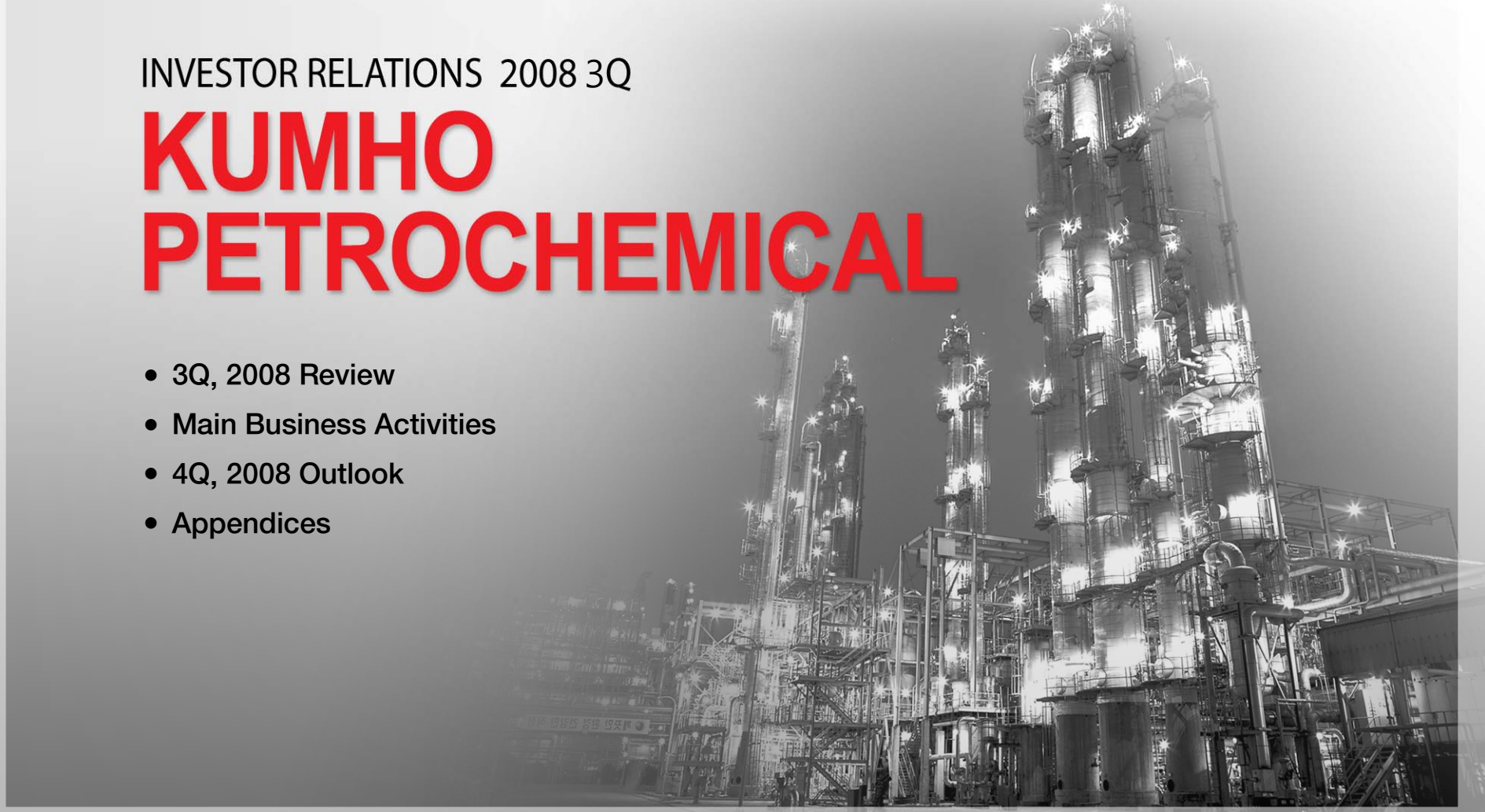
INVESTOR RELATIONS 2008 3Q

KUMHO PETROCHEMICAL

- 3Q, 2008 Review
- Main Business Activities
- 4Q, 2008 Outlook
- Appendices

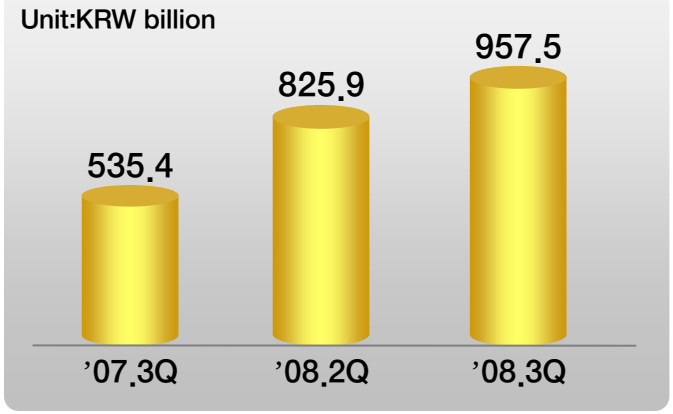


3Q, 2008 Overview

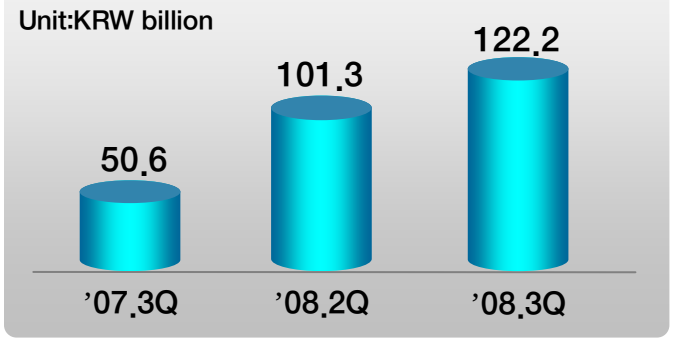
Sales and Operating Income

- Implementing our "Full Production and Full Sales" initiative, we post strongest performance ever.
- Sales rose 15.9% to KRW 957.5 billion and operating income up 20.6% to KRW 122.2 billion.

Sales



Operating Income



3Q, 2008 Performance

Unit:KRW billion

	'07.3Q	'08.2Q	'08.3Q	Change Rate	
				YoY	QoQ
Sales	535.4	825.9	957.5	78.8%	15.9%
[Syn. Rubber]	262.9	488.0	597.1	127.1%	22.4%
