

**Solution***Partner*

**LG Chem, Ltd.**

May 2007



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# I. General overview

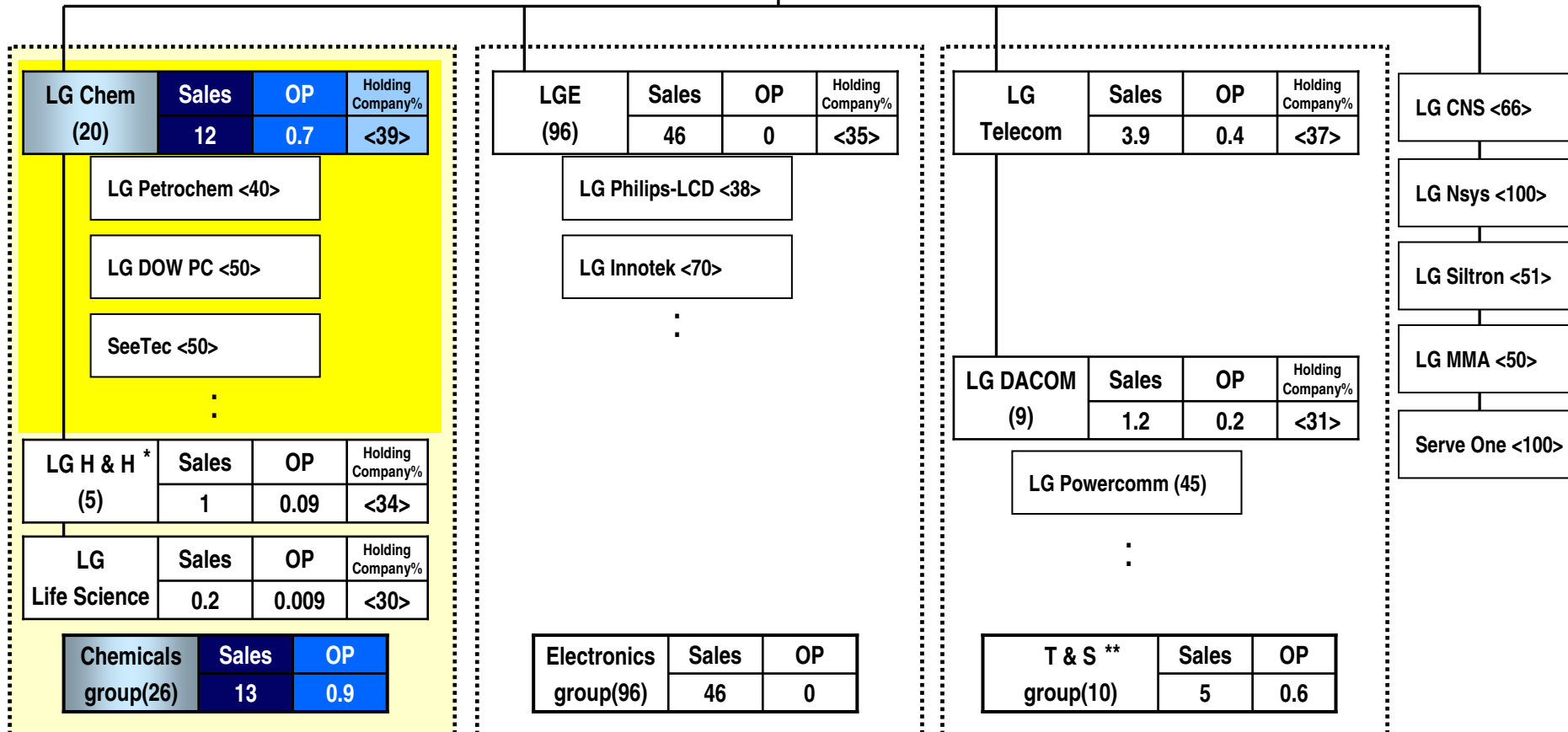
## LG group hierarchy

As of 12/31/2006 (Consolidated)

( ) : The numbers of subsidiaries

(KRW tn, %)

