

20051Q

Business Performance & 2Q Prospects

Korea Kumho Petrochemical.Co.,LTD

2005. 4. 22

Contents

This document is written for investors while an audit by an external auditor for a performance of 2005. 1Q has not be completed.

Therefore, some of the contents put forth here might be modified throughout the course of a financial audit.

Furthermore, please be informed the prospects for 2005. 1Q are only estimates

Korea Won amounts have been translated Into U.S. Dollars at the rate of W1,022 per US\$ 1.00 [average 2005. 1Q]

I. Overview

II. 1Q Business Performance

III. 2Q Prospects & Plans

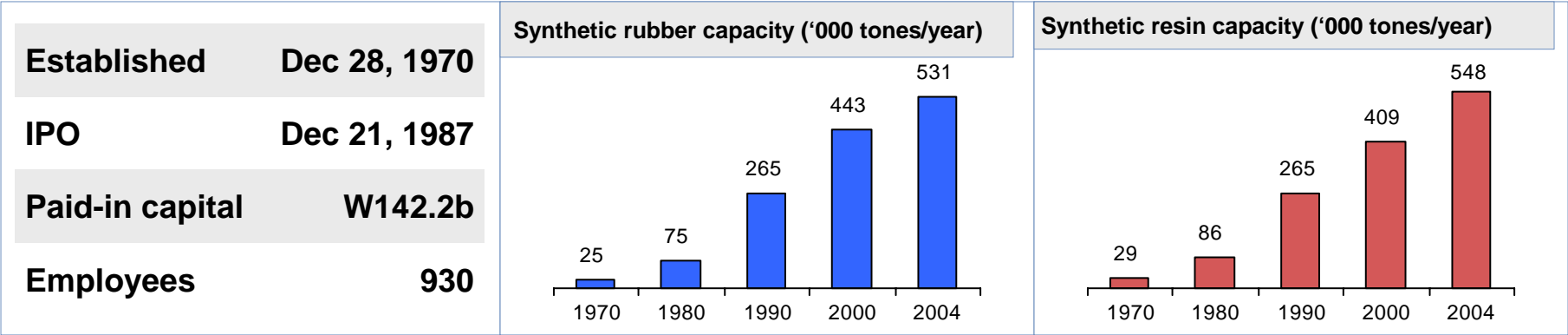
IV. Appendix

I. Overview

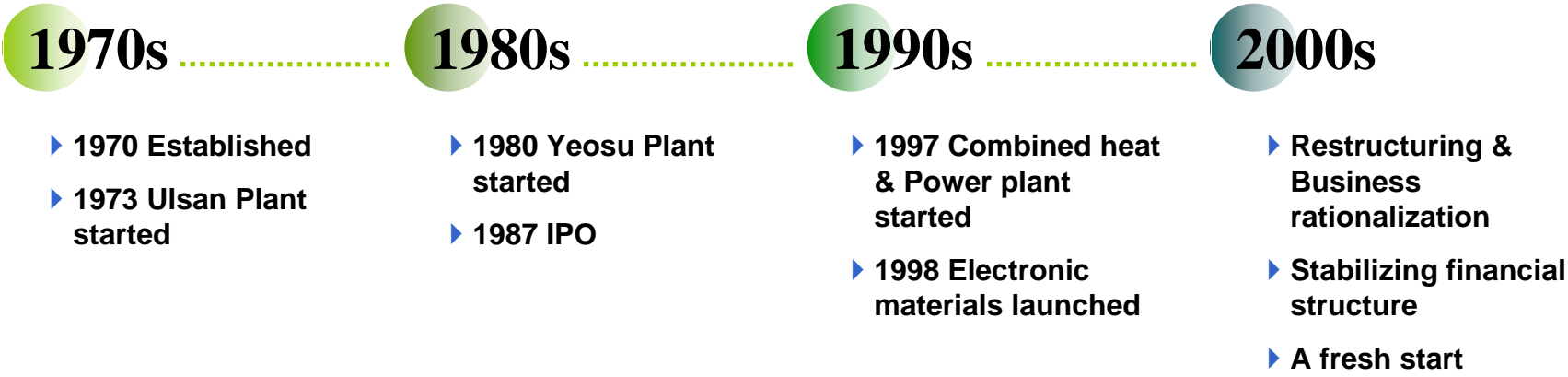


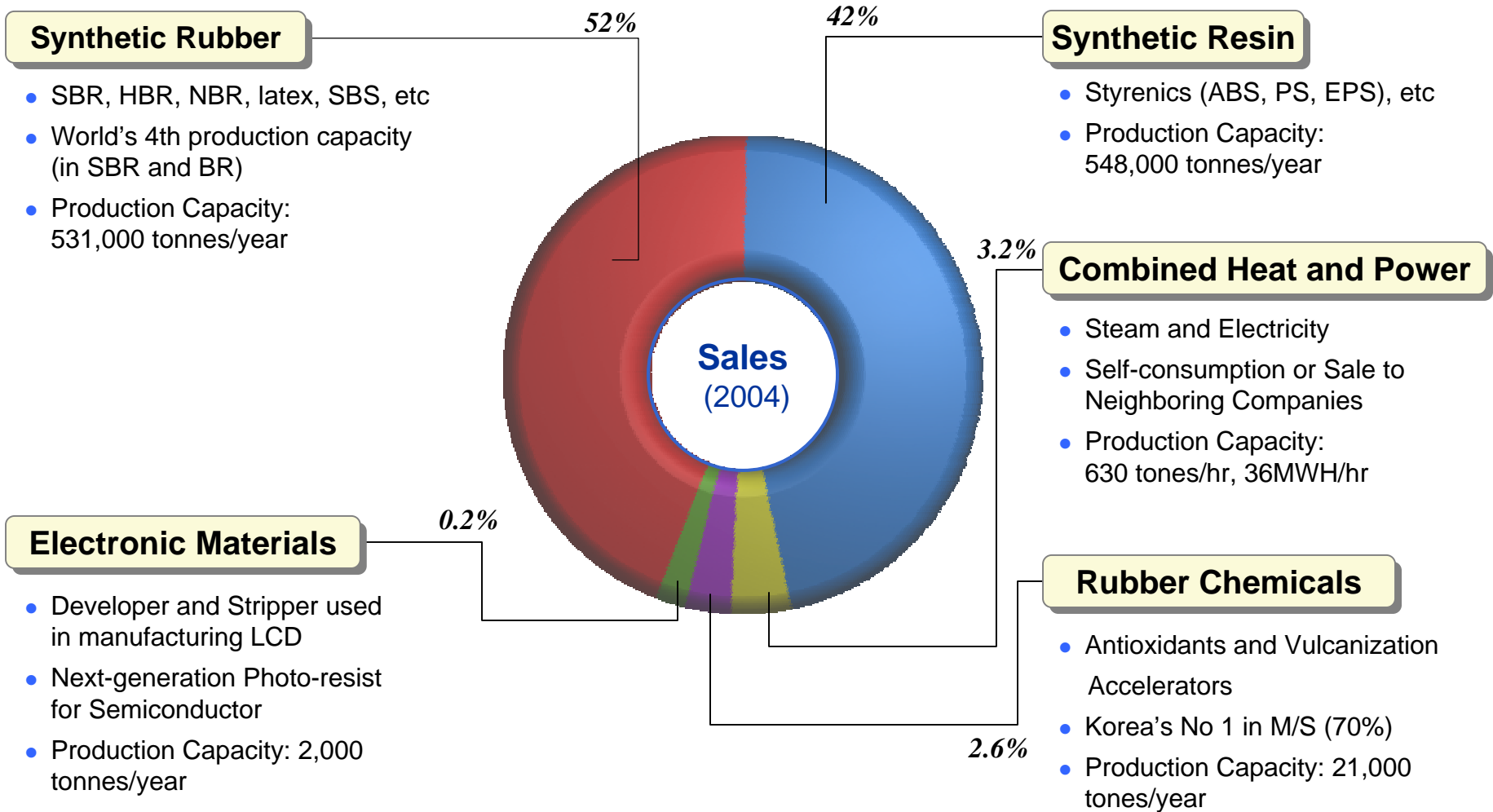
1. Introduction
2. Business Portfolio
3. Synthetic Rubber
4. Synthetic Resin
5. Other Business
6. Shareholding Structure

