



KUMHO PETROCHEMICAL

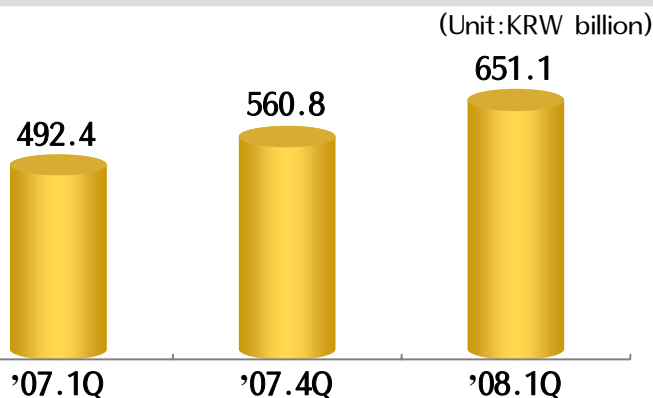
1. 1Q, 2008 Review
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2008 1Q Overview

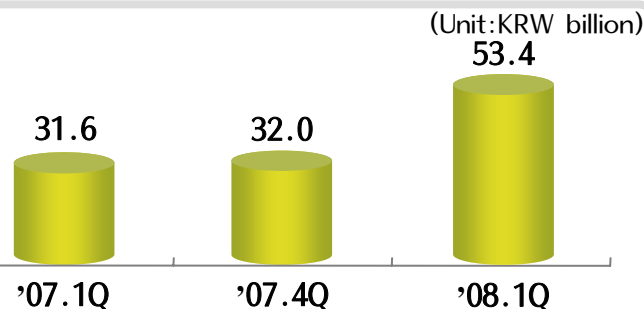
Sales and Operating Income

- Implementing our “Full Production and Full Sales” initiative, the company recorded its strongest performance ever.
- Sales increased 16.1% to KRW 651.1 billion and operating income rose 66.9% to KRW 53.4 billion.

Sales



Operating Income



2008 1Q Performance

| | '07.1Q | '07.4Q | '08.1Q | (Unit:KRW billion) | |
|--|--------|--------|--------|--------------------|---------|
| | | | | Chang Rate | |
| | | | | YoY | QoQ |
| S a l e s | 492.4 | 560.8 | 651.1 | 32.2% | 16.1% |
| [Syn. Rubber] | 259.2 | 295.3 | 349.2 | 34.7% | 18.3% |
| [Syn. Resin] | 197.8 | 223.6 | 246.5 | 24.6% | 10.2% |
| [O t h e r s] | 35.4 | 41.9 | 55.4 | 56.5% | 32.2% |
| Operating Income | 31.6 | 32.0 | 53.4 | 69.0% | 66.9% |
| [%] | 6.4 | 5.7 | 8.2 | 1.8%p | 2.5%p |
| [Syn. Rubber] | 22.3 | 22.6 | 35.0 | 57.0% | 54.9% |
| [Syn. Resin] | -1.4 | -4.2 | 0.5 | - | - |
| [O t h e r s] | 10.7 | 13.6 | 17.9 | 67.3% | 31.6% |
| Income Before Income Taxes | 30.9 | 34.5 | 10.2 | -67.0% | -70.4% |
| [Exclude Valuation of Equity Method Investment] | 9.9 | 26.1 | 30.6 | 209.1% | 17.2% |
| Net Income | 25.5 | 30.1 | 7.5 | -70.6% | -75.1% |
| Gain/Loss on Valuation of Equity Method Investment | 21.0 | 8.4 | -20.4 | -197.1% | -342.9% |

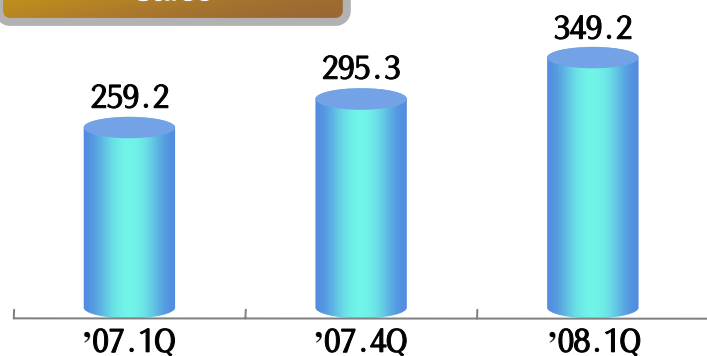
Performance : Synthetic Rubbers

■ Synthetic Rubbers

- Sales increased 18.3% to KRW 349.2 billion and operating income rose 54.9% to KRW 35.0 billion.
- Increases in sales and operating Income are due to a combination of BD price hike and strong N/R price.

