

**SolutionPartner**

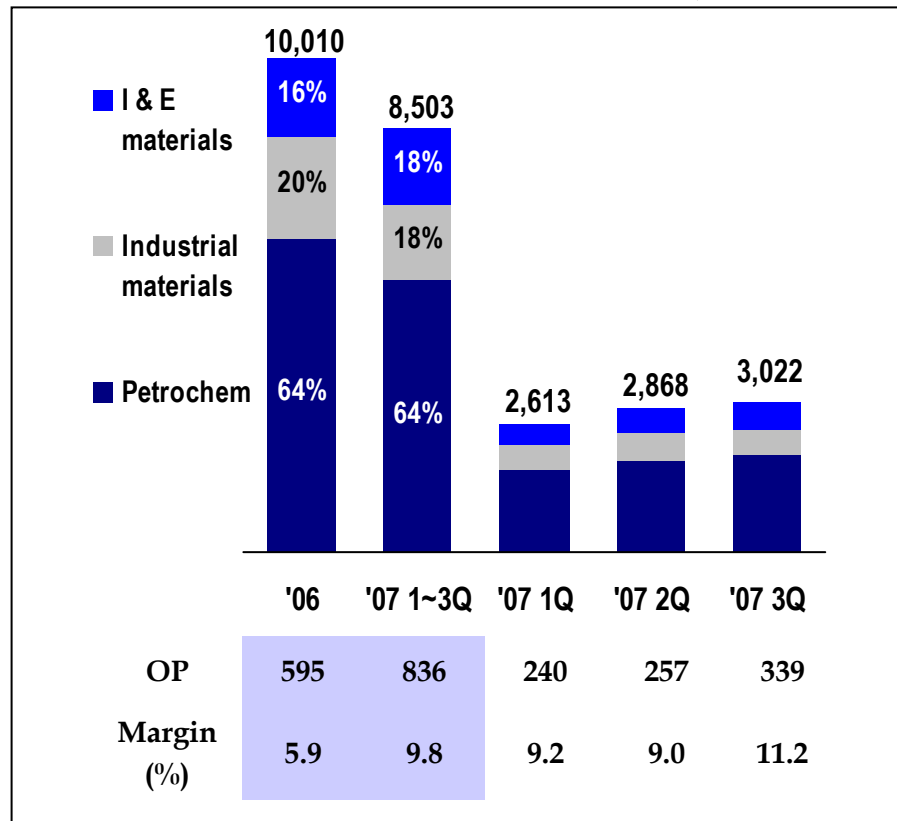
# Market Outlook

Nov. 2007



## Business results

(Unit : KRW bn)



## Analysis & Outlook

### • Analysis

- Strong PE, PVC, ABS, Alcohol & BPA prices and decreased depreciation resulted remarkable improvement

| (Unit:US/MT) | 1Q    | 2Q    | 3Q    | Nov   |
|--------------|-------|-------|-------|-------|
| Naphtha      | 581   | 691   | 691   | 823   |
| Ethylene     | 1,151 | 1,050 | 1,206 | 1,165 |
| Propylene    | 1,122 | 1,068 | 1,066 | 1,111 |
| PVC          | 854   | 928   | 1,011 | 970   |
| ABS          | 1,584 | 1,638 | 1,688 | 1,735 |
| LDPE         | 1,322 | 1,364 | 1,496 | 1,573 |
| 2EH          | 1,569 | 1,633 | 1,635 | 1,615 |
| BPA          | 1,819 | 1,946 | 1,944 | 1,871 |

