

**Solution***Partner*

# 1Q 2008 Business Results & Outlook

June 2008



**The business results for the 1st quarter of 2008 currently under audit review are presented here for investors' convenience. Hence, please be advised that some of their contents may be altered in the course of audit.**

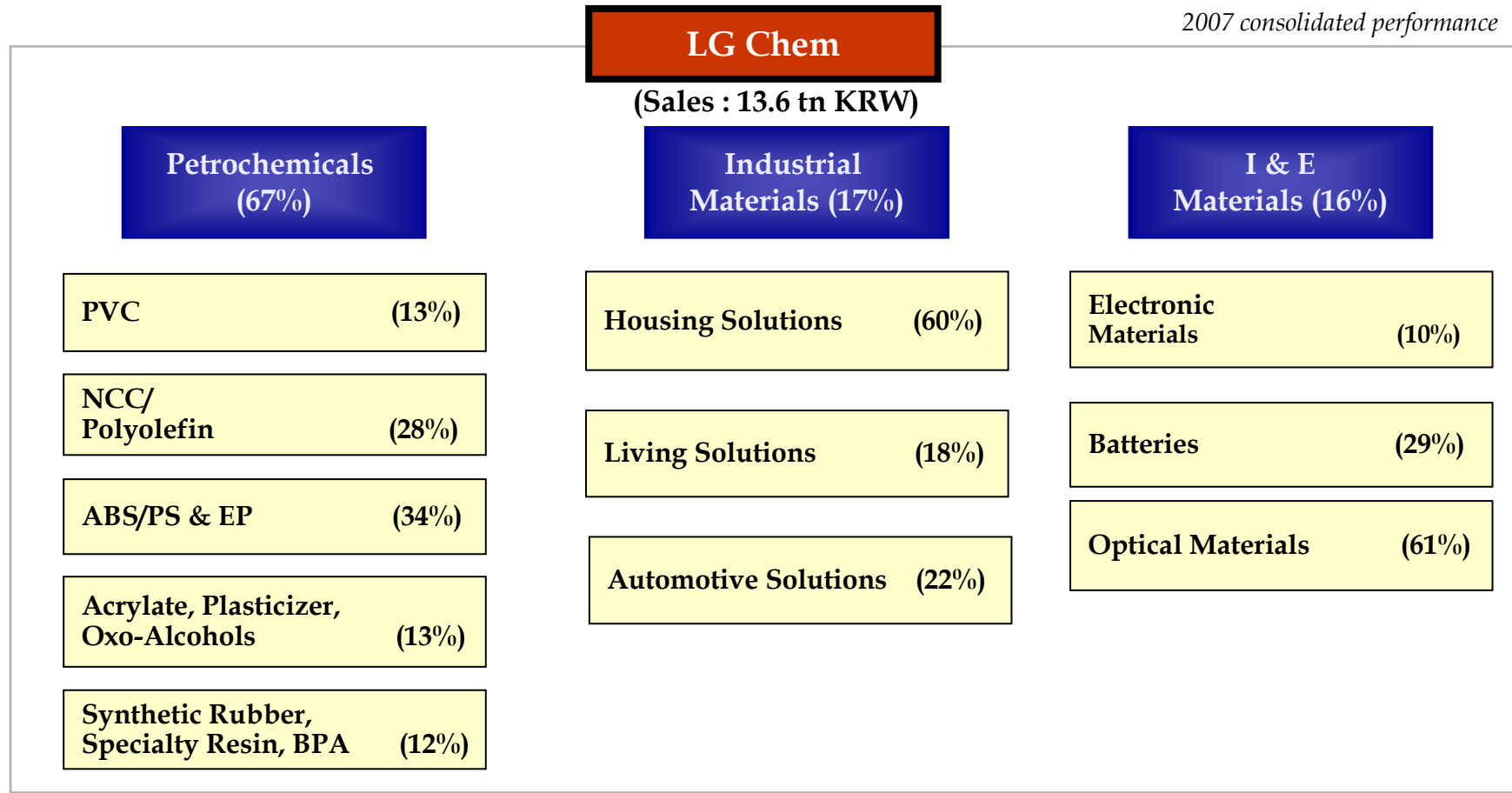
**Forecasts and projections contained in this material are based on current business environments and management strategies, and they may differ from the actual results upon changes and unaccounted variables.**

