

SolutionPartner

LG Chem, Ltd.

June 2007



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I. General overview

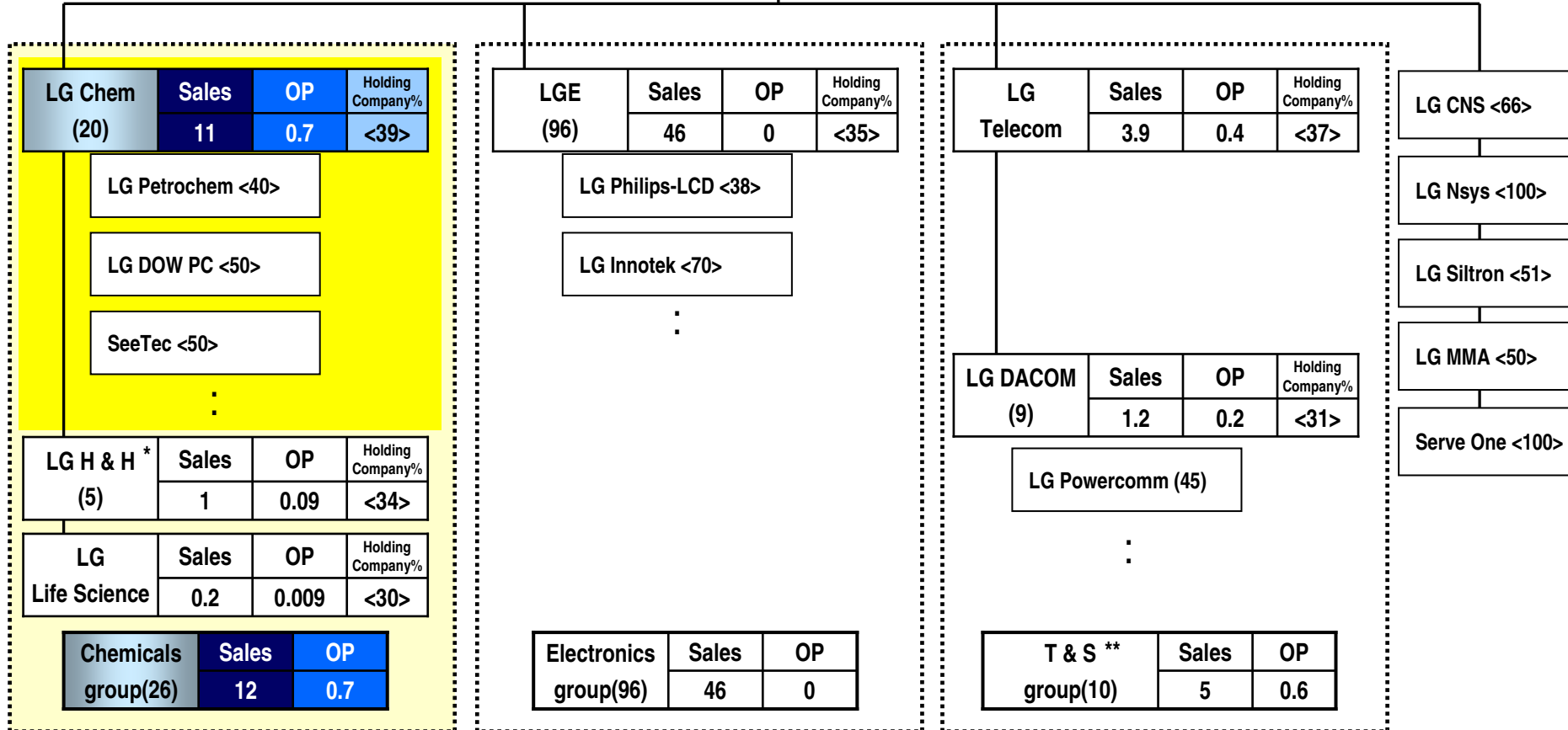
LG group hierarchy

As of 12/31/2006 (Consolidated)