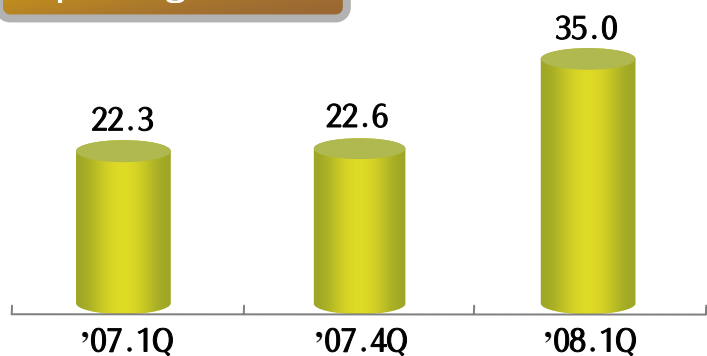
Sales

(Unit:KRW billion)



Operating Income

(Unit:KRW billion)



Performance Analysis

- Asia area's BD price sudden rise due to supply and demand balance collapsed such as some NCC company's trouble occurrence, Titan Petrochemical's BD production retardation
- BD Price Changes by Region

(Unit:USD/ton)

| | '07.11 | '07.12 | '08.01 | '08.02 | '08.03 |
|---------------|--------|--------|--------|--------|--------|
| Asia | 1,300 | 1,555 | 1,789 | 1,780 | 1,721 |
| North America | 1,235 | 1,257 | 1,301 | 1,345 | 1,521 |
| Europe | 1,224 | 1,224 | 1,188 | 1,259 | 1,317 |

- Selling price increase due to a combination of increased demand of synthetic rubber and strong natural rubber price
- Natural Rubber Price Changes

(Unit:USD/ton)

| | '07.11 | '07.12 | '08.01 | '08.02 | '08.03 |
|--------|--------|--------|--------|--------|--------|
| TSR-20 | 2,373 | 2,409 | 2,535 | 2,721 | 2,696 |

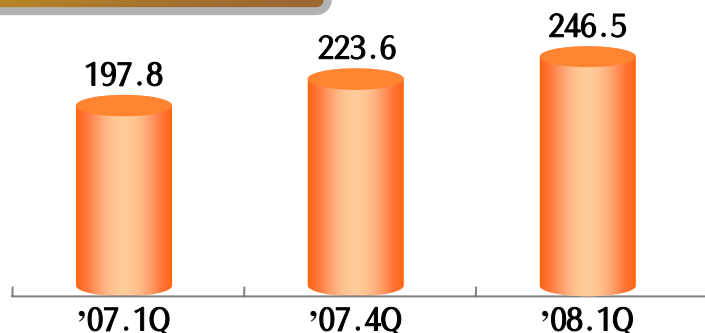
Performance : Synthetic Resins

■ Synthetic Resins

- Sales increased 10.2% to KRW 246.5 billion and operating income made turnaround to KRW 0.5 billion.
- Sales and operating income improved due to price rising by seasonal high-demand season entry.

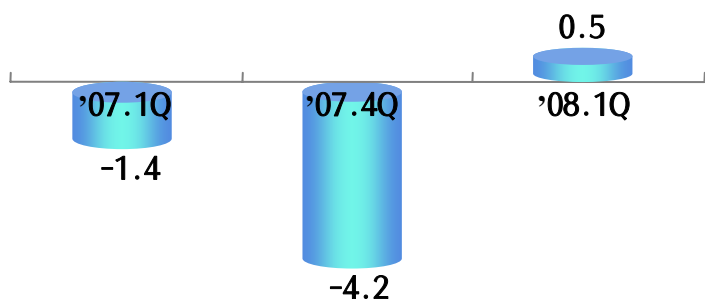
Sales

(Unit:KRW billion)



Operating Income

(Unit:KRW billion)