[Syn. Resin]	232.5	283.2	278.6	19.8%	-1.6%
[Others]	40.0	54.7	81.8	104.5%	49.5%
Operating Income	50.6	101.3	122.2	141.5%	20.6%
[%]	9.5	12.3	12.8	3.3%p	0.5%p
Income Before Income Taxes	59.3	98.1	114.0	92.2%	16.2%
Net Income	40.9	74.8	89.0	117.6%	19.0%
Gain/Loss on Valuation of Equity Method Investments	28.3	10.4	2.1	-92.6%	-79.8%

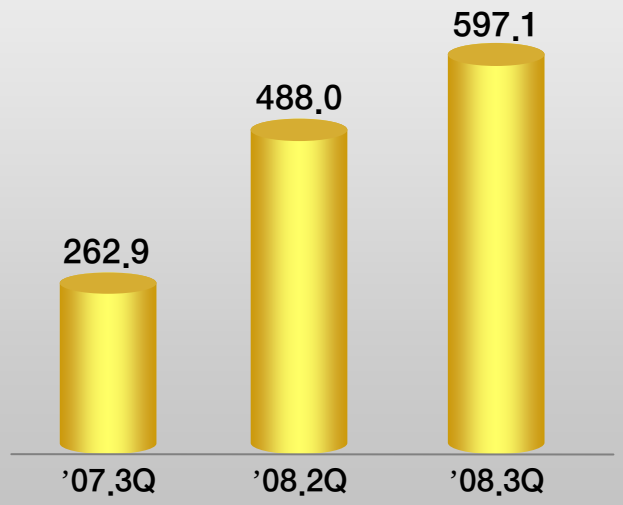
Performance Results for Synthetic Rubbers

Synthetic Rubbers

- Sales increased 22.4% to KRW 597.1 billion (62% in total Sales).
- Sales and operating income strongest ever thanks to Product price hikes backed by tight Synthetic Rubber supply, offsetting high BD prices.

