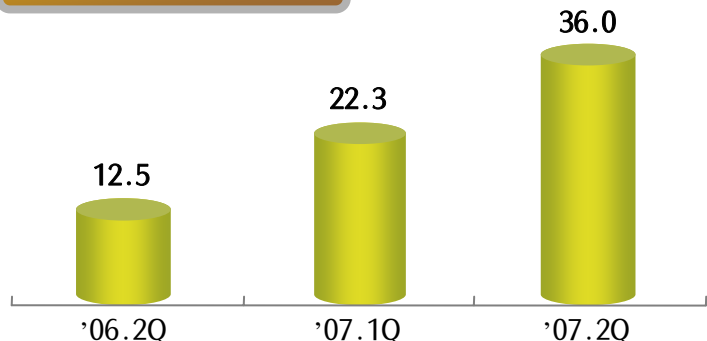
Sales

Unit:KRW billion



Operating Income

Unit:KRW billion



Analysis

- Feedstock[BD] price maintain weaker due to New production of BD 180,000Ton according to operation of FPCC No. 3 Cracker and inflow of Samsung Total BD expansion
- Regional gap of feedstock[BD] price widened between Asia and N. America/Europe.
 - Regional BD price fluctuations

(Unit:USD/Ton)

	'07.02	'07.03	'07.04	'07.05	'07.06
Asia	1,109	1,093	986	972	893
N. America	1,130	1,130	1,153	1,220	1,222
Europe	1,168	1,213	1,235	1,279	1,274

- Sales prices are steady due to short supply of synthetic rubber and rising natural rubber price.

(Unit:USD/Ton)

	'07.02	'07.03	'07.04	'07.05	'07.06
Natural Rubber	2,133	2,063	2,165	2,290	2,030

* July 2007 Natural Rubber Price : USD 2,035/Ton

Business Performance - Synthetic Resin

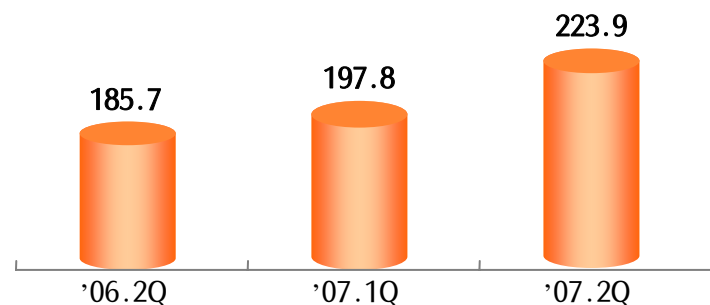


► Synthetic Resin

- Synthetic resin business posted KRW 223.9 billion in sales, a 13.2% increase, with operating income to 0.2 billion compared to 1Q.
- Despite stronger price of feedstock[BD], sales and operating income increased due to high-demand season.

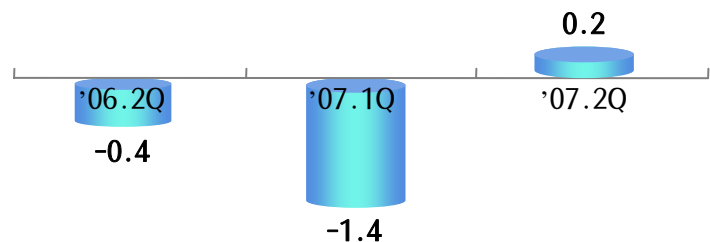
Sales

Unit:KRW billion



Operating Income

Unit:KRW billion



Analysis

- Stronger price of Feedstock[SM]

(Unit:USD/Ton, CFR Taiwan based)

	'07.02	'07.03	'07.04	'07.05	'07.06
SM price	1,273	1,270	1,308	1,383	1,368

- Domestic : Increase of sales due to high-demand season of electronics
- China : Increase of demand due to high-demand season and operating ratio rise of users
- America : Profitability declined due to increasing competition of companies with weak demand