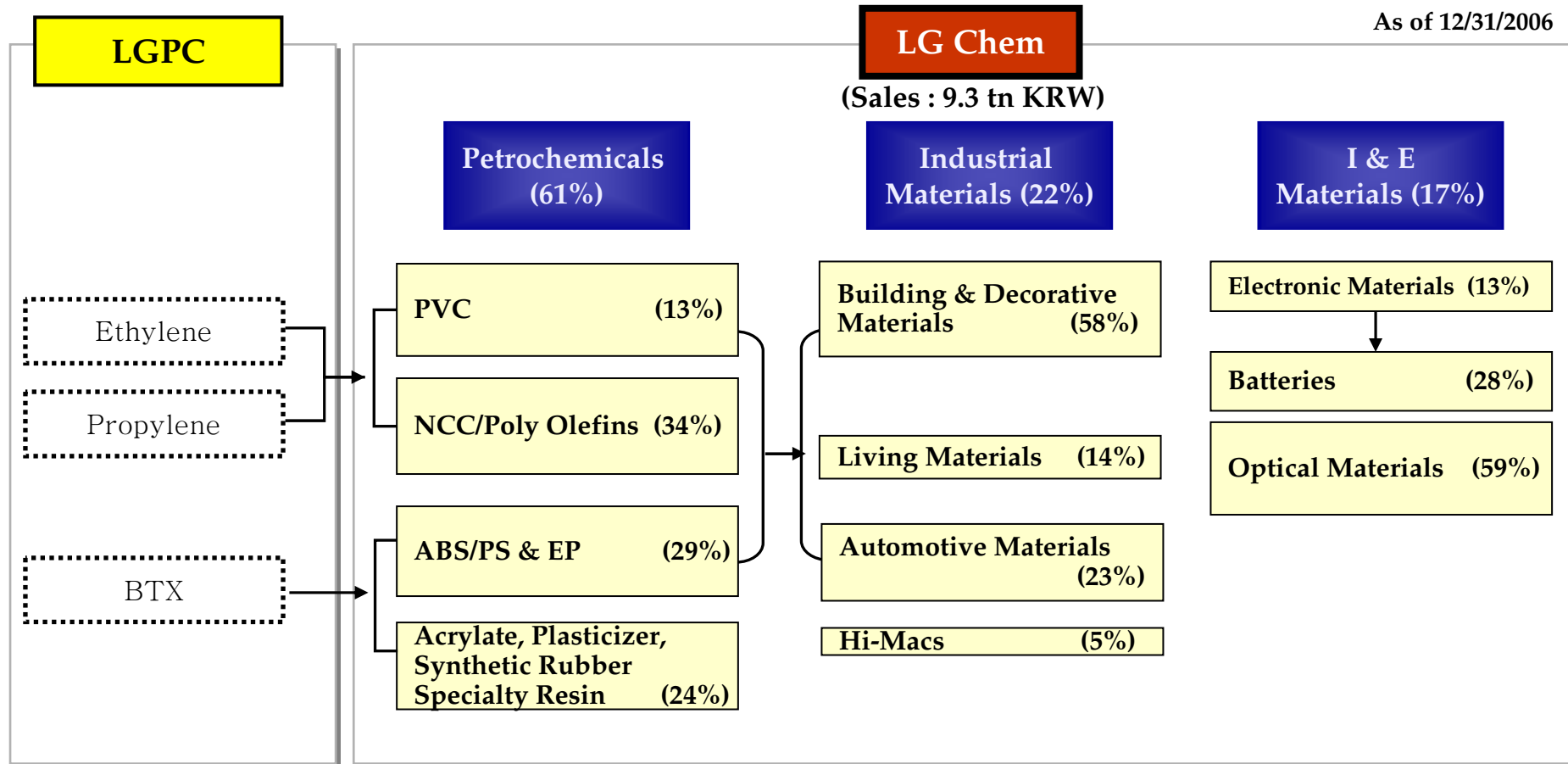
LG corp. (137)	Sales	OP
	64	1.5



\* Household and Healthcare

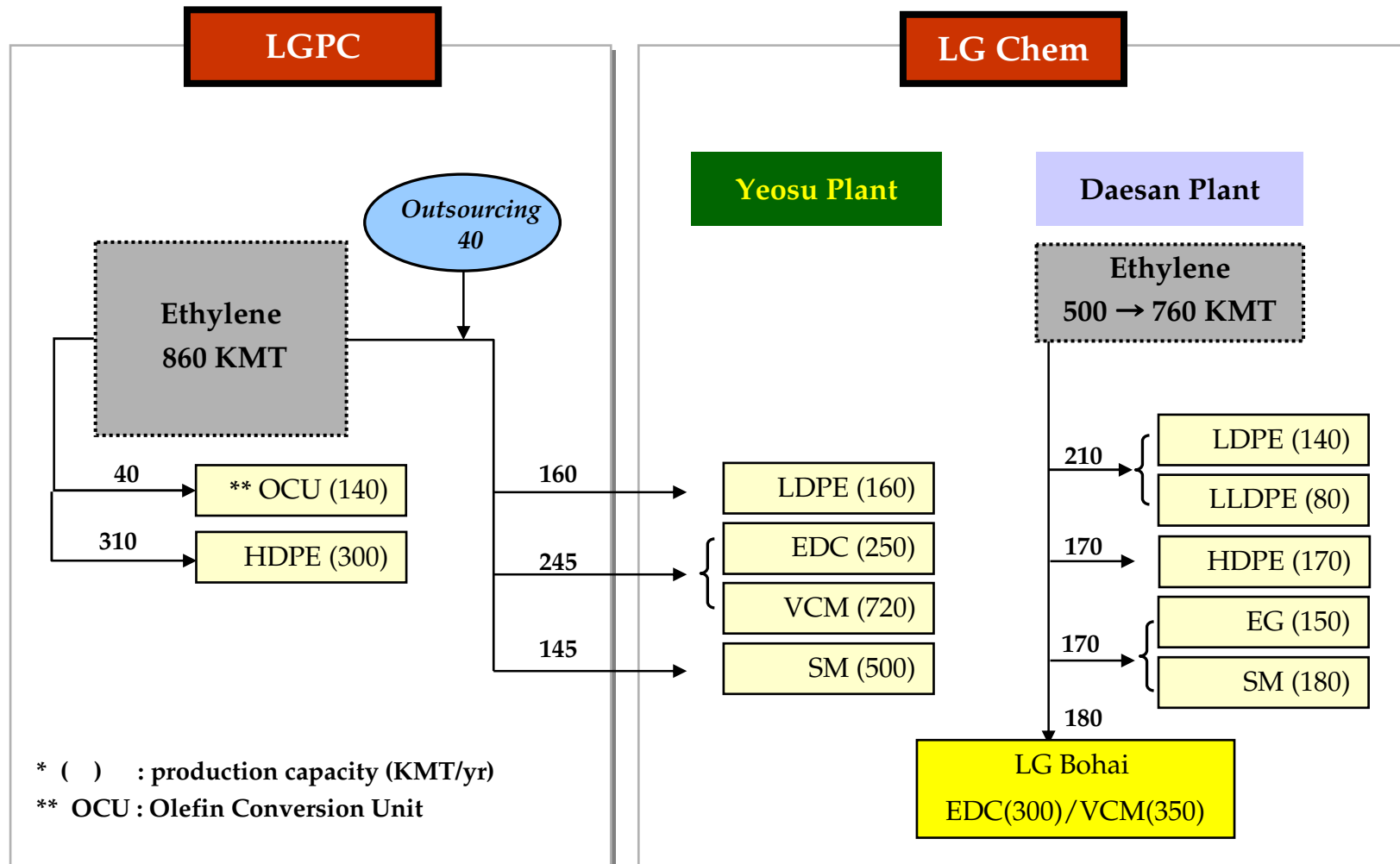
\*\* Telecommunications and Services

As of 12/31/2006



- ◆ Petrochemicals : PVC, Plasticizer, ABS/PS, Acrylate, PO, EP, Specialty resin, NCC, Synthetic rubbers
- ◆ Industrial materials : Housing solutions (PVC window frame, Floorings), Living solutions, Automotive solutions, HI-MACS
- ◆ I & E materials : Rechargeable batteries, Optical materials (Polarizer film for TFT-LCD, PDP filter), Electronic materials (Color filter photo resist)