Overview

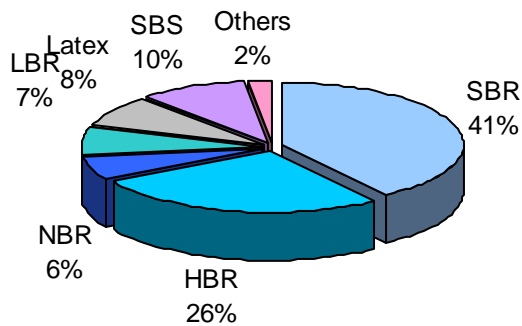


History



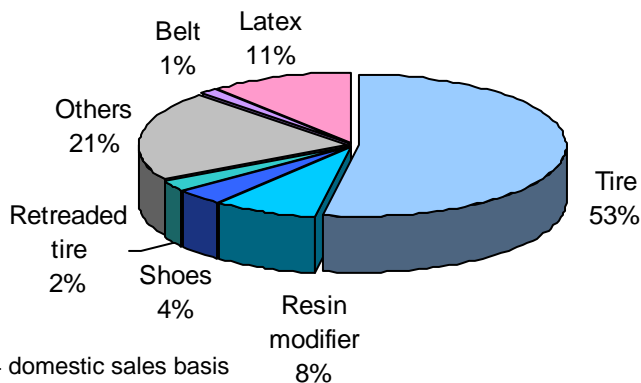


Sales Breakdown



* 2004 sales basis

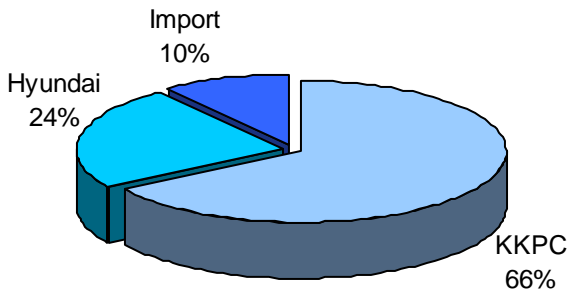
Sales by use



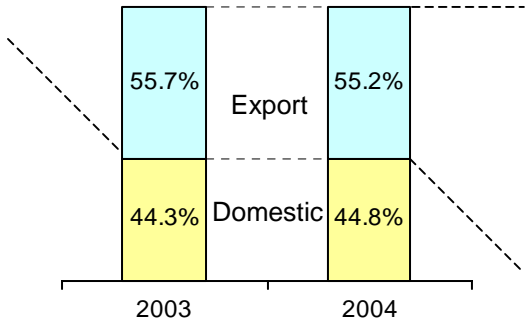
* 2004 domestic sales basis

Market Position

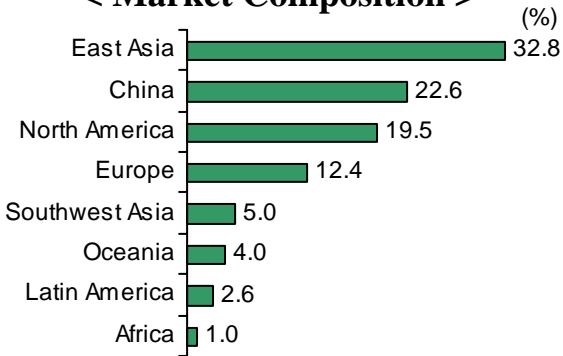
< Domestic M/S >



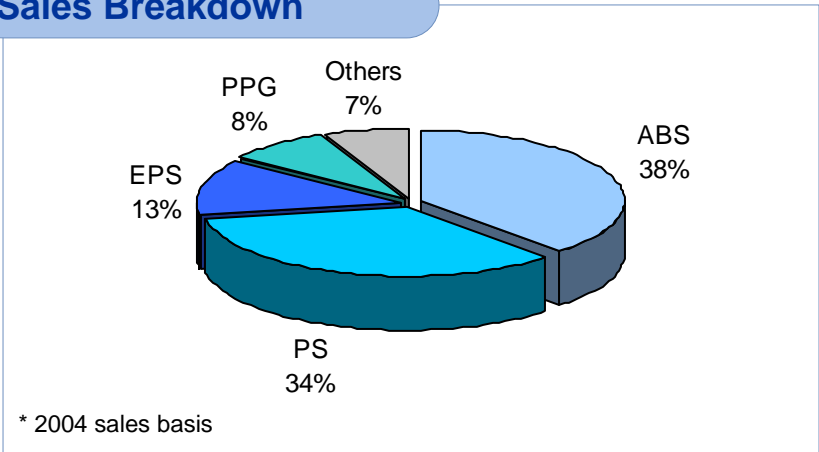
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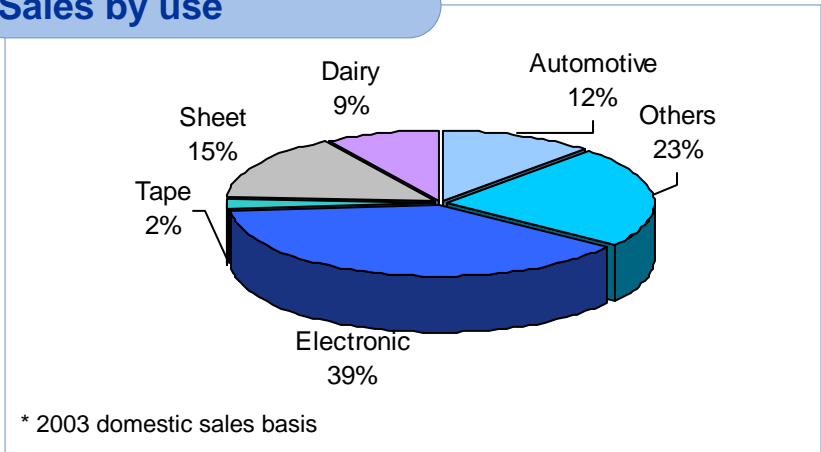
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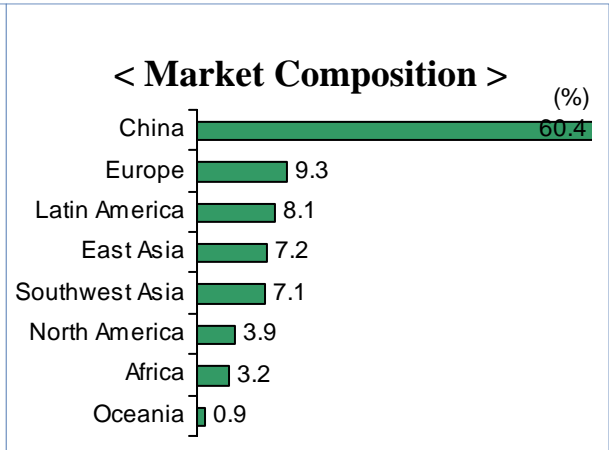
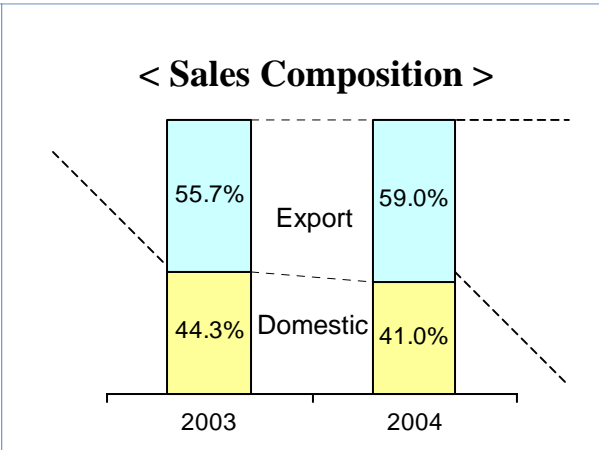
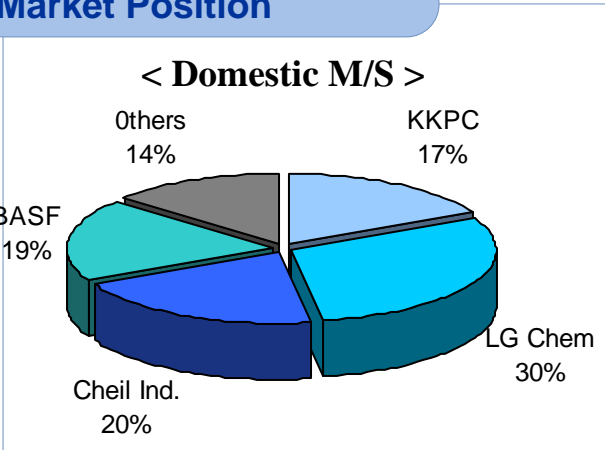
Sales Breakdown