Sales

Unit:KRW billion



Performance Analysis

- BD raw material prices remain high due to:
  - Annual Shut Down of NCC Plant in Asia(FPCC/CPC)
  - Reduced NCC plant utilization rate on low price of C2 & C3
- BD Price Change by region

(Unit:USD/Ton)

	'08.05	'08.06	'08.07	'08.08	'08.09
Asia	2,065	2,733	3,190	3,240	3,019
N. America	1,997	2,115	2,701	3,075	3,142
Europe	1,700	1,863	2,250	2,400	2,400

- N/R Price Change

(Unit:USD/Ton)

	'08.05	'08.06	'08.07	'08.08	'08.09
TSR-20	2,925	3,108	3,228	2,931	2,840

* Nov. 2008 : USD 1,749/Ton

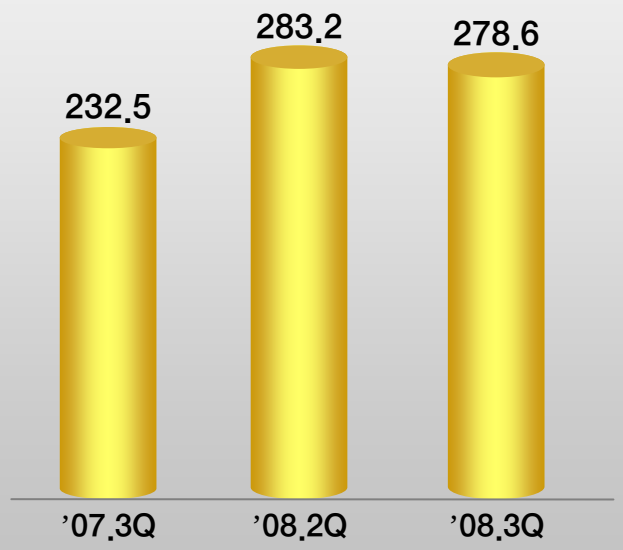
Performance Results for Synthetic Resins

Synthetic Resins

- Sales decreased 1.6% to KRW 278.6 billion (29% in total Sales).
- Profitability declined as sales fall on lower demand.

Sales

Unit:KRW billion



Performance Analysis

- SM raw material prices down slightly
  - reduced demand from Downstream industries
- SM Price Change

(Unit:USD/Ton, CFR China)

	'08.05	'08.06	'08.07	'08.08	'08.09
SM	1,551	1,649	1,642	1,505	1,413

- Market Trend
  - Domestic Market : Reduced margin as sales fall on lower demand
  - Overseas Market : Falling demand on lower utilization rates (Beijing Olympic, slack season)

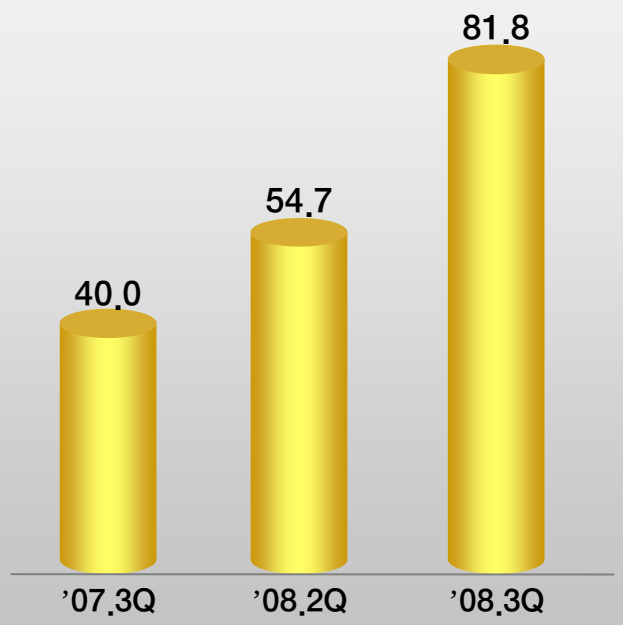
Performance Results for Other Sectors

Other Sectors

- Sales increased 49.5% to KRW 81.8 billion (9% in total Sales).
- Margins stayed strong on higher utilization at Specialty Chemicals (improved supply of 4-ADPA) and Combined Heat & Power Plant.