Business Performance - Other Divisions

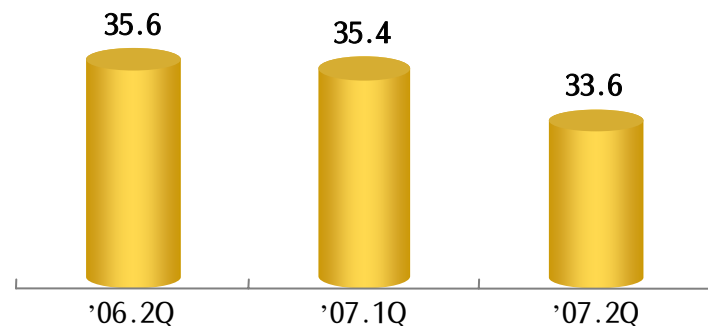


► Specialty Chemicals/Combined Heat & Power Plants

- Specialty Chemicals : Operating income decrease due to deepening of sales competition with low-priced China product compared to 1Q.
- Combines Heat & Power Plants : Operating income decreased due to annual shut-down of affiliates in May, 2007

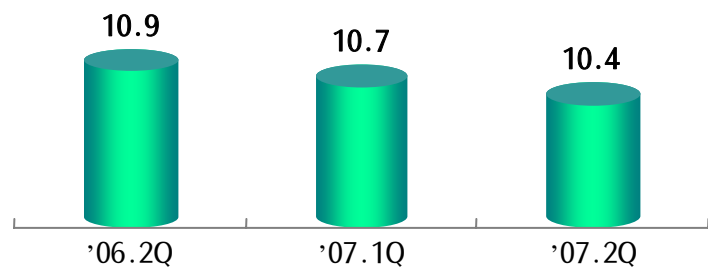
Sales

Unit:KRW billion



Operating Income

Unit:KRW billion



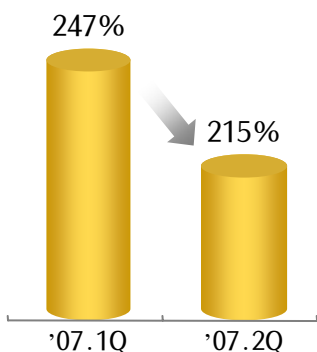
Analysis

- Specialty Chemicals Division
 - Profitability declined due to deepening of sales competition with low-priced China product
- Combined Heat & Power Plants
 - Sales and operating income decreased due to annual shut-down of affiliates in May, 2007

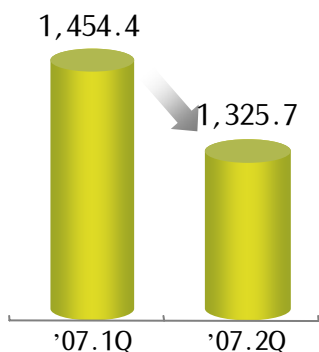
Financial Structure

- Decrease of borrowings and debt ratio due to increase of cash flows from operating activities
- Increase of asset turnover ratio and interest coverage ratio due to improvement of sales and operating income

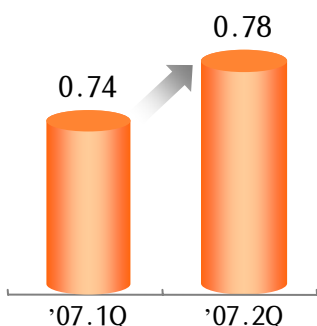
Debt ratio(%)



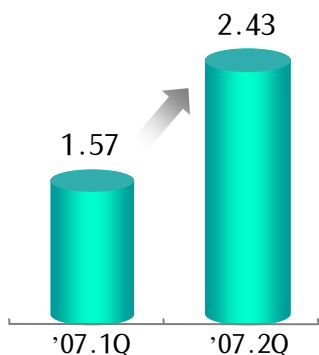
Borrowings[billion]



Asset turnover ratio [times]



Interest coverage ratio [times]



(Unit : KRW billion)