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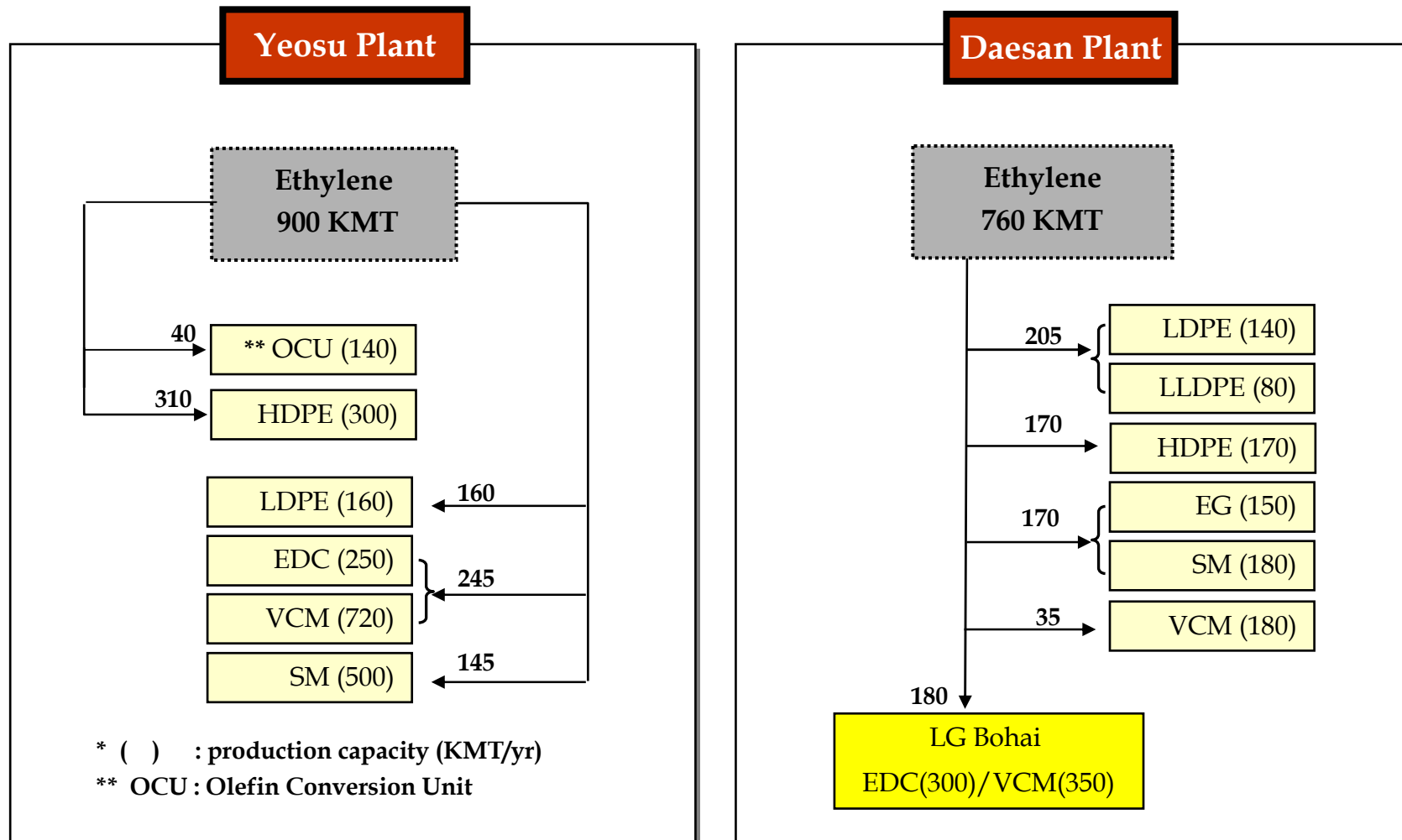
# Business Portfolio

2007 consolidated performance



- ◆ Petrochemicals : PVC, Plasticizer, ABS/PS, Acrylate, PO, EP, Specialty resin, NCC, Synthetic rubbers, BPA
- ◆ 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)