# Vertical Integration (Ethylene)



Forecasted ethylene balance in 2008

## II. Financial highlights

*Non-consolidated*

### Income statement

(Unit : KRW bn)	'05	'06	'07 1Q
<b>Sales</b>	7,425	9,302	2,381
<b>Operating Profit</b>	422	334	127
(%)	(5.7)	(3.6)	(5.3)
<b>Recurring Profit</b>	468	395	156
(%)	(6.3)	(4.2)	(6.5)
Equity-method Gains	210	106	47
<b>Net Income</b>	400	319	109

### Balance sheet

(Unit : KRW bn)	'05	'06	'07 1Q
<b>Assets</b>	5,593	5,807	5,932
(Cash and equivalents)	189	116	195
<b>Liabilities</b>	3,155	3,189	3,262
(Borrowings)	1,865	1,586	1,558
<b>Shareholder's Equity</b>	2,439	2,617	2,671
<b>Total Liabilities / Equity (%)</b>	129	122	122
<b>Net Debt / Equity (%)</b>	77	61	58
<b>ROE (%)</b>	17	13	17
<b>EBITDA</b>	794	866	255.5
<b>CAPEX</b>	502	591	672

## Income statement

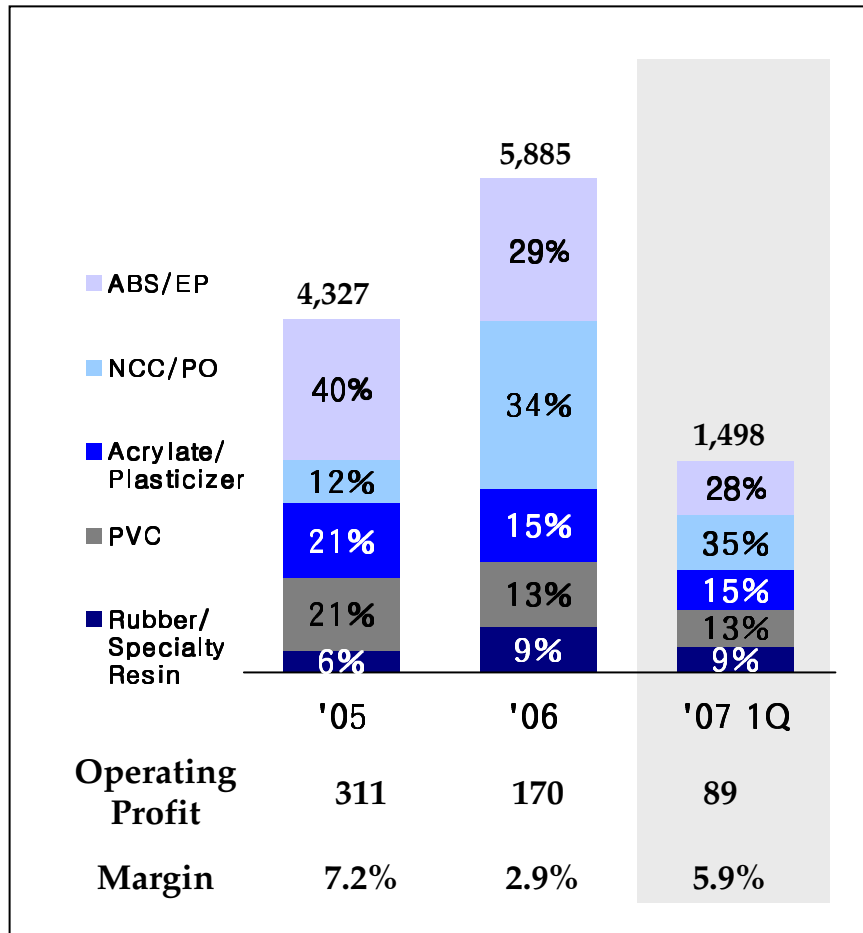
(Unit : KRW bn)	'05	'06	'07 1Q
<b>Sales</b>	10,785	11,632	3,041
<b>Operating Profit</b>	841	676	258
(%)	(7.8)	(5.8)	(8.5)
<b>Recurring Profit</b>	718	636	239
(%)	(6.7)	(5.5)	(7.8)
Equity-method Gains	-5	-9	3.1
<b>Net Income</b>	402	329	109

## Balance sheet

(Unit : KRW bn)	'05	'06	'07 1Q
<b>Assets</b>	7,291	7,640	7,841
(Cash and equivalents)	608	392	509
<b>Liabilities</b>	4,221	4,351	4,479
(Borrowings)	2,615	2,389	2,384
<b>Shareholder's Equity</b>	3,070	3,289	3,362
<b>Total Liabilities / Equity (%)</b>	138	132	133
<b>Net Debt / Equity (%)</b>	85	73	71
<b>ROE (%)</b>	19	15	19

## Business results

(Unit : KRW bn)



## Analysis

### • Analysis ('07 1Q)

- NCC/ PO maintained solid performance despite the shutdown of Deasan NCC for revamping
- Thanks to seasonal (March) demand and price increase, PVC showed notable improvement
  - PVC : US\$ 831('06) → 854('07 1Q) → 905(April W4)
- Due to tight supply strong margin continued in Oxo-alcohols

