



2008 Business Results & Outlook

- 2008 Review
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- 2009 Outlook
- Appendices

KUMHO
PETROCHEMICAL



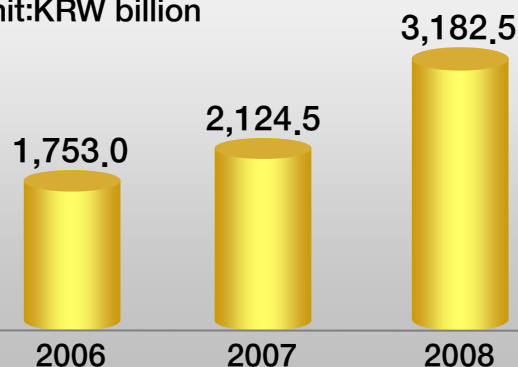
2008 Overview

Sales and Operating Income

- Sales rose 49.8% to KRW 3,182.5 billion and operating income 74.9% up KRW 281.3 billion, we post strongest performance ever.

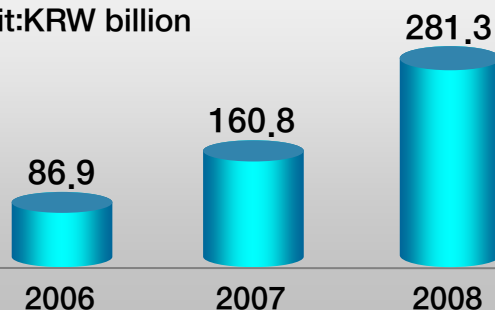
Sales

Unit:KRW billion



Operating Income

Unit:KRW billion



2008 Performance Highlights

(Unit:KRW billion)

	2007	2008	Change	
			Cost	Rate
S a l e s	2,124.5	3,182.5	1,058.0	49.8%
[S y n . R u b b e r]	1,095.7	1,886.0	790.3	72.1%
[S y n . R e s i n]	877.8	1,027.7	149.9	17.1%
[O t h e r s]	151.0	268.8	117.8	78.0%
Operating Income	160.8	281.3	120.5	74.9%
[%]	7.6%	8.8%	1.2%p	
Income Before Income Taxes	177.3	-26.7	-204.0	-115.1%
N e t I n c o m e	134.4	-19.7	-154.1	-114.7%
Gain/Loss on Valuation of Equity Method Investments	98.3	-169.1	-267.4	-272.0%

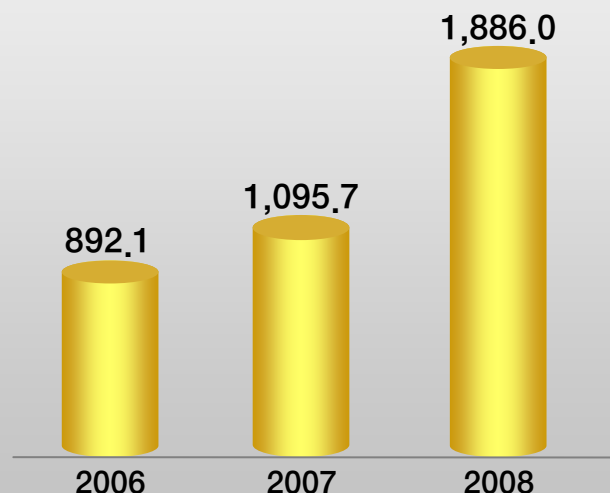
Performance Results for Synthetic Rubbers

Synthetic Rubbers

- Sales increased 72.1% to KRW 1,886 billion (59.3% in total Sales).
- 1Q~3Q : Sales and operating income strongest ever thanks to Product price hikes backed by tight Synthetic Rubber supply, offsetting high BD price.
- 4Q : Reduced margin as sales fall on sudden fall of BD price and lower demand.

Sales

Unit:KRW billion



Performance Analysis

- Sudden fluctuations of BD price
 - ▶ 1Q~3Q : Sudden rise of BD price
 - Supply and demand balance of Asian BD collapsed
 - Strong price of Naphtha and Crude Oil
 - ▶ 4Q : Sudden fall of BD Prices
 - Weak price of Naphta/Crude Oil and Lower demand of BD
 - ▶ BD Price Change by region

(Unit:USD/Ton)

	'08.1Q	'08.2Q	'08.3Q	'08.4Q
Asia	1,763	2,218	3,150	1,093
N. America	1,503	1,983	2,973	1,465
Europe	1,347	1,721	2,350	1,574

- Drop in Synthetic rubber price of 4Q
 - High-cost BD inventory worsened profitability due to lagging effect.