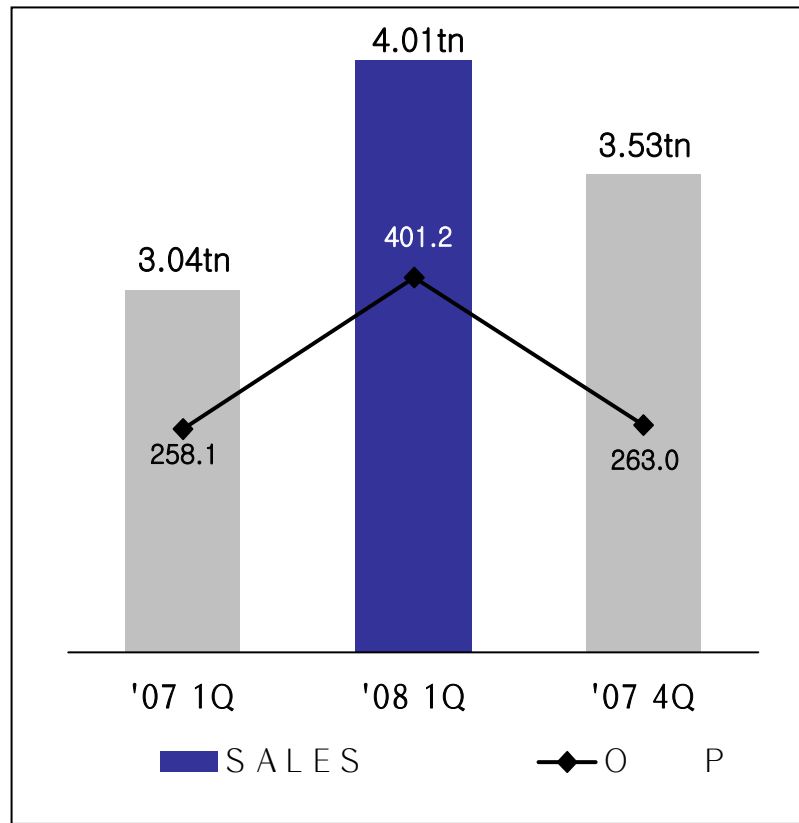


Forecasted ethylene balance in 2008

# Quarterly Business Results

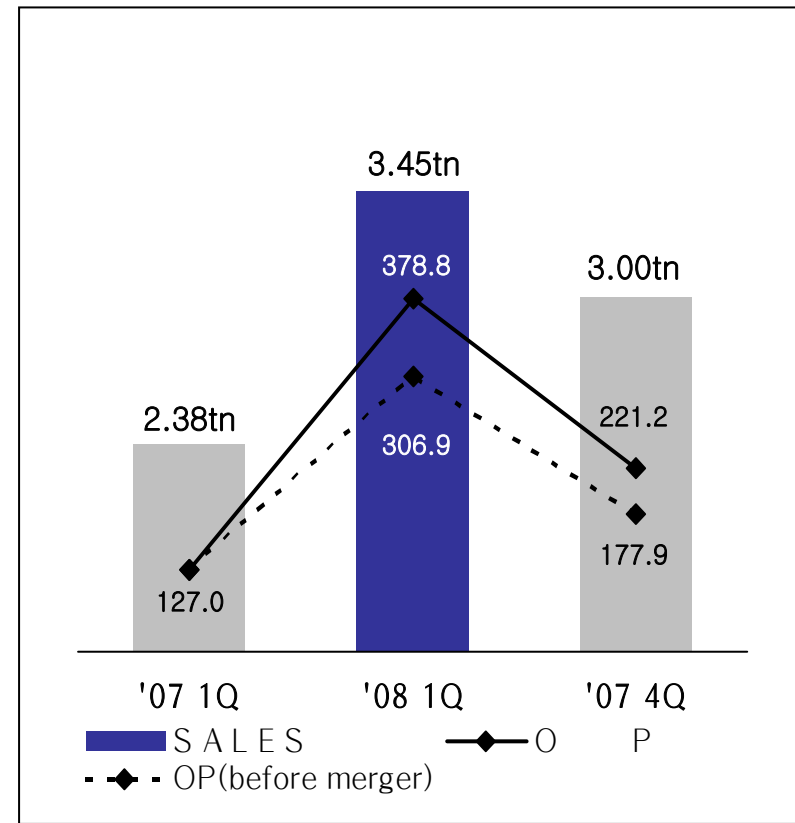
## Consolidated

(Unit:KRW bn)



## Non-Consolidated

(Unit:KRW bn)



(Unit : KRW bn)	Consolidated				Non-Consolidated			
	'07 1Q	'08 1Q	'07 4Q	YoY	'07 1Q	'08 1Q	'07 4Q	YoY
<b>Sales</b>	3,040.6	4,014.0	3,534.7	32.0%	2,380.0	3,448.1	3,003.8	44.9%
<b>Operating Profit</b>	258.1	401.2	263.0	55.4%	127.0	378.8	221.2	198.3%
(%)	(8.5)	(10.0)	(7.4)		(5.3)	(11.0)	(7.4)	
<b>Recurring Profit</b>	238.7	356.6	202.3	49.4%	155.8	351.8	177.3	125.8%
(%)	(7.9)	(8.9)	(5.7)		(6.5)	(10.2)	(5.9)	
Equity Method Gains	3.1	2.3	-1.6	-25.8%	47.3	11.5	10.0	-75.7%
<b>Net Income</b>	113.0	256.1	125.9	126.6%	113.0	256.1	125.9	126.6%

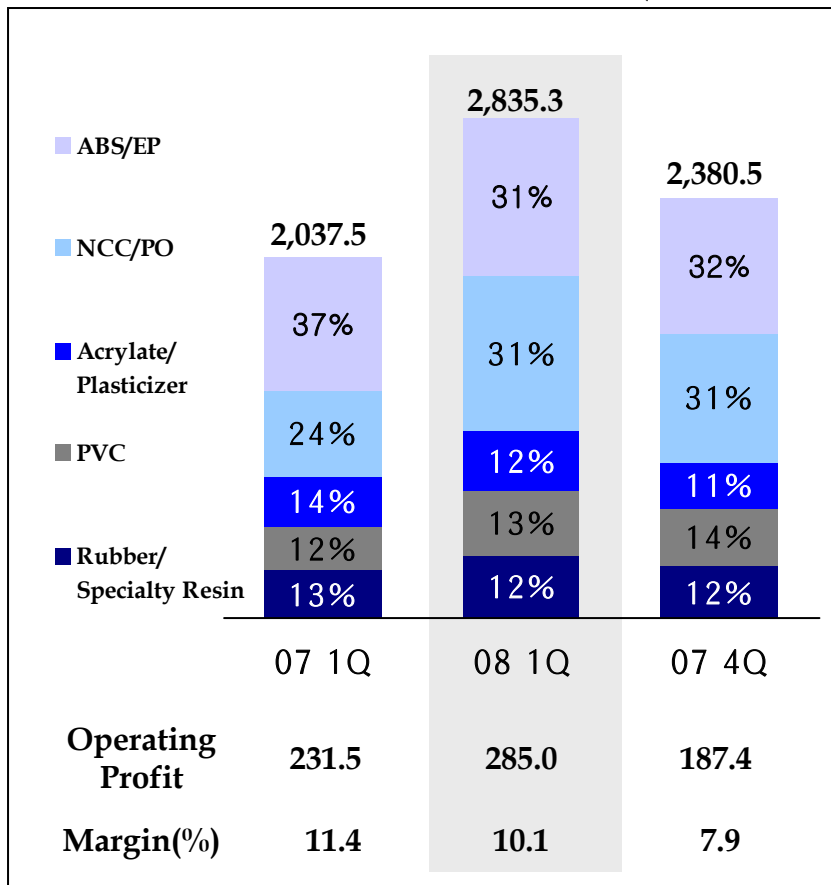
\* Recurring Profit stands for "Profit from continuing operations before income tax"

