

**Solution***Partner*

# 2Q 2008 Business Results & Outlook

2008. 7. 16



**The business results for the 2nd 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.**

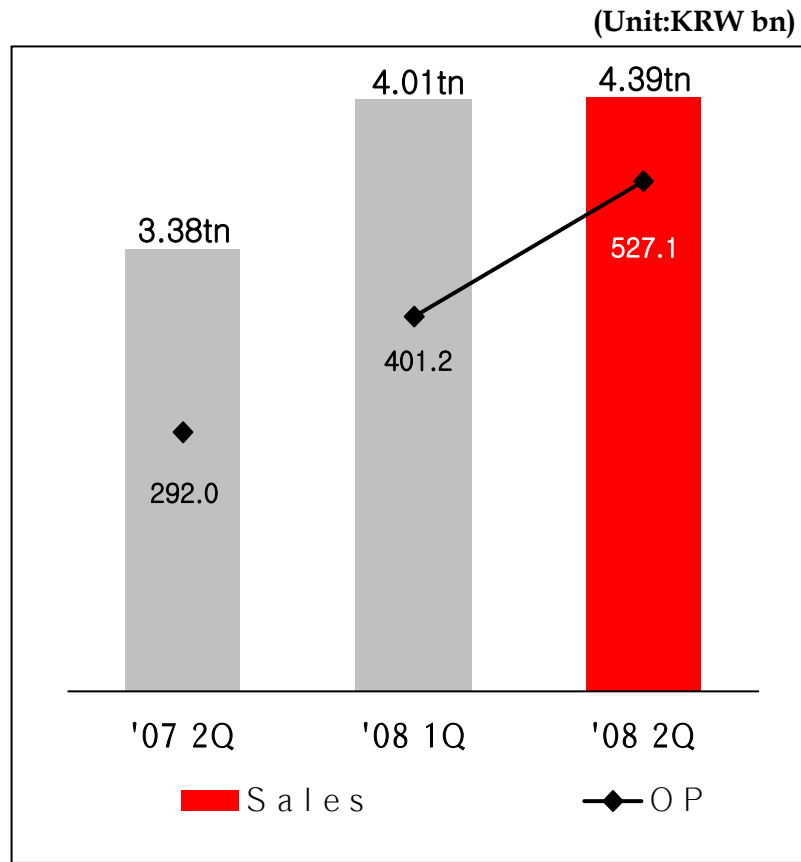
**Forecasts and projections contained in this material are based on current business environments and management strategies, and they may differ from the actual results upon changes and unaccounted variables.**

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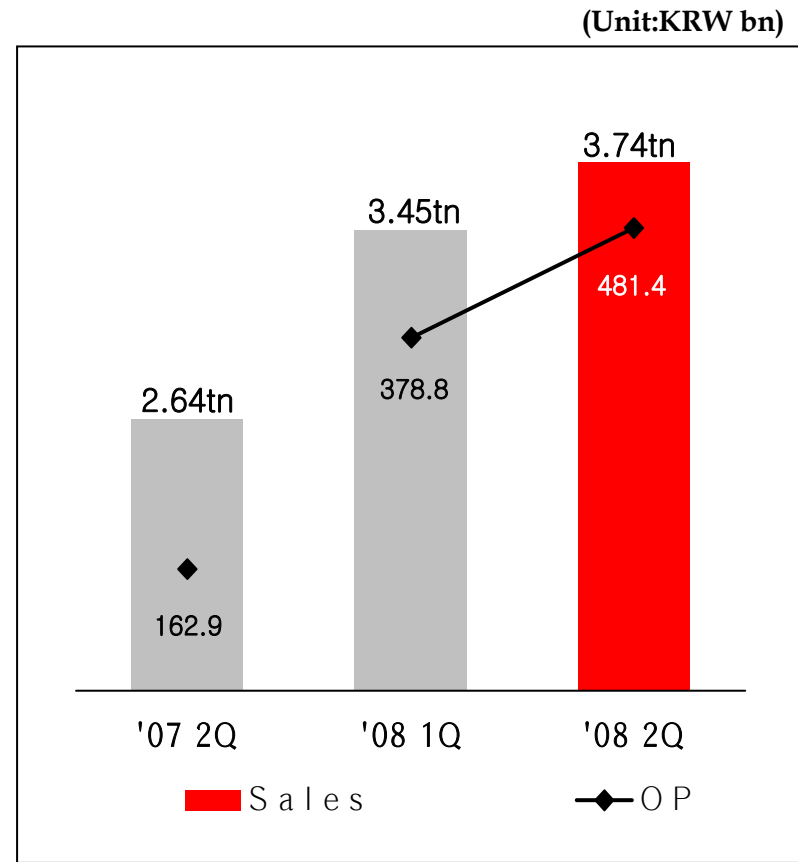
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# Quarterly Business Results