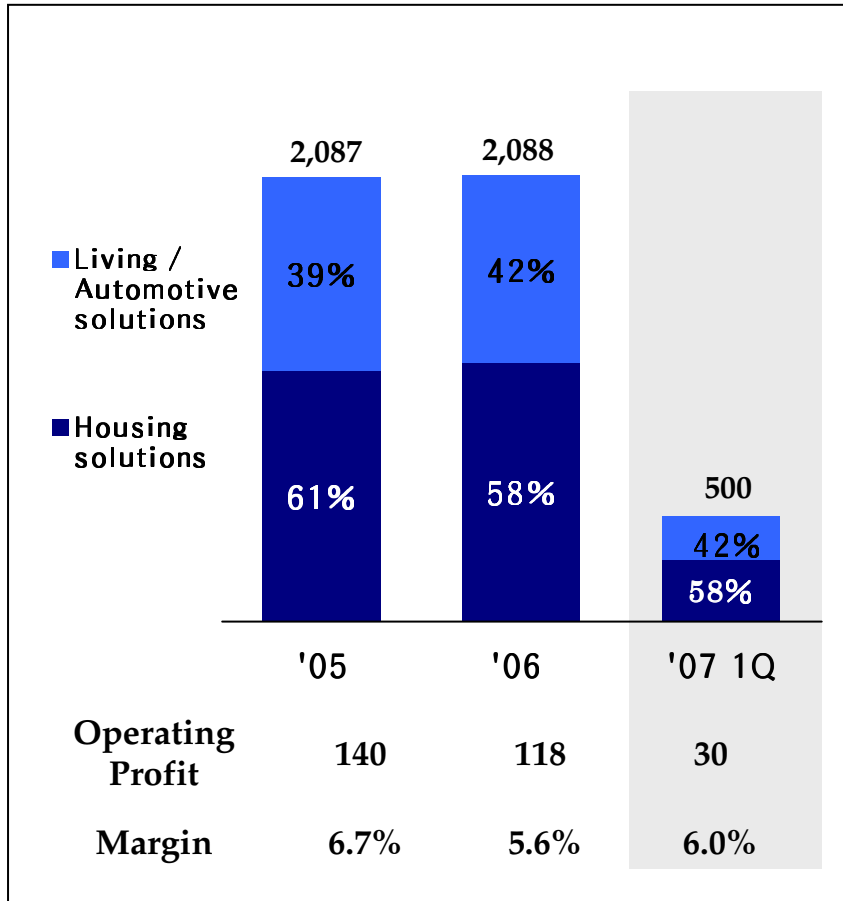
### • Outlook

- Expecting positive impact from NCC revamping
- The decline in feedstock price and strong seasonal demand(2~3Q) will lead to margin improvement for downstream products
- Continuous shortage of Oxo-Alcohol supply (Octanol, Butanol)



Business results

(Unit : KRW bn)



Analysis

• Analysis ('07 1Q)

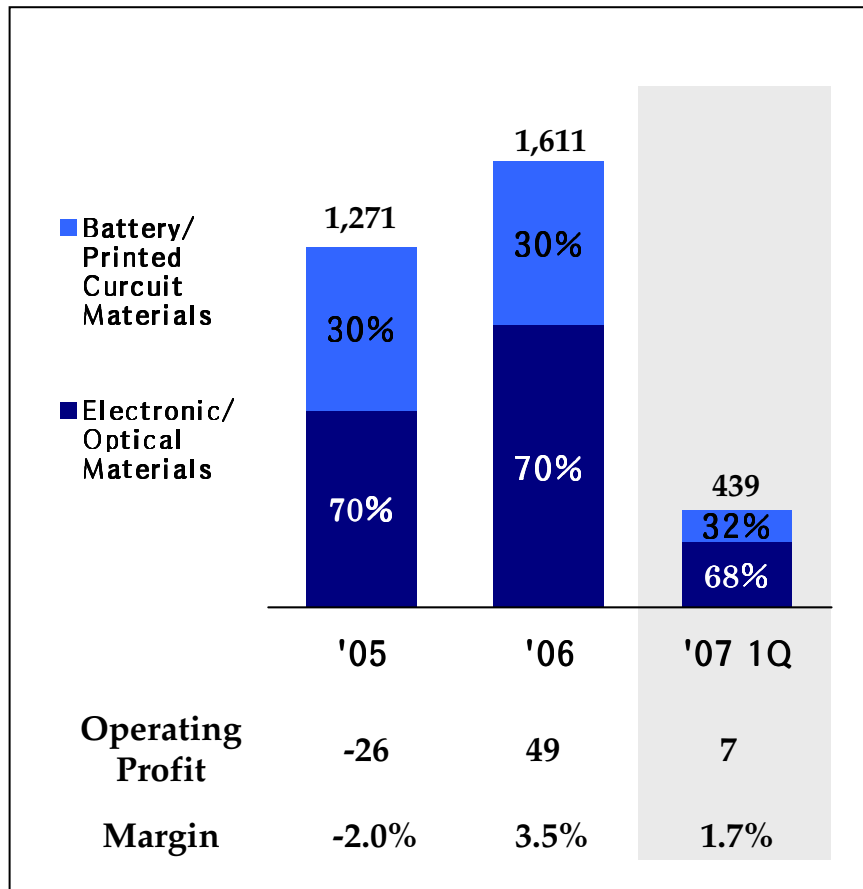
- ▣ Sales of Housing Solutions declined due to seasonal weakness however, margin improved by the cost reduction activities (marketing costs etc)
- ▣ Weak sales growth in AMS due to sluggish auto industry

• Outlook

- ▣ Expecting improvement in sales and margin for Housing Solutions with high seasonal demand(2~3Q) and increasing volume of Russian market
- ▣ Improvement of sales in Living Solutions due to growth in overseas markets (China, North America) and seasonal demand

**Business results**

(Unit : KRW bn)



**Analysis**

• **Analysis ('07 1Q)**

- Cylindrical : Full utilization due to sales improvement  
Prismatic : Continuing weak sales growth
- Polarizer : Margin declined due to ASP pressure and yen depreciation  
PDP Filter : Sales declined due to weak demand of PDP TV

