

KUMHO PETROCHEMICAL

Investor Relations 2008

1. 2007 Performance Review
2. 2008 Outlook, Mid and Long Term Plans
3. Appendices

This document is provided for the convenience of investors and contains preliminary financial data that may be amended following the release of the Company's 2007 Audit Report.

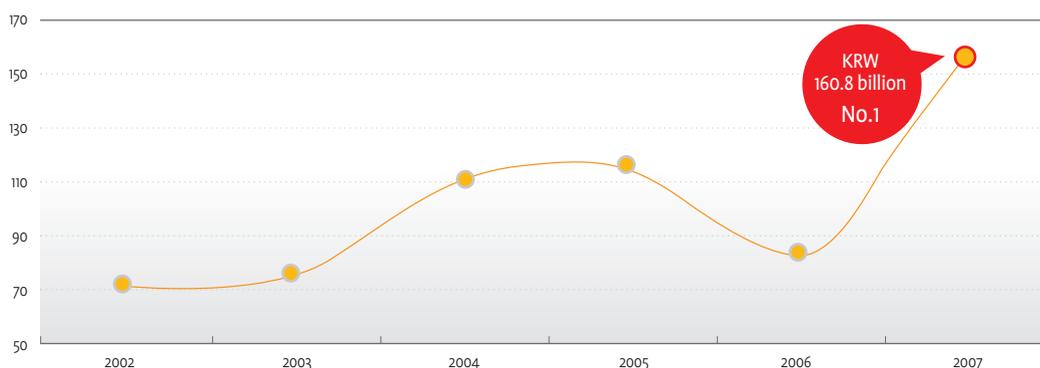
While every care has been taken to ensure the reasonableness of our estimates, data on 2008 prospects is based on necessary assumptions and thus may differ from final reported results.

2007 Performance Overview

Sales and Operating Income

- Implementing our “Full Production and Full Sales” initiative, the company recorded its strongest performance ever.
- Sales increased 21.2% to KRW 2,124.5 billion and operating income rose 85.0% to KRW 160.8 billion.

• Operating Income (KRW billion)



• 2007 Performance Highlights

(Unit : KRW billion)

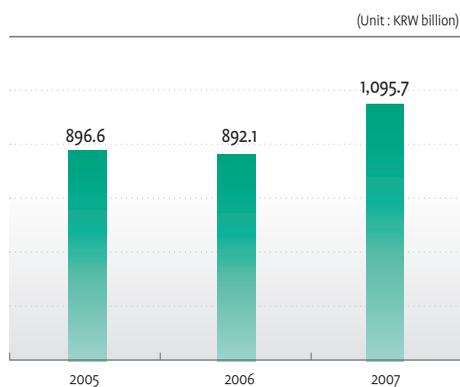
	2006	2007	Comparison	
			Change	Change Rate
Sales	1,753.0	2,124.5	371.5	21.2%
[Synthetic Rubber]	892.1	1,095.7	203.6	22.8%
[Synthetic Resin]	720.5	877.8	157.3	21.8%
[Others]	140.4	151.0	10.6	7.5%
Operating Income	86.9	160.8	73.9	85.0%
[%]	5.0	7.6	2.6p	
[Synthetic Rubber]	46.4	120.0	73.6	158.6%
[Synthetic Resin]	-8.6	-5.1	3.5	-
[Others]	49.1	45.9	-3.2	-6.5%
Income Before Income Taxes	112.6	177.0	64.4	57.2%
[Excluding Valuation of Equity Method Investments]	13.0	78.9	65.9	506.9%
Net Income	79.7	134.2	54.5	68.4%
Gain/Loss on Valuation of Equity Method Investments	99.6	98.1	-1.5	-1.5%

Performance Results for Synthetic Rubber

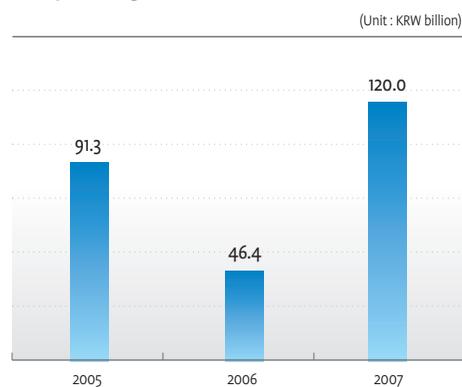
Synthetic Rubber

- Sales increased 22.8% to KRW 1,095.7 billion, while operating income rose 158.6% when compared to 2006 to KRW 120 billion.
- Increases in sales and operating income are due to a combination of increased demand and favorable pricing of BD raw material.