(Unit : KRW bn)	Consolidated		Non-Consolidated	
	'07	'08.1Q	'07	'08.1Q
<b>Assets</b>	8,550.8	8,785.2	7,050.0	7,228.0
(Cash and equivalents)	590.5	411.4	466.4	323.5
<b>Liabilities</b>	4,506.8	4,445.3	3,171.8	3,065.5
(Borrowings)	2,367.9	2,312.6	1,361.6	1,252.1
<b>Shareholder's Equity</b>	4,043.9	4,339.9	3,878.2	4,162.5
<b>Total Liabilities / Equity (%)</b>	111.4	102.4	81.8	73.6
<b>Debt / Equity (%)</b>	58.6	53.3	35.1	30.1
<b>Interest Coverage Ratio</b>	10.1	13.0	10.0	21.9
<b>ROE (%)</b>	22.8	24.5	23.3	27.5
<b>ROA (%)</b>	10.3	11.9	11.3	15.1
<b>EBITDA</b>			1,227.2	481.6



### Business results

(Unit:KRW bn)



### Analysis

#### • Analysis

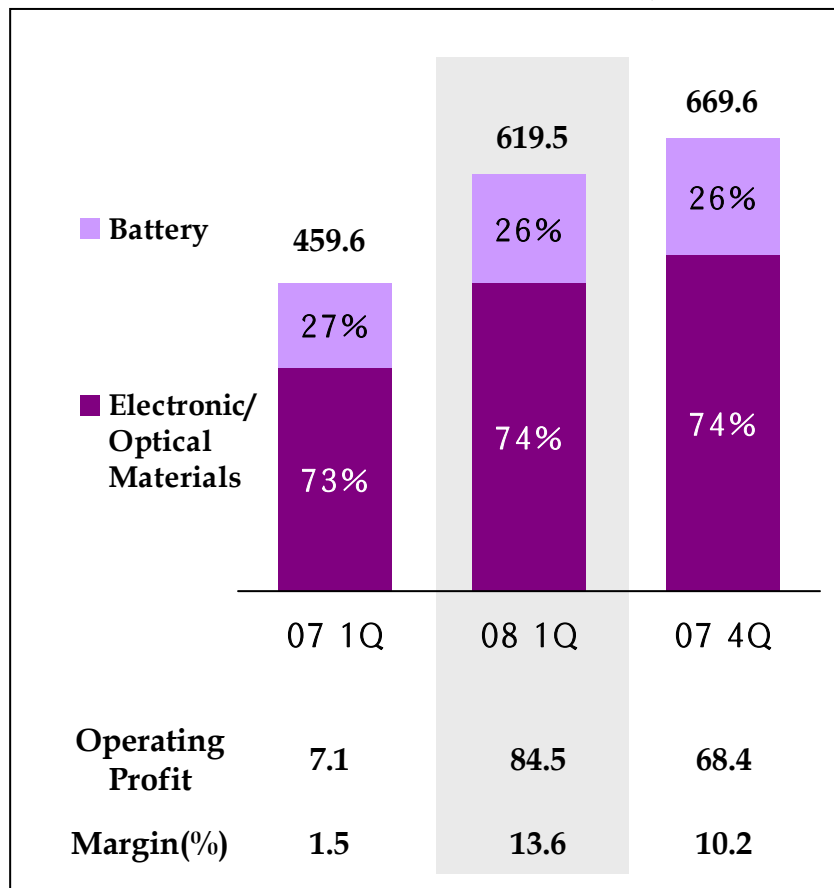
- ▣ PO : Merger synergy offset naphtha cost hike
- ▣ ABS/PVC : Margin improvement as a result of entering up cycle
- ▣ Synthetic Rubber / BPA / Oxo-Alcohol : Continuous strong margin
- ▣ Beneficiary of USD appreciation due to high export exposure

#### • Outlook

- ▣ High oil price is expected to continue
- ▣ Strong Seasonal demand should result in solid performance going forward.

