

SolutionPartner

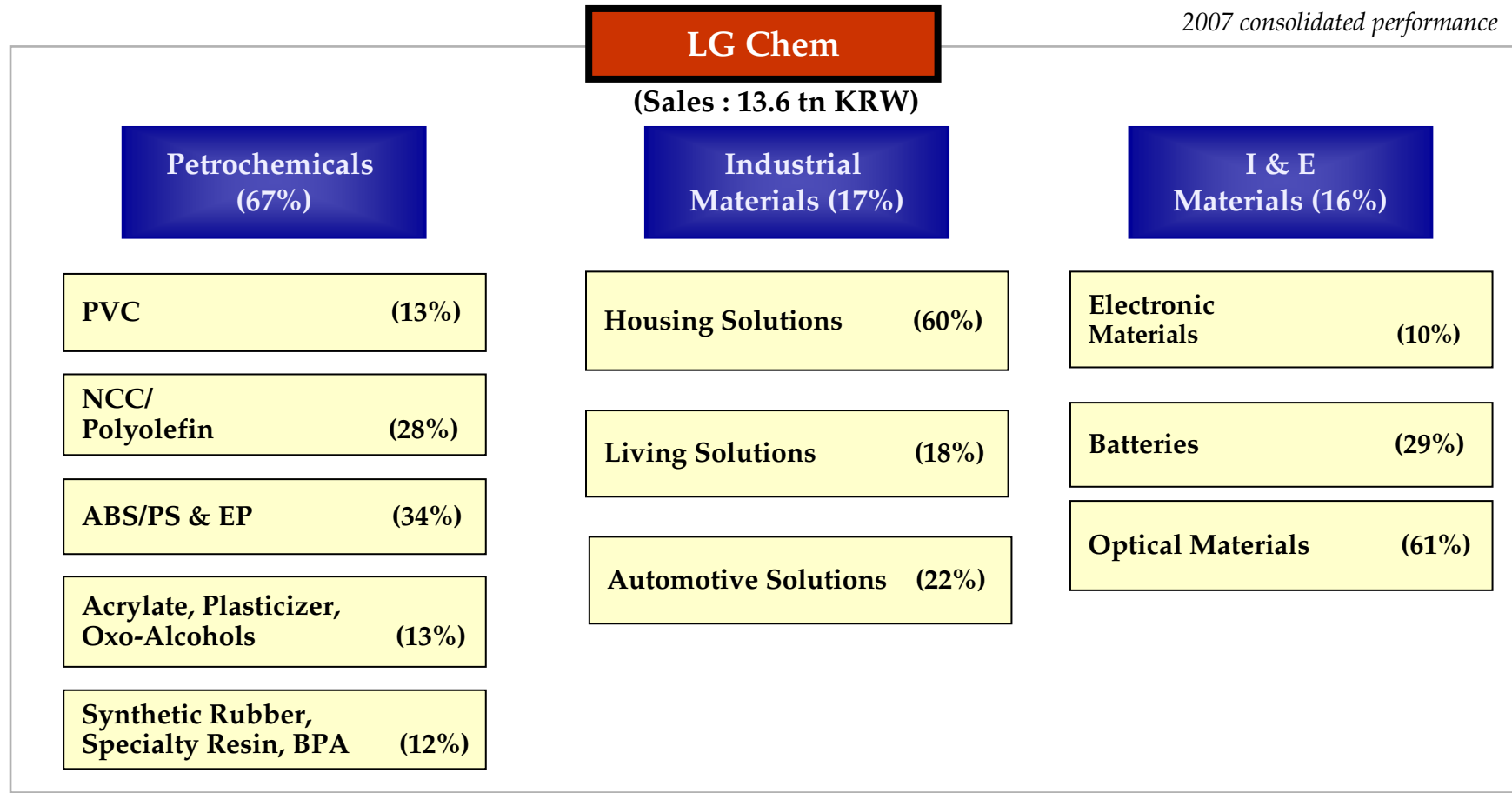
LG Chem, Ltd.

Mar 2008



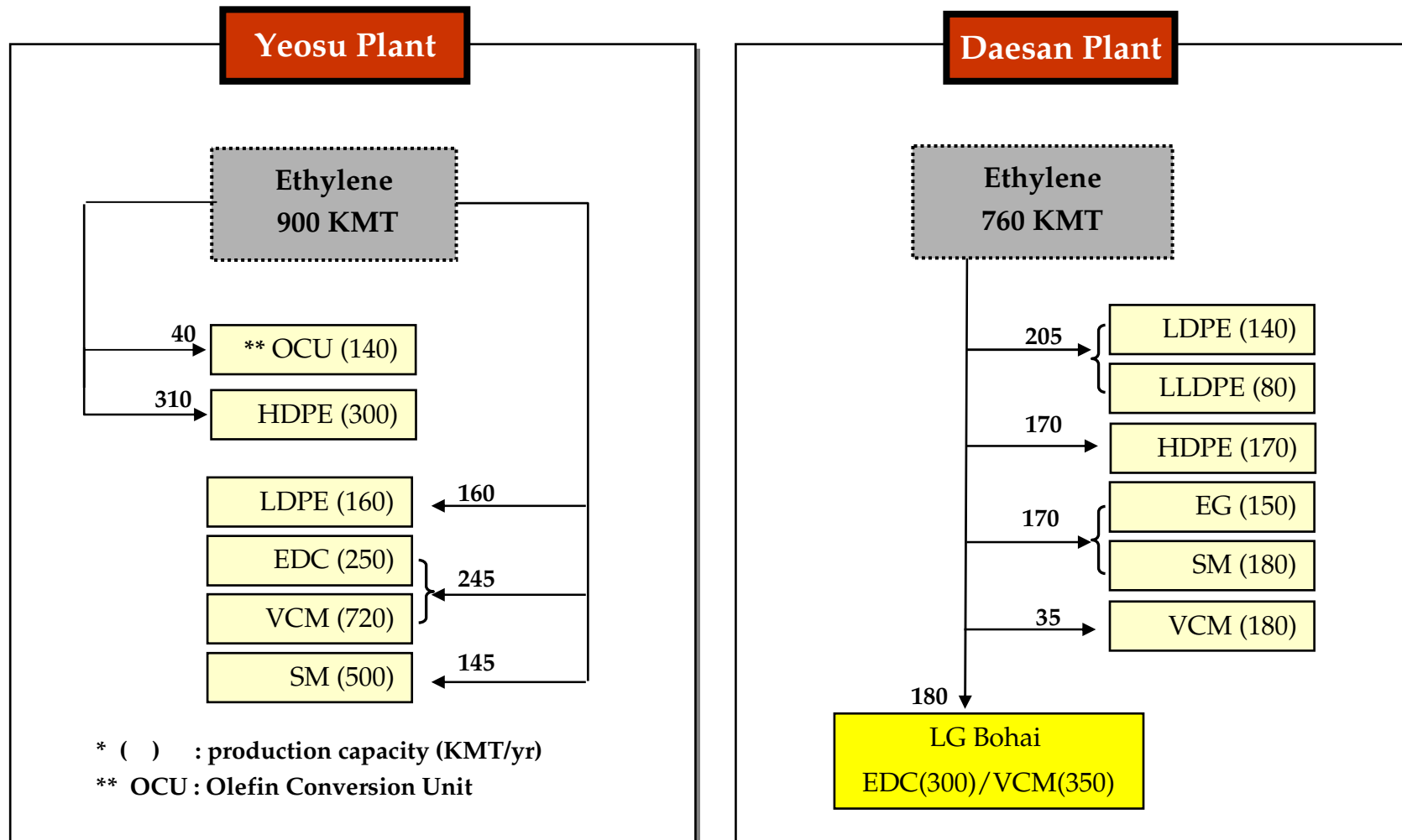
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- ◆ Petrochemicals : PVC, Plasticizer, ABS/PS, Acrylate, PO, EP, Specialty resin, NCC, Synthetic rubbers, BPA
- ◆ Industrial materials : Housing solutions (PVC window frame, Floorings), Living solutions, Automotive solutions, HI-MACS
- ◆ I & E materials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