Sales

Unit:KRW billion

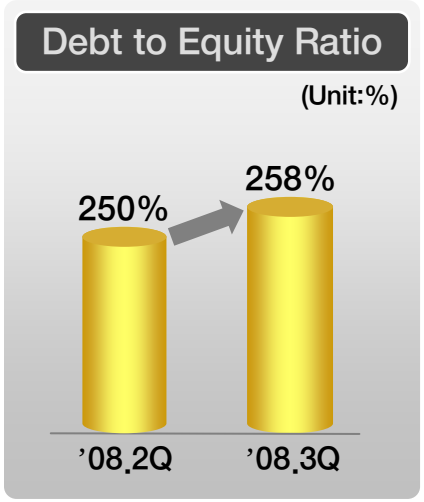


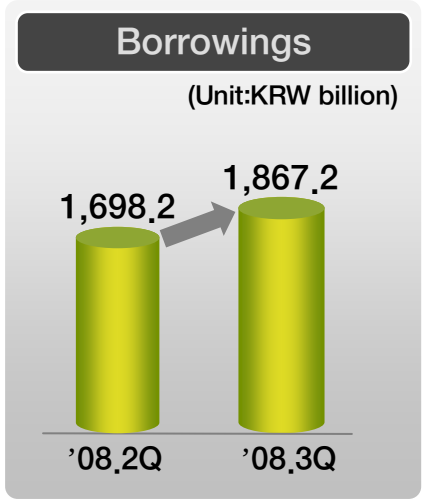
Performance Analysis

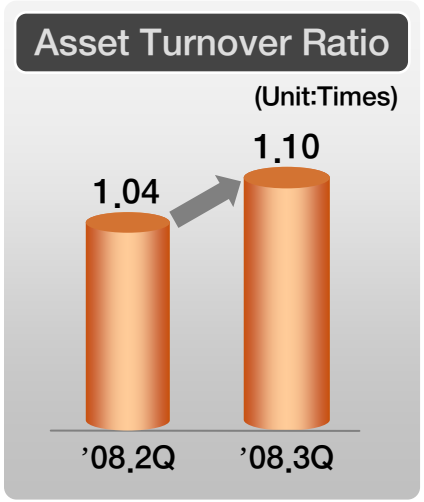
- **Specialty Chemicals**
  - Selling price up on rising the price of main raw-material, tight supply of 6PPD (issued at China subsidiary)
  - Specialty Chemicals utilization rate raised amid improved supply of 4-ADPA raw material
- **Combined Heat & Power Plant**
  - Sales and operating income grew on higher demand for Steam amid rising oil prices

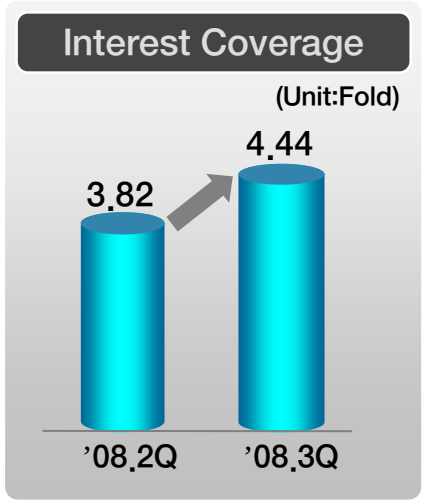
Financial Highlights

- Increased borrowings to finance more facilities and overseas investment.
- Asset turnover improved on increased sales and operating income.









	Unit	'07.4Q	'08.2Q	'08.3Q	Change Rate	
					YoY	QoQ
Assets	KRW bil.	2,864.0	3,253.1	3,732.0	30.3%	14.7%
Liabilities	KRW bil.	1,985.0	2,322.5	2,690.0	35.5%	15.8%
Shareholders' Equity	KRW bil.	879.0	930.6	1,042.0	18.5%	12.0%
Debt to Equity Ratio	%	226	250	258	32%p	8%p
Borrowings	KRW bil.	1,483.3	1,698.2	1,867.2	25.9%	10.0%
Won-denominated	KRW bil.	1,300.1	1,458.5	1,594.9	22.7%	9.4%
Foreign currency-denominated	KRW bil.	183.2	239.7	272.3	48.6%	13.6%
Asset Turnover Ratio	Times	0.78	1.04	1.10	0.32	0.06
Interest Coverage Ratio	Fold	1.46	3.82	4.44	2.98	0.62