(Unit:USD/Ton)

	'08.1Q	'08.2Q	'08.3Q	'08.4Q
SBR	2,026	2,357	3,020	1,891
BR	2,686	3,238	3,763	2,253

* Source: ICIS '08

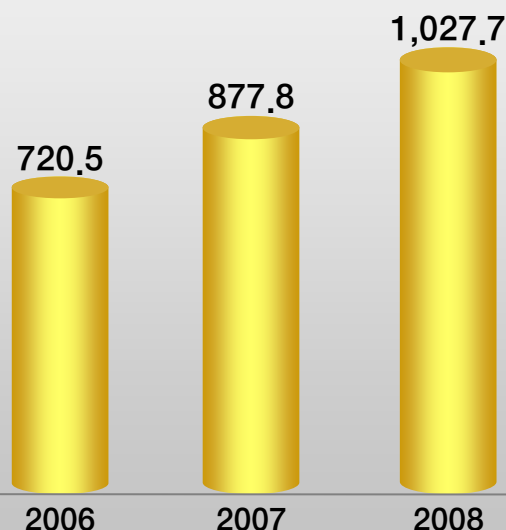
Performance Results for Synthetic Resins

Synthetic Resins

- Sales increased 17.1% to KRW 1,027.7 billion (32.3% in total Sales).
- 1Q~3Q : Gradual improvement of profitability due to price rising by seasonal higher demand season entry.
- 4Q : Profitability suddenly declined as sales fall on lower demand.

Sales

Unit:KRW billion



Performance Analysis

- Sudden fall of SM prices of 4Q
 - Drop in Naphta/Crude Oil prices and Lower demand of SM
 - SM Price Change

(Unit:USD/Ton, CFR China)

	'08.1Q	'08.2Q	'08.3Q	'08.4Q
SM	1,388	1,548	1,520	681

- Drop in Synthetic resin prices of 4Q
 - High-cost SM inventory worsened profitability due to lagging effect.

(Unit:USD/Ton)

	'08.1Q	'08.2Q	'08.3Q	'08.4Q
PS	1,436	1,600	1,657	923
ABS	1,754	1,961	2,116	1,417

* Source: PLATTS '08

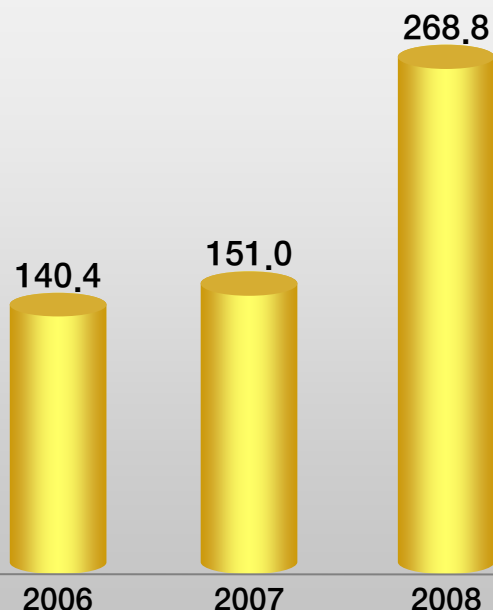
Performance Results for Other Sectors

Other Sectors

- Sales increased 78.0% to KRW 268.8 billion (8.4% in total Sales).

Sales

Unit:KRW billion



Performance Analysis

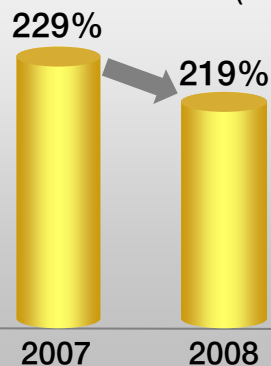
- Specialty Chemicals
 - Selling price increased due to rising the price of main Feedstocks and tight supply of 6PPD.
 - Sales increased in North America and Europe market due to winning a lawsuit against the Flexsys.
 - Strengthening market leadership as the world's No.1 producer of 6-PPD
- Combined Heat & Power Plant
 - Sales grew on higher demand for Steam amid rising the oil prices.
 - Operating income decreased due to reducing the Operating ratio at user plant.

Financial Highlights

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

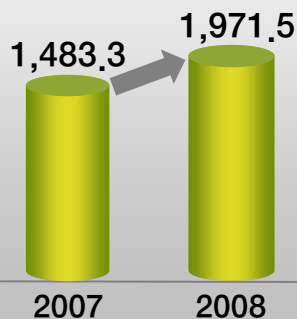
Debt to Equity Ratio

(Unit:%)



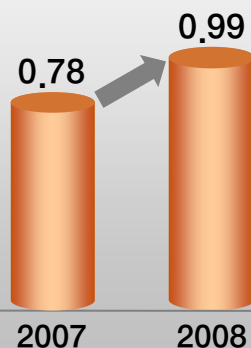
Borrowings

(Unit:KRW billion)



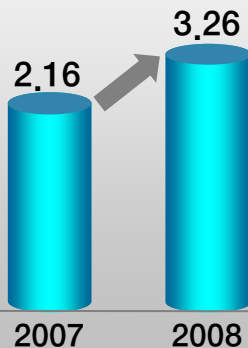
Asset Turnover Ratio

(Unit:Times)



Interest Coverage Ratio

(Unit:Fold)



	Unit	2007	2008	Change	
				Cost	Rate
Assets	KRW bil.	2,851.0	3,714.8	863.8	30.3%
Liabilities	KRW bil.	1,985.0	2,551.7	566.7	28.5%
Shareholders' Equity	KRW bil.	866.0	1,163.1	297.1	34.3%
Debt to Equity Ratio	%	229	219	-10p	
Borrowings	KRW bil.	1,483.3	1,971.5	488.2	32.9%
Won-denominated		1,300.1	1,671.9	371.8	28.6%
Foreign currency - denominated		183.2	299.6	116.4	63.5%
Asset Turnover Ratio	Times	0.78	0.97	0.19	24.4%
Interest Coverage Ratio	Fold	2.16	3.26	1.10	50.9%