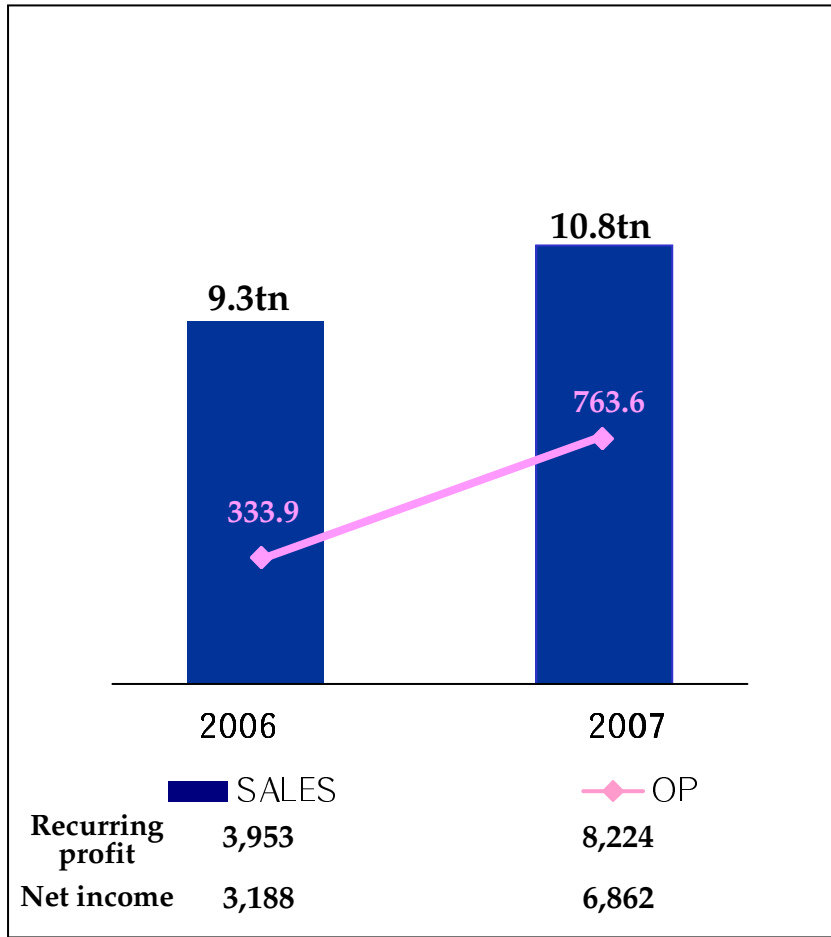
Vertical integration (Ethylene)