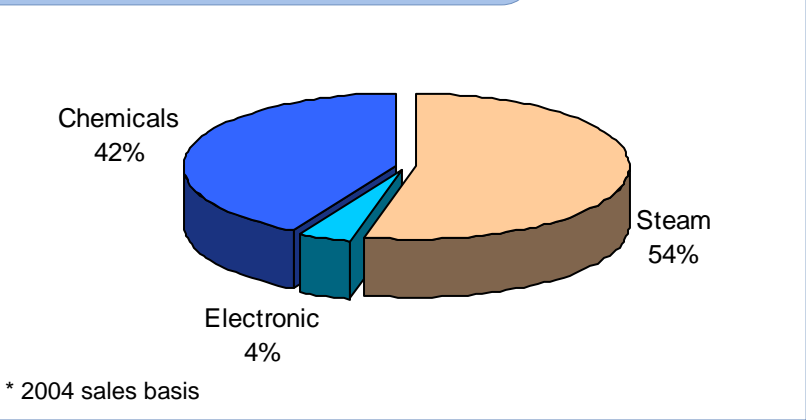
Sales by use



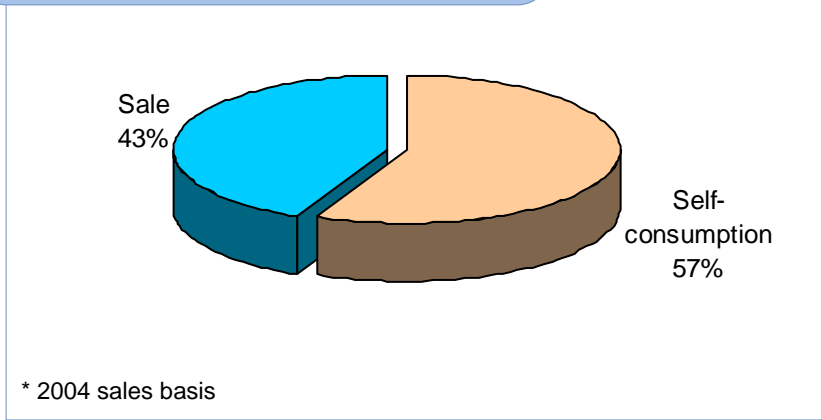
Market Position



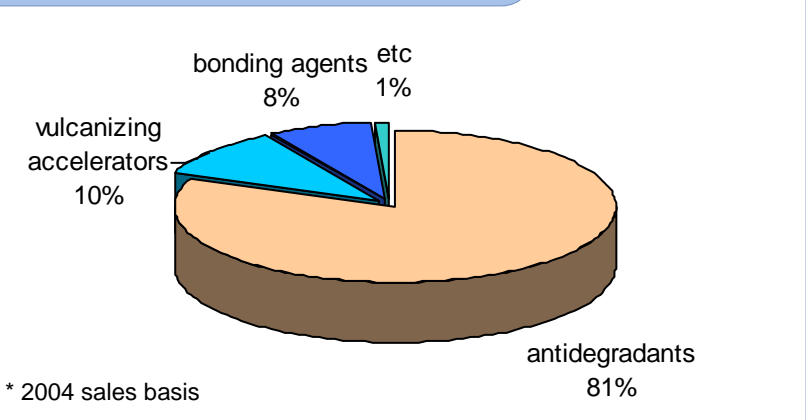
Sales Breakdown



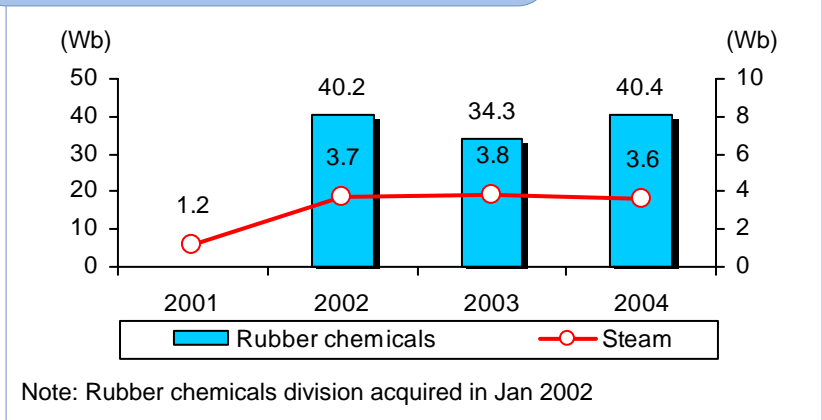
Steam by use



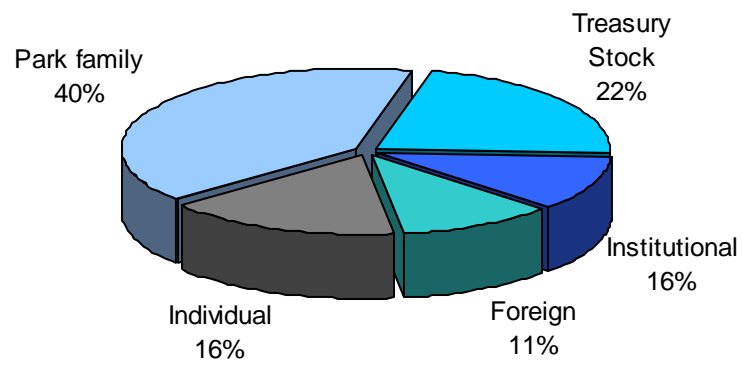
Rubber chemicals sales mix



Sales Trend



Shareholding Structure



Note: Common Stock as of Dec. 30, 2004

Share Information

	Shares	Price*	Market Cap	Capital** (Paid in)
Common	25,424,447	14,000	W355.9b	W127.1b
Preferred	3,023,486	6,300	W19.0b	W15.1b
Total	28,447,933	-	W374.9b	W142.2b