	End of 2006	'07.1Q	'07.2Q	Change	
				Y-Y	Q-Q
A s s e t s	2,614.6	2,686.8	2,650.1	1.4%	-1.4%
L i a b i l i t i e s	1,841.7	1,911.6	1,809.4	-1.8%	-5.3%
Shareholders' E q u i t y	772.9	775.2	840.7	8.8%	8.4%
Debt to equity r a t i o (%)	23.8	24.7	21.5	-23%p	-32%p
B o r r o w i n g s	1,399.5	1,454.4	1,325.7	-5.3%	-8.8%
Asset turnover ratio (times)	0.76	0.74	0.78	0.02	0.04
Interest coverage ratio (times)	1.41	1.57	2.43	1.02	0.86

Main Business Activities



▶ Strengthening market dominance

- Synthetic Rubber : Revamping of SBR, HBR
 - Revamping[Ton/Year] : SBR 110,000(Ulsan), HBR 11,000(Yeosu)
 - Construction completion : Dec. 2007
 - Jump to the world's No. 2 maker(SBR/BR based)

(Unit:1,000Ton)

	End of 2006	Revamping	End of 2007	Remark
SBR	261	110	371	-No.1:Goodyear(714)
HBR	211	11	222	-No.2:SINOPEC(480)
Total	472	121	593	-No.3:KKPC(472)

- Specialty Chemicals : Expansion of Antioxidants(6PPD)
 - Expansion[Ton/Year] : 6PPD 10,000
 - Construction completion : June 2007
 - Additional expansion : 6PPD 20,000, Target launch June 2008

▶ Strengthening management capability

- Building of Enterprise Resource Planning System(ERP)
 - Solution/Consulting company : SAP/Accenture
 - Project period : March 2007 ~ Dec. 2007(10 Months)

Main Business Activities



▶ Construction of the 2nd combined heat & power plants

- Construction started on May 9, 2007
- Target launch : May 2009
- Capacity : 500Mt/Hr, 119MW/Hr
- Total investment cost : KRW 180 billion ~ KRW 200 billion

▶ Construction of Chinese Production Base for SB-Latex Business

- Construction started on June 5, 2007
- Capacity : SB-Latex 150,000Ton/Year
- Total investment cost : USD 31,300,000(Capital 40%, Debt 60%)
- Business form : J/V(KKPC 50%, Jinma 50%)
- Location : Rizhao City, Shangdong, China
- Target launch : Nov. 2008