Forecasted ethylene balance in 2008

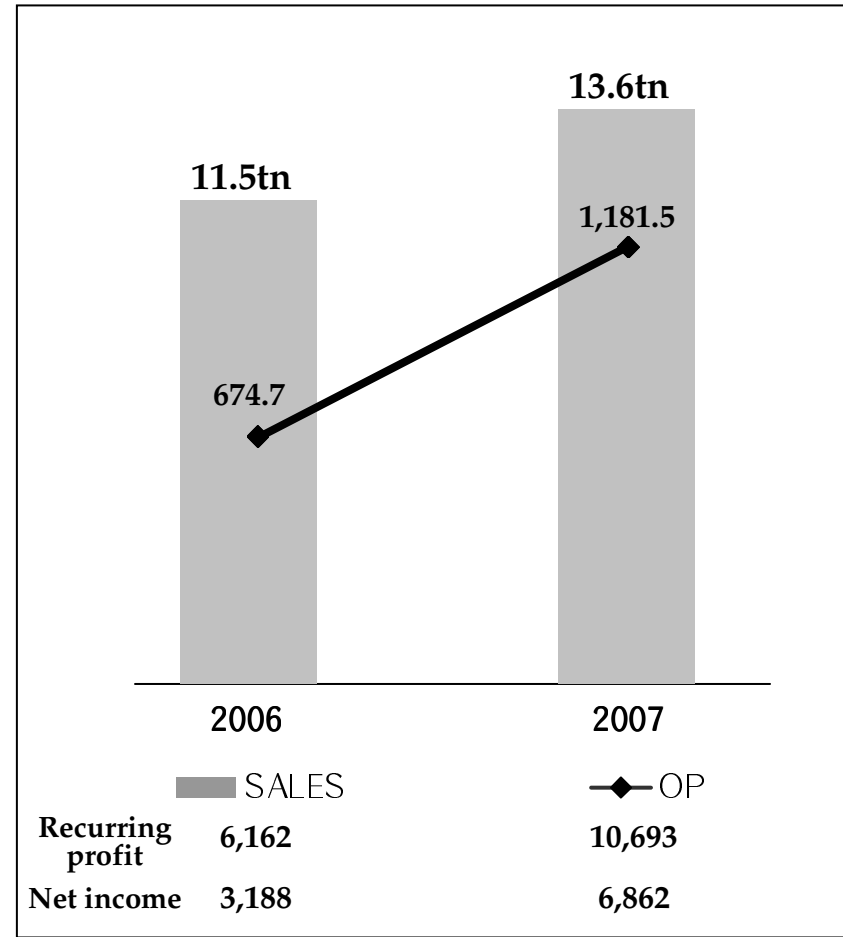
Non-Consolidated

(Unit:KRW bn)



Consolidated

(Unit:KRW bn)



2007 Business Results (I/S)

(Unit : KRW bn)	Non-Consolidated				Consolidated			
	'06 4Q	'07 4Q	'07 3Q	YoY	'06 4Q	'07 4Q	'07 3Q	YoY
Sales	2,418.2	3,003.8	2,766.6	24.2%	2,874.2	3,563.4	3,565.9	24.0%
Operating Profit	112.3	221.2	252.5	97.0%	228.4	257.3	374.1	12.7%
(%)	(4.6)	(7.4)	(9.1)		(7.9)	(7.2)	(10.5)	
Recurring Profit	98.8	177.3	271.8	79.5%	179.1	198.9	339.5	11.1%
(%)	(4.1)	(5.9)	(9.8)		(6.2)	(5.6)	(9.5)	
Equity Method Gains	28.3	10.0	52.1	-64.7%	5.4	-1.7	3.4	
Net Income	84.5	125.9	210.7	49.0%	84.5	125.9	210.7	49.0%

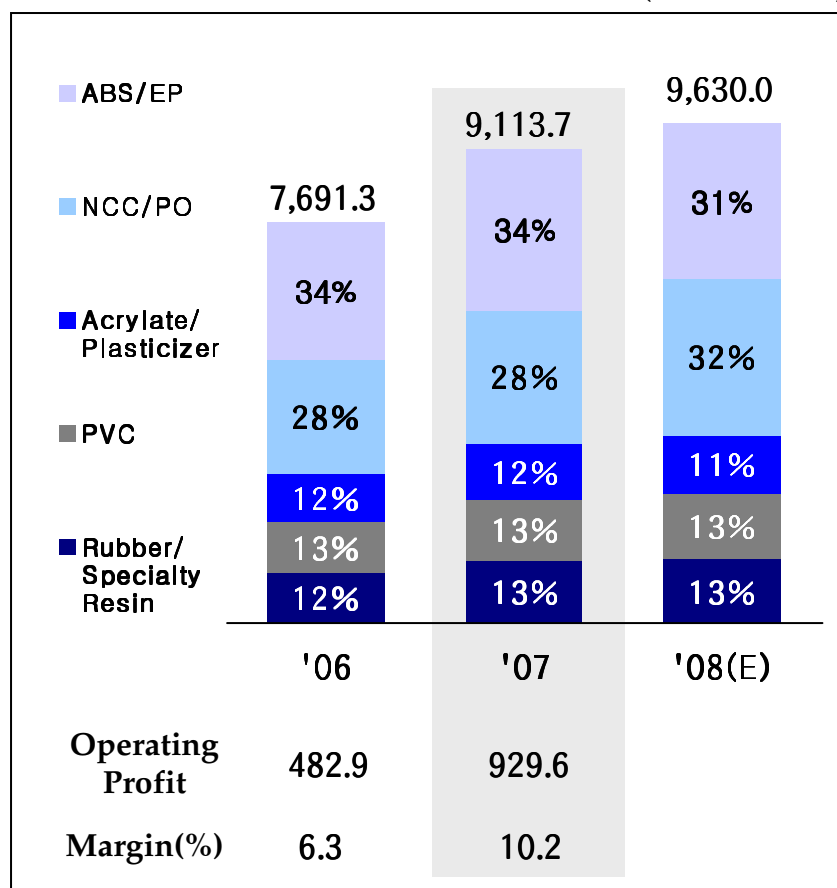
* Recurring Profit stands for "Profit from continuing operations before income tax"

2007 Business Results (B/S)

	Non-Consolidated		Consolidated	
(Unit : KRW bn)	'06	'07	'06	'07
Assets	5,806.5	7,050.0	7,638.5	8,515.6
(Cash and equivalents)	115.8	466.4	387.2	597.8
Liabilities	3,189.3	3,171.8	4,360.7	4,515.6
(Borrowings)	1,585.3	1,361.6	2,412.1	2,348.2
Shareholder's Equity	2,617.2	3,878.2	3,277.8	3,999.9
Total Liabilities / Equity (%)	121.9	81.8	133.0	112.9
Debt / Equity (%)	60.6	35.1	73.6	58.7
Interest Coverage Ratio	3.8	10.0	5.9	11.4
ROE (%)	12.6	23.3	14.5	22.9
ROA (%)	5.6	11.3	6.2	10.3
EBITDA	866.0	1,228.6	-	-

Business results

(Unit:KRW bn)



Analysis

• Analysis

▣ Increase in sales & profit of NCC/PO attributable to the merger with LGPC

▣ Pass-through of input cost hikes to ASP (Unit: US\$/mt)

	1Q	2Q	3Q	4Q
· Naphtha :	581	691	691	813
· Ethylene :	1,151	1,050	1,206	1,203
· PVC :	854	928	1,011	983
· ABS :	1,584	1,638	1,688	1,733