Performance Analysis

- Strong Price of Feedstock(SM)
 - SM Price Changes

(Unit:USD/ton, CFR China base)

| | '07.11 | '07.12 | '08.01 | '08.02 | '08.03 |
|----|--------|--------|--------|--------|--------|
| SM | 1,380 | 1,309 | 1,340 | 1,387 | 1,436 |

- Selling price increase due to increases of main feedstocks(SM/BD/AN)
- Domestic Market : Seasonal high-demand season arrival (Home Appliance, Dairy industry)
- China Market : Tight demand of ABS, Price steadiness
- Europe Market : Increased demand by seasonal high-demand season arrival
- Asia/Mid East Market : Increased demand by prosperous construction industry

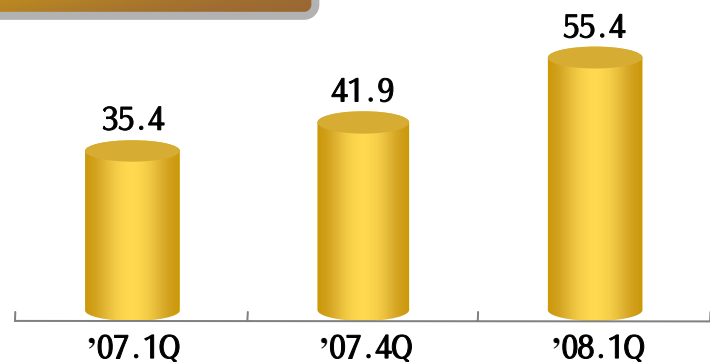
Performance : Other Businesses

Other Businesses

- Sales increased 32.2% to KRW 55.4 billion
- Operating income rose 31.6% to KRW 17.9 billion

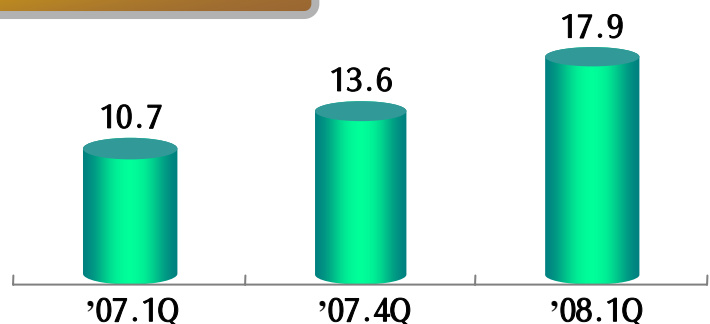
Sales

(Unit:KRW billion)



Operating Income

(Unit:KRW billion)



Performance Analysis

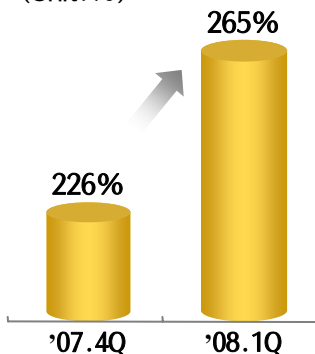
- Specialty Chemicals
 - Profitability improved due to the major competitor's high prices
 - Sales increased in North America and Europe market due to winning a lawsuit against the Flexsys
 - Supply and demand pressure by supply discrepancy by China company trouble
- Combined Heat & Power
 - Operating Income increased due to steam selling price rise and sales increase

Financial Highlights

- Debt ratio increased due to increased borrowings to facilities and overseas investment
- Asset turnover and interesting coverage both improved due to increased sales and income

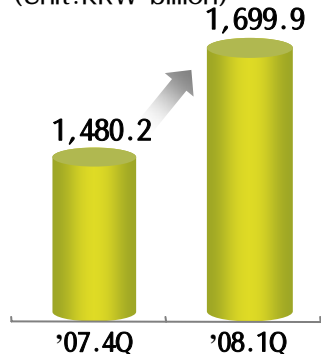
Debt to Equity

(Unit: %)



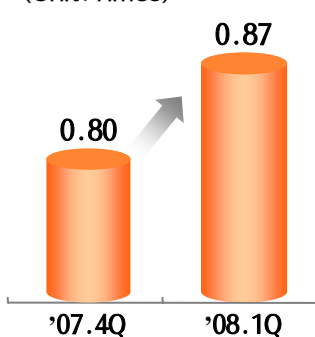
Borrowings

(Unit: KRW billion)