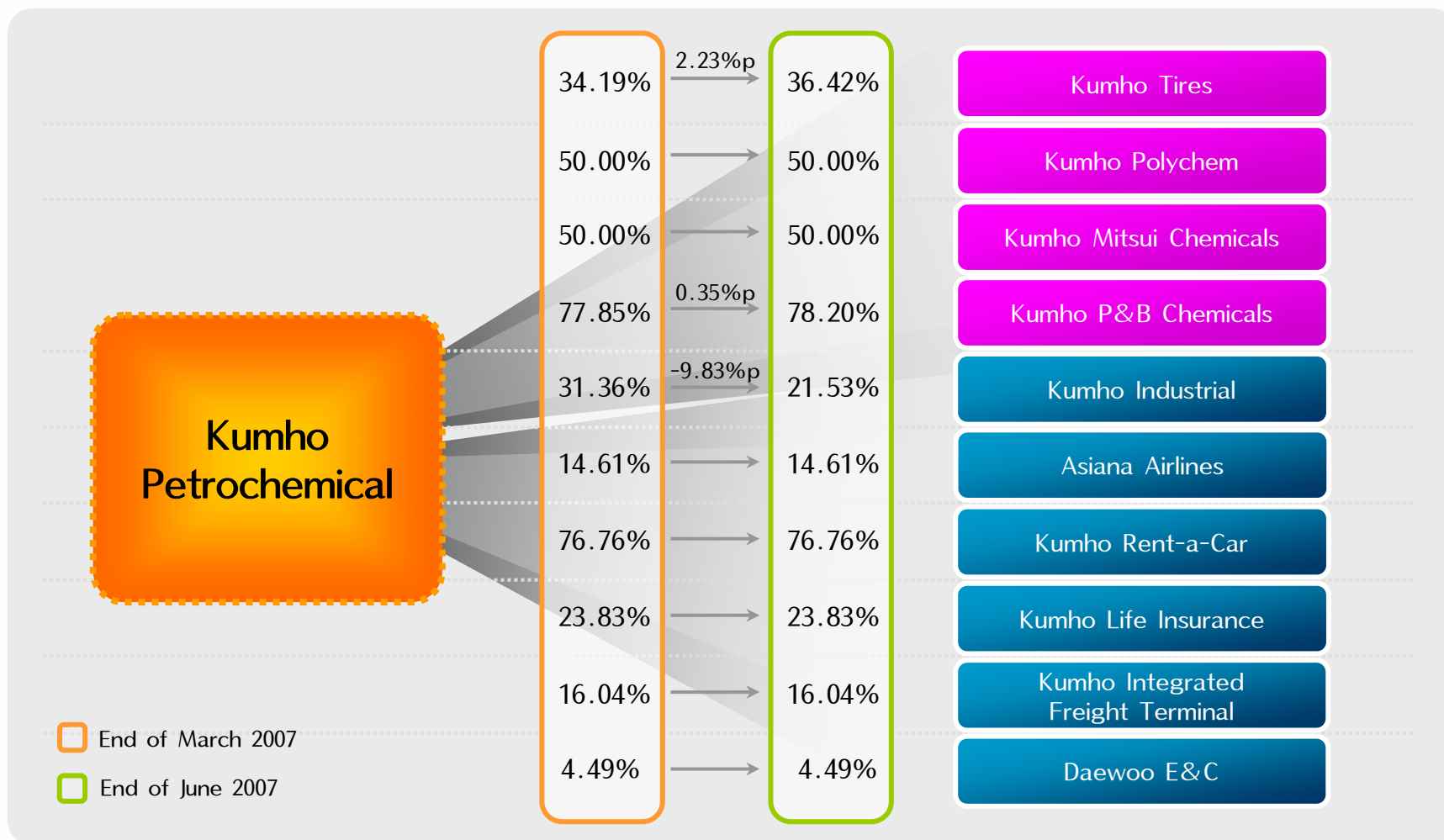
▶ Expanding building material sales Planning synergy with Daewoo E&C/Kumho E&C

- Building/Engineering Part
 - PPG(waterproofing urethan/laminated panels/paint)
 - High insulation EPS products
 - Eco-friendly ABS sash which substitutes for PVC sash
 - SBC(asphalt modifier)