▣ Strong margin continued in Oxo-alcohols

• Outlook(1H)

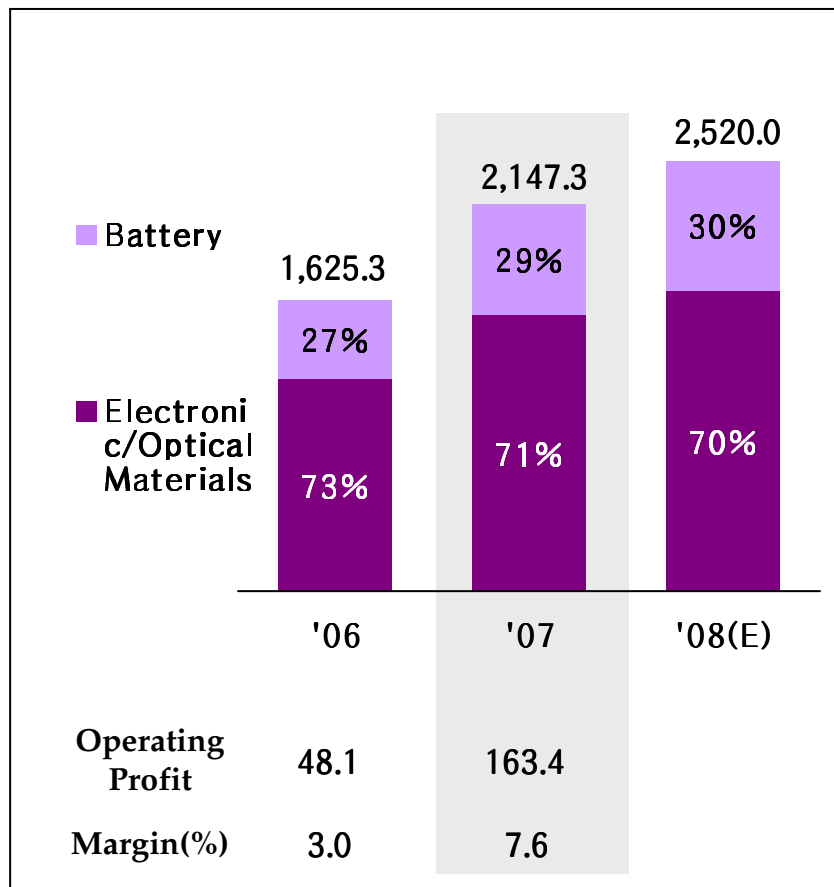
▣ Oil price is forecasted to be stabilized at around US\$80/bbl

▣ Input cost hikes successfully pass onto end-product ASP

▣ Decline in depreciation and turnaround expenses of Daesan plant (yoy)

Business results

(Unit:KRW bn)



Analysis

• **Analysis**

■ **Battery**

- Cylindrical : Solid profit given tight supply-demand condition
- Prismatic : Rising utilization in line with sales increase to LGE

■ **Electronic & optical**

- Improved earnings on the back of sales increase in polarizer for LCD TV
- ASP pressure eased as a result of stabilized LCD panel price

• **Outlook(1H)**

■ **Battery**

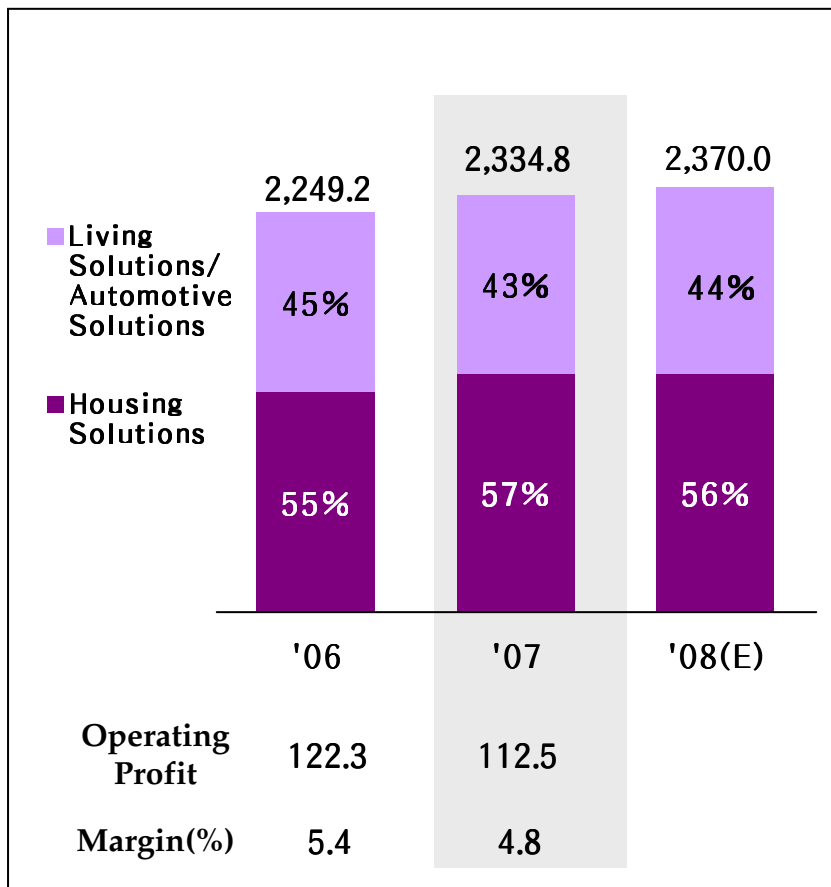
- Cylindrical : solid profit due to continued ASP increase and rising adoption of low-cobalt cathode
- Completion of expansion in 2Q : 10.5 →15 mn cell/month
- Prismatic : Increase in utilization rate through top tier customers

■ **Electronic & optical**

- Solid profits on the back of positive LCD market backdrop
- Winning market share in Taiwan and continued expansion of customer base

Business results

(Unit:KRW bn)