• **Outlook**

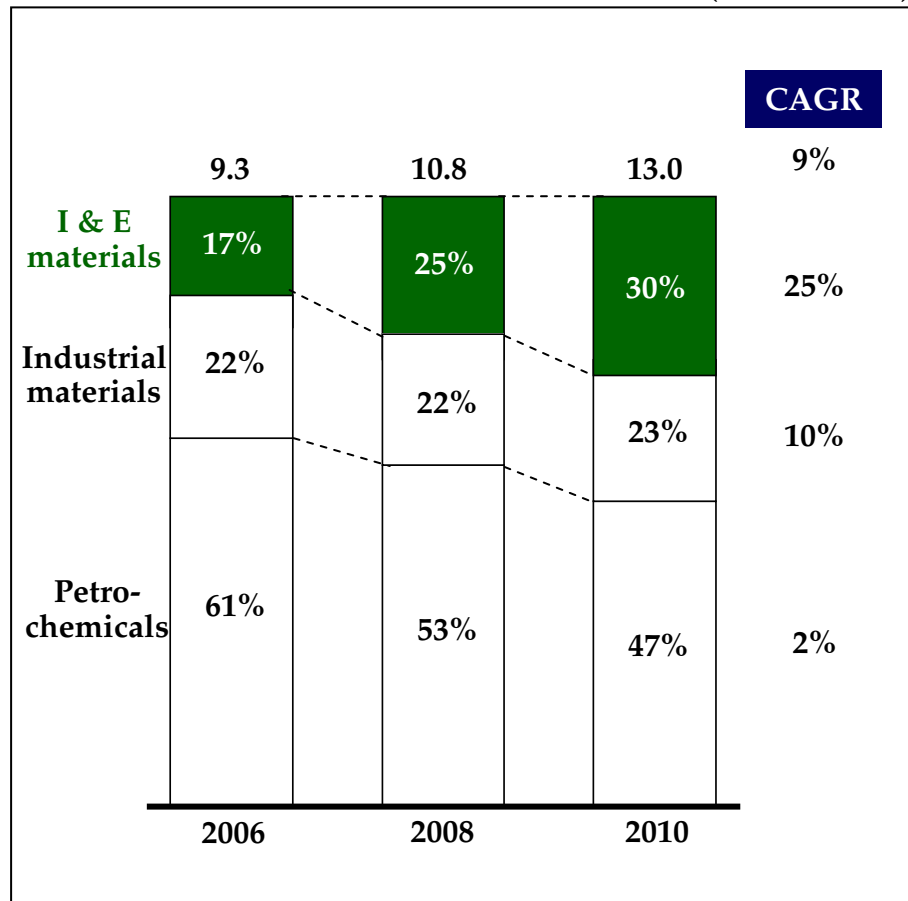
- Battery: Continuous improvement
  - Cylindrical/Polymer : Improvement in sales by improving productivity
  - Prismatic : focus on developing new customers
  - Reducing Cost:
    1. Adapt specialty cathode (low usage of cobalt)
    2. Reduce raw material cost (anode and electrolyte)
- Polarizer: Expecting gradual rebound
  - Increase sales of TV type in Taiwan market
  - Expecting LCD market rebound

## Basic strategies

- Petrochem**
  - Maximizing cash flow from the current business
- Industrial Materials**
  - Shifting high-functional product-mix
  - Clarifying long-term business model
- Battery**
  - Normalizing the business
  - For longer-term, enhancing competitiveness by internalizing raw materials and promoting mid-large sized batteries
- I&E Materials**
  - Actively developing new business for the future growth

## Long-term target

(Unit: KRW tn)



# Business performance (Divisional)

## Appendix

(Unit : KRW bn)

	2005					2006					2007				
	1Q	2Q	3Q	4Q	SUM	1Q	2Q	3Q	4Q	SUM	1Q	2Q	3Q	4Q	SUM
<b>Sales</b>	1,868.9	1,795.7	1,849.8	1,910.7	7,425.1	2,129.1	2,272.5	2,482.5	2,418.2	9,302.3	2,380.7				2,380.7
<b>Operating Profit</b>	141.4	85.6	92.1	102.6	421.7	65.6	48.1	107.1	112.3	333.9	126.9				126.9
<b>Petrochemicals</b>	1,160.7	1,050.5	1,069.5	1,046.5	4,327.2	1,364.8	1,429.6	1,582.2	1,508.2	5,884.8	1,498.3				1,498.3
NCC/PO	148.1	130.6	133.6	133.0	545.2	498.4	495.8	567.7	561.0	2,122.9	483.5				483.5
Synthetic Rubber/ Specialty Resin	70.5	74.7	71.6	64.2	281.0	132.6	149.1	142.2	146.1	570.0	153.2				153.2
PVC	249.4	208.0	219.2	227.3	903.9	187.5	197.7	231.2	210.4	826.8	206.3				206.3
ABS/EP	469.6	426.0	446.8	431.1	1,773.4	440.0	436.9	453.6	454.5	1,785.0	495.1				495.1
Acrylate/Plasticizer	256.6	243.7	229.3	220.3	949.8	206.9	216.0	248.6	238.5	910.0	267.4				267.4
<b>Operating Profit</b>	<b>116.4</b>	<b>69.0</b>	<b>73.7</b>	<b>51.9</b>	<b>311.0</b>	<b>27.5</b>	<b>△5.5</b>	<b>62.9</b>	<b>85.1</b>	<b>170.0</b>	<b>89.0</b>				<b>89.0</b>
<b>Industrial Materials</b>	495.0	535.5	518.3	537.7	2,086.5	476.0	543.3	521.6	546.9	2,087.8	499.8				499.8
Building/Decorative	293.8	332.7	327.4	314.2	1,268.0	253.7	314.1	323.3	321.4	1,212.5	291.5				291.5
Living/Automotive	227.9	237.8	220.9	248.8	935.3	224.1	231.7	200.4	227.2	883.4	209.8				209.8
<b>Operating Profit</b>	<b>27.5</b>	<b>36.3</b>	<b>39.3</b>	<b>36.9</b>	<b>140.0</b>	<b>27.4</b>	<b>41.9</b>	<b>24.5</b>	<b>24.0</b>	<b>1,17.9</b>	<b>30.1</b>				<b>30.1</b>
<b>I &amp; E Materials</b>	282.1	277.0	319.9	392.4	1,271.3	361.2	370.4	448.5	430.6	1,610.7	439.0				439.0
Battery/PCM	90.0	69.6	86.3	132.7	378.6	108.6	120.8	142.6	135.7	506.3	143.8				143.8
Optical/Electronic	192.0	207.8	234.4	261.8	896.0	254.8	253.3	309.5	298.2	1,197.1	299.6				299.6
<b>Operating Profit</b>	<b>△1.4</b>	<b>△19.1</b>	<b>△20.5</b>	<b>15.2</b>	<b>△25.8</b>	<b>10.5</b>	<b>13.1</b>	<b>18.9</b>	<b>6.1</b>	<b>48.7</b>	<b>7.3</b>				<b>7.3</b>