### Business results

(Unit:KRW bn)



### Analysis

#### • Analysis

##### ■ Electronic & optical

- Increased sales & earnings in polarizer due to strong LCD demand
- Strong Japanese yen resulted in additional profit improvement

##### ■ Battery

- Cylindrical : Tight supply/demand balance from strong demand in notebook PC market
- Prismatic : Increased utilization

#### • Outlook

##### ■ Electronic & optical

- More positive LCD market condition from 2Q
- Winning market share in LCD TV polarizer in Taiwan & China

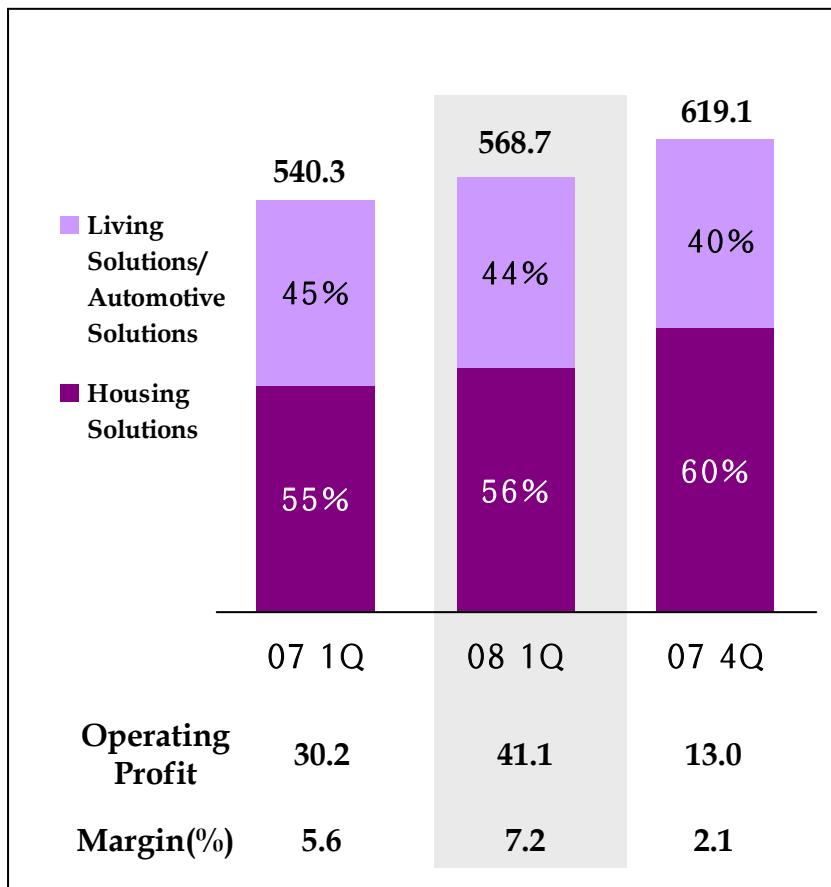
##### ■ Battery

- Cylindrical : Continuous growth
- Prismatic : Supply to new top-tier customers

## Business results

## Analysis

(Unit:KRW bn)



### • Analysis

- Total cost reduction through restructuring
  - Integration/scrapping of low profit businesses
- Expanded sales of high value added products

### • Outlook

- Solid performance expected in 2Q backed by peak seasonal demand
- Expectation of easing real-estate regulations from the new government

(Unit : KRW bn)

	2007					2008				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	3,040.6	3,383.6	3,565.9	3,534.7	13,524.8	4,014.0				
Operating Profit	258.1	292.0	374.1	263.0	1,187.2	401.2				
<b>Petrochemicals</b>	<b>2,037.5</b>	<b>2,299.5</b>	<b>2,396.2</b>	<b>2,380.5</b>	<b>9,113.7</b>	<b>2,835.3</b>				
NCC/PO	482.7	630.0	696.4	726.8	2,535.9	884.4				
Synthetic Rubber/ Specialty Resin	271.8	296.6	323.5	295.7	1,187.6	352.9				
PVC	248.4	301.0	315.2	325.7	1,190.3	369.7				
ABS/EP	756.2	790.1	792.8	769.9	3,109.0	891.2				
Acrylate/Plasticizer	278.4	281.8	268.3	262.4	1,090.9	337.0				
<b>Operating Profit</b>	<b>231.5</b>	<b>217.4</b>	<b>288.8</b>	<b>187.4</b>	<b>925.1</b>	<b>285.0</b>				
<b>I &amp; E Materials</b>	<b>459.6</b>	<b>530.4</b>	<b>595.4</b>	<b>669.6</b>	<b>2,255.0</b>	<b>619.5</b>				
Optical/Electronic	337.4	384.8	437.5	504.3	1,664.0	462.3				
Battery	126.7	153.9	168.7	175.2	624.5	164.4				
<b>Operating Profit</b>	<b>7.1</b>	<b>31.0</b>	<b>63.7</b>	<b>68.4</b>	<b>170.2</b>	<b>84.5</b>				
<b>Industrial Materials</b>	<b>540.3</b>	<b>615.8</b>	<b>559.6</b>	<b>619.1</b>	<b>2,334.8</b>	<b>568.7</b>				
Building/Decorative	296.4	349.8	327.4	373.0	1,346.6	320.4				
Living/ Automotive	245.3	268.0	234.0	248.4	995.7	250.3				
<b>Operating Profit</b>	<b>30.2</b>	<b>40.0</b>	<b>28.6</b>	<b>13.0</b>	<b>111.8</b>	<b>41.1</b>				