Investments in affiliates



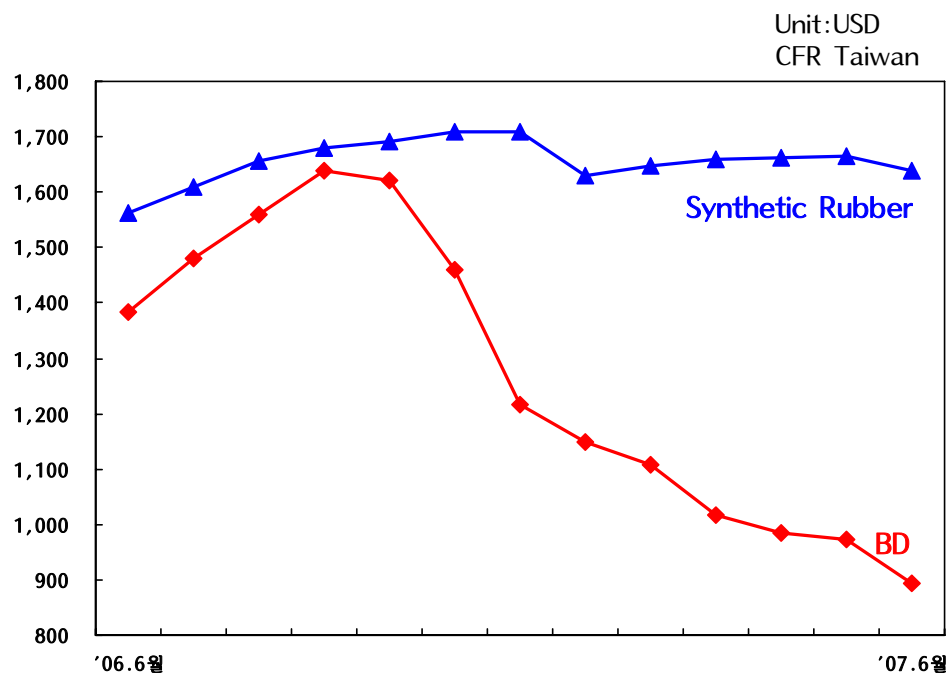
► Investments in affiliates



Outlook – Synthetic Rubber



Synthetic Rubber/BD price trend



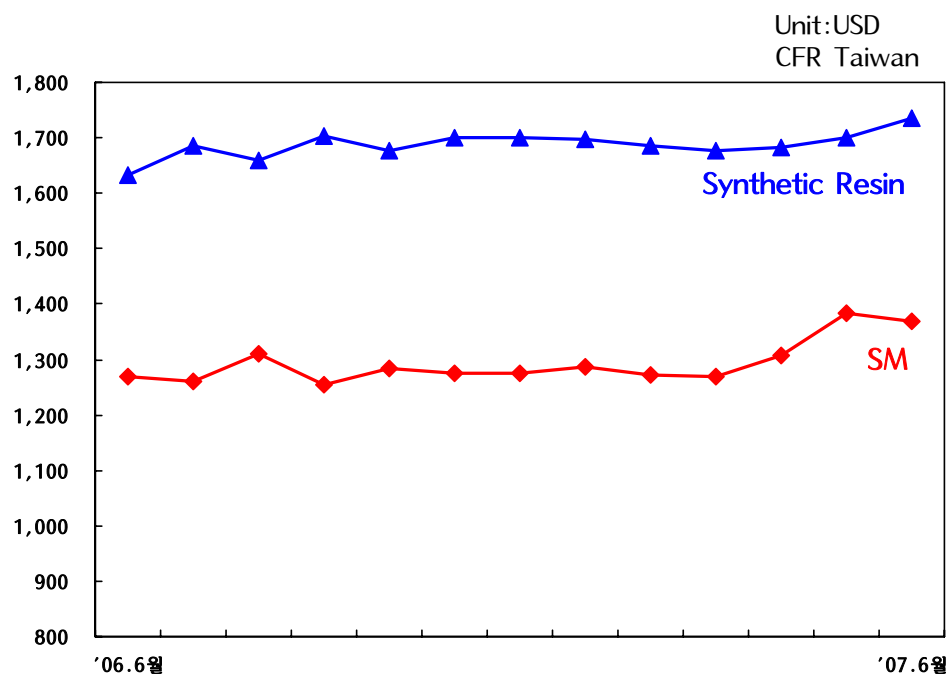
Outlook

- Sales price of synthetic rubber may continue steady due to the continuing decrease of feedstock[BD] price and increase of export to N. America and Europe.
- Domestic Sales will be expanded due to the increase of operating rate of local tire makers.
- Tire makers continue to increase the using amount of synthetic rubber due to the continuing increase of natural rubber price.
- Sales and operating income may be increase compared to 2Q due to the continuing decrease of feedstock[BD] price and extension of overseas sales

Outlook – Synthetic Resin



Synthetic Resin/SM price trend



Outlook

- Feedstock[SM] price is expected to decrease, as the SM demand in China diminishes due to the revision of China tax law.
- SM price is expected to be decrease, in view of supply-demand situation in Asia market.
- Expanding sales of eco-friendly/high value-added product
 - Eco-friendly ABS sash which substitutes for PVC sash
 - High insulation EPS products
- Sales and operating income may be increase compared to 2Q due to the small decrease of feedstock[SM] price and extension of overseas sales