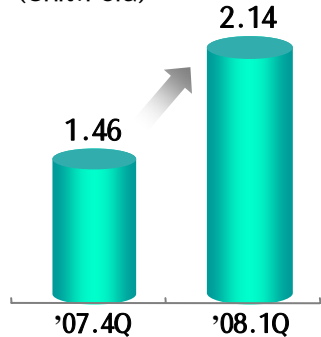
Asset Turnover Ratio

(Unit: Times)



Interest Coverage

(Unit: Fold)



| | Unit | '07.1Q | '07.4Q | '08.1Q | Chang Rate | |
|------------------------------------|----------|---------|---------|---------|------------|-------|
| | | | | | YoY | QoQ |
| A s s e t s | KRW bil. | 2,686.8 | 2,864.0 | 3,114.0 | 15.9% | 8.7% |
| Liabilities | KRW bil. | 1,910.9 | 1,985.0 | 2,261.5 | 18.3% | 13.9% |
| Shareholder's E q u i t y | KRW bil. | 775.9 | 879.0 | 852.4 | 9.9% | -3.0% |
| D e b t t o Equity Ratio | % | 246 | 226 | 265 | 19%p | 39%p |
| Borrowings | KRW bil. | 1,447.9 | 1,480.2 | 1,699.9 | 17.4% | 14.8% |
| A s s e t Turnover R a t i o | Times | 0.73 | 0.80 | 0.87 | 0.14 | 0.07 |
| I n t e r e s t Coverage R a t i o | Fold | 1.49 | 1.46 | 2.14 | 0.65 | 0.68 |

Main Business Activities



▶ Strengthening market leadership in the Specialty chemicals.

- Expansion Amount : 6PPD 13,000 ton
- Completion : March 2008
- Additional Expansion : 6PPD 26,000 ton, Completion schedule : August 2008
- World No.1 Maker of 6PPD

(Unit: thousand ton)

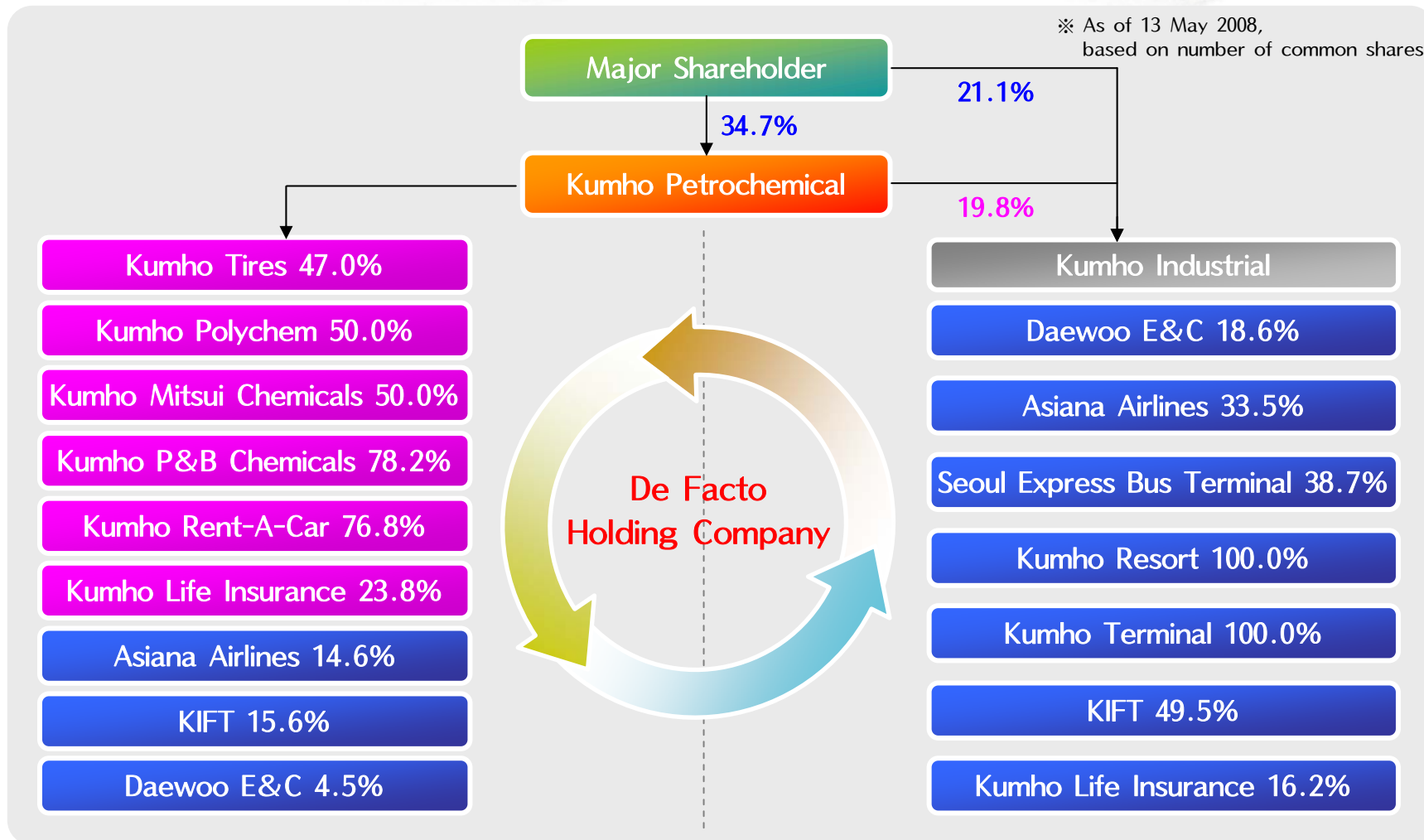
| | March 2008 | August 2008 | 비 고 |
|------|---------------|----------------|--|
| 6PPD | 44 | 70 | -No.1:KKPC(70) -No.2:Flexsys(65) -No.3:Lanxess(40) |