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

(Unit : KRW bn)

	2007					2008				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	2,380.0	2,644.9	2,766.6	3,003.8	10,795.3	3,448.1				
Operating Profit	127.0	162.9	252.5	221.2	763.6	378.8				
<b>Petrochemicals</b>	<b>1,498.3</b>	<b>1,647.3</b>	<b>1,742.8</b>	<b>1,905.5</b>	<b>6,793.9</b>	<b>2,396.6</b>				
NCC/PO	376.3	491.2	569.9	682.1	2,119.5	884.4				
Synthetic Rubber/ Specialty Resin	153.2	168.2	184.7	237.7	743.8	346.6				
PVC	206.3	229.3	220.0	238.8	894.4	259.4				
ABS/EP	495.1	489.3	511.5	496.2	1,992.1	583.3				
Acrylate/Plasticizer	267.4	269.3	256.7	250.7	1,044.1	322.9				
<b>Operating Profit</b>	<b>89.0</b>	<b>99.5</b>	<b>170.9</b>	<b>151.8</b>	<b>511.2</b>	<b>261.6</b>				
<b>I &amp; E Materials</b>	<b>438.1</b>	<b>510.0</b>	<b>590.1</b>	<b>601.6</b>	<b>2,139.8</b>	<b>611.0</b>				
Optical/Electronic	311.1	359.3	425.6	428.7	1,524.7	445.3				
Battery	131.5	159.0	175.3	182.7	648.5	173.2				
<b>Operating Profit</b>	<b>7.3</b>	<b>26.4</b>	<b>56.8</b>	<b>61.4</b>	<b>152.0</b>	<b>79.5</b>				
<b>Industrial Materials</b>	<b>499.8</b>	<b>563.3</b>	<b>505.1</b>	<b>571.5</b>	<b>2,139.7</b>	<b>517.6</b>				
Building/Decorative	291.5	339.7	316.2	364.8	1,312.2	311.9				
Living/ Automotive	209.8	225.5	190.7	209.0	835.1	207.7				
<b>Operating Profit</b>	<b>30.1</b>	<b>35.9</b>	<b>24.1</b>	<b>11.2</b>	<b>101.2</b>	<b>38.6</b>				

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

## Borrowings

(Unit : KRW bn)

	Balance			'08 (P)
	'07	'08.1Q	Changes	
<b>Total</b>	<b>1,361.6</b> (100%)	<b>1,252.1</b> (100%)	<b>-109.5</b>	<b>1,315.2</b> (100%)
<b>KRW</b>	<b>1,033.2</b> (76%)	<b>974.4</b> (78%)	-58.8	<b>1,000.2</b> (76%)
<b>Currency</b>				
C P	-	-		-
C B	780.0	630.0	-150.0	660.0
Others	253.2	344.4	91.2	340.2
<b>Foreign</b>	<b>328.4</b> (24%)	<b>277.7</b> (22%)	-50.7	<b>315.0</b> (24%)
<b>Currency</b>				
FRN	234.6	218.2	-16.4	225.0
Others	93.8	59.5	-34.3	90.0
<b>Short-term</b>	<b>366.9</b> (27%)	<b>157.6</b> (13%)	-209.3	<b>529.9</b> (40%)
<b>Long-term</b>	<b>994.7</b> (73%)	<b>1,094.5</b> (87%)	99.8	<b>785.3</b> (60%)

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

## Cash Flow

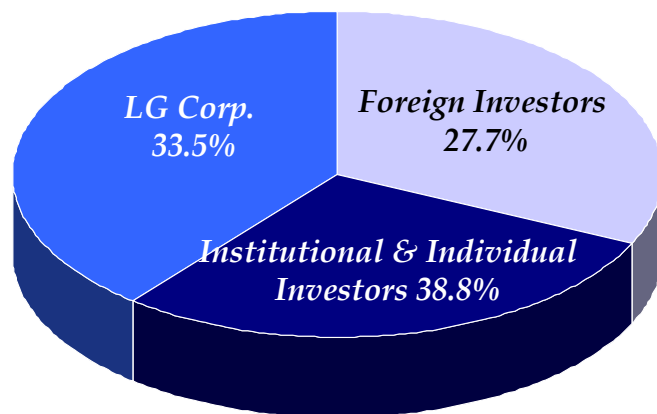
(Unit : KRW bn)

	'07	'08.1Q
<b>Beginning</b>	<b>115.8</b>	<b>466.4</b>
<b>Operating/Investing</b>	<b>647.2</b>	<b>126.6</b>
Net Income	686.2	256.1
Depreciation	436.5	96.9
Working Capital	-459.0	-94.8
CAPEX	-483.7	-105.9
Others	467.2	-25.7
<b>Financing</b>	<b>-296.6</b>	<b>-269.5</b>
Borrowings	-223.7	-109.5
ABS refund		-160.0
Dividend	-72.9	-
<b>End</b>	<b>466.4</b>	<b>323.5</b>