## Consolidated



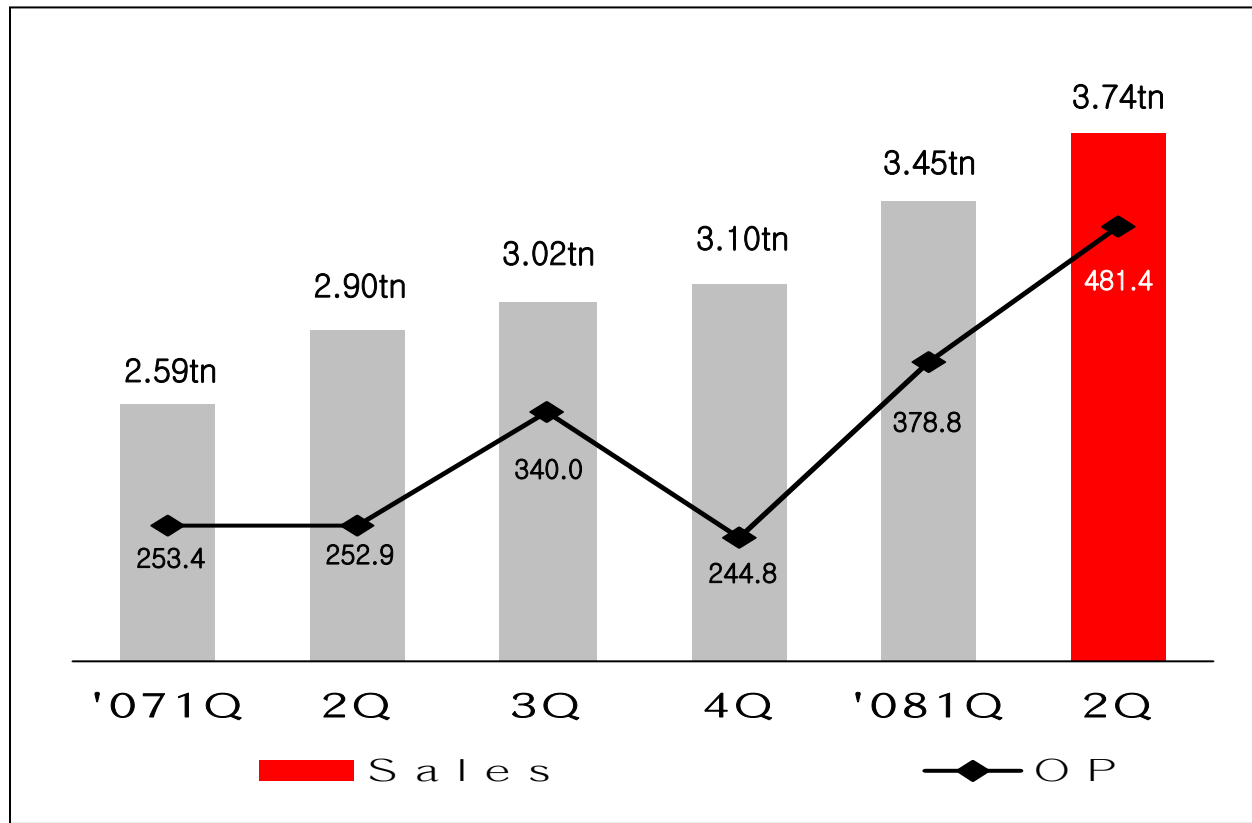
## Non-Consolidated



# Quarterly Business Results

LGC + LGPC

(Unit:KRW bn)