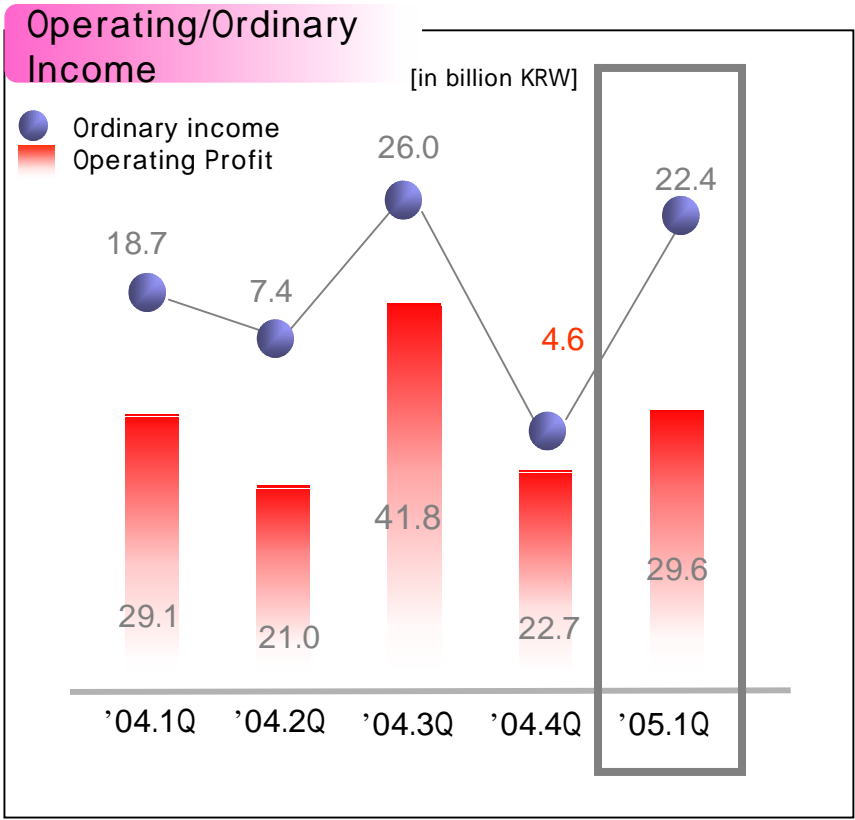
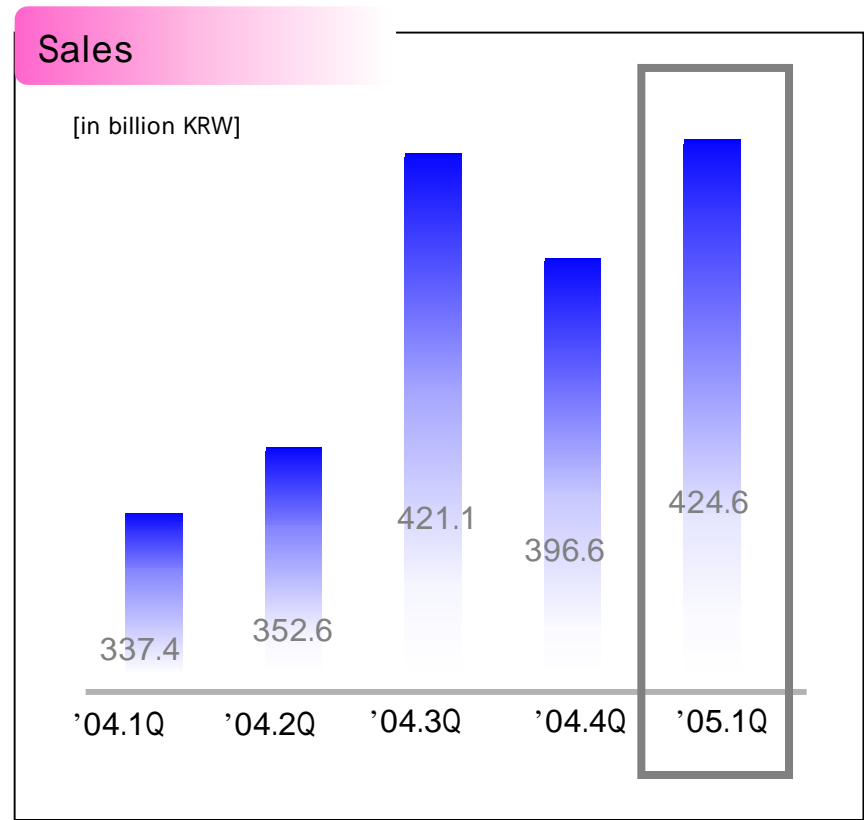
Note:
* Price : Market price on Dec 30, 2004
** Paid-in capital : down from W171.1b as of Apr 26, 2004
(Share cancellation: common 3,944,300, preferred 1,757,476)

II. 1Q Business Performance



1. 1Q Business Performance[summary]
2. Income Analysis
3. Financial Structure
4. Cash Flow
5. Business Performance [Business Unit]
6. Main Achievements of 2005. 1Q

- Sales up 7.1% q-q , 25.8% y-y[the largest sales q-q]
- Operating Profit +30.4% q-q, +1.7% y-y
- Ordinary Profit +587% q-q, +19.7% y.y[turnover black figures over 2004.4Q]

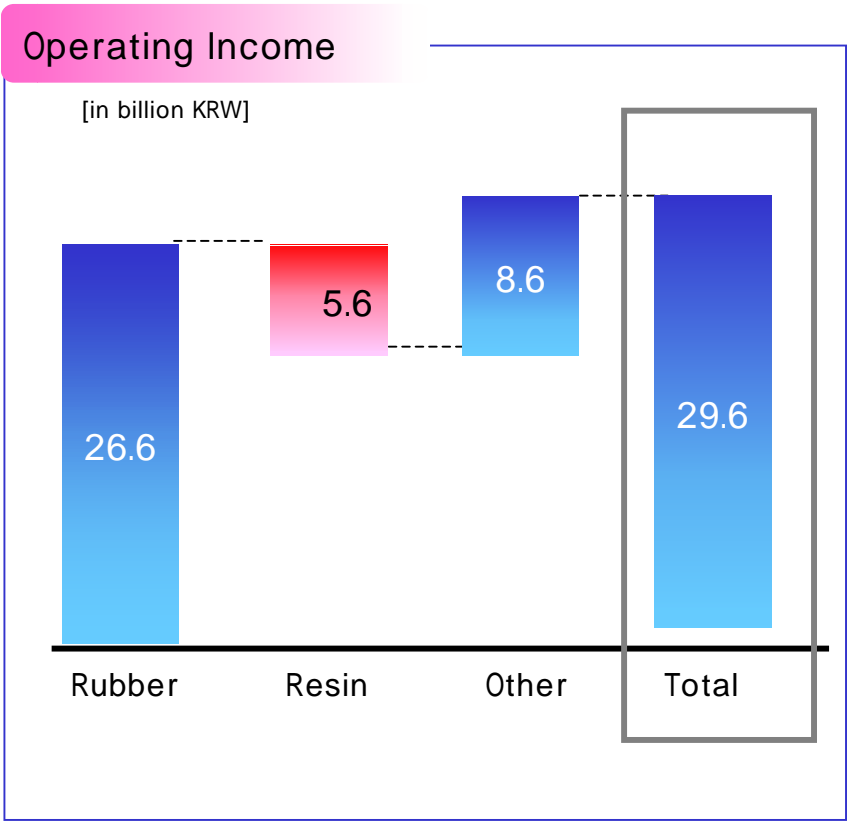
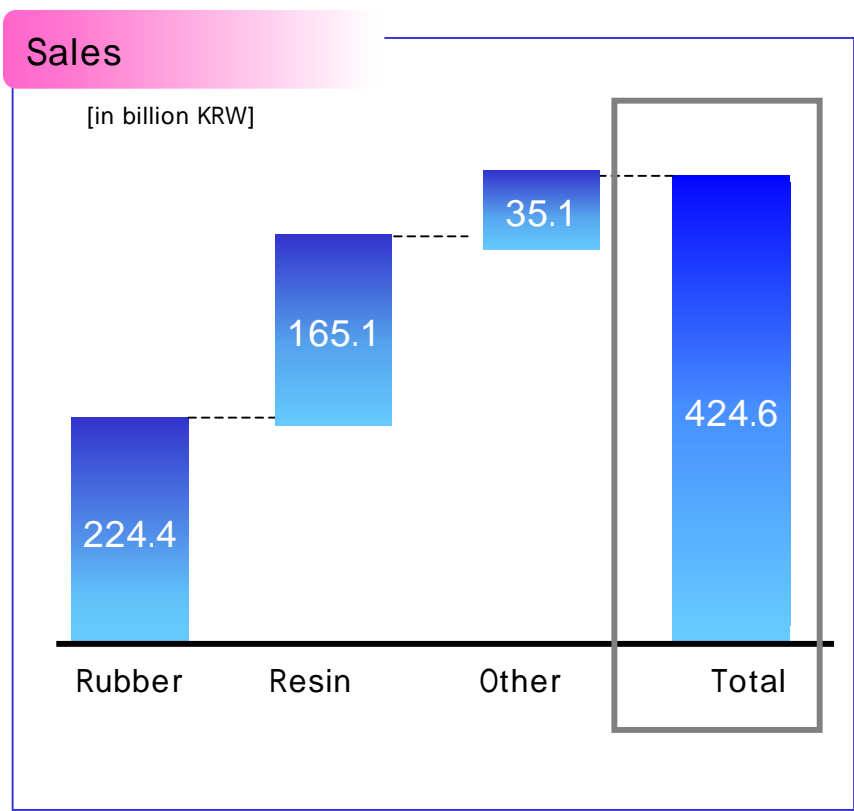