(Unit : KRW bn)

		'06 Results	'07 Results	'08 Plan	'08 1Q Results
Petrochemicals	New/Expansion	118.2	142.2	155.6	37.3
	Maintenance	83.6	68.2	94.8	13.4
	Equity Investment	39.0	16.4	3.0	
	<b>Total</b>	<b>240.8</b>	<b>226.7</b>	<b>253.4</b>	<b>50.8</b>
I & E Materials	New/Expansion	121.9	41.9	231.4	18.5
	Maintenance	37.6	35.9	44.7	12.4
	Equity Investment	8.2	12.0	33.6	
	<b>Total</b>	<b>167.8</b>	<b>89.8</b>	<b>309.6</b>	<b>30.9</b>
Industrial Materials	New/Expansion	14.5	10.3	32.2	2.7
	Maintenance	56.4	56.5	59.7	12.5
	Equity Investment	9.9		11.6	-
	<b>Total</b>	<b>80.8</b>	<b>66.8</b>	<b>103.6</b>	<b>15.2</b>
Common Expenses	New/Expansion	-	0.7	3.8	
	Maintenance	87.1	99.6	134.7	8.9
	Equity Investment	14.0		-	0.2
	<b>Total</b>	<b>101.1</b>	<b>100.3</b>	<b>138.5</b>	<b>9.1</b>
Total	New/Expansion	254.6	195.1	422.9	58.5
	Maintenance	264.7	260.2	334.0	47.2
	Equity Investment	71.2	28.4	48.2	0.2
	<b>Total</b>	<b>590.5</b>	<b>483.7</b>	<b>805.1</b>	<b>105.9</b>

## Shareholders & Market Cap



Common Stock as of Jun 16, 2008

(Unit : KRW)

	No. of Shares	Jun 16, '08	
		Price	Market Cap
Common	75,238,770	106,500	8.0 tn
Preferred	8,661,251	44,400	0.4 tn
<b>Total</b>	<b>83,900,021</b>		<b>8.4 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.



# Appendix

# Production capacity by product

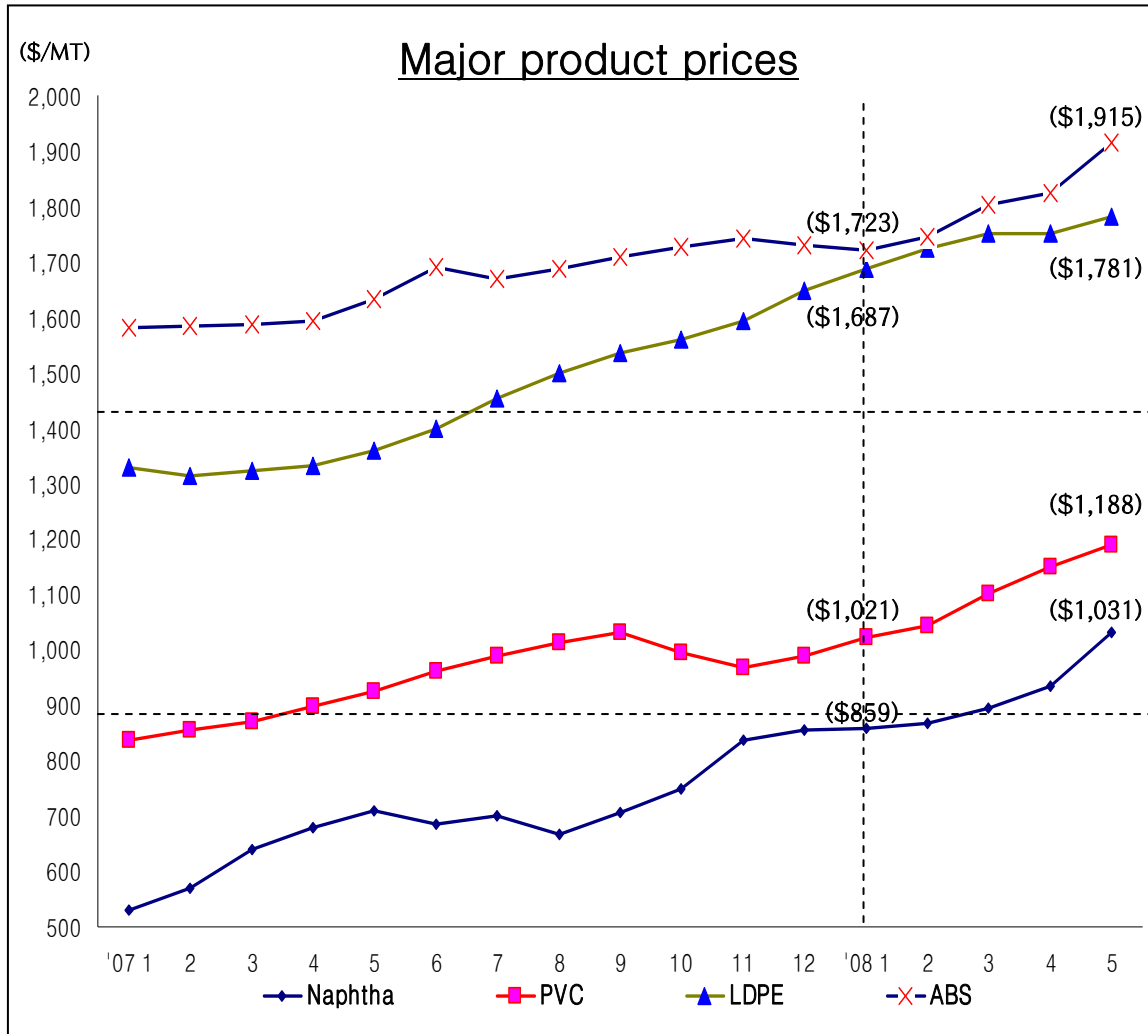
Item	Location	'04	'06	'07	'08
Ethylene	Yeosu	760	860	900	900
	Daesan	450	500	760	760
	<b>Total</b>	<b>1,210</b>	<b>1,360</b>	<b>1,660</b>	<b>1,660</b>
Propylene	Yeosu	370	550	580	580
	Daesan	225	250	380	380
	<b>Total</b>	<b>595</b>	<b>800</b>	<b>960</b>	<b>960</b>
LDPE	Yeosu	156	156	160	160
	Daesan	125	138	140	140
	<b>Total</b>	<b>281</b>	<b>294</b>	<b>300</b>	<b>300</b>
HDPE	Yeosu	300	310	310	330
	Daesan	140	162	170	170
	<b>Total</b>	<b>440</b>	<b>472</b>	<b>480</b>	<b>500</b>
LLDPE	Daesan	80	80	80	80
EG	Daesan	125	125	125	125
PP	Daesan	250	270	270	300
PVC	Yeosu	560	560	560	560
	Daesan	200	200	200	200
	China	350	350	350	360
	<b>Total</b>	<b>1,110</b>	<b>1,110</b>	<b>1,110</b>	<b>1,120</b>
VCM	Yeosu	720	720	720	720
	Daesan	180	180	180	180
	China	0	0	350	360
	<b>Total</b>	<b>900</b>	<b>900</b>	<b>1,250</b>	<b>1,260</b>
EDC	Yeosu	250	250	250	260
	China	0	0	300	320
	<b>Total</b>	<b>250</b>	<b>250</b>	<b>550</b>	<b>580</b>
NaOH	Yeosu	200	200	200	200
	China	0	0	250	260
	<b>Total</b>	<b>200</b>	<b>200</b>	<b>450</b>	<b>460</b>