Income Statements



(Unit : KRW billion)

	'06.2Q	'07.1Q	'07.2Q	Change	
				Y-Y	Q-Q
Sales	462.7	492.4	535.8	15.8%	8.8%
Gross profit	54.1	65.2	84.7	56.6%	29.9%
Selling and administrative expenses	31.1	33.6	38.1	22.5%	13.4%
Operating income	23.0	31.6	46.6	102.6%	47.5%
(%)	5.0%	6.4%	8.7%	3.7%p	2.3%p
Non-operating income	40.4	38.0	37.8	-6.4%	-0.5%
Non-operating expenses	21.0	37.9	32.5	54.8%	-14.2%
Ordinary income	42.4	31.7	51.9	22.4%	63.7%
(excl. valuation of equity method investments)	16.3	10.8	16.3	-	50.9%
Net income	31.1	25.5	33.7	8.4%	32.2%

Balance Sheets



(Unit : KRW billion)

	'06.2Q	'07.1Q	'07.2Q	Change	
				Y-Y	Q-Q
Total assets	2,272.5	2,686.8	2,650.1	16.6%	-1.4%
Current assets	611.5	519.9	452.8	-26.0%	-12.9%
(Inventories)	183.6	267.4	201.3	9.6%	-24.7%
Non-current assets	1,661.0	2,166.9	2,197.3	32.3%	1.4%
(Property, plant and equipment, net)	537.1	588.8	626.9	16.7%	6.5%
Total liabilities	1,468.1	1,911.6	1,809.4	23.2%	-5.3%
Current liabilities	951.3	778.4	711.3	-25.2%	-8.6%
Non-current liabilities	516.8	1,133.2	1,098.1	112.5%	-3.0%
Total shareholders' equity	804.4	775.2	840.7	4.5%	8.4%
Capital stock	142.2	142.2	142.2	-	-
Retained earnings	303.9	329.4	363.1	19.5%	10.2%
Others	358.3	303.6	335.4	-6.4%	10.5%

Statements of Cash Flows



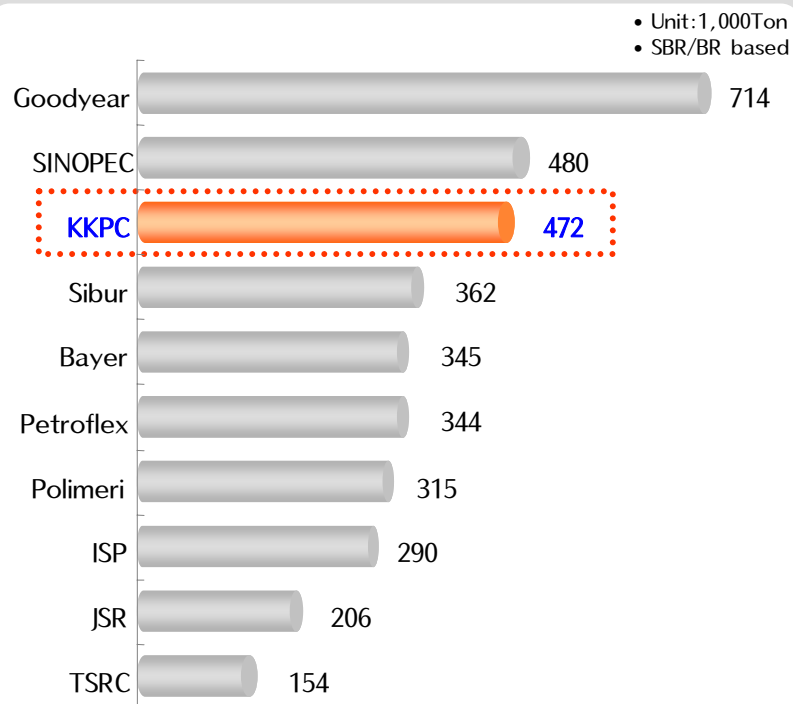
(Unit : KRW billion)