Analysis

• Analysis

■ Decline in HS earnings as a result of prolonged sluggish real estate market

■ One-off restructuring expenses in 4Q

- Consolidating low margin plants and restructuring employees

• Outlook(1H)

■ Expecting construction industry rebound with new government's policy

■ Improving distribution channel

- Large sized total interior shop

■ Continuous cost saving efforts

Business plan

Key issue

(Unit: KRW bn)

	Non-Consolidated	Consolidated
SALES	12,100	14,200
Divisional Sales		
Petrochemicals	7,750	9,630
Industrial Materials	2,150	2,370
I&E Materials	2,500	2,520
CAPEX	805.1	909.2

■ Petrochemicals

- NCC/PO : Internal turnaround activities, Synergy effect from merger
- ABS : Internal turnaround activities
- PVC : Debottlenecking in China(PVC: April, VCM: June)
- Acrylate : Strengthen downstream business
- Synthetic Rubber : Debottlenecking for NBR, BR (20KTPA each)
- BPA : Earlier completion of No.2 Line (130KTPA) (June)
- Specialty Resin : Review SBS expansion in China

■ Polarizer

- Productivity improvement : Acceleration of stretching speed
- Capacity expansion in wide width line : 24 mn m² ('08.4Q)
- Expansion of M/S in Taiwan & China

■ Battery

- Cost cutting by expanding application of low cobalt cathode
- Cylindrical : Capacity expansion (4.5mn cell/month) in Korea (April)
- Prismatic : Starting sales to new top tier customers
Capacity expansion (2.5mn cell/month) in China (Oct.)
- Starting mid-to-large size battery for HEV

■ Industrial materials : Restructuring & developing Russia & China market

Cash Flow & CAPEX Plan

(Non consolidated)

Cash Flow

(Unit : KRW bn)

Item	Amount
Cash-in	1,624.0
Net Income, etc.	1,192.5
Depreciation	431.5
Cash-Out	1,264.5
CAPEX	805.1
Working Capital	110.1
Dividend, etc.	349.3
Balance	359.5

CAPEX

(Unit : KRW bn)

Item	Amount	
CAPEX	805.1	
Type	New / Expansion	422.9
	Maintenance	334.0
	Equity	48.2
Divisional	Petrochemicals	253.4
	Industrial Materials	103.6
	I&E Materials	309.6
	Common	138.5

Key Investment

(Unit : KRW bn)

- Petrochemicals 155.6
 (BPA expansion etc.)
- I&E materials 231.4
 (Polarizer, cylindrical battery etc.)
- Industrial materials 32.2

Sales & Operating Profit (Non-Consolidated)

Appendix

(Unit : KRW bn)

	2006					2007				
	1Q	2Q	3Q	4Q	Sum	1Q	2Q	3Q	4Q	Sum
Sales	2,129.1	2,272.5	2,482.5	2,418.2	9,302.3	2,380.0	2,644.9	2,766.6	3,003.8	10,795.3
Operating Profit	65.6	48.1	107.1	112.3	333.9	127.0	162.9	252.5	221.2	763.6
Petrochemicals	1,364.8	1,429.6	1,582.2	1,508.2	5,884.8	1,498.3	1,647.3	1,742.8	1,905.5	6,793.9
NCC/PO	397.8	429.9	506.6	458.7	1,793.0	376.3	491.2	569.9	682.1	2,119.5
Synthetic Rubber/ Specialty Resin	132.6	149.1	142.2	146.1	570.0	153.2	168.2	184.7	237.7	743.8
PVC	187.5	197.7	231.2	210.4	826.8	206.3	229.3	220.0	238.8	894.4
ABS/EP	440.0	436.9	453.6	454.5	1,785.0	495.1	489.3	511.5	496.2	1,992.1
Acrylate/Plasticizer	206.9	216.0	248.6	238.5	910.0	267.4	269.3	256.7	250.7	1,044.1
Operating Profit	27.5	-5.5	62.9	85.1	170.0	89.0	99.5	170.9	151.4	510.9
I & E Materials	361.2	370.4	448.5	430.6	1,610.7	438.1	510.0	590.1	601.6	2,139.8
Battery	94.2	105.3	127.7	124.5	451.7	131.5	159.0	175.3	182.8	648.6
Optical/Electronic	269.2	268.9	324.5	309.4	1,172.0	311.1	359.4	425.6	428.9	1,525.0
Operating Profit	10.5	13.1	18.9	6.1	48.7	7.3	26.4	56.8	61.4	152.0
Industrial Materials	476.0	543.3	521.6	546.9	2,087.8	499.8	563.3	505.1	571.5	2,139.7
Building/Decorative	253.7	314.1	323.3	321.4	1,212.5	291.5	339.7	316.2	364.8	1,312.2
Living/Automotive	224.1	231.7	200.4	227.2	883.4	209.8	225.5	190.7	209.0	835.1
Operating Profit	27.4	41.9	24.5	24.0	117.9	30.1	35.9	24.1	11.2	101.2

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

Sales & Operating Profit (Consolidated)

Appendix

(Unit : KRW bn)