	Consolidated				Non-Consolidated			
(Unit : KRW bn)	'07 2Q	'08 2Q	'08 1Q	YoY	'07 2Q	'08 2Q	'08 1Q	YoY
<b>Sales</b>	3,383.6	4,385.9	4,014.0	29.6%	2,644.9	3,738.0	3,448.1	41.3%
<b>Operating Profit</b>	292.0	527.1	401.2	80.5%	162.9	481.4	378.8	195.5%
(%)	(8.6)	(12.0)	(10.0)		(6.2)	(12.9)	(11.0)	
<b>Recurring Profit</b>	292.2	516.0	356.6	74.5%	217.6	502.3	354.4	130.8%
(%)	(8.6)	(11.8)	(8.9)		(8.2)	(13.4)	(10.3)	
Equity Method Gains	1.9	5.8	2.3	205.3%	58.4	43.8	13.5	-25.0%
<b>Net Income</b>	236.7	375.3	258.4	58.6%	236.7	375.3	258.4	58.6%

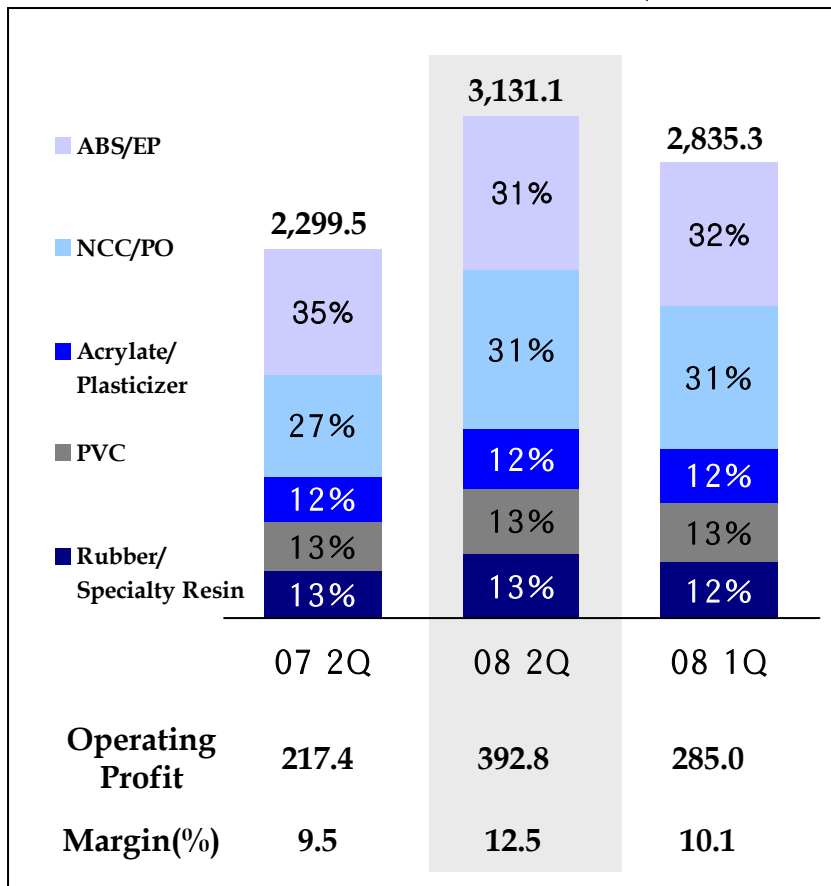
\* Recurring Profit stands for "Profit from continuing operations before income tax"

(Unit : KRW bn)	Consolidated		Non-Consolidated	
	'07	'08.2Q	'07	'08.2Q
<b>Assets</b>	8,550.8	9,352.1	7,050.0	7,613.0
(Cash and equivalents)	590.5	370.5	466.4	245.9
<b>Liabilities</b>	4,506.8	4,793.8	3,171.8	3,214.3
(Borrowings)	2,367.9	2,437.4	1,361.6	1,215.7
<b>Shareholder's Equity</b>	4,043.9	4,558.3	3,878.2	4,398.7
<b>Total Liabilities / Equity (%)</b>	111.4	105.2	81.8	73.1
<b>Debt / Equity (%)</b>	58.6	53.5	35.1	27.6
<b>Interest Coverage Ratio</b>	10.1	16.7	10.0	28.4
<b>ROE (%)</b>	22.8	29.7	23.3	33.0
<b>ROA (%)</b>	10.3	14.3	11.3	18.1
<b>EBITDA</b>			1,227.2	1,065.3

## Business results

## Analysis

(Unit:KRW bn)



### • Analysis

- ▣ PO : Pass through of Naphtha hikes to ASP thanks to tight supply
- ▣ ABS/PVC : Rapid margin improvement backed by upturn cycle
- ▣ Synthetic rubber / Oxo-Alcohol : Strong margin continued
- ▣ Merger synergy and beneficiary of USD appreciation