Main Business Activities

J/V Company for XPS production and sale

- Target advanced XPS(Extruded Polystyrene Foam) market in China.
- Production capacity : XPS 18K MT/Y
- J/V : KKPC 80%, SCICI 20%
- Location : Shenyang Chemical Industry Park in China
- Total investment : US$29.2mn (Owner's Equity US$11.6mn, Liab US$17.6mn)
- Construction to be completed in September 2009

Energy Business Extension : 2nd Combined Heat & Power Plant

- Expanding our energy business, ensuring stable utilities supply, laying foundation to become a key utilities provider
- Total investment : KRW216bn
- Capacity : 500T/H, 119MWH
- Construction to be completed in April 2009

Main Business Activities

Reinforcing Position in the Synthetic Rubber Market

- Revamping Capacity : SBR 110K MT/Y(Ulsan), BR 120K MT/Y(Yeosu)
- Completion of Construction : SBR(April 2009), BR(Sep. 2009)
- Total investment : KRW264bn
- KKPC will be world's NO.1 Maker once SBR & BR Capa. expansion

(Unit:'000MT)

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

Strengthening Market Leadership in the Specialty Chemicals

- Revamping Capacity : 6PPD 26K MT/Y
- Completion of Construction : Sep. 2008
- Total investment : KRW25.2bn
- KKPC is world's No.1 Maker of 6PPD Capa.

(Unit:'000MT)

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

Outlook (Synthetic Rubbers & Resins)

Synthetic Rubbers

- BD Price to stay slightly lower than 3Q on lower utilization rates in Downstream industries.
- BD Price may rise if NCC plant utilization rates fall due to low prices of C2 & C3.
- Natural Rubber Price to decrease temporarily on arrival of production season.
- Sales and margins to continue to grow on niche markets. (S. America, Middle East, etc.)

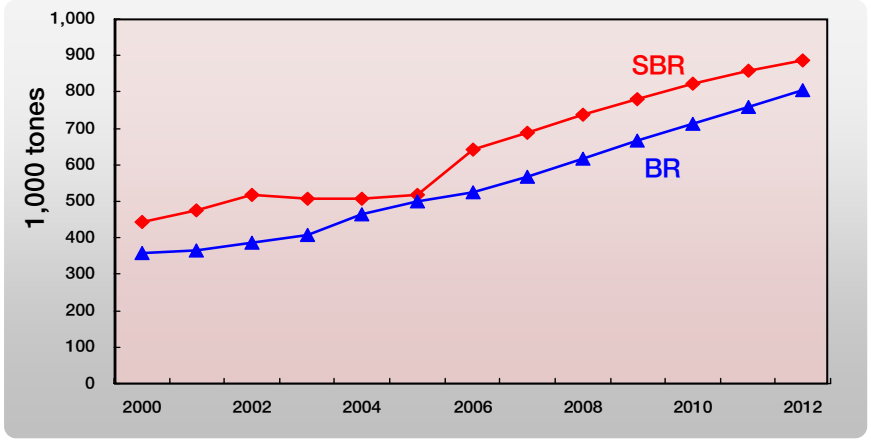
Synthetic Resins

- SM Price to dip on reduced demand and new supply from Middle East to Asia. (Chevron Philips Chem 777K MT/Y)
- Increase sales of higher-margin products. (ABS Powder/EP/heat-resistant ABS etc.)
- Margins to improve on increased sales of high value-added products by region.
- Improve sales network and promote sales in new markets.

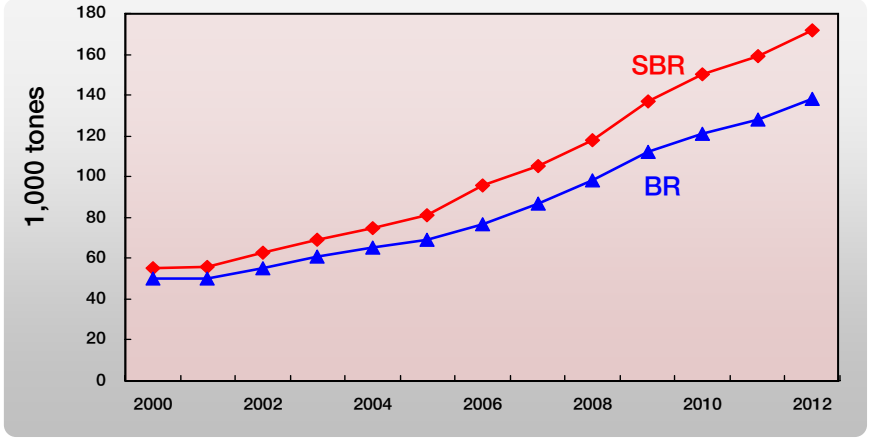
Outlook (Consumption of Synthetic Rubbers)