\* Difference between total of all business divisions and total of each business unit indicates inter-company business sales.

**LGPC**

(Unit : KRW bn)	'05	'06	'07 1Q
Sales	1,989	2,195	603
Operating Profit (%)	242 (12.1)	259 (11.8)	126 (21.0)
Net Income	193	191	95
Sales	1,305	1,533	404
Operating profit (%)	37 (2.8)	65 (4.2)	18 (2.3)
Net Income	27	42	5

**Overseas\***

(Unit : KRW bn)	'05	'06	'07 1Q
Assets	1,040	1,139	1,210
Liabilities	226	283	310
Equity	814	855	899
Asset	908	1,255	1,265
Liabilities	525	806	794
Equity	383	449	472

\* Figures is the sum of overseas manufacturing subsidiaries'

(Unit : KRW bn)

구분		'05 Results	'06 Results	'07 1Q	'07 Plan
Petrochemicals	New/Expansion	23.7	118.2	74.0	180.6
	Maintenance	69.1	83.6	14.7	59.8
	Equity Investment	41.2	39.0	-	7.5
	<b>Total</b>	<b>134.0</b>	<b>240.8</b>	<b>88.8</b>	<b>247.9</b>
Industrial Materials	New/Expansion	17.1	14.5	1.6	44.9
	Maintenance	49.1	56.4	12.4	53.1
	Equity Investment	3.5	9.9	-	9.7
	<b>Total</b>	<b>69.6</b>	<b>80.8</b>	<b>14.0</b>	<b>107.7</b>
I & E Materials	New/Expansion	147.4	121.9	8.1	150.2
	Maintenance	39.0	37.6	6.6	33.2
	Equity Investment	20.5	8.2	-	8.5
	<b>Total</b>	<b>206.9</b>	<b>167.8</b>	<b>14.7</b>	<b>191.9</b>
Common Expenses	New/Expansion	-	-	-	7.5
	Maintenance	88.0	87.1	25.6	116.5
	Equity Investment	3.2	14.0	-	-
	<b>Total</b>	<b>91.3</b>	<b>1,011</b>	<b>25.6</b>	<b>124.0</b>
Total	New/Expansion	188.2	254.6	83.8	383.2
	Maintenance	245.2	264.7	59.3	262.6
	Equity Investment	68.5	71.2	-	25.7
	<b>Total</b>	<b>501.8</b>	<b>590.5</b>	<b>143.0</b>	<b>671.5</b>

### Borrowings

(Unit : KRW bn)

	Balance			'07 (E)
	'06	'07 1Q	Changes	
<b>Total</b>	<b>1,585.3</b> (100%)	<b>1,557.6</b> (100%)	<b>-27.7</b>	<b>1,578.5</b> (100%)
<b>KRW Currency</b>	<b>1,269.2</b> (80%)	<b>1,143.9</b> (73%)	<b>-125.3</b>	<b>1,206.5</b> (78%)
C P	25.0	-	-25.0	-
C B	1,080.0	980.0	-100.0	1,080.0
Others	164.2	163.9	-0.3	126.5
<b>Foreign Currency</b>	<b>316.1</b> (20%)	<b>413.7</b> (27%)	<b>97.6</b>	<b>372.0</b> (23%)
FRN	213.9	310.3	96.4	269.7
Others	102.2	103.4	1.2	102.3
<b>Short-term</b>	<b>465.9</b> (29%)	<b>539.5</b> (35%)	<b>73.6</b>	<b>386.2</b> (24%)
<b>Long-term</b>	<b>1,119.4</b> (71%)	<b>1,018.1</b> (65%)	<b>-101.3</b>	<b>1,212.3</b> (76%)

☞ The % is calculated to total borrowings  
Discounts of bond is not included

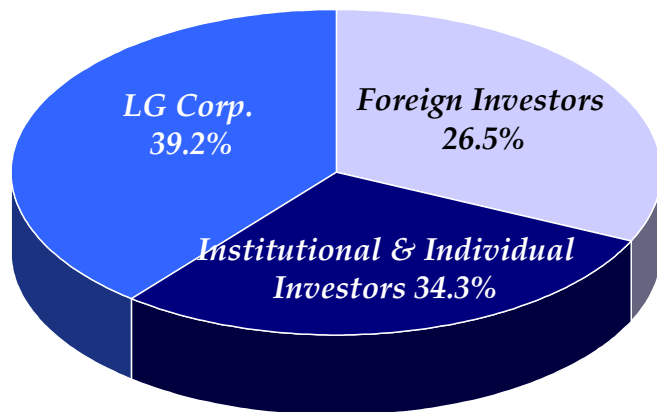
### Cash Flow

(Unit : KRW bn)

	'06	'07 1Q
<b>Beginning</b>	<b>317.0</b>	<b>115.8</b>
<b>Operating/Investing</b>	<b>115.8</b>	<b>106.4</b>
Net Income	318.8	109.2
Depreciation	502.2	121.6
Working Capital Changes	-178.5	11.1
CAPEX	-590.5	-143.0
Others	63.9	7.5
<b>Financing</b>	<b>-370.9</b>	<b>-27.7</b>
Borrowings Changes	-279.9	-27.7
Dividend	-91.0	-
<b>End</b>	<b>115.8</b>	<b>194.5</b>