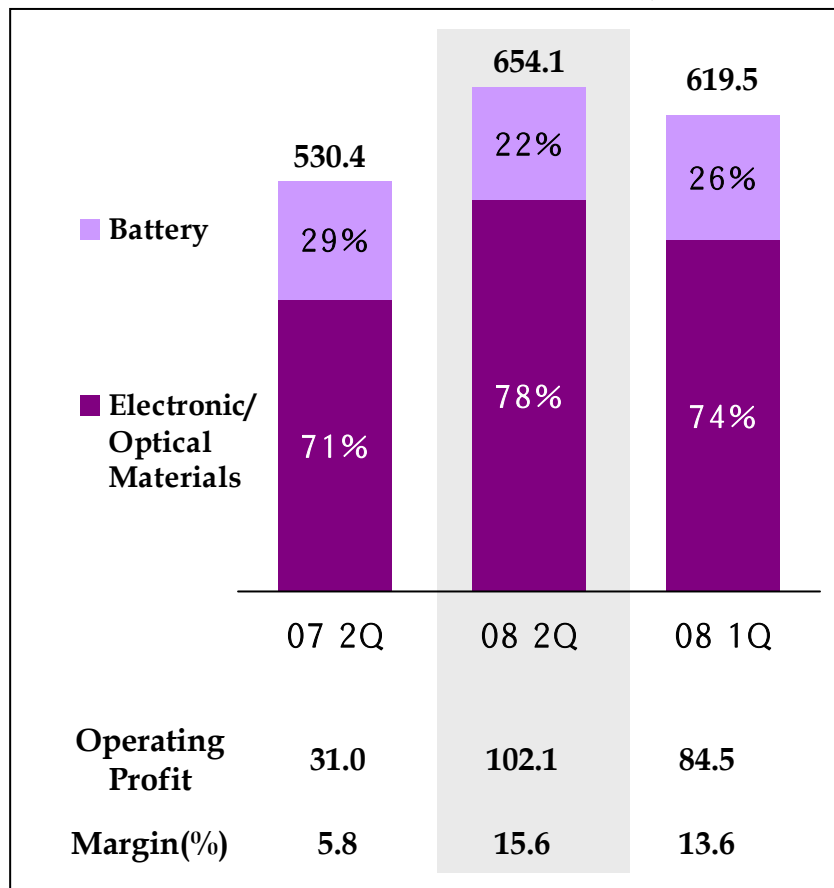
### • Outlook

- ▣ High oil price is expected to continue but tight supply for overall products would result solid profitability
- ▣ PO will have limited margin contraction due to expected Middle East expansion



### Business results

(Unit:KRW bn)



### Analysis

#### • Analysis

##### ■ Electronic & optical

- Increased sales & margin in polarizer due to strong demand of LCD
- Weak Korean won brought in additional profit improvement

##### ■ Battery

- Cylindrical : Continued tight supply / demand balance in notebook PC market
- Prismatic : Commencement of supplying to top-tier handset makers with strong demand