- Demand for SBR & BR in Asia to rise, led by China and India, our main sales markets

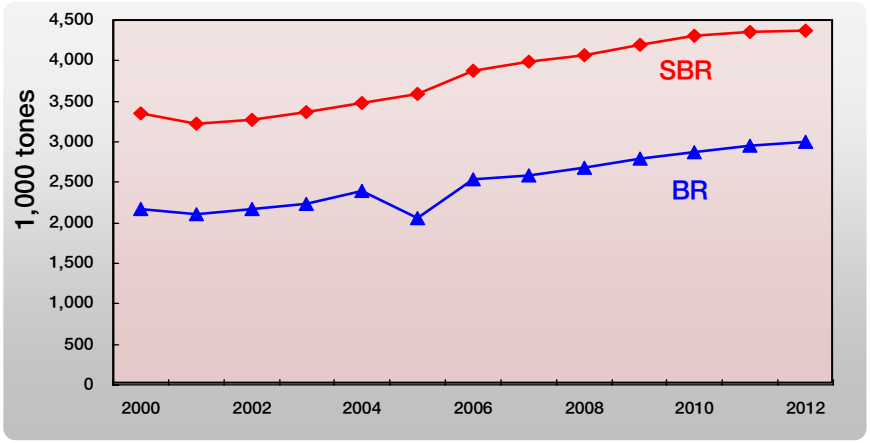
China



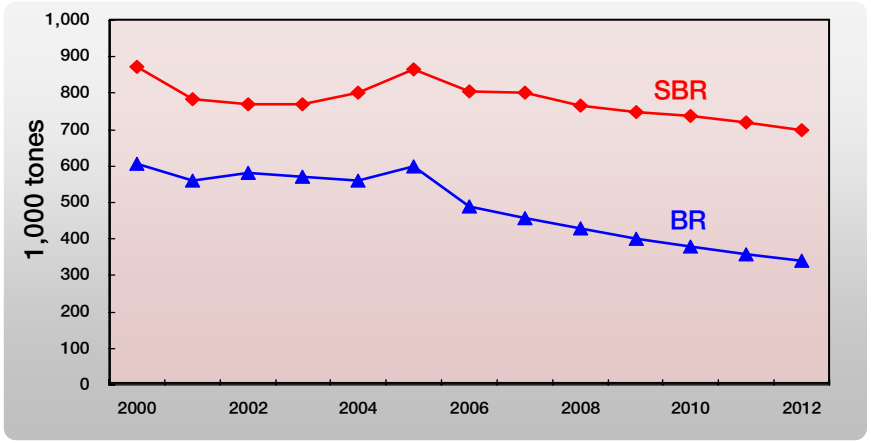
India



Global



North America



※ Source : IISRP(International Institute of Synthetic Rubber Producers, Inc.) 2008

Income Statement

(Unit:KRW billion)

	2008			2007			Change	
	1H (A)	3Q (B)	1Q~3Q Total (C=A+B)	1H (D)	3Q (E)	1Q~3Q Total (F=D+E)	YoY (C-F) Cost	YoY (C-F) Rate
Sales	1,477.0	957.5	2,434.5	1,028.2	535.4	1,563.6	870.9	55.7%
Operating Income	155.0	122.2	277.2	78.2	50.6	128.8	148.4	115.2%
(Operating Margin)	*10.5%*	*12.8%*	*11.4%*	*7.6%*	*9.5%*	*8.2%*		*3.2%p*
Net Interest Expense	*42.5*	*20.4*	*62.9*	*38.1*	*17.6*	*55.7*	*7.2*	*12.9%*
Gain/Loss on Valuation of Equity Method Investments	*-10.0*	*2.1*	*-7.9*	*61.6*	*28.3*	*89.9*	*-97.8*	*-108.8%*
Income before Income Taxes	108.3	114.0	222.3	83.5	59.3	142.8	79.5	55.7%
(Ordinary Income Margin)	*7.3%*	*11.9%*	*9.1%*	*8.1%*	*11.1%*	*9.1%*		*0.0%p*
Net Income	82.3	89.0	171.3	63.4	40.9	104.3	67.0	64.2%
(Net Income Margin)	*5.6%*	*9.3%*	*7.0%*	*6.2%*	*7.6%*	*6.7%*		*0.3%p*