LG corp. (137)	Sales	OP
	66	1.6

() : The numbers of subsidiaries including overseas

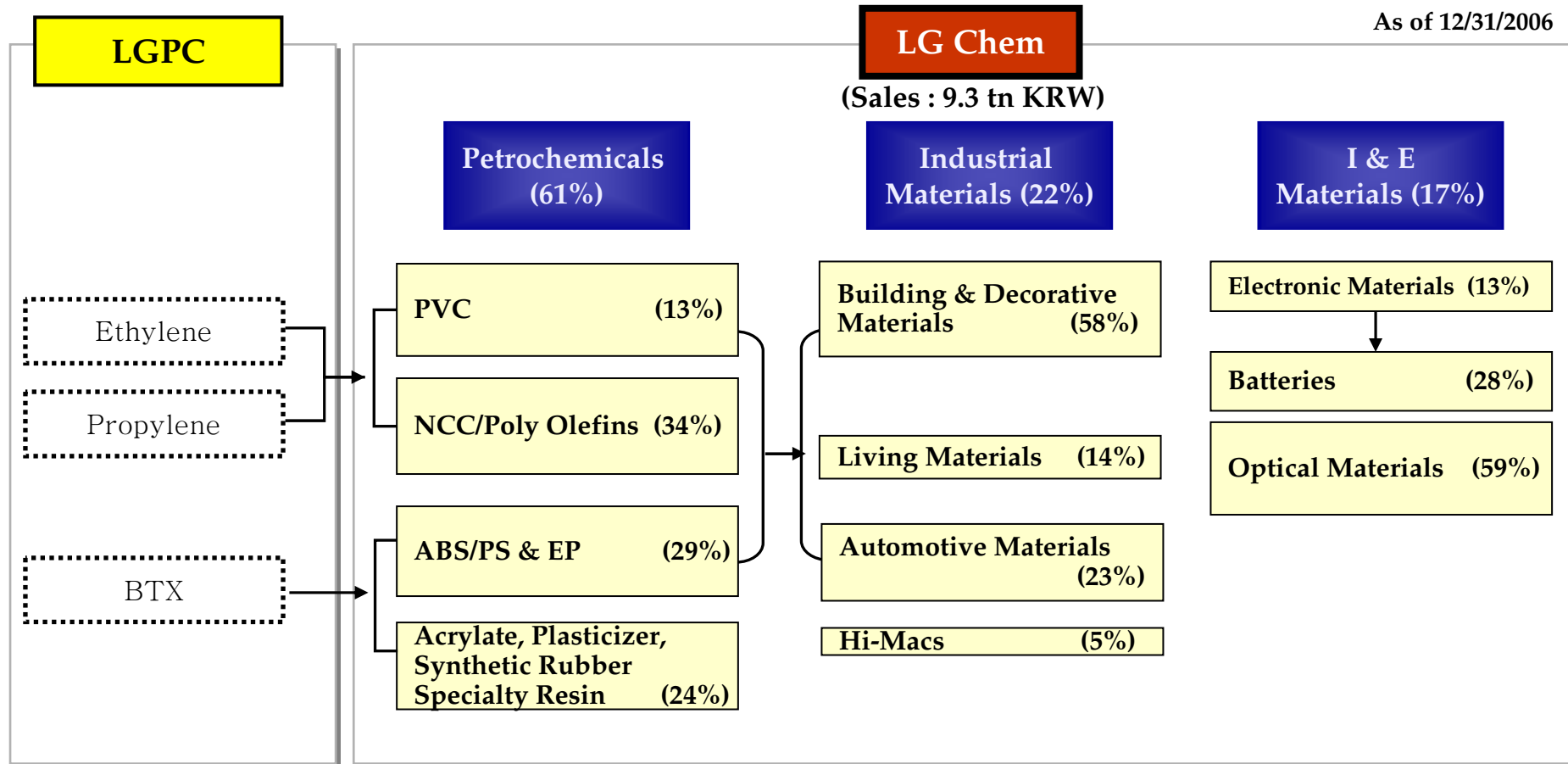
(KRW tn, %)