▶ Coaling wharf business

- Investment agreement (MOU) with Yeosu city(2008. 4. 3)
- Location : Nearby Nam Hae Chemical
- Investment Amount : 200 KRW billion
- Period : 2008 ~ 2010(2 Years)
- Effect : Distribution cost curtailment of Coal in relation to Combined Heat & Power Generation
- Operating : Consortium with KKPC, Nam Hae Chemical, Cheonghae Materials

Ownership Structure

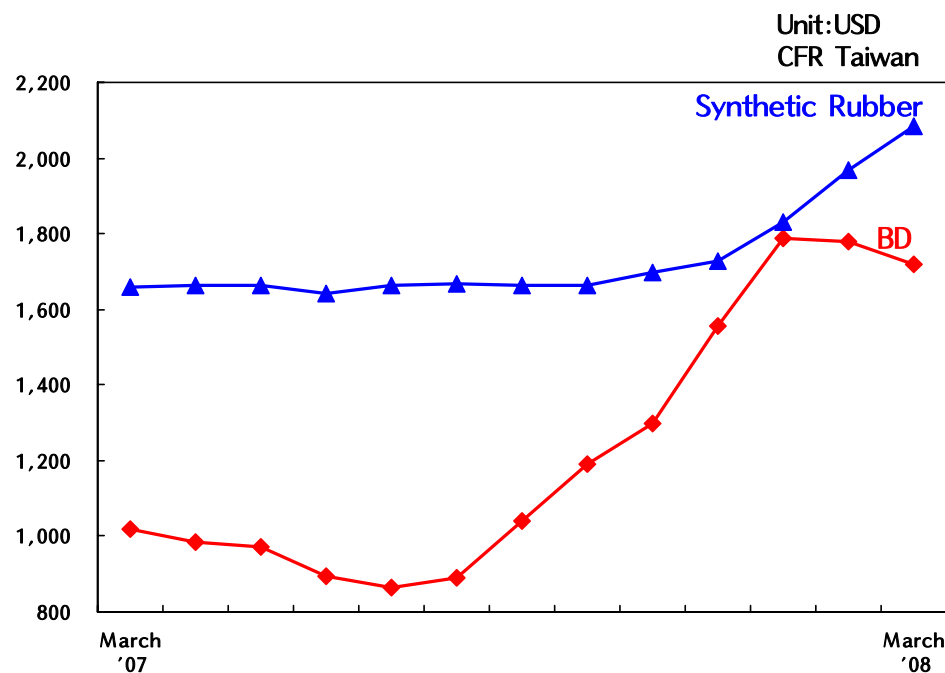
■ De Facto Holding Company of Kumho Asiana