Balance Sheet

(Unit:KRW billion)

	2008		2007	2006	Change		
	3Q (A)	2Q (B)	4Q (C)	4Q (D)	QoQ (A-B)	YoY (A-C)	Yo06 (A-D)
1. Current Assets	1,034.3	689.2	489.1	461.8	345.1	545.2	572.5
- Cash	*39.4*	*10.0*	*11.4*	*3.1*	*29.4*	*28.0*	*36.3*
2. Non-Current Assets	2,697.7	2,563.9	2,374.9	2,152.8	133.8	322.8	544.9
Total Assets	3,732.0	3,253.1	2,864.0	2,614.6	478.9	868.0	1,117.4
1. Interest Bearing Liabilities	1,867.2	1,698.2	1,483.3	1,391.2	169.0	383.9	476.0
- Short-Term Debts	*519.3*	*309.1*	*344.3*	*490.9*	*210.2*	*175.0*	*28.4*
- Long-Term Debts	*1,347.9*	*1,389.1*	*1,139.0*	*900.3*	*-41.2*	*208.9*	*447.6*
- Current Liabilities	*1,232.4*	*833.1*	*712.9*	*795.1*	*399.3*	*519.5*	*437.3*
2. Non-Interest Bearing Liabilities	822.8	624.3	501.7	450.5	198.5	321.1	372.3
Total Liabilities	2,690.0	2,322.5	1,985.0	1,841.7	367.5	705.0	848.3
1. Common & Preferred Stock	142.2	142.2	142.2	142.2	-	-	-
Total Shareholder Equity	1,042.0	930.6	879.0	772.9	111.4	163.0	269.1
Net Debt Ratio	49.0%	51.9%	51.4%	53.1%	-2.9%p	-2.4%p	-4.1%p
Long-Term Debts to Total Debts Ratio	72.2%	81.8%	76.8%	64.9%	-9.6%p	-4.6%p	7.3%p
Current Ratio	83.9%	82.7%	68.6%	58.1%	1.2%p	15.3%p	25.8%p
Total Liabilities to Equity Ratio	258.2%	249.6%	225.8%	238.3%	8.6%p	32.4%p	19.9%p

Cash Flow

(Unit:KRW billion)

	'08.3Q	'08.2Q	'07.3Q	Change	
				YoY	QoQ
Cash flow from operating activities	-12.4	127.7	16.9	-140.1	-29.3
- Net Income	89.0	74.8	40.9	14.2	48.1
- Depreciation/Retirement allowance	20.5	22.8	16.6	-2.3	3.9
- Others	-121.9	30.1	-40.6	-152.0	-81.3
Cash flow from investing activities	-100.6	-117.8	-77.7	17.2	-22.9
- Tangible Assets	-130.8	-112.5	-122.8	-18.3	-8.0
- Others	30.2	-5.3	45.1	35.5	-14.9
Cash flow from financing activities	142.4	-22.0	62.1	164.4	80.3
- Borrowings	142.4	-4.2	62.1	146.6	80.3
- Treasury stock/dividends	-	-17.3	-	17.3	-
- Others	-	-0.5	-	0.5	-
Net Cash Flow	29.4	-12.1	13	41.5	28.1