• Sales



• Operating Income



• Performance Analysis

BD Price Changes by Region

(Unit : USD/Ton)

Year	Asia(A)	N. America(B)	Europe(C)	Regional Difference	
				A-B	A-C
2006	137.4	112.6	113.0	24.8	24.4
2007	108.0	122.9	118.8	-14.9	-10.8
Difference	-29.4	10.3	5.8	-39.7	-35.2

• 2007 Quarterly Results

(Unit : KRW billion, USD/Ton)

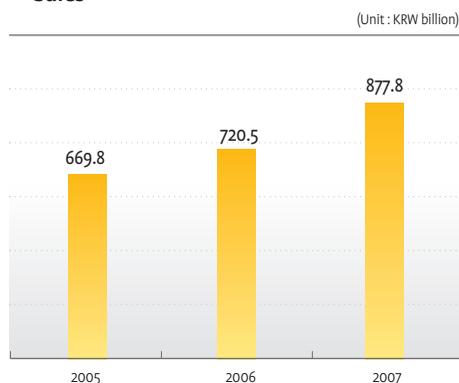
	2006	2007				
		1Q	2Q	3Q	4Q	Total
Sales	892.1	259.2	278.3	262.9	295.3	1,095.7
Operating Income	46.4	22.3	36.0	39.1	22.6	120.0
BD Price	137.4	109.1	95.0	93.1	134.8	108.0

Performance Results for Synthetic Resin

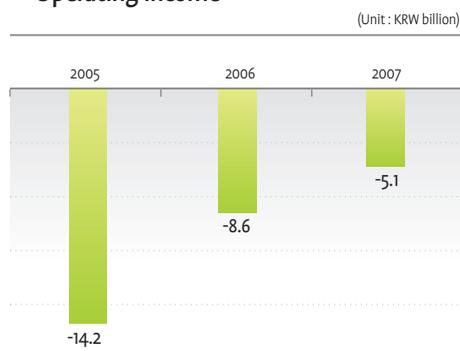
Synthetic Resin

- Sales increased 21.8% to KRW 877.8 billion.
- Operating loss improved by KRW 3.5 billion compared to 2006.

• Sales



• Operating Income



• Performance Analysis

- SM raw material prices remain high.
- ABS sales supported by strong demand, while PS performance was relatively weak.
- Diversification of sales bases to include Southwest Asia and Eastern Europe helped improve profitability.

• 2007 Quarterly Results

(Unit : KRW billion, USD/Ton)

	2006	2007				
		1Q	2Q	3Q	4Q	Total
Sales	720.5	197.8	223.9	232.5	223.6	877.8
Operating Income	-8.6	-1.4	0.2	0.3	-4.2	-5.1
SM Price	119.0	127.6	135.3	137.9	135.6	134.1

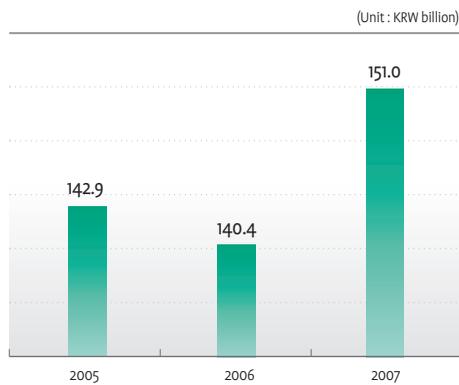


Performance Results for Other Sectors

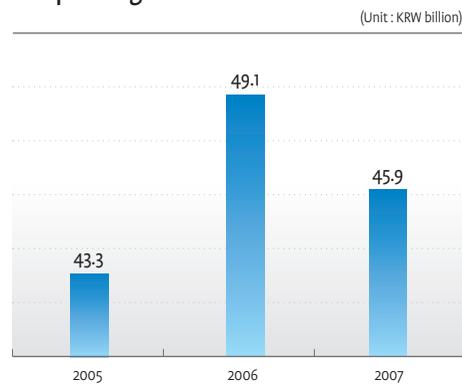
Specialty Chemicals / Combined Heat & Power Plants

- Sales increased 7.5% to KRW 151 billion.
- Operating income down 6.5% to KRW 45.9 billion.

• Sales



• Operating Income



• Performance Analysis

- Specialty Chemicals
 - Profitability declined due to aggressive pricing by competitors and rising raw materials prices.
- Combined Heat & Power Plants
 - Operating income rose due to stronger sales and higher demand for steam on the back of rising oil prices.

• 2007 Quarterly Results

(Unit : KRW billion)

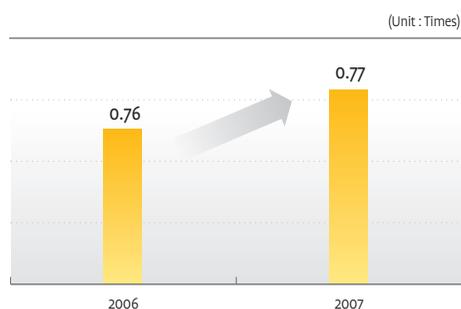
	2006	2007				
		1Q	2Q	3Q	4Q	Total
Sales	140.4	35.4	33.7	40.0	41.9	151.0
Operating Income	49.1	10.7	10.4	11.2	13.6	45.9



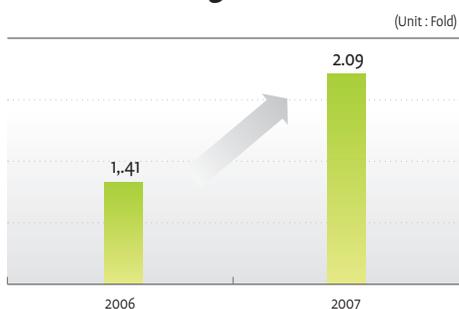
2007 Financial Highlights

- Despite increased borrowings to finance more facilities and overseas investment, debt ratio declined thanks to increased operating cash earnings and stronger profit margins.
- Asset turnover and interest coverage both improved due to increased sales and operating income.