2008 Main Business Activities

Established Sales Corporation in China

- Object of establishment
 - Increasing market share by building sales bases across China
 - Contribution to sales increase and profitability improvement
 - Promotion to sales our affiliate's products in petrochemical
- Corporate name : Kumho Petrochemical Shanghai Co., Ltd.
- Business start date : June 1st, 2008



Established PO/PPG/CS Plant in China

- Capa. : PO 80K Tons/Y, PPG 50K Tons/Y, CS 100K Tons/Y
- J/V : KKPC 50%, GPRO 50%
- Location : Nanjing Chemical Industry Park in Nanjing, China
- Total investment amount : USD 113 million(Owner's Equity USD 35 million, Liabilities USD 78 million)
- Completion Ceremony : June 28th, 2008



2008 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)

● 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

经济技术开发区
签约仪式



2008 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(June 2010)
- Total investment : KRW 264bn
- World's NO.1 Maker of Synthetic Rubbers Capa.

(Unit:'000 MT)

	Dec. '08	April '09	June '10	Remark
SBR	371	481	481	-No.1:KKPC(823)
BR	222	222	342	-No.2:Lanxess(691)
Total	593	703	823	-No.3:Goodyear(685)

● Strengthening Market Leadership in the Specialty Chemicals

- Revamping Capacity : 6PPD 26K MT/Y
- Completion of Construction : Sep. 2008
- Total investment : KRW 25.2bn
- World's No.1 Maker of 6PPD Capa.

(Unit:'000 MT)

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

Outlook (Up-stream)

Trend of Global Motor Industry

- The production of the vehicle will decrease approximately 4million units because of reduction in US and Europe.

(1,000 Units)

	2005	2006	2007	2008	2009	2010
W, Europe	16,475	16,243	16,687	16,002	14,735	15,190
E, Europe	4,490	5,303	6,263	7,272	7,465	8,518
N, Central America	16,366	15,930	15,481	13,568	11,627	13,627
Japan	10,743	11,469	11,382	11,421	9,593	11,462
Asia	13,869	15,601	17,855	19,202	19,705	22,372
Others	4,996	5,344	5,973	6,512	6,764	7,124
World	66,939	69,890	73,641	73,977	69,889	78,293

* Source: Announce Report of J&D Power Co.(Sep. '08)

(1,000 Units)

구 분	2005	2006	2007	2008	2009	2010
Korea	3,675	3,817	4,057	4,126	3,755	3,978
China	5,715	7,286	8,883	9,716	10,341	11,683
India	1,676	2,004	2,297	2,509	2,679	3,255
Total	11,066	13,107	15,237	16,351	16,775	18,916
Others in Asia	2,803	2,494	2,618	2,851	2,930	3,456

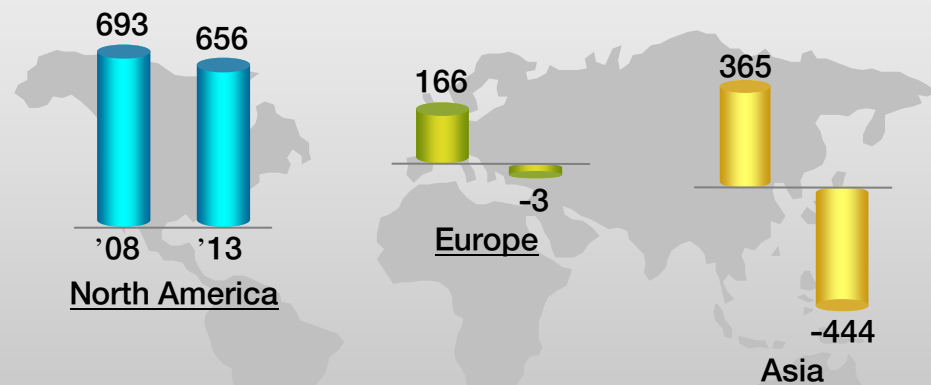
Outlook (BD)

Supply & Demand Balance / Price

- BD supply in Asia may improve better condition due to plant revamping and drop of consumption in short term.
- Asian BD price in 2009 will maintain around \$1,000 (40% of the price in 2008).