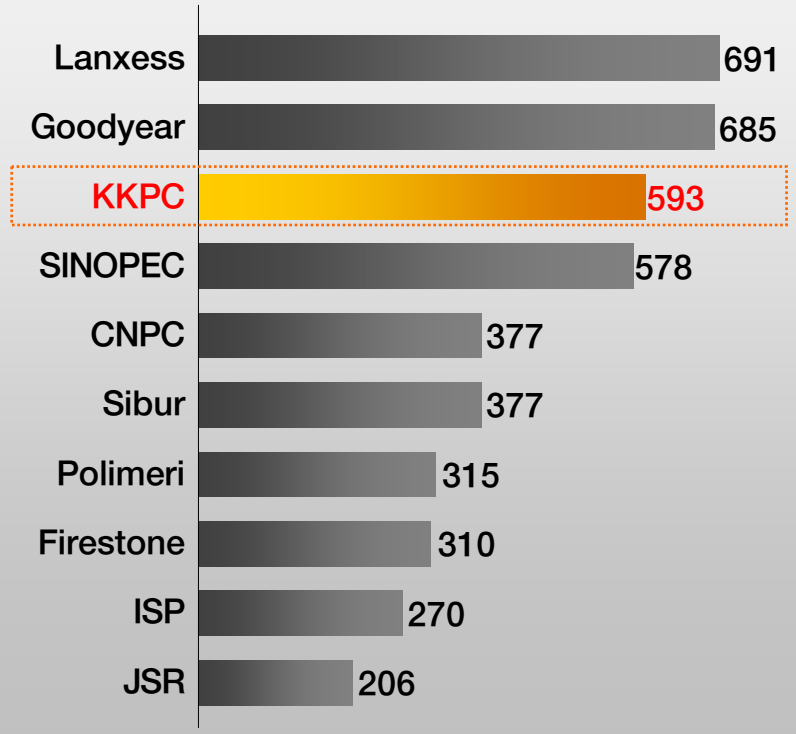
Market Position

Synthetic Rubbers

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

Production Capa. (Sep. 2008)

Unit:'000Tons
SBR/BR based



Market Position

Unit:'000Tons
SBR/BR based

Rank	Company	Sep. '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

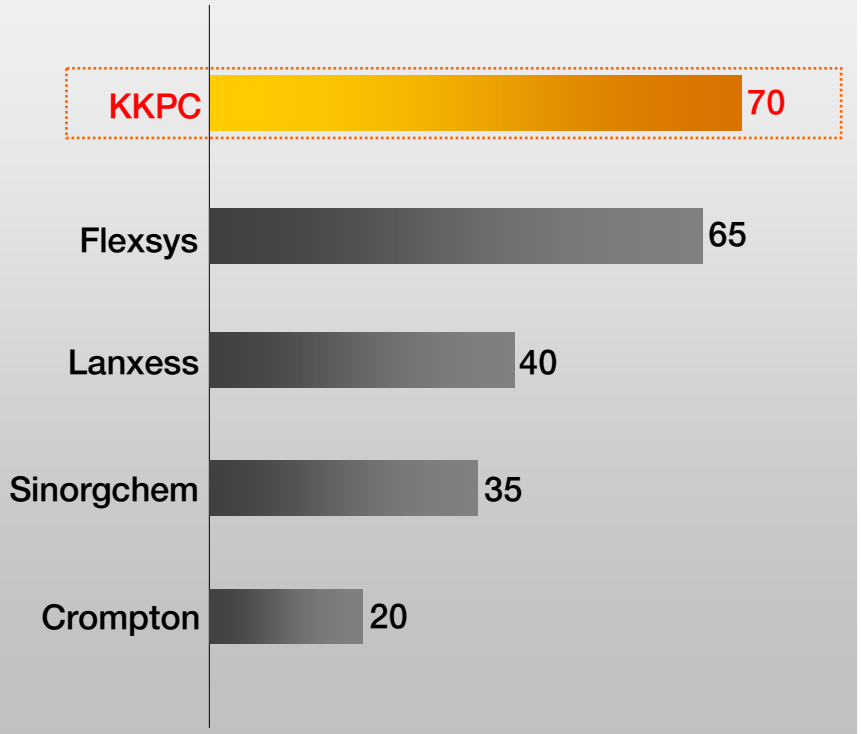
Market Position

Specialty Chemicals

- World's largest maker of Specialty Chemicals.
- Strengthening competitiveness through vertical integration of Tires, Synthetic Rubbers and Specialty Chemicals.

Production Capa. (Sep. 2008)

Unit:'000Tons
6PPD based



Market Position

Unit:'000Tons
6PPD based

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

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