• Ordinary income : Except for Equity Method Income
• '04 4Q

in billion KRW	'04. 1Q	'04. 4Q	'05. 1Q		Growth(%)		
			Plant	Actual	Y-Y	Q-Q	Vs Plan
Sales	337.4	396.7	407.4	424.6	25.8	7.1	4.2
Gross Margin	60.4	51.0	59.8	60.8	0.7	19.2	1.7
[%]	17.9	12.8	14.7	14.3			
Operation Income	29.1	22.7	30.0	29.6	1.7	30.4	1.3
[%]	8.6	5.7	7.4	7.0			
Ordinary Income	45.6	38.9	-	54.4	19.3	39.8	-
(Except for equity Method Income)	18.7	46	17.6	22.4	19.7	587.0	27.3
Net Income	31.6	43.0	12.6	40.9	29.4	4.9	224.6
E.M.Income	26.8	43.5	-	32.0	19.4	26.4	-

• Equity Method Income : Industrial 16.3, Mitsui 6.2, Airlines 5.0, Life Insurance 2.6, P&B 1.5
Polychem 1.3, Terminal 0.4, Rent-a-car 1.3, Shanghai Kumho 0.05

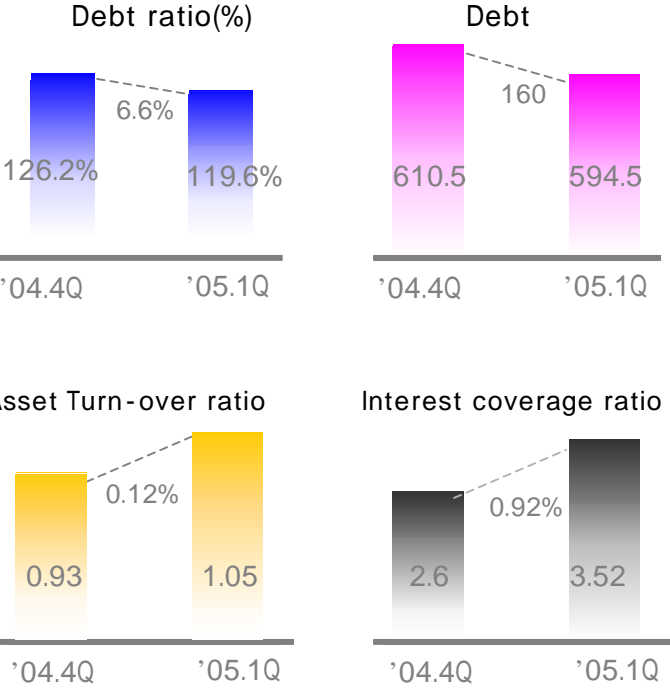
- Sales Portion : Rubber 53%, Resin 39%, Others 8%
- Operating Income : Rubber 266, Resin 56, Other 86



in billion KRW	'04. 1Q	'04. 4Q	'05. 1Q		Growth(%)		
			Plan	Actual	Y-Y	Q-Q	Vs Plan
Sales	337.4	396.6	407.4	424.6	25.8	7.1	4.2
[Rubber]	155.5	198.7	1913	224.4	44.3	12.9	17.3
[Resin]	154.9	168.9	186.1	165.1	6.6	2.2	11.3
[Other]	26.9	29.1	30.0	35.1	30.5	20.6	17.0
Operation Income	29.1	22.7	30.0	29.6	1.7	30.4	1.3
[%]	8.6	5.7	7.4	7.0			
[S.Ruuber]	17.7	17.5	19.3	26.6	50.3	52.0	37.8
[%]	11.4	8.8	10.1	11.9			
[S. Resin]	2.3	1.3	2.3	5.6	343.5	330.8	343.5
[%]	1.5	0.77	1.2	3.4			
[Other]	9.0	6.6	8.4	8.6	4.4	30.3	2.4
[%]	33.5	22.7	28.0	24.5			

- Decrease of Liabilities 23.3, Debt ratio 6.6% q-q
- Decrease of Debt 41.4 y-y, 16.0 q-q

in billion KRW	'04.1Q	'04.4Q	'05.1Q	Y-Y	Q-Q
Assets	1,440.3	1,626.7	1,623.8	183.5	2.9
Liabilities	868.6	907.6	884.3	15.7	23.3
Equity	571.7	719.1	739.4	167.7	20.3
Debt ratio[%]	151.9	126.2	119.6	32.3	6.6
Debt	635.9	610.5	594.5	41.4	16.0
Asset Turn-over ratio	0.94	0.93	1.05	0.11	0.12
Interest coverage Ratio	2.2	2.6	3.52	1.32	0.92

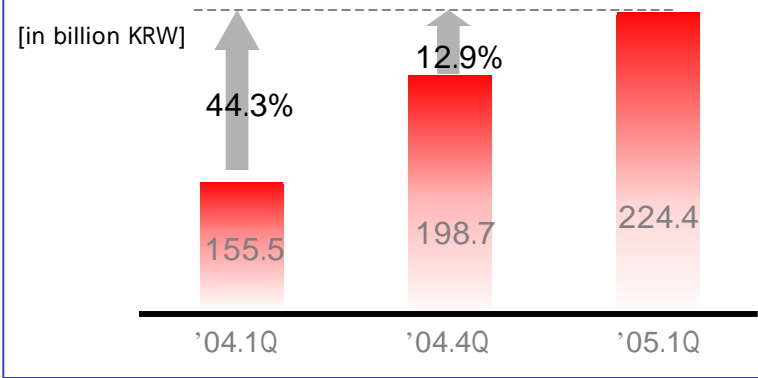


in billion KRW	'04. 1Q	'04. 4Q	'05.1Q	Y-Y	Q-Q
1. Operating	0.9	19.1	2.1	1.2	21.2
- Net Income	31.6	43.1	40.9	9.3	2.2
- Depreciation/severance benefits	16.6	16.6	17.3	0.7	0.7
- Other	49.1	40.6	56.1	7.0	15.5
2. Investment	10.0	27.7	22.1	32.1	49.8
- Tangible	8.3	14.7	12.7	4.4	2.0
- Other	1.7	13.0	34.8	36.5	47.8
3. Financing	11.6	6.7	15.6	27.2	22.3
- Borrowings	19.3	14.5	16.2	37.5	32.7
- Treasury stock/dividend	5.3	-	-	5.3	-
- Other	2.4	7.8	0.6	3.0	8.4
Net Cash Flow	0.7	1.9	4.4	3.7	6.3

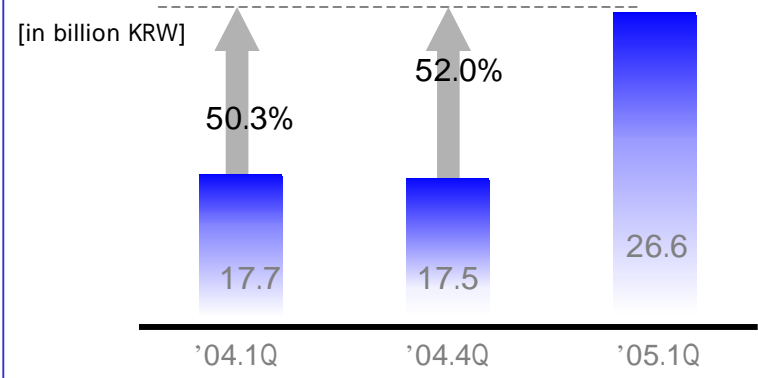
•Operating Other of 2005 1Q : Equity method income [33.3], increase of sales bond[31.7], etc.