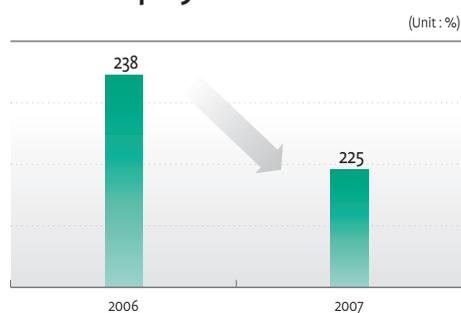
Asset Turnover Ratio



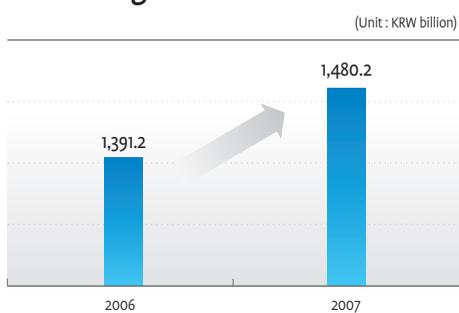
Interest Coverage



Debt to Equity Ratio



Borrowings



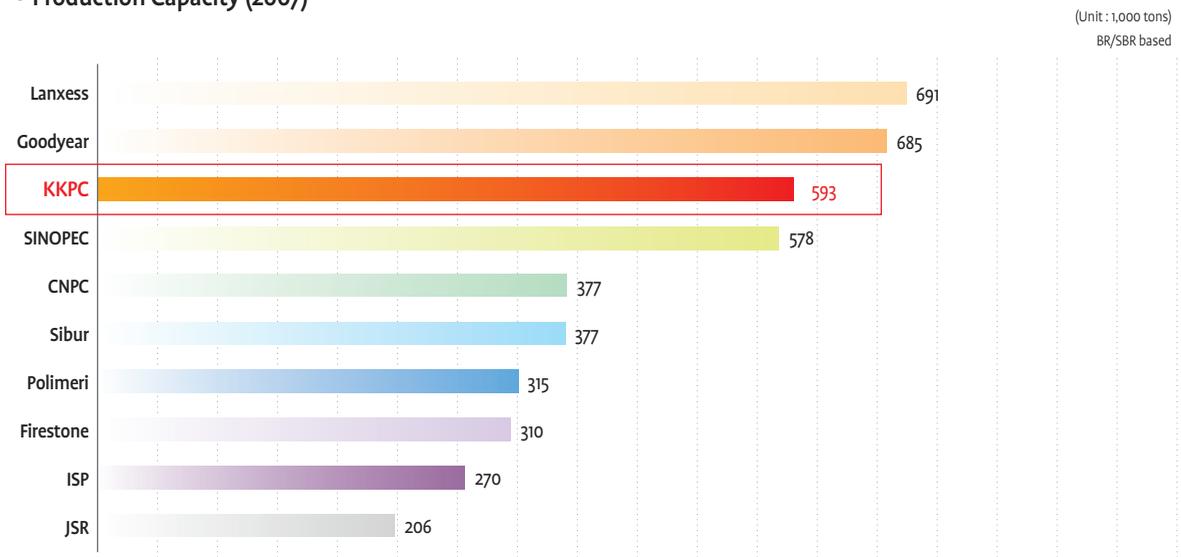
	Unit	2006	2007	Change
Assets	KRW billion	2,614.6	2,869.0	254.4
Liabilities	KRW billion	1,841.7	1,985.0	143.3
Shareholders' Equity	KRW billion	772.9	884.0	111.1
Debt to Equity Ratio	%	238	225	-13p
Borrowings	KRW billion	1,391.2	1,480.2	89.0
Asset Turnover Ratio	Times	0.76	0.77	0.01
Interest Coverage Ratio	Fold	1.41	2.09	0.68