Outlook : Synthetic Rubbers



Synthetic Rubber/BD price trend



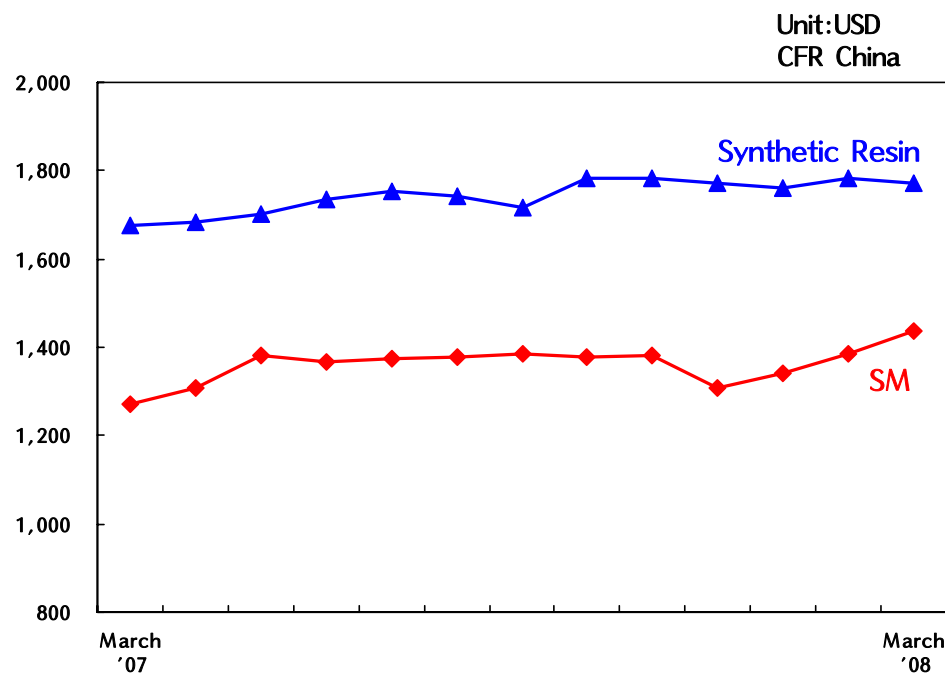
2Q, 2008 Outlook

- By increased demand by the supply tribe and Asia's End-User inventory vanishing completely by influence of decrease in output of Asia's NCC, first half of the year periodic maintenance, Europe and America area BD price
- Increase profitability by selling price rise of spot contract amount of materials putting first according to main feedstock BD and natural rubber price
- Maximize profitability through portfolio by district and product
- Increasing demand expectation by local 3 Tire maker Full operations
- Increasing use of synthetic rubber in Tire maker
 - Synthetic rubber principal parts extension propulsion about natural rubber amount used by natural rubber price change

Outlook : Synthetic Resins



Synthetic Resin/SM price trend



2Q, 2008 Outlook

- SM price expected horizontal movement due to factory increase of Lotte Daesan Petro Co. and restart in Jiangsu Lishide and periodic maintenance completion of Japan Maker
- Sales increase tendency expectation due to seasonally high-demand season entry (Air-conditioner, Electric fan, Refrigerator)
- Prices of manufactured goods rise continuous propulsion by raw material rising prices
- Increase high value added products sales such as ABS Power, ENERPOR, High gross resin
- Increase sales in Eastern Europe market and Continuous excavation of niche market in South America, Middle East, Africa niche market continuance excavation etc.

Income statement



(Unit:KRW billion)

| | '07.1Q | '07.4Q | '08.1Q | Change Rate | |
|---|--------|--------|--------|-------------|--------|
| | | | | YoY | QoQ |
| Sales | 492.4 | 560.8 | 651.1 | 32.2% | 16.1% |
| Gross Income | 65.2 | 74.0 | 95.9 | 47.1% | 29.6% |
| Selling, General & Administrative Expenses | 33.6 | 42.0 | 42.6 | 26.7% | 1.4% |
| Operating Income | 31.6 | 32.0 | 53.4 | 69.0% | 66.9% |
| (%) | 6.4 | 5.7 | 8.2 | 1.8%p | 2.5%p |
| Non-Operating Income | 37.1 | 48.3 | 42.9 | 15.6% | -11.2% |
| Non-Operating Expenses | 37.8 | 45.7 | 86.1 | 127.8% | 88.4% |
| Income Before Income Taxes | 30.9 | 34.5 | 10.2 | -67.0% | -70.4% |
| (excluding Valuation of Equity Method Investment) | 9.9 | 26.1 | 30.6 | 209.1% | 17.2% |
| Net Income | 25.5 | 30.1 | 7.5 | -70.6% | -75.1% |