#### • Outlook

##### ■ Electronic & optical

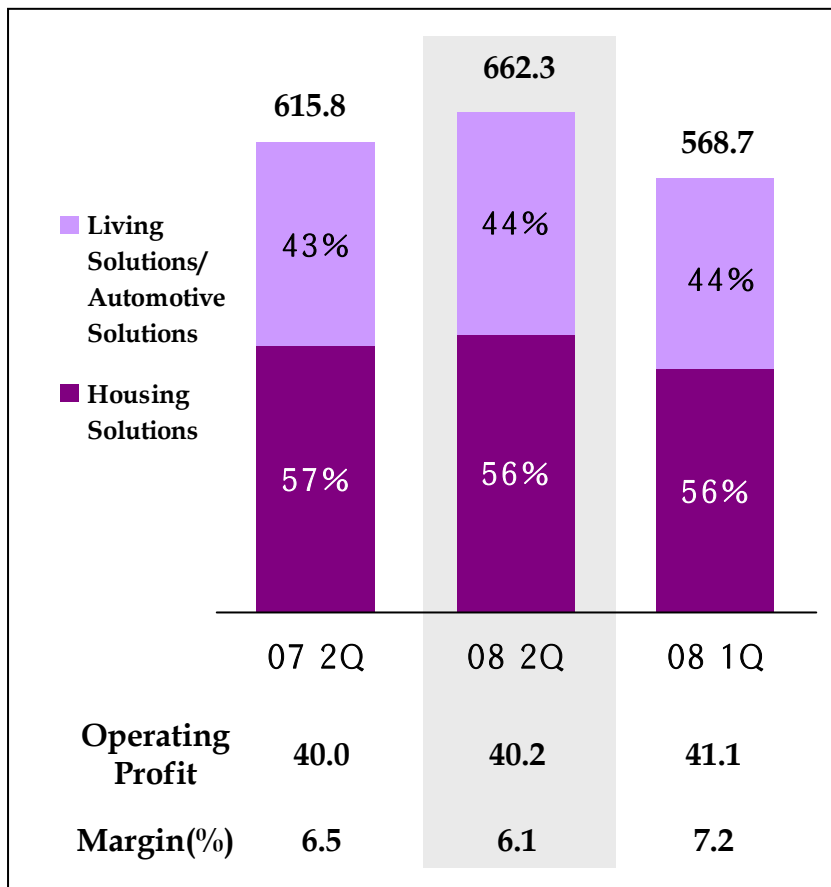
- Stable LCD market will result in strong profitability
- Sales increase of polarizer for LCD TV in Taiwan

##### ■ Battery

- Cylindrical : Additional profit from capacity expansion
- Prismatic : Higher utilization thanks to supply to top-tier customers

## Business results

(Unit:KRW bn)



## Analysis

### • Analysis

#### ▣ Sales increase

- Domestic : Solid performance backed by peak seasonal demand
- Overseas : Window frames and Hi-Macs sales increased

#### ▣ Operating profit

- Raw material (PVC) price and expenses hike
- Insufficient mark up due to real estate market slow down

### • Outlook

#### ▣ Continuous slow down in real estate market & construction industry

#### ▣ Expect the 1<sup>st</sup> half level of profit through value added products sales and additional mark up increase

(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	4,385.9			8,399.9
Operating Profit	258.1	292.0	374.1	263.0	1,187.2	401.2	527.1			928.3
<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>	<b>3,131.1</b>			<b>5,966.4</b>
NCC/PO	482.7	630.0	696.4	726.8	2,535.9	884.4	986.2			1,870.6
Synthetic Rubber/ Specialty Resin	271.8	296.6	323.5	295.7	1,187.6	352.9	399.7			752.6
PVC	248.4	301.0	315.2	325.7	1,190.3	369.7	411.5			781.2
ABS/EP	756.2	790.1	792.8	769.9	3,109.0	891.2	964.8			1,856.0
Acrylate/Plasticizer	278.4	281.8	268.3	262.4	1,090.9	337.0	368.9			705.9
<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>392.8</b>			<b>677.7</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>	<b>654.1</b>			<b>1,273.6</b>
Optical/Electronic	337.4	384.8	437.5	504.3	1,664.0	462.3	515.7			978.0
Battery	126.7	153.9	168.7	175.2	624.5	164.4	147.7			312.1
<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>102.1</b>			<b>186.6</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>	<b>662.3</b>			<b>1,230.9</b>
Building/Decorative	296.4	349.8	327.4	373.0	1,346.6	320.4	365.0			685.4
Living/ Automotive	245.3	268.0	234.0	248.4	995.7	250.3	292.5			542.8
<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>	<b>40.2</b>			<b>81.2</b>