Performance Highlight I

Reinforcing Our Position in the Synthetic Rubber Market

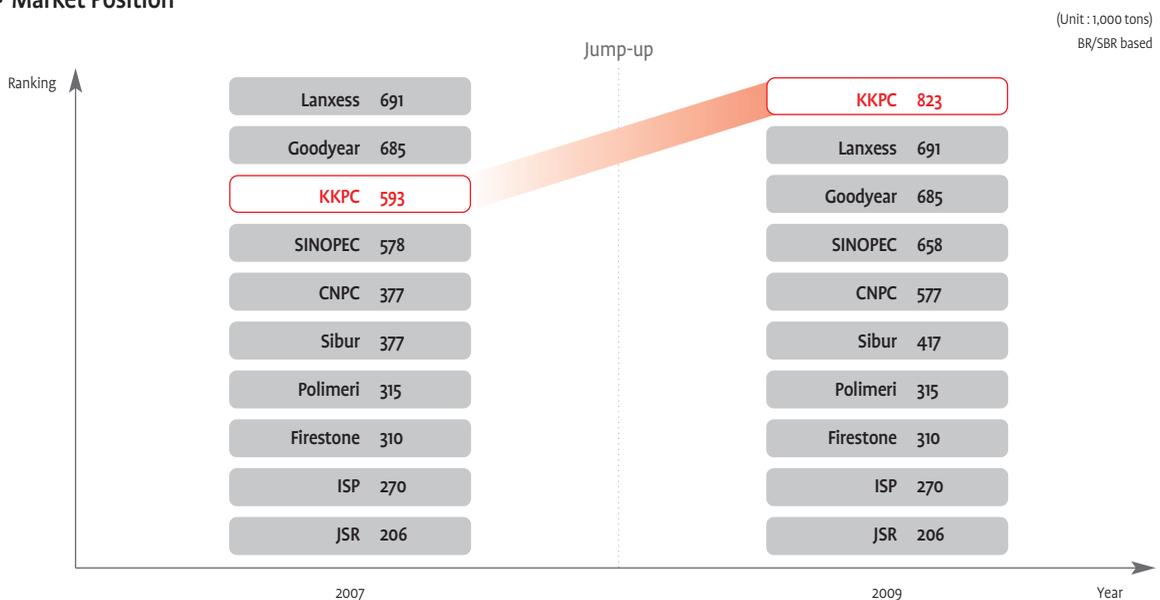
- World's 3rd largest maker of Synthetic Rubber.
- KKPC will be world's No.1 maker and take 10% share of the world market once SBR and BR production capacity is increased to 110K tons and 120K tons respectively by 2009.

• Production Capacity (2007)



※ Figures for Lanxess (Germany) include the effects of its purchase of a 70-percent stake in PetroFlex (Brazil).

• Market Position

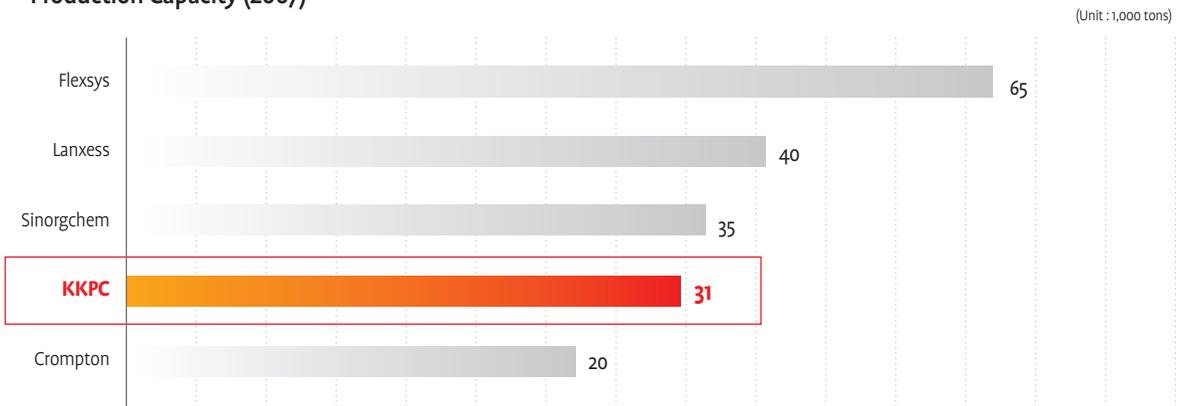


Performance Highlight II

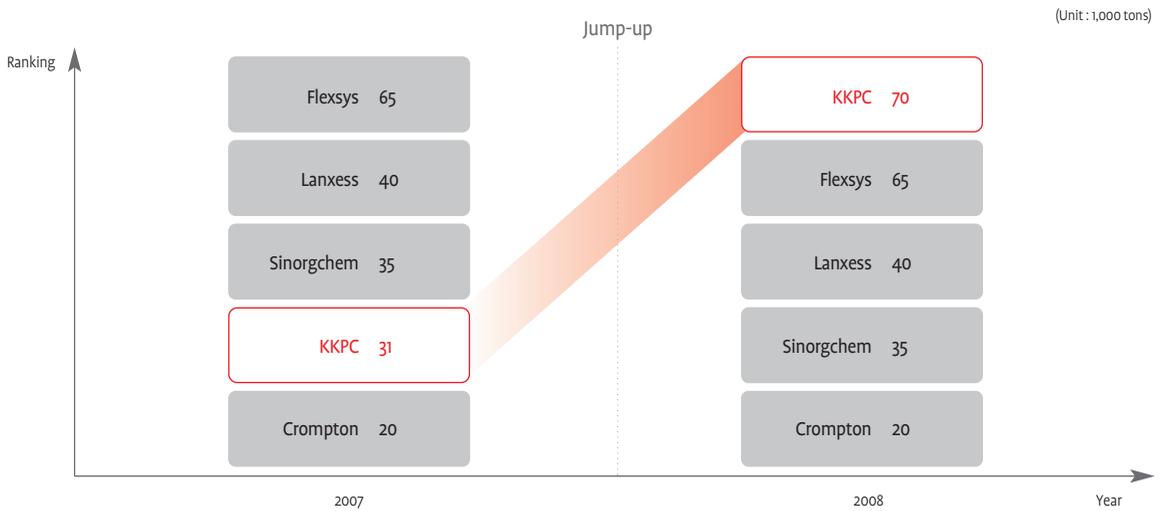
Aiming to Become World No.1 Maker of Specialty Chemicals

- Currently world's 4th largest maker of Specialty Chemicals; will leap to number one position upon completion of facilities extension that will allow a production capacity of 70K tons in 2008.
- Strengthening competitiveness through vertical integration of Tire, Synthetic Rubber and Specialty Chemicals businesses.