Supply & Demand Balance of BD

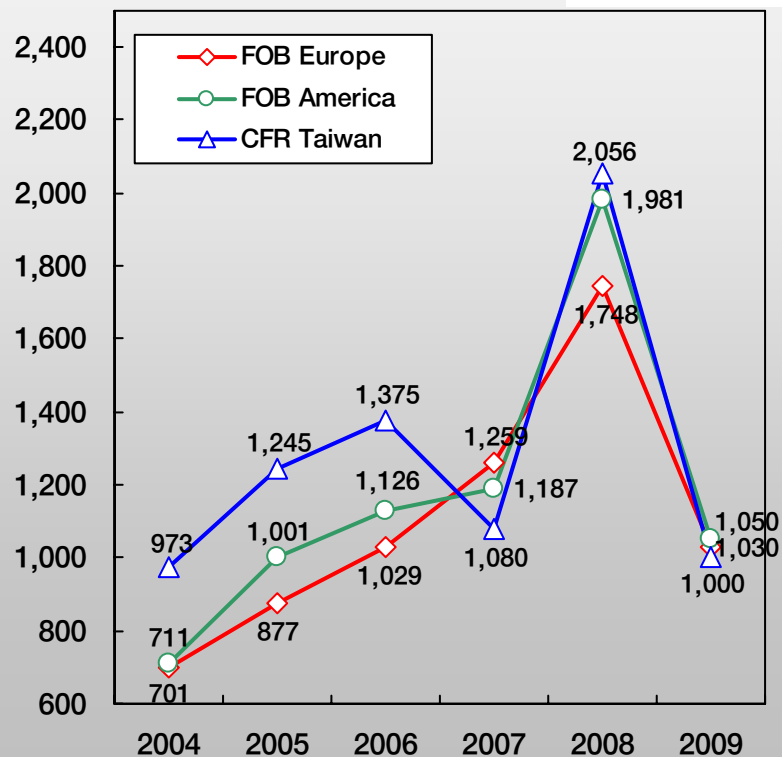
(Unit:1,000 Tons/Y)



* Source: CMAI 2008

Outlook BD Price

(Unit:USD/Ton)



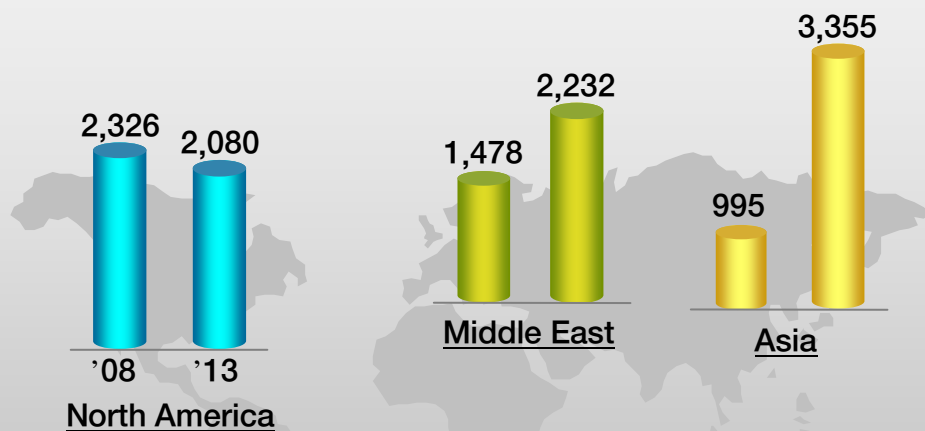
Outlook (SM)

Supply & Demand Balance / Price

- SM supply in Asia may be in excess of demand due to plant revamping in Middle East.
- Asian SM price in 2009 will maintain around \$800 (60% of the price in 2008).

Supply & Demand Balance of SM

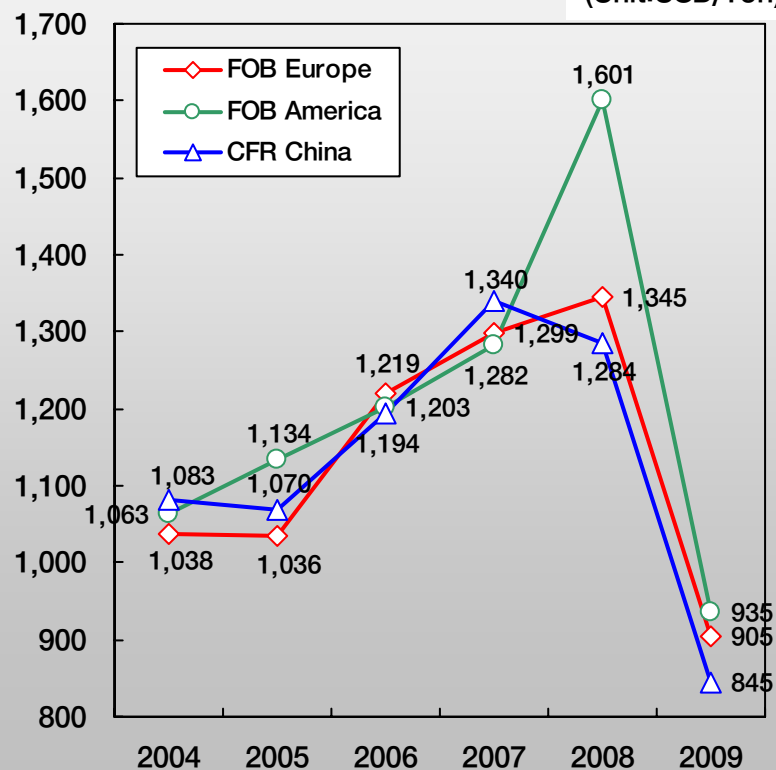
(Unit:1,000 Tons/Y)



* Source: CMAI 2008

Outlook SM Price

(Unit:USD/Ton)



2009 Outlook (Business Domains)

● Synthetic Rubber

- The demand will decline due to depression of the upstream industries (e.g. car, tire, etc.) caused by world economic crisis.
- BD price is expected to slightly go down because of the decrease in crude oil price and lack of demand.
- Lower profitability will cause the rubber industry restructure, but it is also an good opportunity to enlarge the market power of KKPC.