Balance Sheet



(Unit:KRW billion)

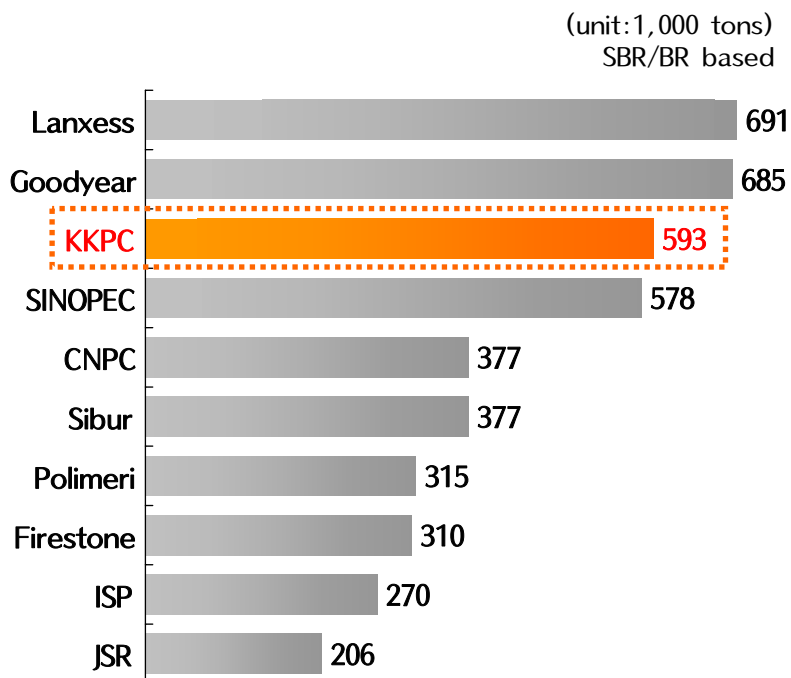
| | '07.1Q | '07.4Q | '08.1Q | Change Rate | |
|----------------------------|---------|---------|---------|-------------|-------|
| | | | | YoY | QoQ |
| Total Assets | 2,686.8 | 2,864.0 | 3,114.0 | 15.9% | 8.7% |
| Current Assets | 519.9 | 489.1 | 658.0 | 26.6% | 34.5% |
| (Inventories) | 267.4 | 257.4 | 287.9 | 7.7% | 11.8% |
| Non-Current Assets | 2,166.9 | 2,374.9 | 2,456.0 | 13.3% | 3.4% |
| (Tangible Assets) | 588.8 | 726.9 | 806.6 | 37.0% | 11.0% |
| Total Liabilities | 1,910.9 | 1,985.0 | 2,261.5 | 18.3% | 13.9% |
| Current Liabilities | 778.4 | 712.8 | 824.9 | 6.0% | 15.7% |
| Non-Current Liabilities | 1,132.5 | 1,272.2 | 1,436.6 | 26.9% | 12.9% |
| Total Shareholder's Equity | 775.9 | 879.0 | 852.4 | 9.9% | -3.0% |
| Capital Stock | 142.2 | 142.2 | 142.2 | - | - |
| Retained Earnings | 330.2 | 438.8 | 427.4 | 29.4% | -2.6% |
| Other | 303.5 | 298.0 | 282.8 | -6.8% | -5.1% |

Market Position

■ Market Position of Synthetic Rubber and Specialty Chemicals

- KKPC is World's 3rd largest maker of Synthetic Rubber and will be world's No.1 maker in March 2009.
- KKPC is World's 2nd largest maker of Specialty Chemical and will be to No.1 maker in Aug. 2008.

Production Capacity(Synthetic Rubber)



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

Production Capacity(Specialty Chemicals)