- Achieved Quarterly record revenue and operating income by raising sales price aided by tight supply/demand and booming forward industries
- Operating income increased by 52% q-q, increased by 50.3% y-y

Sales



Operating Income

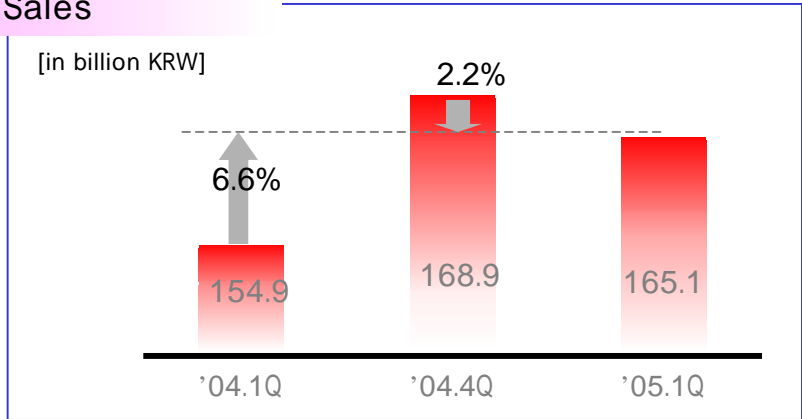


Performance Analysis

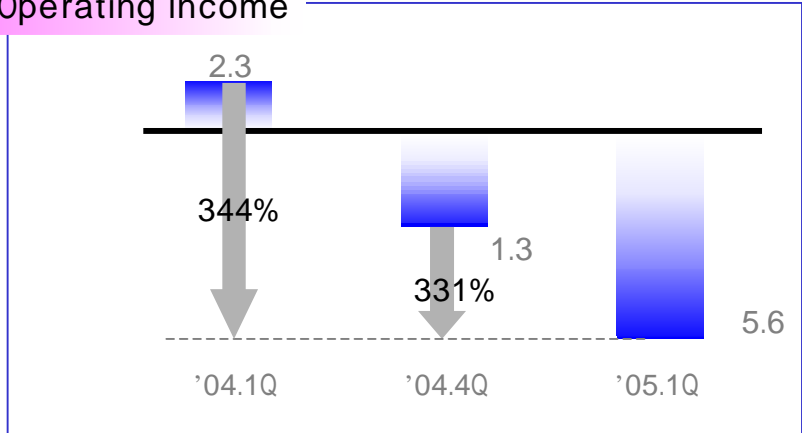
- Achieved quarterly record revenue and operating income by raising sales price despite of high BD(feedstock) price
- Strong export price aided by tight supply/demand and strong natural rubber price [Natural rubber price : \$1,200 ~ \$ 1,250]
- Sales rose because SBS sales rose [1,325Mt(1,'05) '05. 3 6,861Mt[3.05], 418%]
* Influenced by the closing of EU Anti-Dumping investigation
- Strong sales expected due to booming auto and tire industries and rising demand in china and SE Asia

- Operating income decreased because of operation ration control and lowering sales price caused by plunging SM Price.
- Profit expected to be improved after march due to stable SM price

Sales



Operating Income

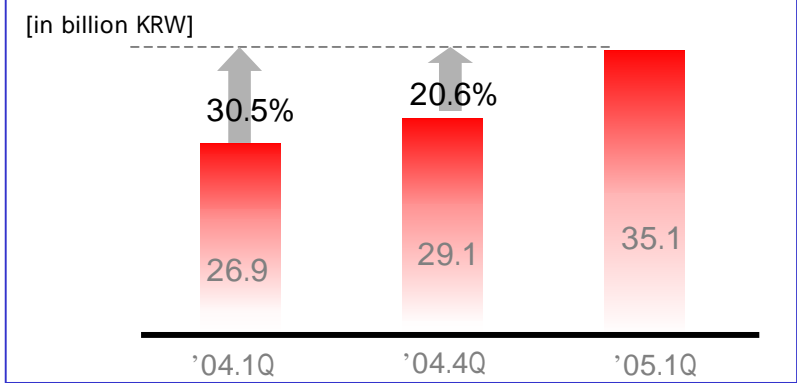


Performance Analysis

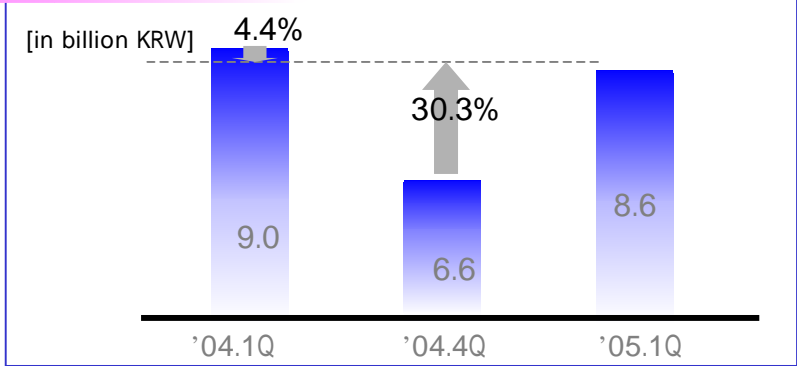
- Operating income decreased because of operation ratio control caused by plunging SM Price
 - income decreased because of the burden of high priced feedstock inventory and plunging sales price
- Weak demand due to chinese new year holidays in korea & china
- Strengthen sales of higher value-added product new organization for developing new customers
- Operating income expected to increase after march due to seasonal peak and stable SM price(Operating income in march turned black to 0.25billion kwon]

- Profit improved because of rising operation ratio of combined-heat ppwer plant and tight supply/demand of Rubber chemical

Sales



Operating Income



Performance Analysis

- Profit improved because of rising operation ration of combined heat power plant and raising sales price of rubber chemical
 - Rubber chemical price 3,2million KRW /Mt('04)
4.46million KRW/Mt[1Q. '05]
- Sales increased over the same period of last year
 - Rubber Chemical : 53.1%[2,900Mt 4,440Mt]
 - C.H.P : 4.3%[324 KMt 338 KMt]
 - * Operation ratio rose[KKPC & group chemical companies]
- Revenue increased over the same period of last year[in billion KRW]
 - Rubber Chemical : 112.9%[9.3 19.8]
 - C.H.P : 4.4%[13.6 14.2]

Improving Profitability

- TDF Power Plant Construction approved by gov't[inside yeosu complex]
- Increasing capacity[1Q]
 - SBR 195,500 Mt/Y 238,000 Mt/Y[42,500 Mt]
 - CPP 6,000 Mt/Y[New]



shareholder value maximizing management

- Aggressive IR
 - Participated IR event held by ABN-AMRO for overseas investors [3/7~3/8)
- Post quarterly performance and hold investor Meeting
- Sold the shares of kumho industrial
 - 1,520,000 shares [23.6 billion KRW]
- Invite analysts for IR at least 3 times a week

Aggressive PR

- PR for improving brand value and recruiting
 - Advertising at airport : Gimpo, Ulsan, Yeosu airport
 - Advertising on college Newspapers : 9 universities
 - Draft advertisement for future use : newspapers,etc.