* Household and Healthcare

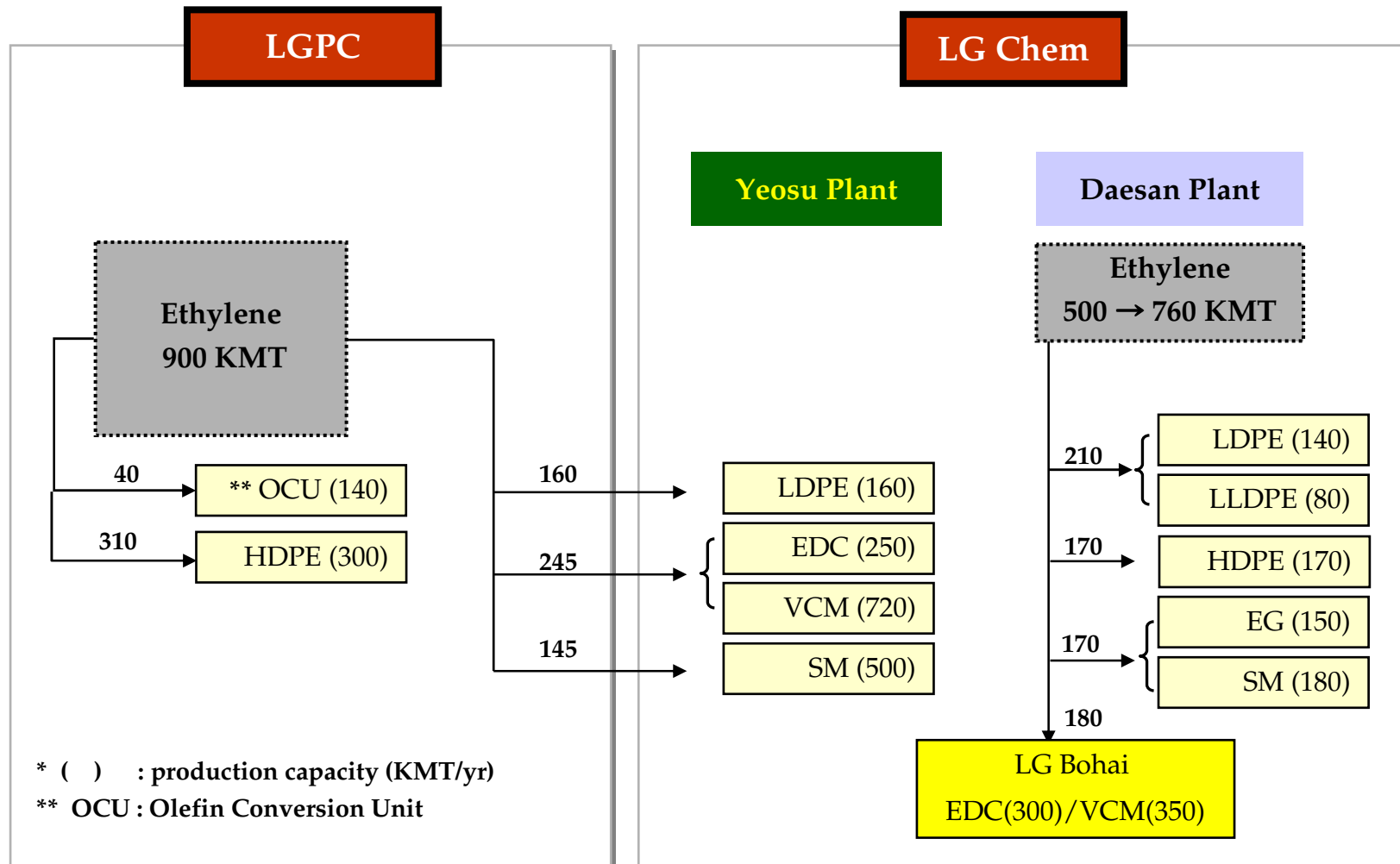
** Telecommunications and Services

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
Sales	7,425	9,302	2,381
Operating Profit	422	334	127
(%)	(5.7)	(3.6)	(5.3)
Recurring Profit	468	395	156
(%)	(6.3)	(4.2)	(6.5)
Equity-method Gains	210	106	47
Net Income	400	319	109

Balance sheet

(Unit : KRW bn)	'05	'06	'07 1Q
Assets	5,593	5,807	5,932
(Cash and equivalents)	189	116	195
Liabilities	3,155	3,189	3,262
(Borrowings)	1,865	1,586	1,558
Shareholder's Equity	2,439	2,617	2,671
Total Liabilities / Equity (%)	129	122	122
Debt / Equity (%)	77	61	58
ROE (%)	17	13	17
EBITDA	794	866	256
CAPEX	502	591	143