- Turned to profit in battery & gradual improvement in optical materials

### • Outlook

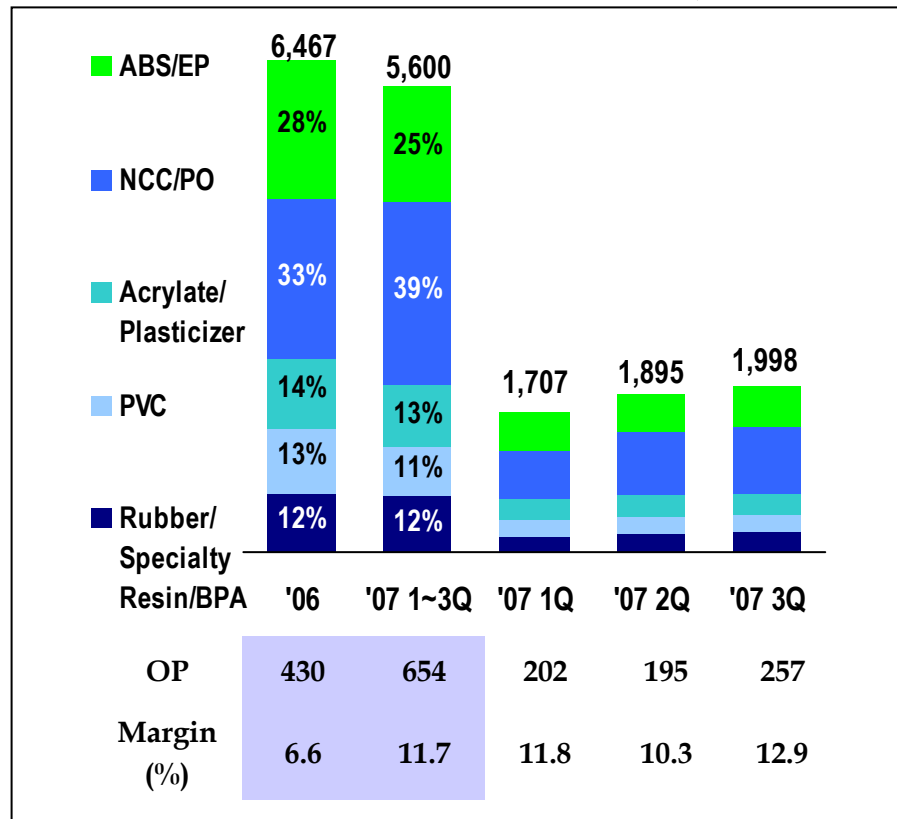
- Overview of 4Q is the same as 3Q

- Petrochemicals : Solid spreads for PVC/ABS are expected
- I & E materials : Steady improvement
- Industrial materials : No big change

### Business results

### Analysis & Outlook

(Unit : KRW bn)



#### • Analysis

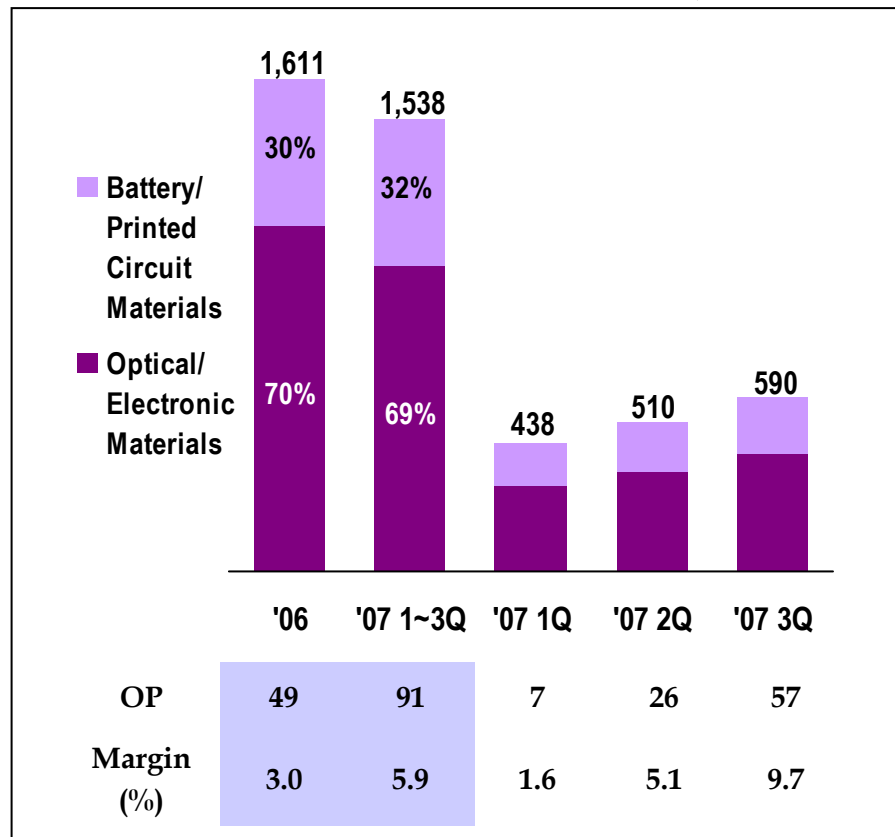
- ▣ Strong polyolefin prices and decreased depreciation expenses resulted remarkable improvement in profitability for NCC/PO
- ▣ Firm global demand led continuous increase of PVC price
- ▣ Seasonal demand pick-up and stabilization of raw material price helped improve profitability for ABS/EP
- ▣ BPA continues to show strong margin

#### • Outlook

- ▣ Solid spreads for PVC/ABS are expected

## Business results

(Unit : KRW bn)



## Analysis & Outlook

### • Analysis

#### ■ Battery : Turned to profit in 3Q

- Cylindrical : Tight supply/demand balance led price increase & full utilization
- Prismatic : Increased sales to LGE moved up utilization
- Polymer : Maintained full utilization

#### ■ Electronic & optical : Strong improvement

- Solid LCD market resulted in sales increase & stopping price competition
- Additional profit gain by Japanese yen appreciation