● Synthetic Resins

- The demand will go down due to production decrease of electronic industry.
- SM price is expected to slightly decrease because of the drop in oil and naphtha price and demand.
- Product price is also expected to go down following SM price.
- Maximizing of cash flow
 - optimize product-portfolio and make price more competitive.
 - increase sales of high value-added products.

● Others

- Specialty Chemical
 - Enlarging sales network through vertical integration of tire. (Synthetic Rubber and Insoluble sulfur)
- Combined Heat & Power Plant
 - Sales and profit will increase due to the start-up of 2nd Combined Heat & Power Plant in April, 2009.

2009 Performance Goals

(Unit:KRW billion)

	2009(P) (A)	2008 (B)	2007 (C)	Change	
				YoY(2007) (A-B)	YoY(2006) (A-C)
Sales	2,956.2	3,182.5	2,124.5	-226.3	831.7
[Syn. Rubbers]	1,430.6	1,886.0	1,095.7	-455.4	334.9
[Syn. Resins]	944.8	1,027.7	877.8	-82.9	67.0
[Others]	580.8	268.8	151.0	312.0	429.8
Operating Income	211.0	281.3	160.8	-70.3	50.2
<i>(Operating Margin)</i>	<i>7.1%</i>	<i>8.8%</i>	<i>7.6%</i>	<i>-1.7%p</i>	<i>-0.5%p</i>
Assets	3,455.4	3,714.8	2,851.0	-259.4	604.4
Liabilities	2,438.5	2,551.7	1,985.0	-113.2	453.5
Shareholder Equity	1,016.9	1,163.1	866.0	-146.2	137.9
Total Liabilities to Equity Ratio (%)	239.8	219.4	229.2	20.4p	14.0p
Interest Coverage Ratio (Fold)	2.12	3.26	2.16	-1.14	-0.04

Income Statement

(Unit:KRW billion)

	2007	2008					YoY	
		1Q	2Q	3Q	4Q	Total	Cost	Rate
Sales	2,124.5	651.1	825.9	957.5	748.0	3,182.5	1,058.0	49.8%
Operating Income	160.8	53.4	101.3	122.2	4.4	281.3	120.5	74.9%
<i>(Operating Margin)</i>	<i>7.6%</i>	<i>8.2%</i>	<i>12.3%</i>	<i>12.8%</i>	<i>0.6%</i>	<i>8.8%</i>	<i>1.2%p</i>	
<i>Net Interest Expense</i>	<i>74.5</i>	<i>21.2</i>	<i>21.3</i>	<i>20.4</i>	<i>23.4</i>	<i>86.3</i>	<i>11.8</i>	<i>15.8%</i>
<i>Equity in Income of Affiliates</i>	<i>98.3</i>	<i>-20.4</i>	<i>10.4</i>	<i>2.1</i>	<i>-161.2</i>	<i>-169.1</i>	<i>-267.4</i>	<i>-272.0%</i>
Ordinary Income before Taxes	177.3	10.2	98.1	114.0	-249.0	-26.7	-204.0	-115.1%
<i>(Ordinary Income Margin)</i>	<i>8.3%</i>	<i>1.6%</i>	<i>11.9%</i>	<i>11.9%</i>	<i>-33.3%</i>	<i>-0.8%</i>	<i>-9.1%p</i>	
Net Income	134.4	7.5	74.8	89.0	-191.0	-19.7	-154.1	-114.7%
<i>(Net Income Margin)</i>	<i>6.3%</i>	<i>1.2%</i>	<i>9.1%</i>	<i>9.3%</i>	<i>-25.5%</i>	<i>-0.6%</i>	<i>-6.9%p</i>	

Balance Sheet

(Unit:KRW billion)

구 분	2008 (A)	2007 (B)	2006 (C)	Change	
				YoY (2007)	YoY (2006)
1. Current Assets	783.3	489.1	461.8	294.2	321.5
- Inventories	12.1	11.4	3.1	0.7	9.0
2. Non-Current Assets	2,931.5	2,361.9	2,152.8	569.6	778.7
Total Assets	3,714.8	2,851.0	2,614.6	863.8	1,100.2
1. Current Liabilities	1,117.0	712.9	795.1	404.1	321.9
2. Non-Current Liabilities	1,434.7	1,272.1	1,046.6	162.6	388.1
■ Interest Bearing Liabilities	1,971.5	1,483.3	1,391.2	488.2	580.3
- Short-Term Debts	661.1	344.3	490.9	316.8	170.2
- Long-Term Debts	1,310.4	1,139.0	900.3	171.4	410.1
■ Non-Interest Bearing Liabilities	580.2	501.7	450.5	78.5	129.7
Total Liabilities	2,551.7	1,985.0	1,841.7	566.7	710.0
1. Common & Preferred Stock	142.2	142.2	142.2	-	-
Total Shareholder Equity	1,163.1	866.0	772.9	297.1	390.2
Net Debt Ratio	53.1%	52.0%	53.1%	1.1%p	0.0%p
Long-Term Debts to Total Debts Ratio	66.5%	76.5%	64.7%	-10.0%p	1.8%p
Current Ratio	70.1%	68.6%	58.1%	1.5%p	12.0%p
Total Liabilities to Equity Ratio	219.4%	229.2%	238.3%	-9.8%p	-18.9%p