III. Prospects and Plans

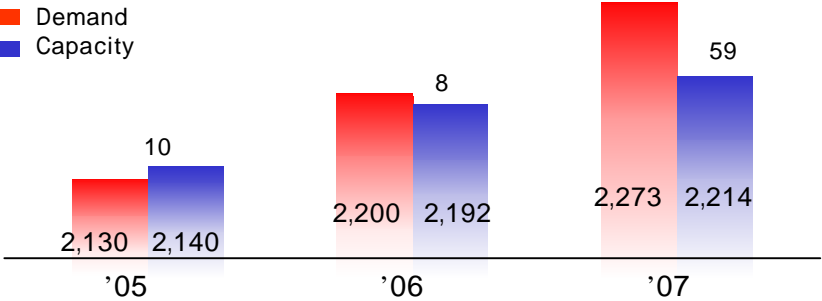


1. Business Prospects
2. management Plants

Long Term Supply-demand Forecast[SBR/BR]

[1,000Mt/Year]		2005	2006	2007	AAGR
East Asia	Demand	2,130	2,200	2,273	3.4%
	Capacity	2,140	2,192	2,214	1.6%
	/ (%)	100%	100%	97%	
China	Demand	939	1,005	1,075	7.1%
	Capacity	666	713	720	3.4%
	/ (%)	71%	71%	67%	
Domestic	Demand	247	253	260	2.7%
	Capacity	429	434	438	1.0%
	/ (%)	174%	171%	168%	
World	/ (%)	109%	108%	107%	

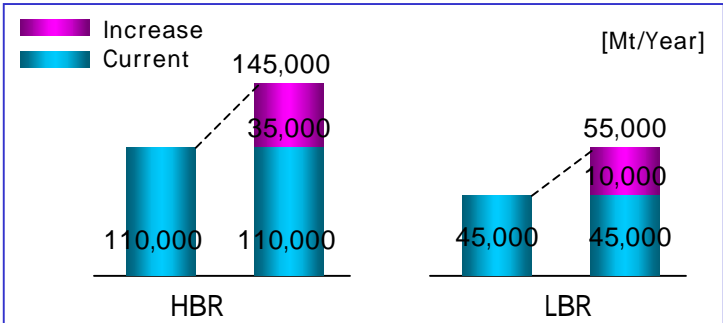
Demand
Capacity



forecast of '05.1Q

Short supply in East Asia due to increasing demand in china

Capacity maximization by revamping[2005.2Q]
- HBR : 35,000Mt, LBR 10,000Mt]



Decrease of revenue and profit expected due to Yeosu rubber plant annual shut down

[about 15 day shut down expected for each line at the May, 2005]

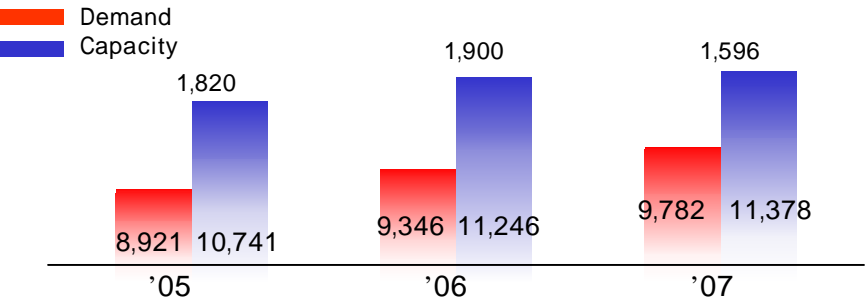
- Revenue decrease expected of Rubber and C.H.P

New source of revenue developed by the commercial operation of Nd-BR[Neodymium BR]

- Commercialization by using existing process [30,000Mt/Year], [30 /]
- Environmental – friendly tire material [Sales focused on European market]

Long Term Supply-demand Forecast[ABS/PS]

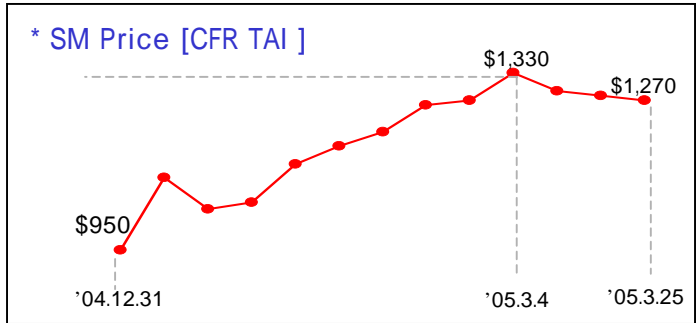
1,000Mt/Year		2005	2006	2007	AAGR
East Asia	Demand	8,921	9,346	9,782	4.6%
	Capacity	10,741	11,265	11,378	3.4%
	/ (%)	120%	121%	116%	
China	Demand	6,596	7,091	7,624	7.6%
	Capacity	3,572	4,096	4,137	6.5%
	/ (%)	54%	58%	54%	
Domestic	Demand	540	564	589	2.1%
	Capacity	2,251	2,273	2,296	3.6%
	/ (%)	417%	403%	390%	
World	/ (%)	123%	120%	119%	



forecast of '05.1Q

Market condition favorable in the mid/long-term due to increasing demand in China

SM Price expected to be high due to tight demand/supply of benzene[main feedstock of SM]



Price rise of main feedstock easily transferred to sales

revenue and operating income rise expected due to seasonal peak

Sales focused on China and East Asia sales differentiation by product use
- Strengthen sales to auto companies launch new market development T.F.T

Improving profitability

- Outside consulting[by ADL] to reexamine long-term strategy
- Strengthen cost competitiveness by leasing SM storage tank
 - Diversifying SM supplier by increasing capacity[Capacity : 10,000Mt]

Strengthen sales of higher value-added product

- Early commercialization of environmental friendly Nd-BR
- Acceleration of development of specialties and customized product

Enlarge energy sector

- construction of Turbine Generator[going on now]
 - Target operation date : 2005. 10
 - Now construction going on in yeosu complex
 - Purpose : Generate electricity using the iidle capacity of coal boiler and decreased demand for steam during summer
 - Expected profit : 4billion KRW
- Construction of TDF Power Plant[going on now]
 - Target operation date : 2nd half of 2007
 - Designing boiler now
 - Purpose : Generate electricity using waste resources
Build utility supply base in Yeosu Complex

IV. Appendix



1. Income statement
2. Balance Sheet
3. Product nominal Capacity
4. CAPEX
5. Percentage of ownership
6. Investments Plans of domestic tire companies
7. Main customers, by division

in billion KRW	'04. 1Q	'04. 4Q	'05. 1Q		remark
			Plan	Actual	
Sales	337.4	396.6	407.4	424.6	
Gross Margin	60.4	51.0	59.8	60.8	
Selling and Administrative expenses	31.2	28.3	29.8	31.2	
Operating income	29.1	22.7	30.0	29.6	
[%]	8.6%	5.7%	7.4%	7.0%	
Non-operating Income	34.4	52.2	3.2	41.1	
Non-operating expenses	18.0	35.9	15.6	16.4	
Ordinary Income	45.6	38.9	-	54.4	
[Except for equity method income]	18.8	4.6	17.6	22.4	
Net income	31.6	43.0	12.6	40.9	

in billion KRW	'04. 1Q	'04. 4Q	'05. 1Q		remark
			Plan	Actual	
Assets	1,440.3	1,626.7	1,598.9	16,23.8	
Current	288.2	366.7	380.5	3,83.8	
[Inventories]	131.0	206.5	173.4	179.1	
Non-Current	1,152.1	1,260.0	1,218.4	1,240.0	
[Tangible]	489.0	488.9	522.4	487.8	
Liabilities	868.6	907.6	924.5	884.3	
Current	660.0	501.8	490.0	457.5	
Non-Current	208.6	405.8	434.5	426.8	
Equity	571.7	719.1	674.4	739.4	
Paid-in capital	170.7	142.2	142.2	142.2	
Retained earnings	45.2	148.1	119.5	177.4	
Other	355.8	428.8	412.7	419.8	

Product		Capacity[Mt/Year]		
		'04, 4Q	expansion	'05.3.31
Synthetic Rubber	SBR	195,500	42,500	238,000
	SSBR	-		-
	HSR	10,000		10,000
	NBR	30,000		30,000
	BR	155,000		155,000
	SB Latex	70,000		70,000
	BD	227,000		227,000
	TPE	70,000		70,000
Synthetic Resin	PS	177,000		177,000
	ABS	220,000		220,000
	EPS	90,000		90,000
	SAN	-		-
	EP	-		-
	TPV	-		-
	PPG	40,000		40,000
	CPP		6,000	6,000
Rubber chemical	Rubber Antioxidant	17,000		17,000
	Rubber Accelerator	2,000		2,000
	Rubber Bonding Agents	2,000		2,000
	Rubber Intermediates	-		-