• Production Capacity (2007)



• Market Position

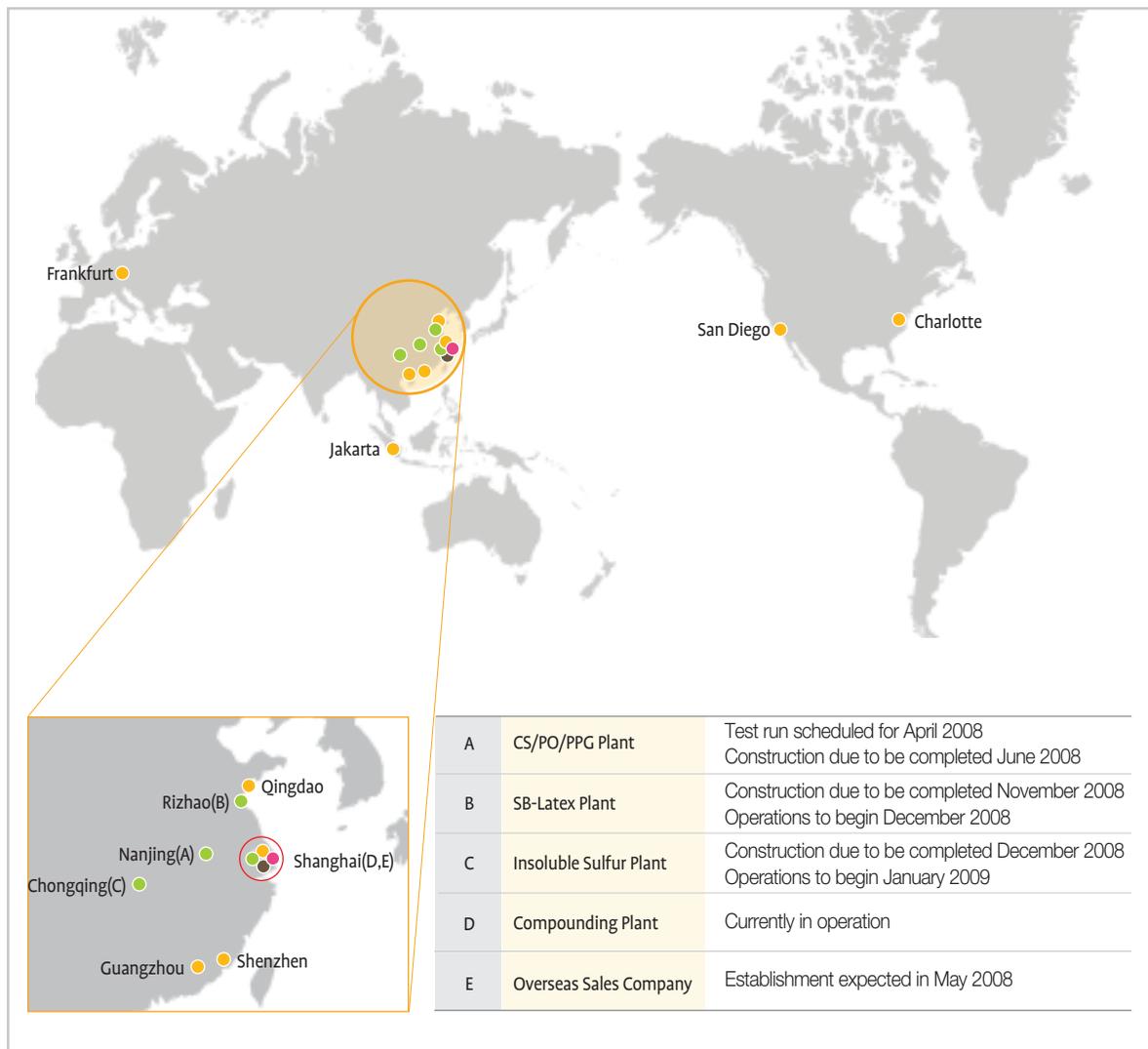


Performance Highlight III

Securing Competitiveness Through Globalization of Operations

- Strengthening market leadership by setting up overseas production bases and widening areas of operation.
- Building competitiveness in overseas markets through localized sales efforts

● Overseas Manufacturing Plant (4)
 ● Overseas Sales Company (1)
 ● Overseas Sales Office (8)
 ● Overseas Sales Team (1)



SBR Plant Extension

SBR Plant Extension



- Completed 110K tons/year SBR plant extension in Korea in October 2007
- Total production capacity of BR/SBR combined: 593K tons/year
- World' s 3rd largest maker of Synthetic Rubber (BR/SBR based)