Cash Flow

(Unit:KRW billion)

	2008	2009 (P)	Change
Cash flow from operating activities	-34.4	459.1	493.5
- Ordinary profit before taxes	-19.7	163.9	183.6
- Depreciation/Retirement allowance	81.5	111.8	30.3
- Others	-96.2	183.4	279.6
Cash flow from investing activities	-384.0	-361.9	22.1
- Tangible assets	-334.8	-334.2	0.6
- Others	-49.2	-27.7	21.5
Cash flow from financing activities	419.1	-97.2	-516.3
- Borrowings	435.4	-78.8	-514.2
- Treasury stock/Dividends	-17.3	-18.4	-1.1
- Others	1.0	-	-1.0
Net Cash Flow	0.7	-	-0.7

Production Capacity

● Production Capacity

	Product	Capa.	Unit	비 고
Synthetic Rubbers	SBR	371,000	MT/Y	Completion of Construction : 110,000MT/Y(Ulsan), April 2009
	HBR	167,000		Completion of Construction : 120,000MT/Y(Yeosu), June 2010
	LBR	55,000		
	NBR	50,000		
	HSR	10,000		
	SB Latex	70,000		
	SBS	70,000		
	Total	793,000		
Synthetic Resins	PS	227,500	MT/Y	
	ABS	250,000		
	EPS	73,800		
	PPG	52,000		
	Total	603,300		
Specialty Chemicals	Antioxidants	79,300	MT/Y	
Combined Heat & Power Plant	Steam	630	T/H	Completion of Construction : Steam 500T/H & Electricity 119MWH, April 2009
	Electricity	67	MWH	
BD	Ulsan Plant	90,000	MT/Y	
	Yeosu Plant	147,000		
	계	237,000		

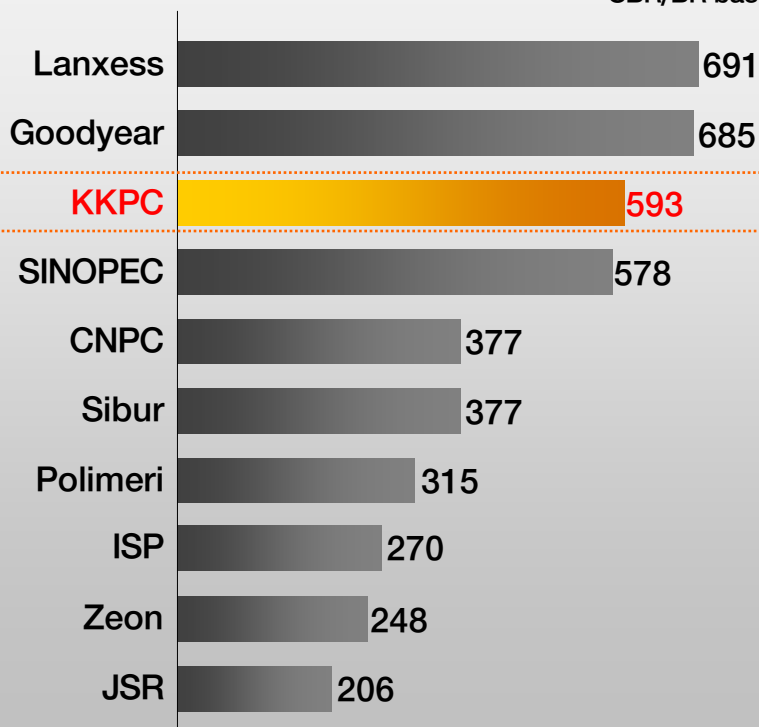
Market Position

Synthetic Rubbers

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

Production Capa. (Dec. 2008)

Unit:1,000 Tons
SBR/BR based



Market Position

Unit:1,000 Tons
SBR/BR based

Rank	Company	Dec. '08	Apr. '09
1	KKPC	593	703
2	Lanxess	691	691
3	Goodyear	685	685
4	SINOPEC	578	658
5	CNPC	377	377
5	Sibur	377	377
7	Polimeri	315	315
8	ISP	270	270
9	Zeon	248	248
10	JSR	206	206