\* Beginning of '06 includes LG Daesan's cash balance (KRW 185 bn) as a result of merger

## Shareholders & Market Cap



Common Stock as of April 30, 2006

(Unit : KRW)

	No. of Shares	April 30, '07	
		Price	Market Cap
Common	64,425,064	54,500	3.5 tn
Preferred	8,661,251	26,250	0.2 tn
<b>Total</b>	<b>73,086,315</b>		<b>3.7 tn</b>

Par value : KRW 5,000

## GDR Info.

Listed in LSE  
144A GDR  
Reg.S GDR

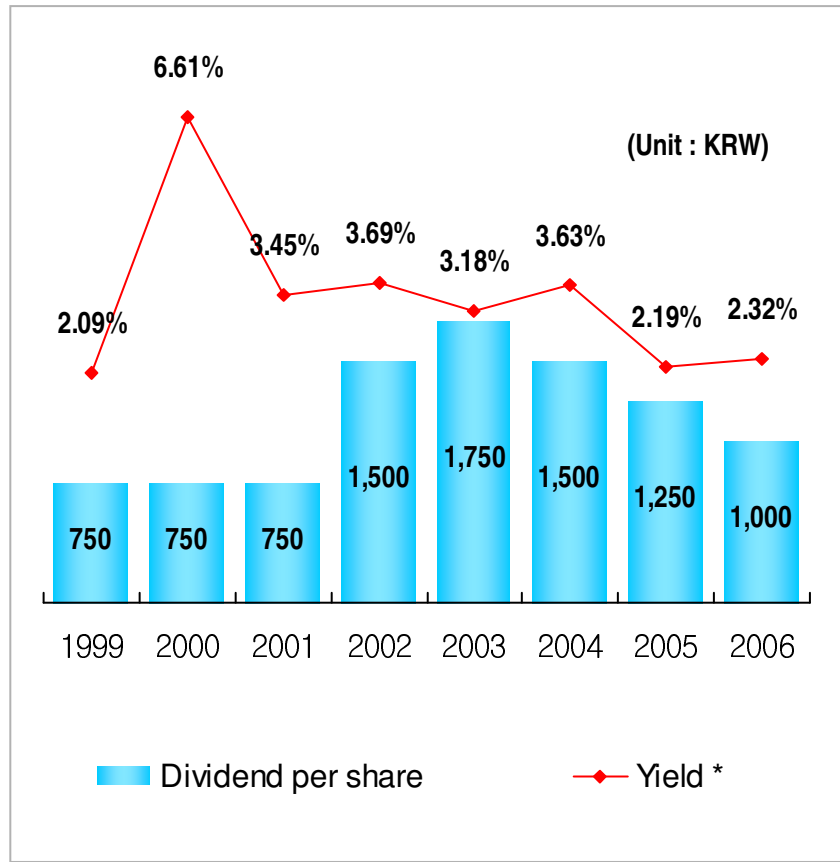
ORD:GDR Ratio: 1:2  
Exchange: PORTAL  
Ticker: LGCLY US  
ISIN: US5019551085

Exchange: London Stock Exchange  
Ticker: LGCD LI  
ISIN: US5019551085

\* The exchange, ticker and ISIN info will not change and remain the same as long as there are no change on the listing status.



## Dividend History



## Dividend Policy

Expected Dividend =  
Approximately 30% × Adjusted Net-income \*

+

*a*

\* Adjusted Net-income =

+	Net-income
+	Dividend revenues
-	Equity-method gains
-	Legal reserves

\* Yield was calculated based on the year-end price of common stock

# Production capacity by product

## Appendix

(Unit : KMT/Yr)

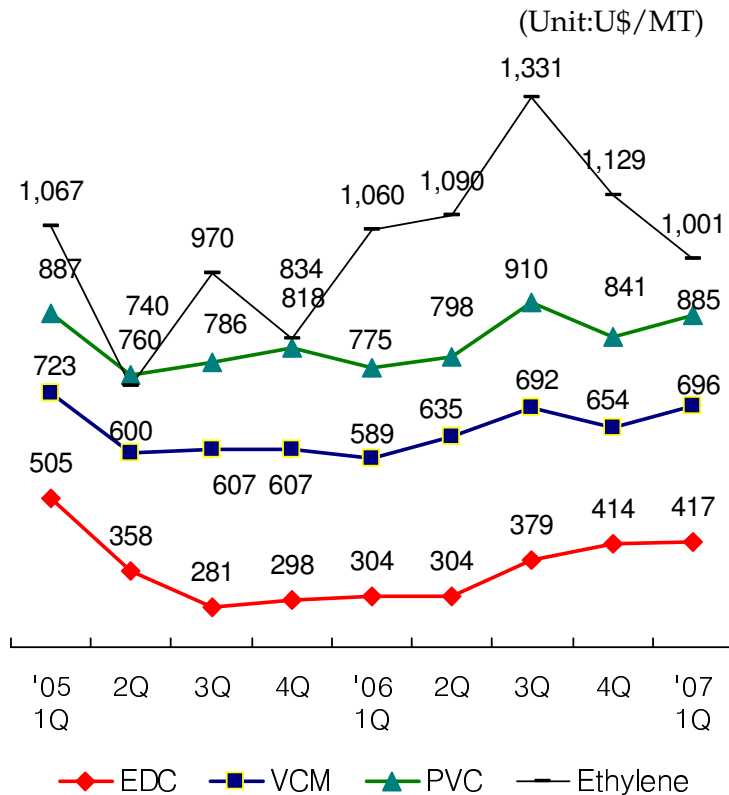
Item	Region	'04	'05	'08	'10
PVC	Yeosu	560	560	550	550
	Daesan	200	200	200	200
	China	350	350	360	400
	<b>Total</b>	<b>1,110</b>	<b>1,110</b>	<b>1,110</b>	<b>1,150</b>
VCM	Yeosu	720	720	720	720
	Daesan	180	180	180	180
	China	0	0	360	400
	<b>Total</b>	<b>900</b>	<b>900</b>	<b>1,260</b>	<b>1,300</b>
EDC <sup>1)</sup>	Yeosu	250	260	260	260
	China	0	0	320	360
	<b>Total</b>	<b>250</b>	<b>260</b>	<b>580</b>	<b>620</b>
NaOH <sup>2)</sup>	Yeosu	200	200	200	200
	China	0	0	260	260
	<b>Total</b>	<b>200</b>	<b>200</b>	<b>460</b>	<b>460</b>
LDPE	Yeosu	156	156	156	156
	Daesan	135	135	138	138
LLDPE	Daesan	80	80	80	80
HDPE	Yeosu	300	300	330	330
	Daesan	140	140	162	162
PP	Daesan	250	250	300	550