Income statement

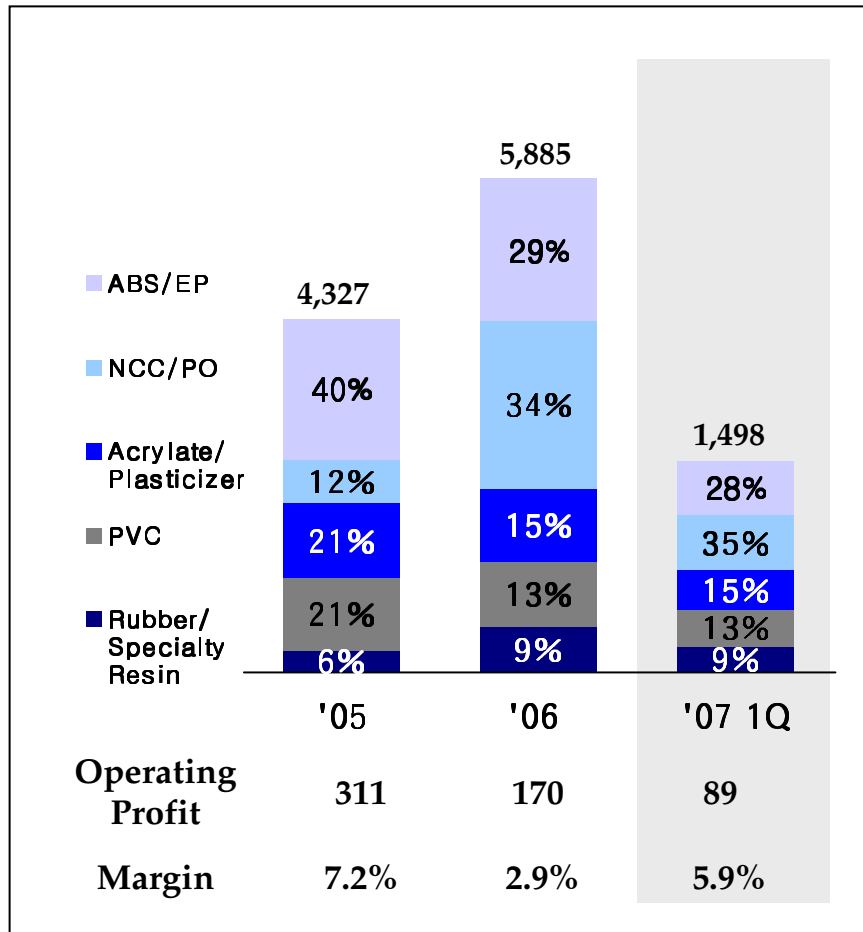
(Unit : KRW bn)	'05	'06	'07 1Q
Sales	10,785	11,454	3,041
Operating Profit	841	675	258
(%)	(7.8)	(5.9)	(8.5)
Recurring Profit	718	616	239
(%)	(6.7)	(5.4)	(7.8)
Equity-method Gains	-5	3	3
Net Income	402	325	109

Balance sheet

(Unit : KRW bn)	'05	'06	'07 1Q
Assets	7,291	7,638	7,841
(Cash and equivalents)	608	387	509
Liabilities	4,221	4,361	4,479
(Borrowings)	2,615	2,412	2,384
Shareholder's Equity	3,070	3,278	3,362
Total Liabilities / Equity (%)	138	133	133
Debt / Equity (%)	85	74	71
ROE (%)	19	15	19

Business results

(Unit : KRW bn)



Analysis

• Analysis ('07 1Q)

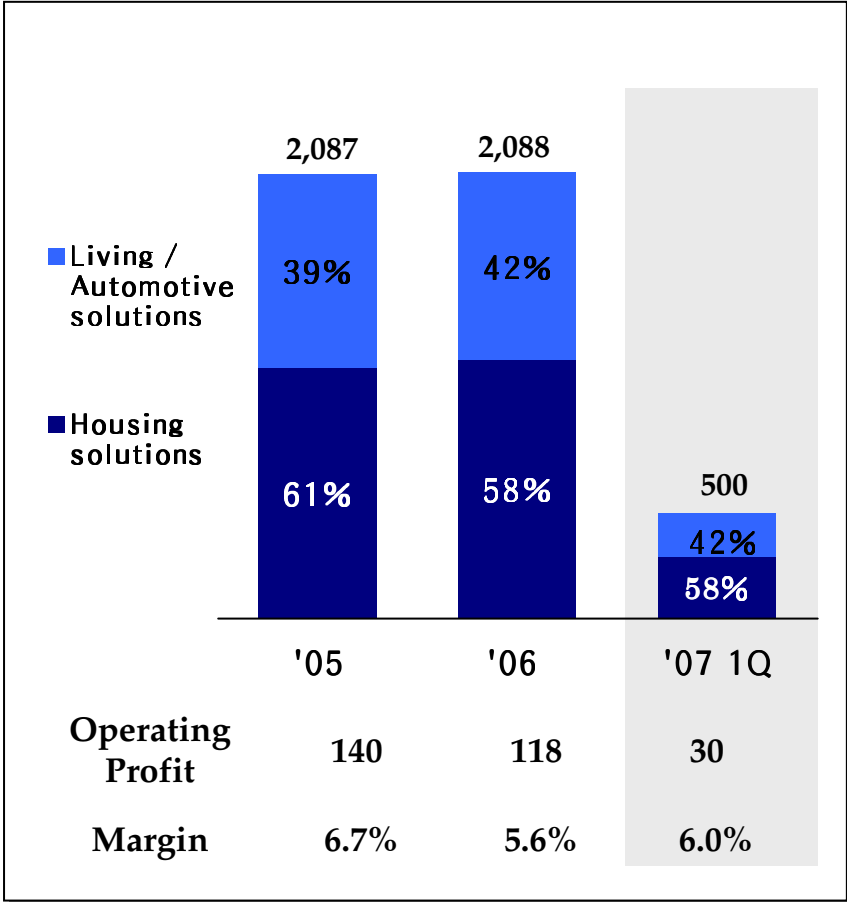
- ▣ NCC/ PO maintained solid performance despite the shutdown of Deasan NCC for revamping
- ▣ Thanks to seasonal (March) demand and price increase, PVC showed notable improvement
 - PVC : US\$ 831('06) → 854('07 1Q) → 925(May W3)
- ▣ Due to tight supply strong margin continued in Oxo-alcohols