Ground-Breaking Ceremony for a 2nd Combined Heat & Power Plant in Korea



- Expanding our energy business and ensuring stable utilities supply and laying the foundation for becoming a key utilities provider
- Total investment amount: KRW 180~200 billion
- Production capacity: 500 Mt/hr, 119 MW/hr
- Construction due to be completed in March 2009

Joint Venture Company Established in China Dealing in SB-Latex Production and Sales



- Increasing market share by building production bases across China
- Total investment amount: KRW 30 billion (50:50 JV)
- Production capacity: 150K tons/year
- Construction due to be completed in November 2008

Joint Venture Company Established Dealing in Insoluble Sulfur Production and Sales



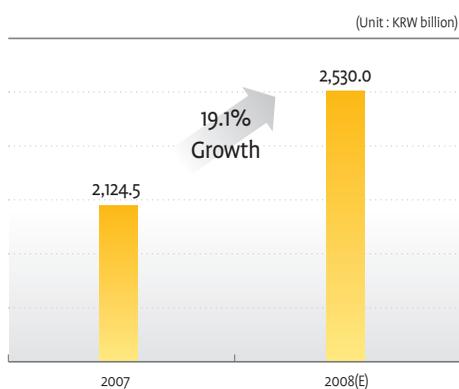
- Maximizing synergies by linking 6PPD sales with Insoluble Sulfur sales
 - Expanding sales to include world's major tire makers
- Total investment amount: KRW 30 billion (KKPC shareholding at 65%)
- Production capacity: 50K tons/year
 - Phase I ('08) 10K tons/year; Phase II ('10) 40K tons/year
- Construction due to be completed in December 2008

2008 Performance Goals

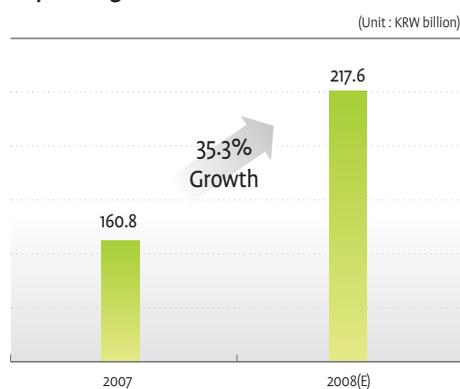
Sales and Operating Income

- Our goal is to increase sales by 19.1% to KRW 2,530 billion and raise operating income by 35.3% to KRW 217.6 billion.

• Sales



• Operating Income



• 2008 Financial Outlook

(Unit : KRW billion)

	2007	2008 Goal	Comparison	
			Change	Change Rate
Sales	2,124.5	2,530.0	405.5	19.1%
[Synthetic Rubber]	1,095.7	1,240.2	144.5	13.2%
[Synthetic Resin]	877.8	980.2	102.4	11.7%
[Others]	151.0	309.5	158.5	105.0%
Operating Income	160.8	217.6	56.8	35.3%
[%]	7.6	8.6	1.0p	
[Synthetic Rubber]	120.0	124.1	4.1	3.4%
[Synthetic Resin]	-5.1	11.5	16.6	-
[Others]	45.9	82.0	36.1	78.6%
Assets	2,869.0	3,340.5	471.5	16.4%
Liabilities	1,985.0	2,187.4	202.4	10.2%
Shareholders' Equity	884.0	1,153.1	269.1	30.4%
Debt to Equity Ratio [%]	225	190	-35p	
Interest Coverage Ratio [Fold]	2.09	2.09	-	

2008 Core Projects

Synthetic Rubber

- Begin construction on SBR 110K tons/BR 120K tons plant extensions in Korea (expected to be in operation March 2009 and October 2009 respectively)
- Completion of SB-Latex plant in China (November 2008)
- Develop and sell high quality NBR-Latex
 - Dominate medical gloves market and increase sales in Southeast Asia
- Expand sales of Nd-BR with increased targeting of golf ball makers
- Start selling Green NBR in Europe

Synthetic Resin

- Maximize cash flow
 - Optimize product portfolio and become more price competitive
- Expand resin compounding business in China
- Begin commercial production of Extruded ENERPOR in March 2008
- Increase sales of high value-added products by dealing only in those that are expressly ordered by customers

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Specialty Chemicals

- Complete 6PPD plant extension to 70K tons in Korea
 - Phase I (March '08): 13K tons/year; Phase II (Aug '08): 26K tons/year
- Completion of Insoluble Sulfur plant in China (December 2008)
- Expand product portfolio by developing non-contaminable antioxidants and synthetic resin additives

Electronic Chemicals

- Demonstrate technological leadership by supplying ArF PR to Samsung Electronics ahead of schedule (June 2008)
- Promote sales of ArF PR and BARC to Hynix

Construction Materials

- Gain foothold in market through construction affiliates and aggressively market environmentally-friendly premium products
- Develop and increase sales of high performance soundproofing materials and premium bathroom materials

Mid and Long Term Performance Goals

Vision

World's Leading Value Creating Company

Mid and Long Term Goals

Achieve Sales of KRW 4 trillion by 2012

Synthetic Rubber	KRW 1.6 trillion	Achieve 50% of sales from development of new products and new businesses
Synthetic Resin	KRW 1.1 trillion	
Specialty Chemicals	KRW 0.4 trillion	
Electronic Chemicals	KRW 0.3 trillion	
Combined Heat & Power	KRW 0.2 trillion	
New Business	KRW 0.4 trillion	

Major Strategic Goals

Synthetic Rubber: Become world number one in terms of scale of production, quality and price competitiveness

Synthetic Resin: Maximize cash flow

Specialty Chemicals: Attain world number one position by expanding into new business areas

Electronic Chemicals: Become market leader in ArF PR production and sales

Construction Materials: Dominate market in environmentally friendly high-end materials

Mid and Long Term Strategies

Synthetic Rubber

Issues

- Strong demand for BD raw material resulting in high prices.
- Business relies too much on general-purpose products.