	2006					2007				
	1Q	2Q	3Q	4Q	Sum	1Q	2Q	3Q	4Q	Sum
Sales	2,634.8	2,850.7	3,094.0	2,874.2	11,453.7	3,040.6	3,383.6	3,565.9	3,563.4	13,553.5
Operating Profit	140.5	88.5	217.3	228.4	674.7	258.1	292.0	374.1	257.3	1,181.5
Petrochemicals	1,747.6	1,842.6	2,081.3	2,019.9	7,691.3	2,037.5	2,299.5	2,396.2	2,380.5	9,113.7
NCC/PO	485.9	494.7	620.6	569.0	2,170.0	482.7	630.0	696.4	726.7	2,535.9
Synthetic Rubber/ Specialty Resin	200.9	239.7	253.6	256.7	950.9	271.8	296.6	323.5	295.7	1,187.6
PVC	235.2	251.3	275.4	247.6	1,009.6	248.4	301.0	315.2	325.8	1,190.3
ABS/EP	614.9	634.3	677.9	701.4	2,628.5	756.2	790.1	792.8	769.9	3,109.0
Acrylate/Plasticizer	210.7	222.6	253.8	245.2	932.3	278.4	281.8	268.3	262.4	1,090.9
Operating Profit	83.7	24.9	169.7	204.6	482.9	231.5	217.4	288.8	191.9	929.6
I & E Materials	361.3	375.7	447.2	440.9	1,625.3	447.3	516.7	588.6	594.7	2,147.3
Battery	94.7	103.8	122.2	121.5	442.3	126.7	153.9	168.7	175.3	624.5
Optical/Electronic	268.6	275.4	328.7	322.6	1,195.4	325.1	371.1	430.7	429.3	1,556.3
Operating Profit	9.8	11.0	18.7	8.6	48.1	9.2	28.7	61.1	64.5	163.4
Industrial Materials	515.5	589.8	563.1	580.8	2,249.2	540.3	615.8	559.6	619.1	2,334.8
Building/Decorative	259.7	320.8	331.8	327.5	1,240.0	296.4	349.8	327.4	373.0	1,346.6
Living/Automotive	258.6	271.3	233.4	255.0	1,018.3	245.3	268.0	234.0	248.5	995.7
Operating Profit	29.4	45.1	25.9	21.9	122.3	30.5	40.7	28.6	12.7	112.5

* 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)
	'06	'07	Changes	
Total	1,585.3 (100%)	1,361.6 (100%)	$\Delta 223.7$	1,315.2 (100%)
KRW Currency	1,269.2 (80%)	1,033.2 (76%)	$\Delta 236.0$	1,000.2 (76%)
C P	25.0	-	$\Delta 25.0$	-
C B	1,080.0	780.0	$\Delta 300.0$	660.0
Others	164.2	253.2	89.0	340.2
Foreign Currency	316.1 (20%)	328.4 (24%)	12.3	315.0 (24%)
FRN	213.9	234.6	20.7	225.0
Others	102.2	93.8	$\Delta 8.4$	90.0
Short-term	465.9 (29%)	366.9 (27%)	$\Delta 99.0$	529.9 (40%)
Long-term	1,119.4 (71%)	994.7 (73%)	$\Delta 124.7$	785.3 (60%)

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

Cash Flow

(Unit : KRW bn)

	'06	'07
Beginning	371.0	115.8
Operating/Investing	115.8	644.9
Net Income	318.8	686.2
Depreciation	502.2	437.9
Working Capital	$\Delta 178.5$	$\Delta 458.6$
CAPEX	$\Delta 590.5$	$\Delta 483.7$
Others	63.9	463.1
Financing	$\Delta 370.9$	$\Delta 294.3$
Borrowings	$\Delta 279.9$	$\Delta 221.4$
Dividend	$\Delta 91.0$	$\Delta 72.9$
End	115.8	466.4

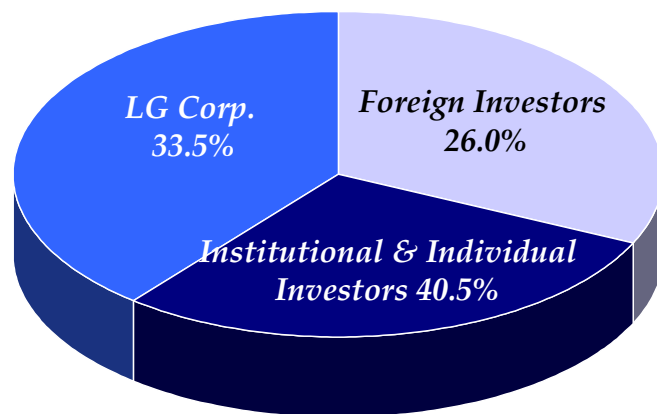
CAPEX Plan & Results (Non-consolidated)

Appendix

(Unit : KRW bn)

		'05 Results	'06 Results	'07 Plan	'07 Results
Petrochemicals	New/Expansion	23.7	118.2	180.6	142.2
	Maintenance	69.1	83.6	59.8	68.2
	Equity Investment	41.2	39.0	7.5	16.4
	Total	134.0	240.8	247.9	226.7
Industrial Materials	New/Expansion	17.1	14.5	44.9	10.3
	Maintenance	49.1	56.4	53.1	56.5
	Equity Investment	3.5	9.9	9.7	-
	Total	69.6	80.8	107.7	66.8
I & E Materials	New/Expansion	147.4	121.9	150.2	41.9
	Maintenance	39.0	37.6	33.2	35.9
	Equity Investment	20.5	8.2	8.5	12.0
	Total	206.9	167.8	191.9	89.8
Common Expenses	New/Expansion	-	-	7.5	0.7
	Maintenance	88.0	87.1	116.5	99.6
	Equity Investment	3.2	14.0	-	-
	Total	91.3	101.1	124.0	100.3
Total	New/Expansion	188.2	254.6	383.2	195.1
	Maintenance	245.2	264.7	262.6	260.2
	Equity Investment	68.5	71.2	25.7	28.4
	Total	501.8	590.5	671.5	483.7

Shareholders & Market Cap



Common Stock as of Feb 11, 2008

(Unit : KRW)

	No. of Shares	Feb 11, '08	
		Price	Market Cap
Common	75,238,770	79,400	5.9 tn
Preferred	8,661,251	34,200	0.3 tn
Total	83,900,021		6.2 tn

Par value : KRW 5,000

GDR Info.