• 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)

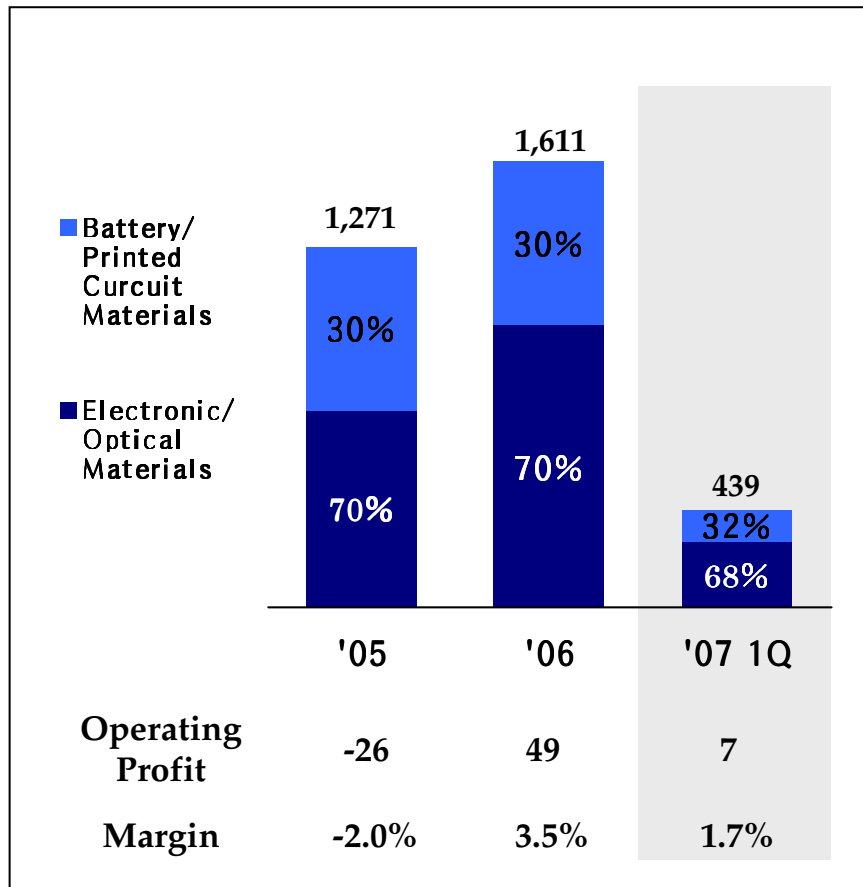


Analysis

- **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**

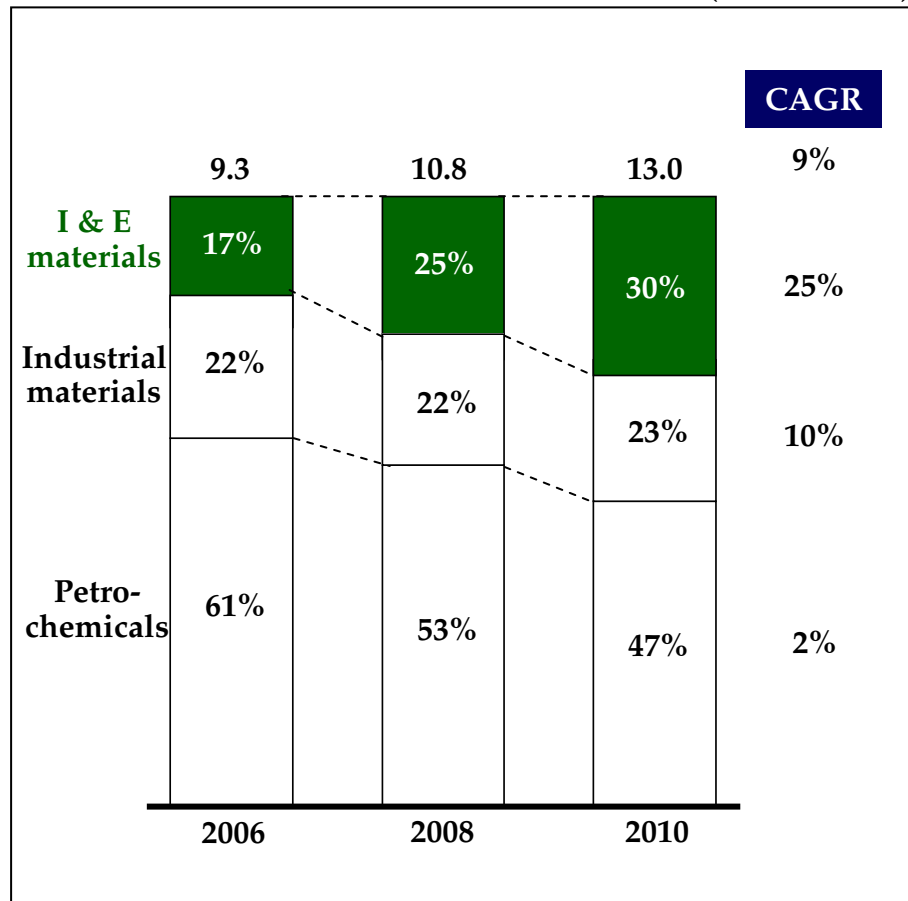
- Battery: Continuous improvement
 - Cylindrical/Polymer : Improvement in sales by improving productivity
 - Prismatic : focus on developing new customers
 - Reducing Cost:
 1. Adapt specialty cathode (low usage of cobalt)
 2. Reduce raw material cost (anode and electrolyte)
- Polarizer: Expecting gradual 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
Sales	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
Operating Profit	141.4	85.6	92.1	102.6	421.7	65.6	48.1	107.1	112.3	333.9	126.9				126.9
Petrochemicals	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
Operating Profit	116.4	69.0	73.7	51.9	311.0	27.5	-5.5	62.9	85.1	170.0	89.0				89.0
Industrial Materials	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
Operating Profit	27.5	36.3	39.3	36.9	140.0	27.4	41.9	24.5	24.0	117.9	30.1				30.1
I & E Materials	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