Key Strategies

- Ensure steady supply of raw material through long-term contracts and development of new production methods.
- Continuous development of new and high value added products.

Synthetic Resin

Issues

- Manufacturing cost is higher than that of competitors.
- Business relies too much on low-margin general-purpose products.
- Increasing dependency on exports to China.

Key Strategies

- Become more cost competitive.
- Improve profitability by dealing in more high value added products.
- Diversify export markets and make more direct exports.



Financial Review

Income Statement

(Unit : KRW billion)

	2006	2007					Change
		1Q	2Q	3Q	4Q	Total	
Sales	1,753.0	492.4	535.9	535.4	560.8	2,124.5	371.5
Gross Income	211.3	65.2	84.7	88.2	74.0	312.1	100.8
Selling, General & Administrative Expenses	124.4	33.6	38.1	37.7	42.0	151.4	27.0
Operating Income	86.9	31.6	46.6	50.6	32.0	160.8	73.8
(%)	5.0	6.4	8.7	9.4	5.7	7.6	2.6p
Non-Operating Income	130.5	38.0	46.0	38.4	33.5	155.9	25.4
Non-Operating Expenses	104.8	37.9	40.0	29.7	32.0	139.6	34.8
Income Before Income Taxes	112.6	31.7	52.6	59.2	33.5	177.0	64.4
Gain / Loss on Valuation of Equity Method Investments	99.6	20.9	40.6	28.2	8.4	98.1	-1.5
Income Before Income Taxes Excluding Valuation of Equity Method Investments	13.0	10.8	12.0	31.0	25.1	78.9	65.9
Net Income	79.7	25.5	37.9	40.8	30.0	134.2	54.5

Balance Sheet

(Unit : KRW billion)

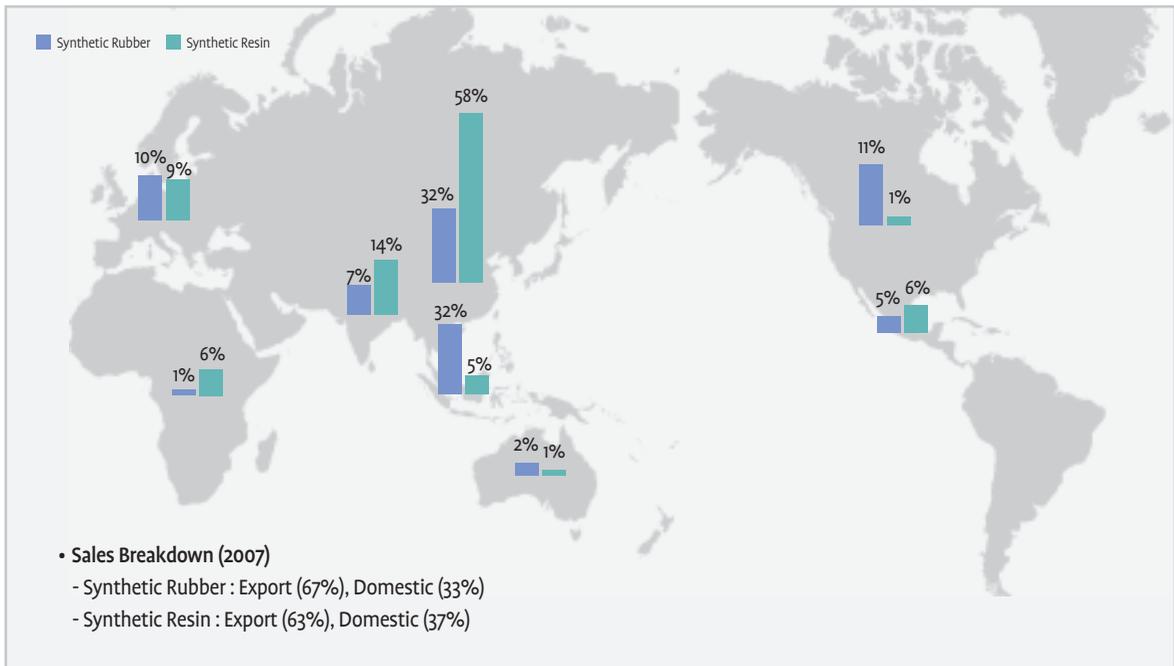
	2006	2007					Change
		1Q	2Q	3Q	4Q	Year end	
Total Assets	2,614.6	2,686.8	2,644.0	2,759.3	2,869.0	2,869.0	254.4
Current Assets	461.8	519.9	446.3	478.1	489.0	489.0	27.2
(Inventories)	243.0	267.4	201.3	220.6	257.4	257.4	14.4
Non-Current Assets	2,152.8	2,166.9	2,197.7	2,281.1	2,380.0	2,380.0	227.2
(Tangible Assets)	576.1	588.8	626.9	661.4	726.9	726.9	150.9
Total Liabilities	1,841.7	1,910.9	1,798.0	1,873.7	1,985.0	1,985.0	143.3
Current Liabilities	795.1	778.4	737.5	721.4	712.8	712.8	-82.3
Non-Current Liabilities	1,046.6	1,132.5	1,060.5	1,152.3	1,272.2	1,272.2	225.6
Total Shareholders' Equity	772.9	775.9	846.0	885.6	884.0	884.0	111.1
Capital Stock	142.2	142.2	142.2	142.2	142.2	142.2	-
Retained Earnings	320.8	330.2	368.0	408.8	438.9	438.9	118.1
Other	309.9	303.5	335.7	334.5	302.9	302.9	-7.0