### • Outlook

#### ■ Battery : Continue robust profit

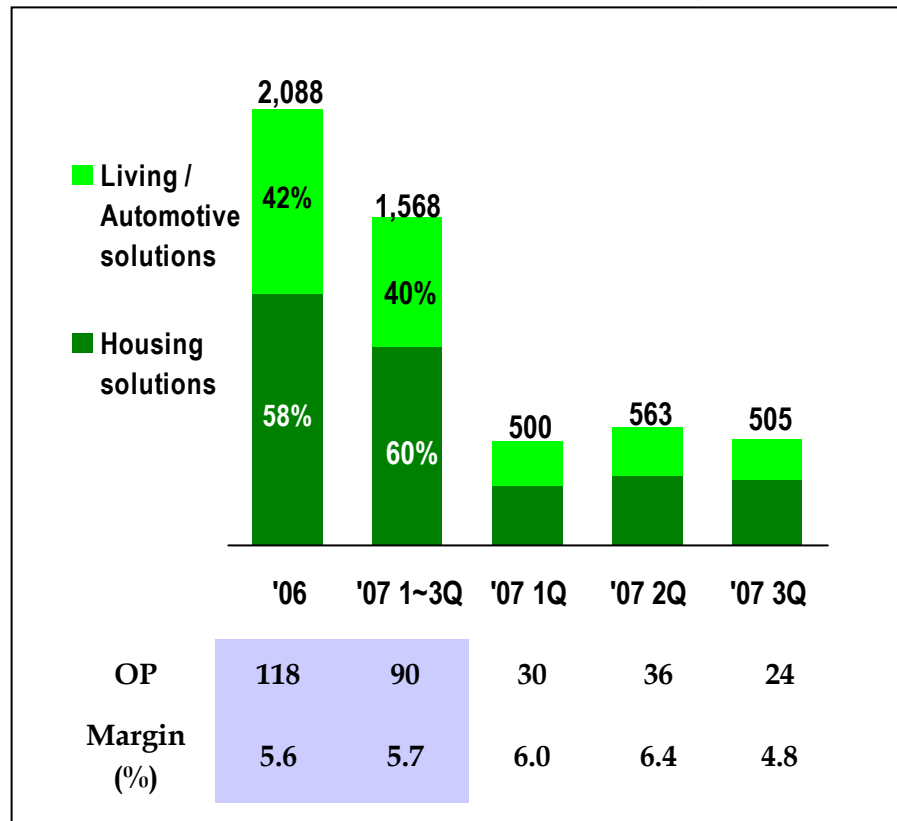
- Cylindrical : Shortage expected due to plant trouble of Matsushita
- Prismatic : Close to getting order from top-tier customer

#### ■ Electronic & optical : Continuous improvement

- Expect stable growth in LCD market
- Aggressive promotion to Taiwan market & new customers

## Business results

(Unit : KRW bn)



## Analysis & Outlook

### • Analysis

- Worsen margin in Housing Solution (HS) due to sluggish market
- Weak margin in Living Solutions (LS) by high raw material cost and KRW appreciation
- Automotive Material Solutions (AMS) sales and margin declined due to weak seasonal demand

### • Outlook

- Housing solutions**
  - Continuing cost reduction activities
  - Increasing high-end product sales
- Living solutions**
  - Increasing sales in overseas market (Europe, North America)

# Proforma Financial statements

Year to 3Q 2007 performance

## Income statement

| (Unit : KRW bn)     | LGC     | LGPC    | Post-merger |
|---------------------|---------|---------|-------------|
| Sales               | 7,791.6 | 1,901.7 | 8,503.3     |
| Operating Profit    | 542.4   | 304.1   | 836.0       |
| (%)                 | (7.0)   | (16.0)  | (9.8)       |
| Recurring Profit    | 645.2   | 312.1   | 873.9       |
| (%)                 | (8.3)   | (16.4)  | (9.9)       |
| Equity-method Gains | 157.8   | 0.4     | 85.4        |
| Net Income          | 560.3   | 228.5   | 705.5       |

## Balance sheet

| (Unit : KRW bn)                | LGC     | LGPC    | Post-merger |
|--------------------------------|---------|---------|-------------|
| Assets                         | 6,241.3 | 1,416.6 | 6,990.2     |
| (Cash and equivalents)         | 127.1   | 358.5   | 485.6       |
| Liabilities                    | 3,080.4 | 383.3   | 3,263.1     |
| (Borrowings)                   | 1,495.9 | 7.5     | 1,503.3     |
| Shareholder's Equity           | 3,160.9 | 1,033.3 | 3,727.1     |
| Total Liabilities / Equity (%) | 97.5    | 37.1    | 87.6        |
| Debt / Equity (%)              | 47.3    | 0.7     | 30.9        |
| ROE (%)                        | 26.0    | 24.2    | 27.5        |
| EBITDA                         | 901.1   | 345.1   | 1,140.6     |
| CAPEX                          | 346.7   | 51.4    | 398.1       |