1) Direct Chlorination Only

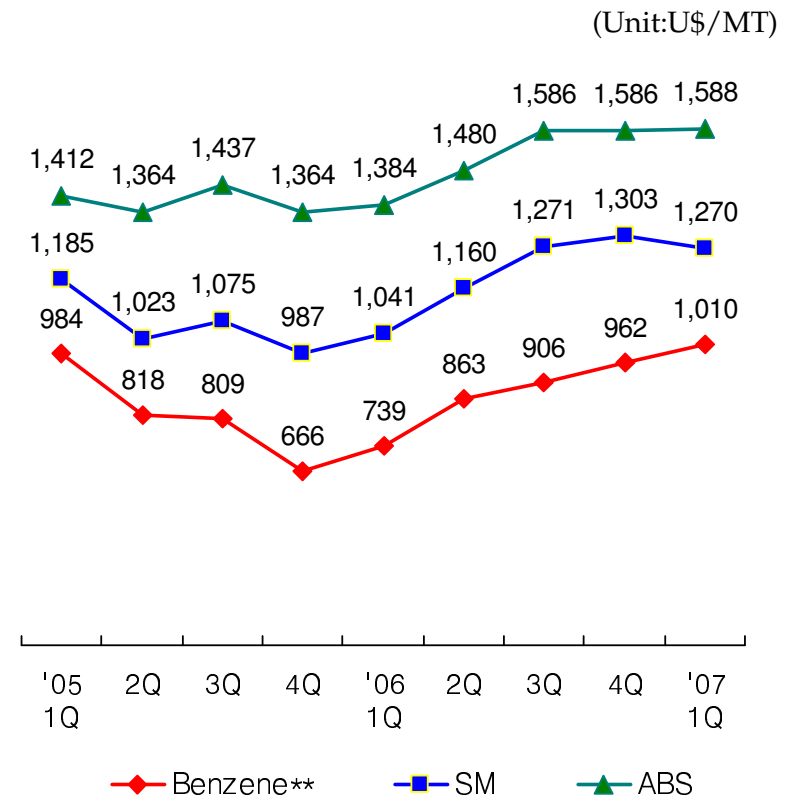
2) Dry basis

Item	Region	'04	'05	'08	'10
ABS	Yeosu	550	550	550	550
	Ningbo	300	300	450	450
	India	0	0	0	80
	<b>Total</b>	<b>850</b>	<b>850</b>	<b>1,000</b>	<b>1,080</b>
PS	Yeosu	210	210	140	140
	India	80	80	80	80
	<b>Total</b>	<b>290</b>	<b>290</b>	<b>220</b>	<b>220</b>
EPS	Yeosu	84	84	84	84
	India	16	16	16	16
SM	Yeosu	500	500	500	500
	Daesan	150	150	170	170
	<b>Total</b>	<b>650</b>	<b>650</b>	<b>670</b>	<b>670</b>
Acrylic Acid	Korea	160	160	160	240
	Overseas	0	0	0	0
	<b>Total</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>240</b>
Oxo-A	Korea	295	295	315	315
Rubber	Korea	116	140	230	230

### Vinyls



### Styrenics



• The prices are average price of CFR FE Asia for general grade in each product group.

\*\* Average of FOB Korea price

	Name	Career	Remark
Chairman	Kang, Yu-Sig	B.A. (Business Administration), Seoul National Univ. Vice Chairman of LG Executive Office for Corporate Restructuring <b>*Vice Chairman &amp; President of LG Corp.</b>	During his tenure
CEO	Kim, Bahn-Suk	B.Eng. (Chemical Engineering), Seoul National Univ. CEO of LG Petrochemical, CEO of LG Daesan Petrochemical <b>*President &amp; CEO of LG Chem</b>	During his tenure
CFO	Cho, Suk-Jeh	B.A. (Business Administration), Busan National Univ. Executive Vice President, CFO of LG Corp. <b>*Executive Vice President &amp; CFO of LG Chem</b>	Re-elected
Independent Director	Oh, Ho-Soo	B.A. (Law), Yonsei Univ. Chairman of the Korea Securities Dealers Association <b>*Chairman of Investus Global Corp.</b>	Re-elected
Independent Director	Lee, Young-Moo	Ph.D. (Polymer Engineering), Univ. of North Carolina Senior researcher of 3M <b>*Professor, Division of Applied Chemical Engineering &amp; Bio Engineering, Han yang Univ.</b>	Re-elected
Independent Director	Kim, Kon-Sik	Ph.D. (Corporate law), Univ. of Washington Independent director of SK Telecom <b>*Professor of Law, Seoul National Univ.</b>	Re-elected
Independent Director	Ahn, Sang-Hyung	Ph.D. (Industrial Administration), Carnegie Mellon Univ. Independent director of LG Petrochemical <b>*Dean, College of Business Administration, Seoul National Univ.</b>	During his tenure
Independent Director	Park, Il-Jin	B.S. (Chemistry), Korea Univ. Former CEO of Dow Chemical Korea, Ltd. Former Director of LG Dow Polycarbonate, Ltd.	Newly Elected