(Unit : KMT/Yr)

Item	Location	'04	'06	'07	'08
BZ	Yeosu	200	225	226	226
	Daesan	180	190	280	280
	<b>Total</b>	<b>380</b>	<b>415</b>	<b>506</b>	<b>506</b>
BD	Yeosu	135	135	145	145
	Daesan	70	70	120	120
	<b>Total</b>	<b>205</b>	<b>205</b>	<b>265</b>	<b>265</b>
ABS	Yeosu	550	550	560	560
	Ningbo	300	460	500	500
	<b>Total</b>	<b>850</b>	<b>1,010</b>	<b>1,060</b>	<b>1,060</b>
PS	Yeosu	210	150	150	150
	India	80	80	80	80
	<b>Total</b>	<b>290</b>	<b>230</b>	<b>230</b>	<b>230</b>
EPS	Yeosu	84	84	84	84
	India	16	16	16	16
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
SM	Yeosu	500	500	500	500
	Daesan	150	150	150	150
	<b>Total</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>
Oxo- Alcohol	Korea	295	295	295	295
Plasticizer	Korea	255	255	212	212
	Vietnam	40	40	40	40
	<b>Total</b>	<b>295</b>	<b>295</b>	<b>252</b>	<b>252</b>
Acrylic Acid	Korea	160	160	160	160
Rubber	<b>Korea</b>	<b>116</b>	<b>185</b>	<b>230</b>	<b>230</b>
Phenol	Yeosu	0	180	180	240
BPA	Yeosu	0	130	130	260

# Appendix

## Major products and Naptha price trend



'08 Monthly price

(Unit : \$/MT)

	Jan. '08	Feb	Mar	Apr	May	Jun(2W)	Change
							(Jan vs Jun)
WTI	92.9	95.7	105.4	111.4	124.5	134.7	↑41.8
Naptha	859	867	894	933	1,031	1,093	↑234
LDPE	1,687	1,723	1,750	1,750	1,781	1,835	↑148
HDPE	1,609	1,637	1,650	1,607	1,645	1,715	↑106
PP	1,454	1,478	1,523	1,560	1,659	1,805	↑351
PVC	1,021	1,045	1,101	1,150	1,188	1,185	↑164
ABS	1,720	1,746	1,802	1,824	1,915	2,080	↑360
2EH	1,657	1,686	1,756	1,823	1,963	2,065	↑408

Source: Platt's

※ Naptha (Won)/Unit

LDPE/HDPE 1.0 PVC 0.5 ABS 0.3 2EH 0.7