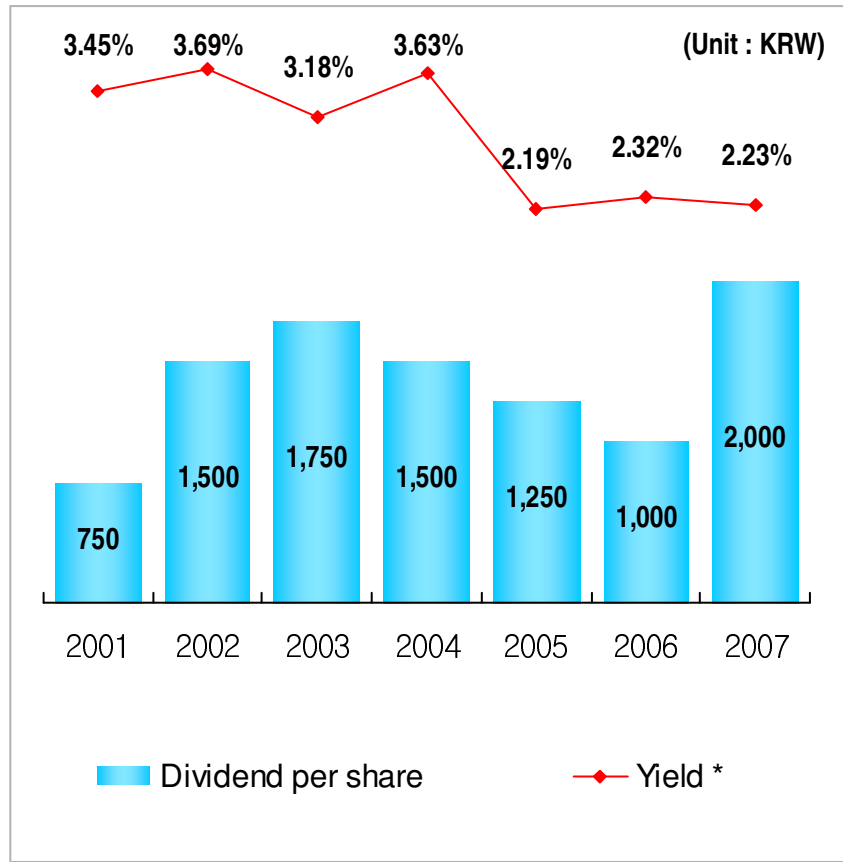
Listed in LSE
144A GDR
Reg.S GDR

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 *

+

α

* 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

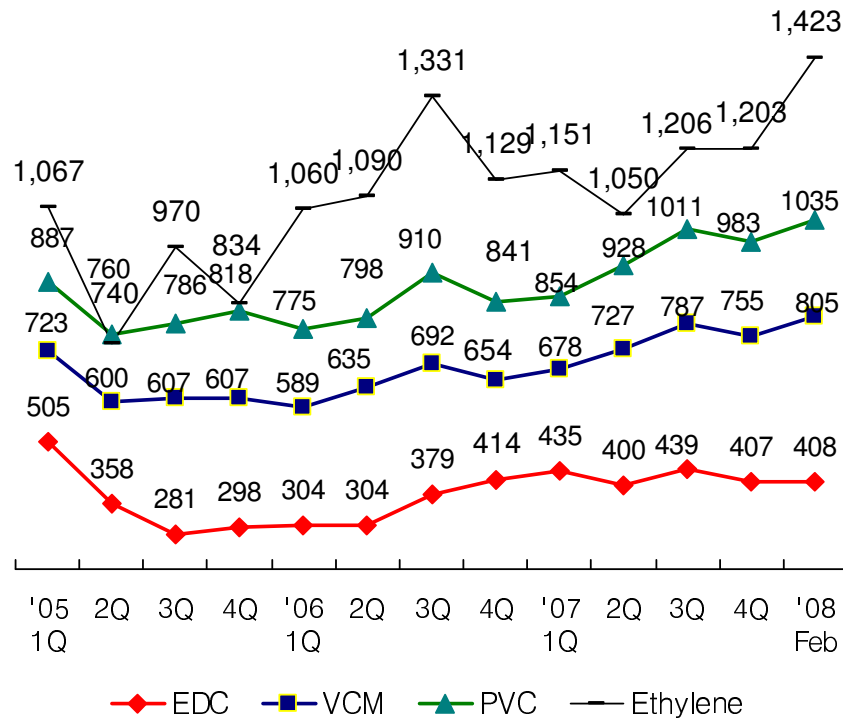
Item	Location	'04	'06	'07	'08
Ethylene	Yeosu	760	860	900	900
	Daesan	450	500	760	760
	Total	1,210	1,360	1,660	1,660
Propylene	Yeosu	370	550	580	580
	Daesan	225	250	380	380
	Total	595	800	960	960
LDPE	Yeosu	156	156	160	160
	Daesan	125	138	140	140
	Total	281	294	300	300
HDPE	Yeosu	300	310	310	330
	Daesan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

(Unit : KMT/Yr)

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

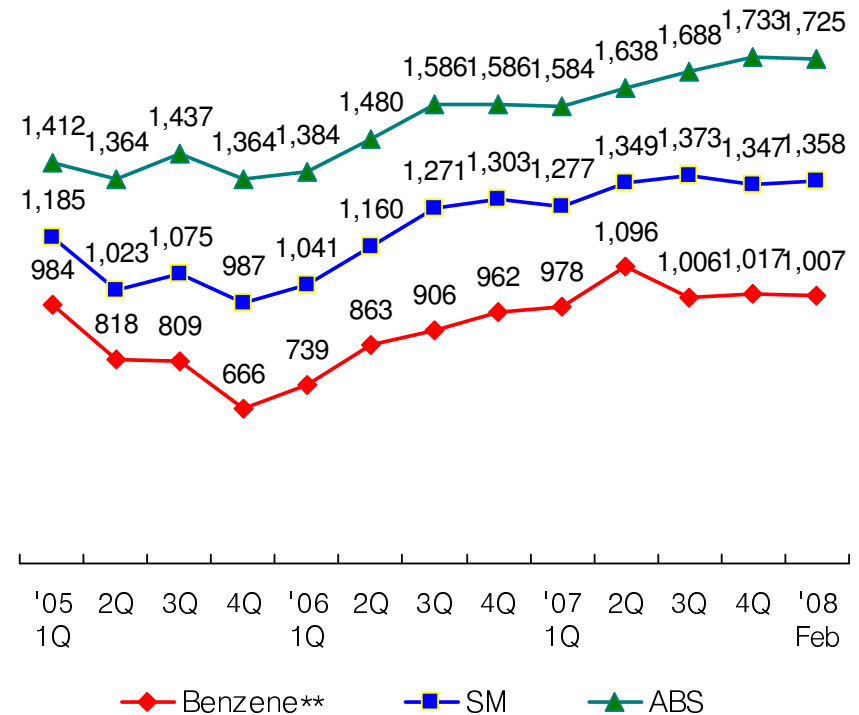
Vinyls

(Unit:U\$/MT)