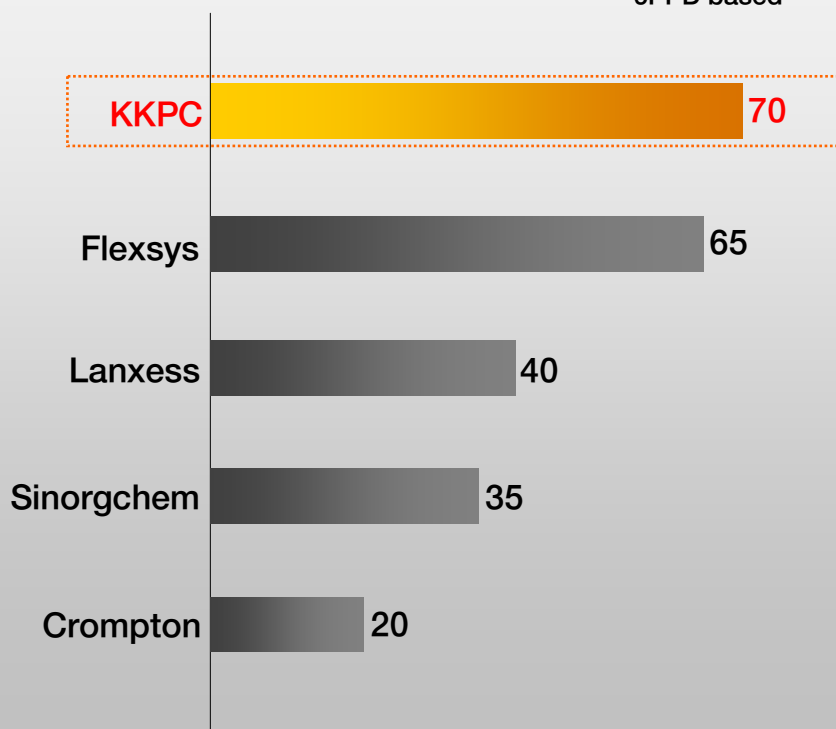
Market Position

Specialty Chemicals

- World's 1st largest maker of Specialty Chemicals.
- Strengthening competitiveness through vertical integration of Tire, Synthetic Rubber and Specialty Chemicals Businesses.

Production Capa. (Dec. 2008)