	'06.2Q	'07.1Q	'07.2Q	Change	
				Y-Y	Q-Q
Cash flows from operating activities	56.6	-1.2	123.3	117.8%	-
-Net income	31.0	25.5	33.7	8.7%	32.2%
-Depreciation/retirement allowance	18.8	15.3	17.0	-9.6%	11.1%
-Others	6.8	-42.0	72.6	967.6%	-
Cash flows form investment activities	-31.7	-52.7	-54.7	-	-
-Property, plant and equipment, net	-15.9	-25.0	-52.0	-	-
-Others	-15.8	-27.7	-2.7	-	-
Cash flows from financing activities	177.0	52.8	-69.5	-139.3%	-231.6%
-Borrowings	193.5	53.4	-52.9	-127.3%	-199.1%
-Treasury stock/dividends	-15.0	-	-16.1	-	-
-Others	-1.5	-0.6	-0.5	-	-
Net increase(decrease) in cash and cash equivalents	201.9	-1.1	-0.9	-100.4%	-

Market Position

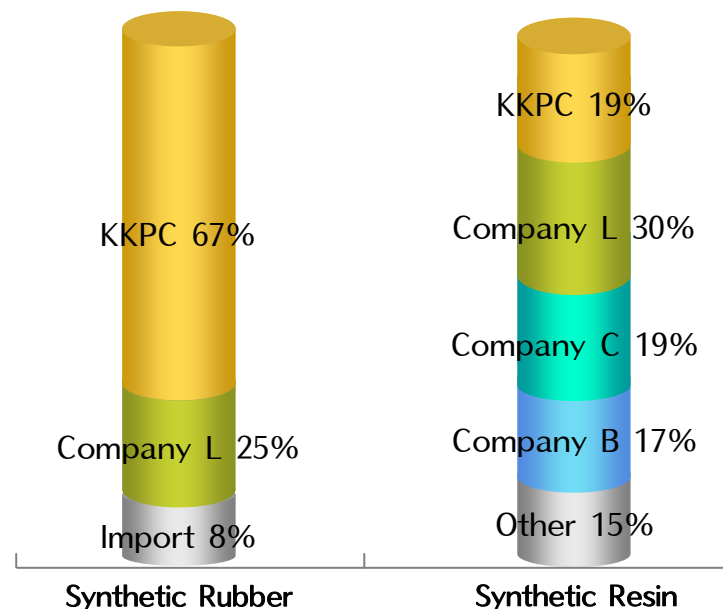
- ▶ Increased Market Leadership in the field of Synthetic Rubber and Domestic Market Share
 - The synthetic rubber operation showed world's 3rd production capacity and best market dominance.
 - KKPC will be world's 2nd major maker once the SBR 121,000 Tons expansion is completed in Dec. 2007.
 - 19% domestic market share in synthetic resin due to overheated competition.
 - Plan to increase the market share by restructuring the business portfolio.

Production Capacity(2007)



※ KKPC's Capa. will be 593,000MT in Dec. 2007(SBR/BR based)

M/S by company(2007)