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

# Appendix

## Sales & Operating Profit(Non-Consolidated)

(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	3,738.0			7,186.0
Operating Profit	127.0	162.9	252.5	221.2	763.6	378.8	481.4			860.2
<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>2,396.5</b>	<b>2,606.7</b>			<b>5,003.2</b>
NCC/PO	376.3	491.2	569.9	682.1	2,119.5	884.4	985.3			1,869.7
Synthetic Rubber/ Specialty Resin	153.2	168.2	184.7	237.7	743.8	346.6	381.2			727.8
PVC	206.3	229.3	220.0	238.8	894.4	259.4	286.4			545.8
ABS/EP	495.1	489.3	511.5	496.2	1,992.1	583.3	604.3			1,187.6
Acrylate/Plasticizer	267.4	269.3	256.7	250.7	1,044.1	322.8	349.5			672.3
<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>349.5</b>			<b>611.1</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>	<b>656.0</b>			<b>1,267.0</b>
Optical/Electronic	311.1	359.3	425.6	428.7	1,524.7	445.3	504.5			949.8
Battery	131.5	159.0	175.3	182.7	648.5	173.2	159.7			332.9
<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>98.3</b>			<b>177.9</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>	<b>564.0</b>			<b>1,081.5</b>
Building/Decorative	291.5	339.7	316.2	364.8	1,312.2	311.9	344.0			655.9
Living/Automotive	209.8	225.5	190.7	209.0	835.1	207.7	220.6			428.3
<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>	<b>36.7</b>			<b>75.3</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	'08.2Q	Changes	
<b>Total</b>	<b>1,361.6</b> (100%)	<b>1,215.7</b> (100%)	<b>-145.9</b>	<b>1,315.2</b> (100%)
<b>KRW</b>	<b>1,033.2</b> (76%)	<b>923.6</b> (76%)	-109.6	<b>1,000.2</b> (76%)
<b>Currency</b>				
C P	-	-		-
C B	780.0	580.0	-200.0	660.0
Others*	253.2	343.6	90.4	340.2
<b>Foreign</b>	<b>328.4</b> (24%)	<b>292.1</b> (24%)	-36.3	<b>315.0</b> (24%)
<b>Currency</b>				
FRN	234.6	229.5	-5.1	225.0
Others	93.8	62.6	-31.2	90.0
<b>Short-term</b>	<b>366.9</b> (27%)	<b>466.2</b> (38%)	99.3	<b>529.9</b> (40%)
<b>Long-term</b>	<b>994.7</b> (73%)	<b>749.5</b> (62%)	-245.2	<b>785.3</b> (60%)

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

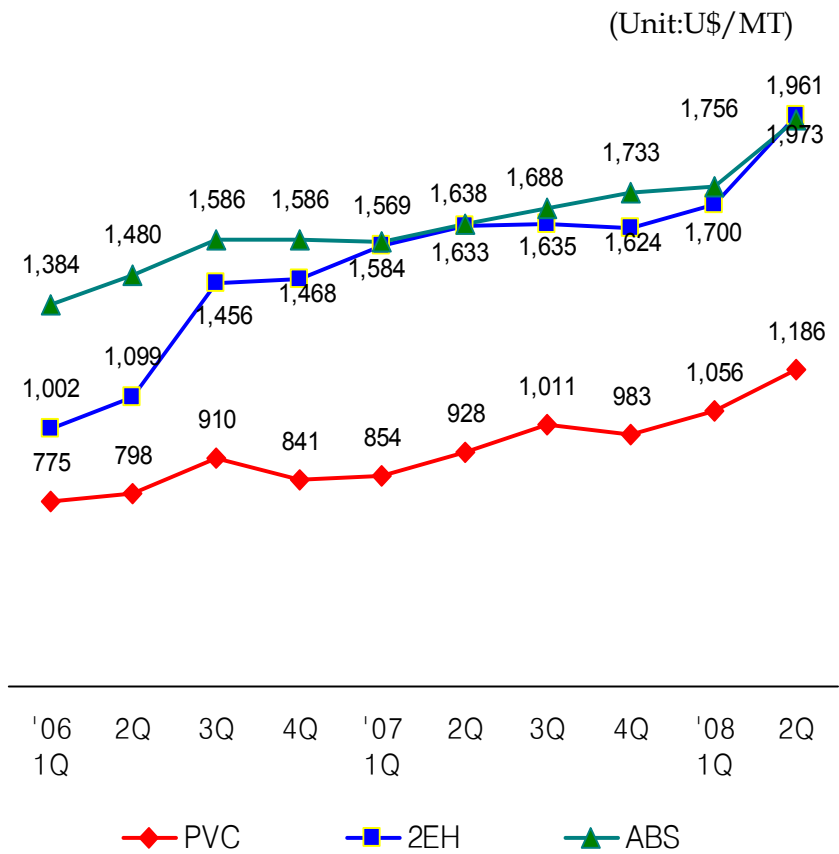
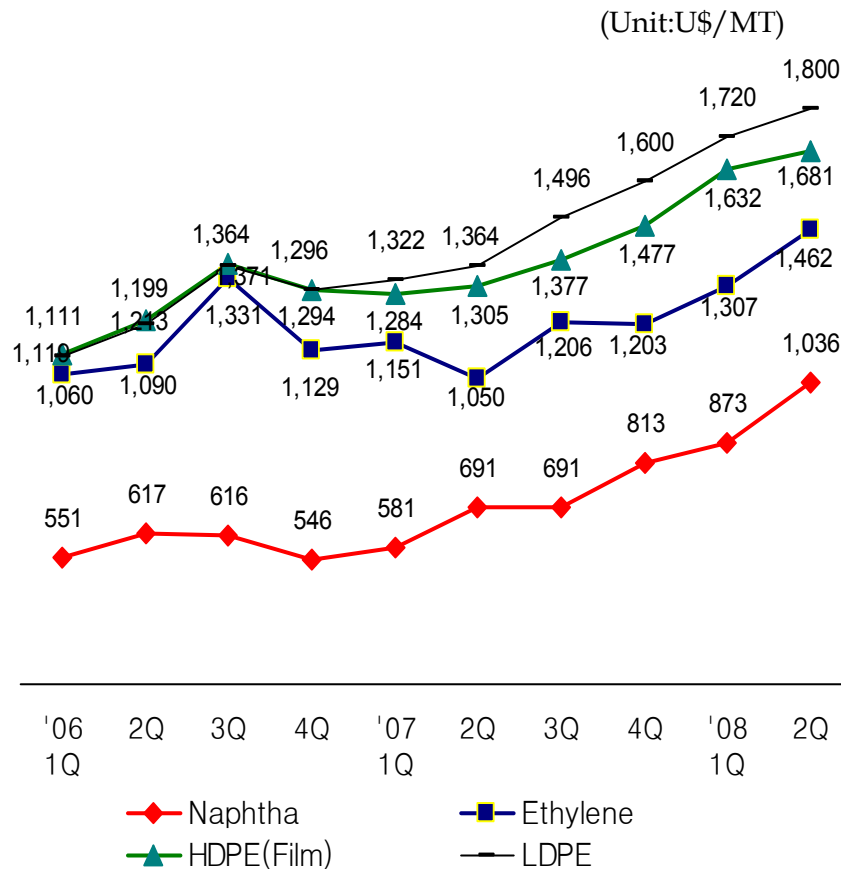
## Cash Flow