Unit:1,000 Tons
6PPD based



Market Position

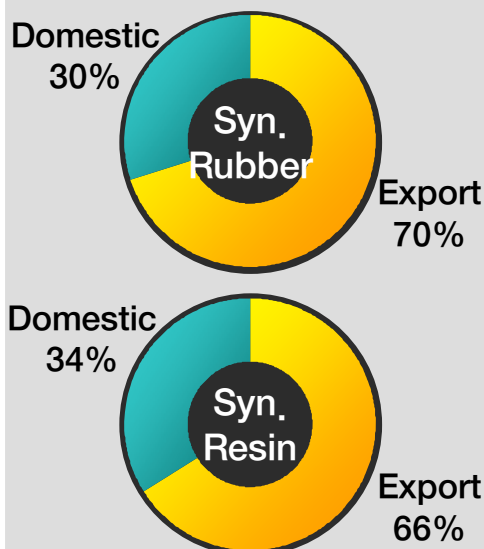
Unit:1,000 Tons
6PPD based

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

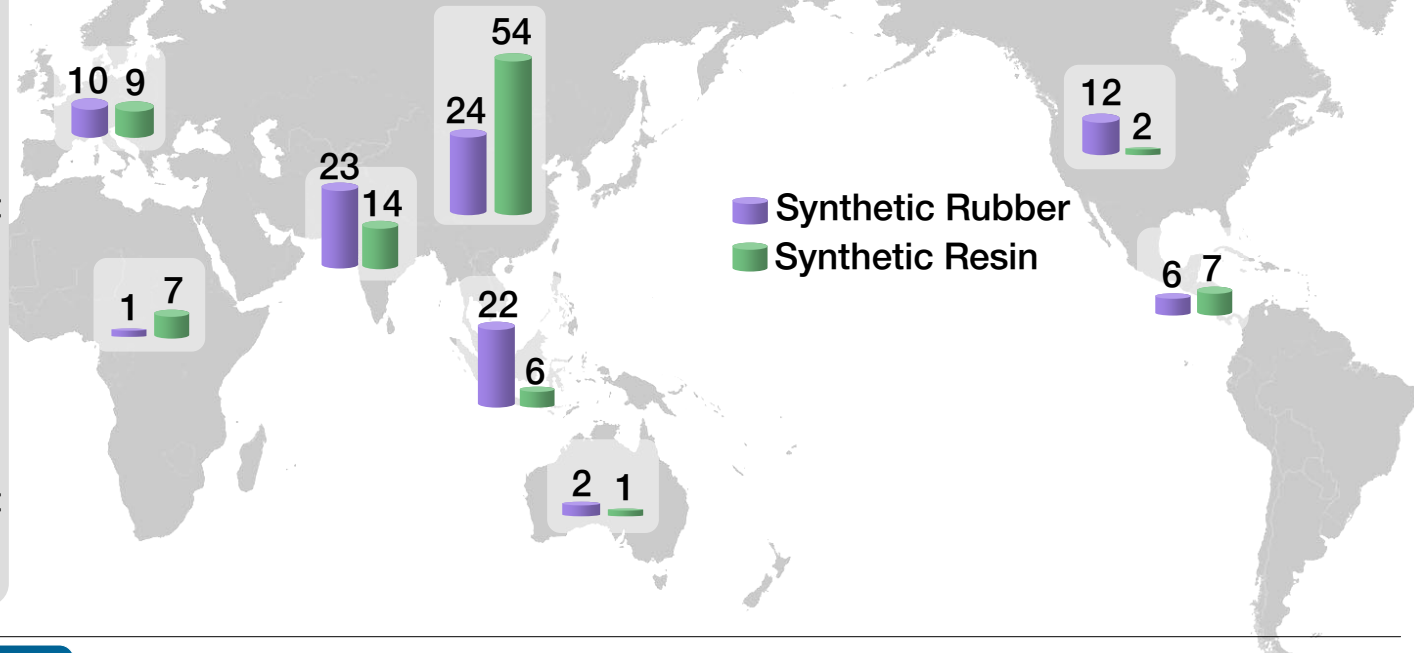
Sales Status

Sales by Region and Application

2008 Sales Breakdown



Export Share by Region



Sales Share by Application

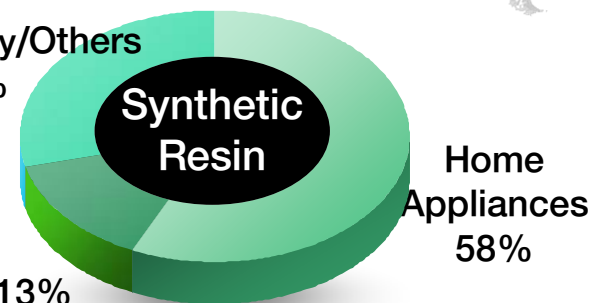
Shoes and
other items
36%

Latex 11%



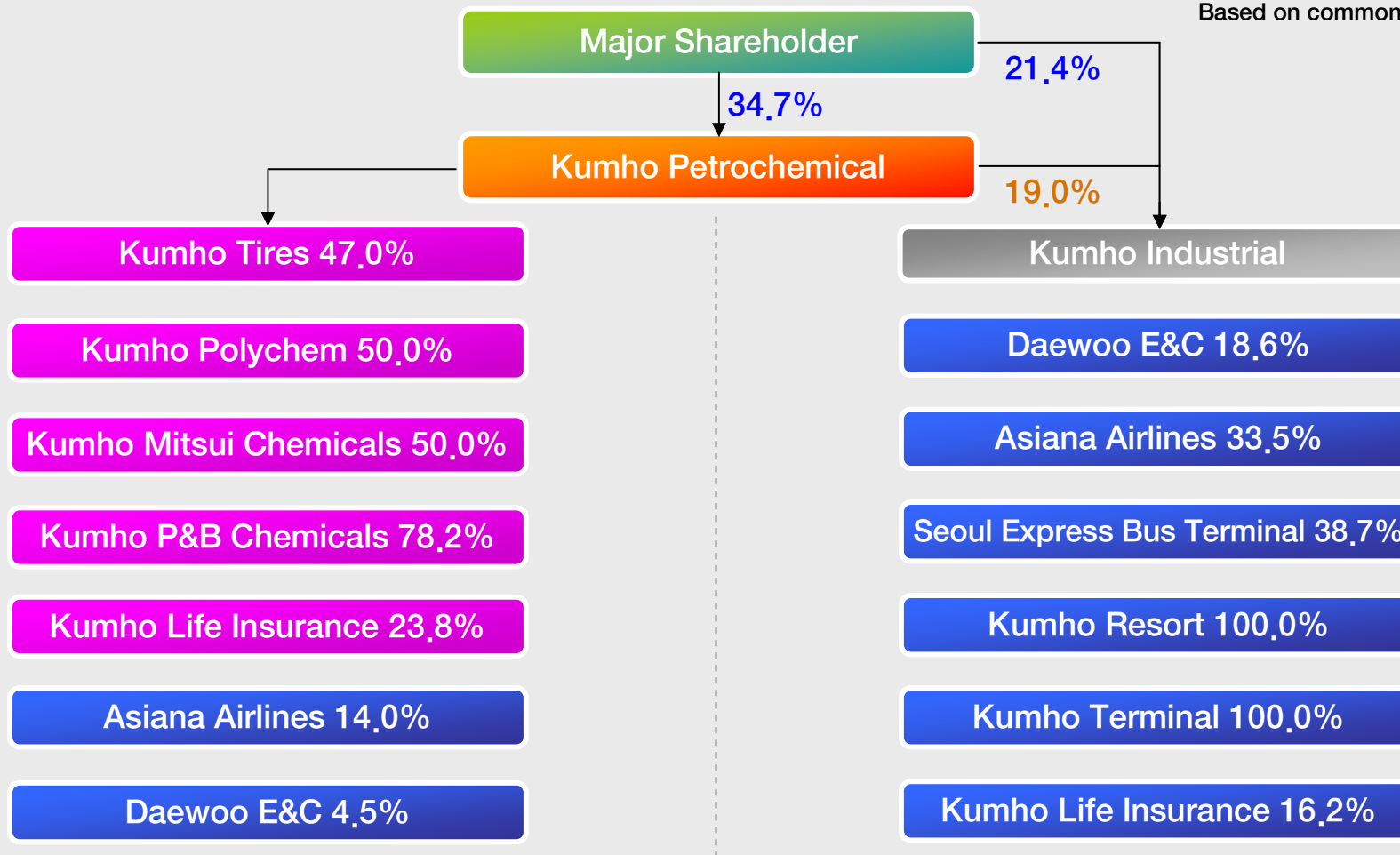
Dairy industry/Others
29%

Car/Sheet 13%



Ownership Structure

※ As of 31 March, 2009,
Based on common shares



Q & A