Sales Structure

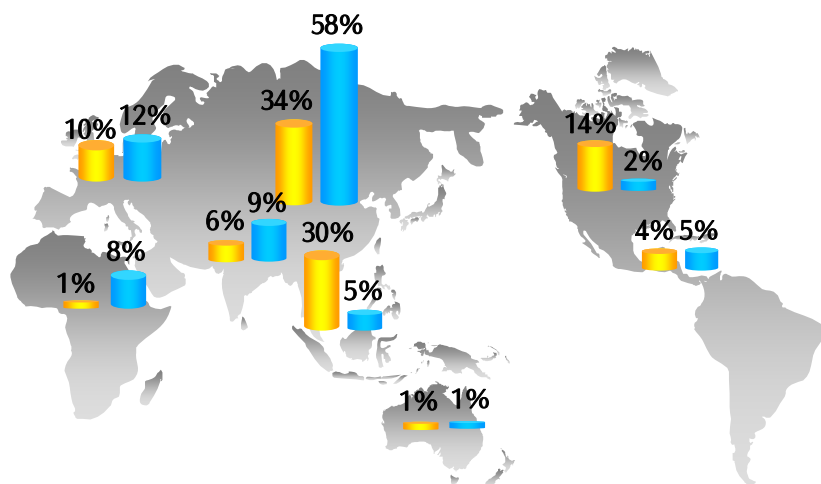


► Sales breakdown by area and application

- Export by main area : Synthetic Rubber – E. Asia & China 64%, Synthetic Resin – China 58%
- Sales by main application : Synthetic Rubber – Tire 53%, Synthetic Resin – Electronic/Automotive 57%

Export breakdown by area

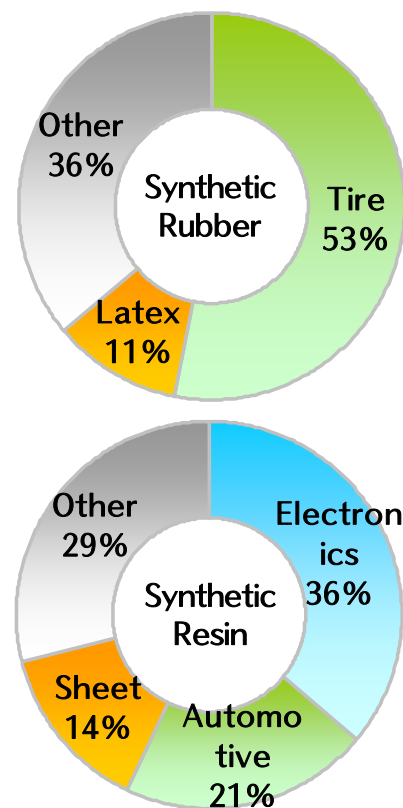
■ Synthetic Rubber ■ Synthetic Resin



● Sales Composition [Sales, 2007]

- Synthetic Rubber : Export[67%], Domestic[33%]
- Synthetic Resin : Export[63%], Domestic[37%]

Sales breakdown by application



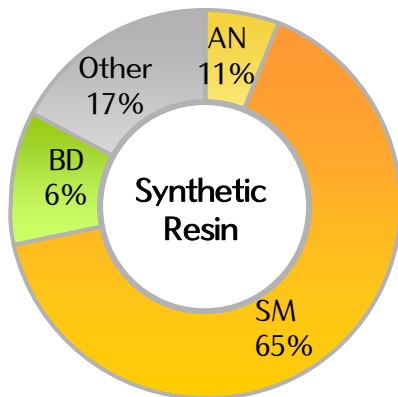
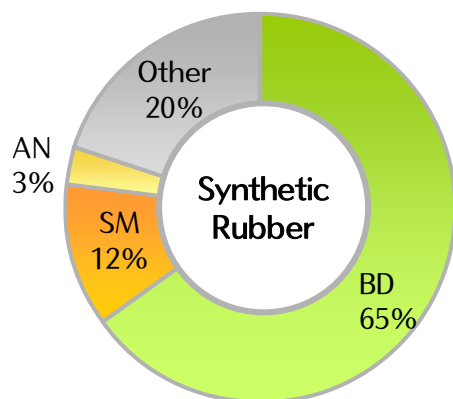
Main Feedstock



► Feedstock Portion & Purchasing Companies of Feedstock

- Feedstock Portion : Synthetic Rubber - BD 65%, Synthetic Resin - SM 65%
- Domestic Procurement of Feedstock : BD – 81% including 55% of self-production, SM - 66%

Feedstock Portion



Purchasing Companies of Feedstock