In million KRW	'04. 1Q	'05 1Q		Change	
		Plan	Actual	Y-Y	Q-Q
Ordinary	1,952	7,212	5,474	3,522	1,738
Expansion	5,501	23,983	5,833	332	18,150
New	-	8,525	587	587	7,938
R&D	2,519	5,468	2,081	438	3,387
T O T A L	9,972	45,188	13,975	4,003	31,213

The Main Investment of 1Q

- SBR B-Line Revamping : 3.2 billion KRW
- S-Line Heat Pump Capa-Up] : 2.3 billion KRW

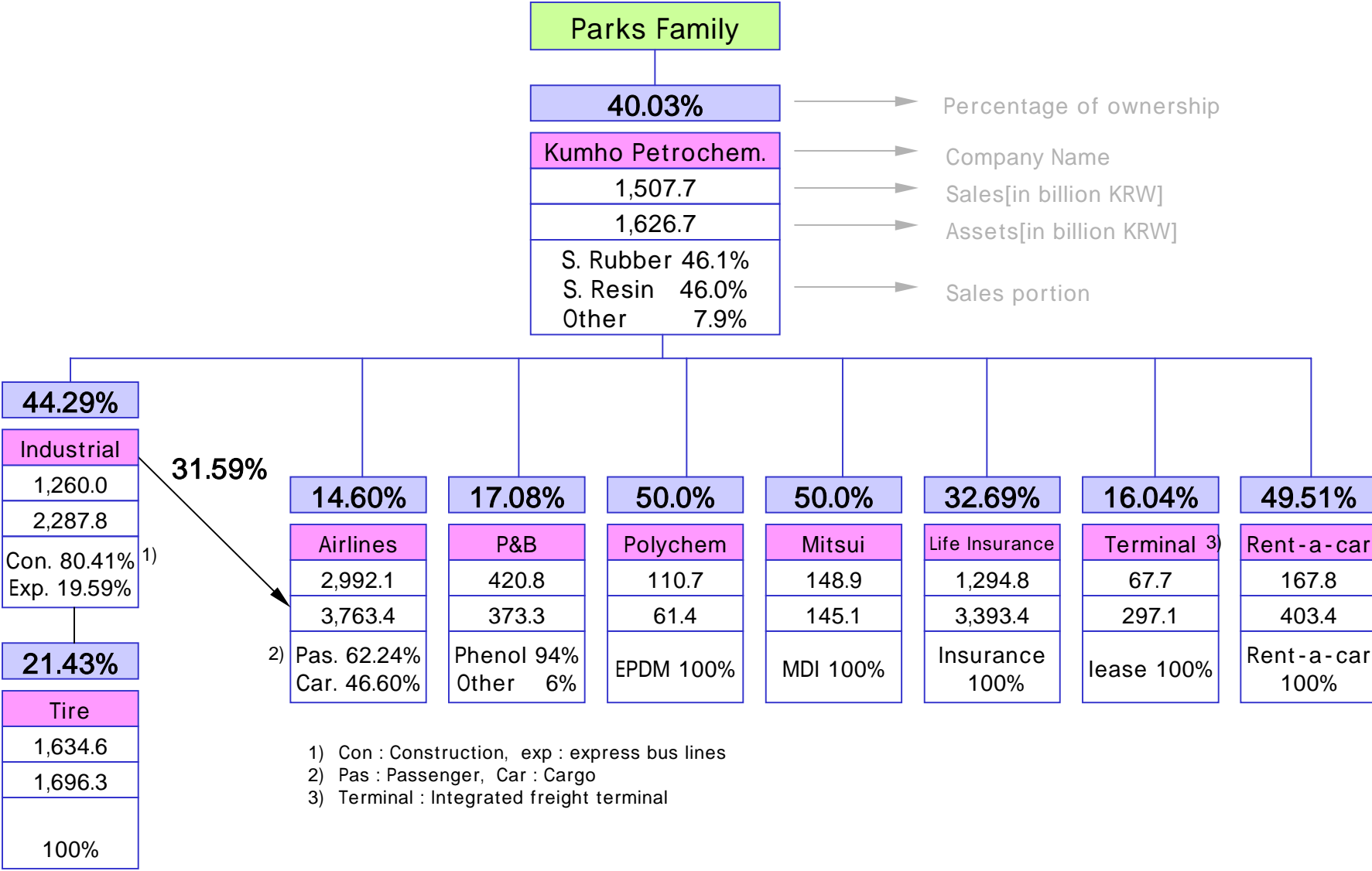
Unfinished investment

- Construction of SEBS Plant : 6.0 billion KRW
- expansion of C-3 Plant : 3.7 billion KRW

The Main Investment plan of 2005. 2Q

- Construction of TDF Power plant [new] : 7.6 billion KRW
- Construction of SEBS Plant [new] : 6.1 billion KRW
- Expansion of HIPS Plant : 4.0 billion KRW

5. Percentage of ownership



Kumho Tire

- **Feb 2004** Commissioned Pyongtaek Plant
 - Capacity : 2m units/year
- **2004** 2005 Expansion of Nanjing Plant
 - 2003: 3m ->2004: 5m->2005: 10m units
- **2006** 2007 Tianjin Plant & Ulsan Plant

Capacity in Jun 2004

- Gwangju Plant : 17m units/year
- Gokseong Plant : 15m units/year
- Pyongtaek Plant : 2m units/year
- Nanjing Plant : 5m units/year

37m units/year

Hankook Tire

- **2004** Increase 35% of Gumsan Plant capa
 - 2003: 12m units/year -> 2004: 16m units/year
- **2005** Increase 83% of Jiaxing Plant capa
 - 2004: 4.8m -> 2005: 8.8m units/year
- **2007** Increase 75% of Jiangsu Plant capa
 - 2004: 3.2m -> 2007: 5.8m units/year

Capacity in Jun 2004

- Daejeon Plant : 23m units/year
- Gumsan Plant : 12m units/year
- Jiangsu Plant : 3.2m units/year
- Jiaxing Plant : 4.8m units/year

43m unit/Year

7. Main Customers, by division

Synthetic Rubber

(Wb)	Ranking	Customer	Sales	Ratio
Local	1	Kumho Tire	77	12.6%
	2	Hankook Tire	34	5.6%
	3	Nexen Tire	11	1.8%
	4	Shin Moo Rim Paper	9	1.5%
	5	BASF Korea	8	1.3%
	6	LG Chemical	7	1.1%
	7	Cheil Industries	5	0.8%
	8	Woojin Corporation	4	0.7%
	9	Shin Ho Paper Mfg	4	0.7%
	10	Jungwoo Trading	4	0.7%
Export	1	Bridgestone Tire	33	5.4%
	2	Cooper Tire	28	4.6%
	3	Carlisle Tire&Wheel	6	1.0%
	4	Sime Tires	5	0.8%
	5	Grandtour Tire	4	0.7%
	-	Michelin Tire	3	0.5%
	-	Goodyear Tire	1	0.2%

Synthetic Resin

Customer	Sales	Ratio
Daewoo Elec.	19	3.0%
Kumho Polymer	9	1.4%
APtech	9	1.4%
Greenpia	8	1.3%
LG Elec	8	1.3%
Hyundai Motor	8	1.3%
Samsung Elec	7	1.1%
Daekyung Resin	6	1.0%
Selim TTC	5	0.8%
Korea Yakult	5	0.8%
Sony	25	4.0%
JVC	13	2.1%
TCL	10	1.6%
Haier	9	1.4%
Electrolux	5	0.8%
Panasonic	4	0.6%
GE	4	0.6%

Note: Based on estimated 2004 sales. Ratio figures are vs total sales of each division