(Unit : KRW bn)

	'07	'08.2Q
<b>Beginning</b>	<b>115.8</b>	<b>466.4</b>
<b>Operating/Investing</b>	<b>647.2</b>	<b>214.5</b>
Net Income	686.2	633.7
Depreciation	436.5	194.0
Working Capital	-459.0	-287.7
CAPEX	-483.7	-293.4
Others	467.2	-32.0
<b>Financing</b>	<b>-296.6</b>	<b>-435.1</b>
Borrowings	-223.7	-108.0
ABS refund		-160.0
Dividend	-72.9	-167.0
<b>End</b>	<b>466.4</b>	<b>245.9</b>

(Unit : KRW bn)

		'06 Results	'07 Results	'08 Plan	'08 2Q Results
Petrochemicals	New/Expansion	118.2	142.2	155.6	98.3
	Maintenance	83.6	68.2	94.8	40.3
	Equity Investment	39.0	16.4	3.0	-
	<b>Total</b>	<b>240.8</b>	<b>226.7</b>	<b>253.4</b>	<b>138.7</b>
I & E Materials	New/Expansion	121.9	41.9	231.4	70.0
	Maintenance	37.6	35.9	44.7	24.4
	Equity Investment	8.2	12.0	33.6	-
	<b>Total</b>	<b>167.8</b>	<b>89.8</b>	<b>309.6</b>	<b>94.4</b>
Industrial Materials	New/Expansion	14.5	10.3	32.2	6.7
	Maintenance	56.4	56.5	59.7	23.2
	Equity Investment	9.9	-	11.6	-
	<b>Total</b>	<b>80.8</b>	<b>66.8</b>	<b>103.6</b>	<b>29.9</b>
Common Expenses	New/Expansion	-	0.7	3.8	-
	Maintenance	87.1	99.6	134.7	27.8
	Equity Investment	14.0	-	-	2.6
	<b>Total</b>	<b>101.1</b>	<b>100.3</b>	<b>138.5</b>	<b>30.4</b>
Total	New/Expansion	254.6	195.1	422.9	175.0
	Maintenance	264.7	260.2	334.0	115.8
	Equity Investment	71.2	28.4	48.2	2.6
	<b>Total</b>	<b>590.5</b>	<b>483.7</b>	<b>805.1</b>	<b>293.4</b>



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