Styrenics

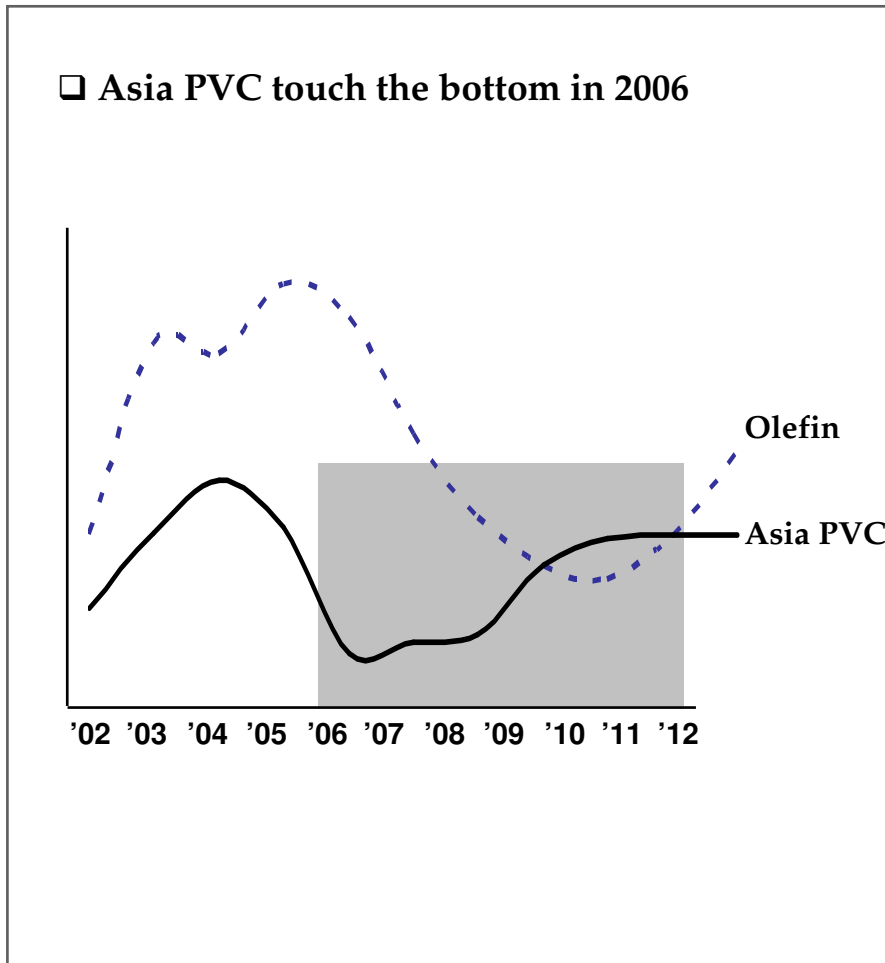
(Unit:U\$/MT)



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

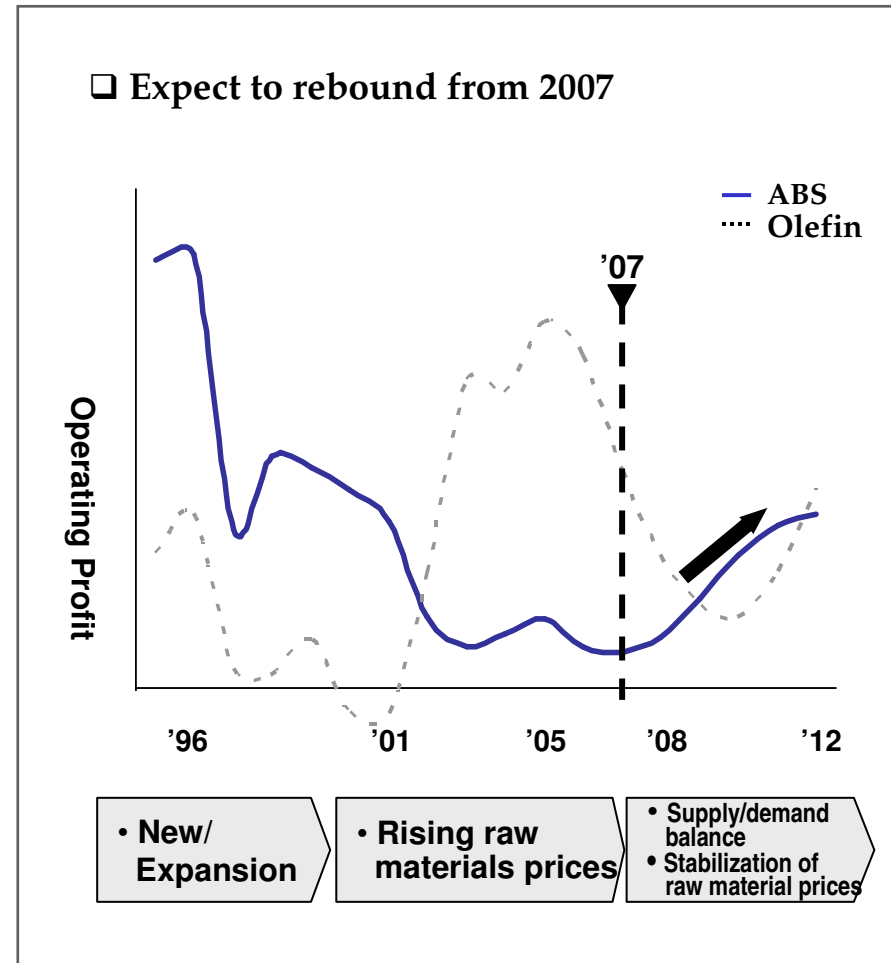
** Average of FOB Korea price

PVC



Source : CMAI2007

ABS



Source : CMAI2007