Sales Status

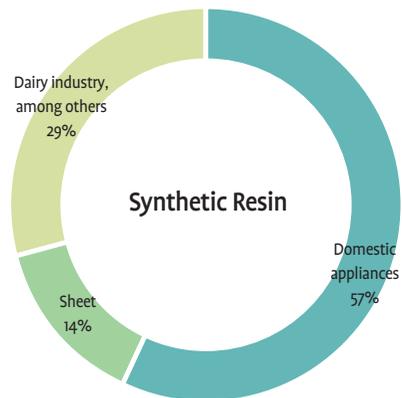
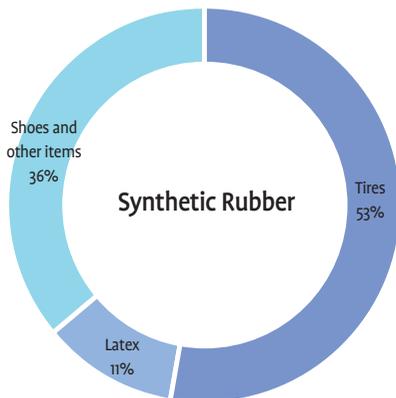
Sales by Region and Application

- Exports comprised 63% of total sales in 2007 (Synthetic Rubber: 67%; Synthetic Resin: 63%).
- 53% of all Synthetic Rubber produced was used for tire manufacture, while 57% of all Synthetic Resin produced was used in domestic appliances.

• Export Share by Region



• Sales Share by Application

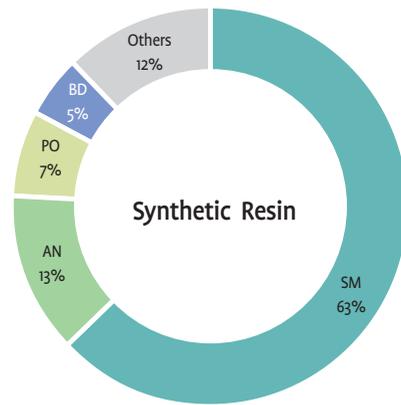
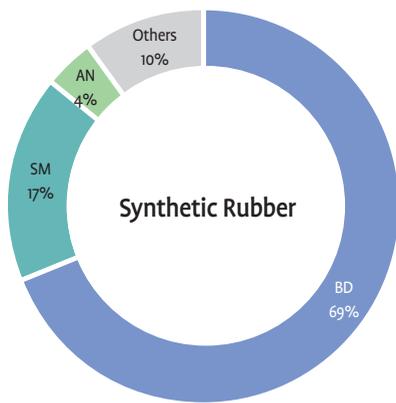


Main Feedstocks

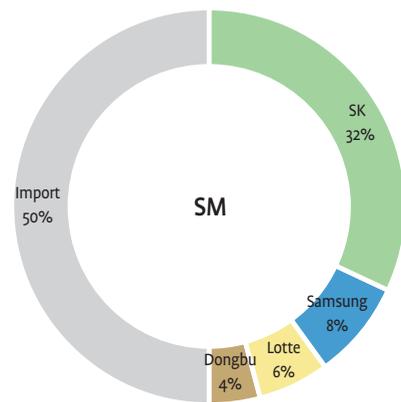
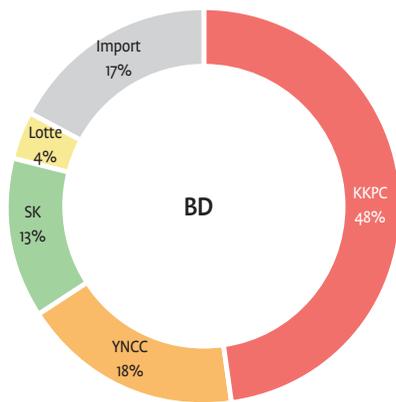
Feedstock Portion and Purchases

- Main feedstocks : 69% of Synthetic Rubber is made up of BD, while 63% of Synthetic Resin is made up of SM.
- 83% of BD (including 48% that is produced internally) and 50% of SM is procured domestically.

• Feedstock Portion



• Purchasing Companies of Feedstock



Ownership Structure

De Facto Holding Company of Kumho Asiana

※ As of 25 February 2008, based on number of common shares