Operating Profit	-1.4	-19.1	-20.5	15.2	-25.8	10.5	13.1	18.9	6.1	48.7	7.3				7.3

* 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)

		'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
	Total	134.0	240.8	88.8	247.9
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
	Total	69.6	80.8	14.0	107.7
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
	Total	206.9	167.8	14.7	191.9
Common Expenses	New/Expansion	-	-	-	7.5
	Maintenance	88.0	87.1	25.6	116.5
	Equity Investment	3.2	14.0	-	-
	Total	91.3	1,011	25.6	124.0
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
	Total	501.8	590.5	143.0	671.5

Borrowings

(Unit : KRW bn)

	Balance			'07 (E)
	'06	'07 1Q	Changes	
Total	1,585.3 (100%)	1,557.6 (100%)	-27.7	1,578.5 (100%)
KRW Currency	1,269.2 (80%)	1,143.9 (73%)	-125.3	1,206.5 (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
Foreign Currency	316.1 (20%)	413.7 (27%)	97.6	372.0 (23%)
FRN	213.9	310.3	96.4	269.7
Others	102.2	103.4	1.2	102.3
Short-term	465.9 (29%)	539.5 (35%)	73.6	386.2 (24%)
Long-term	1,119.4 (71%)	1,018.1 (65%)	-101.3	1,212.3 (76%)

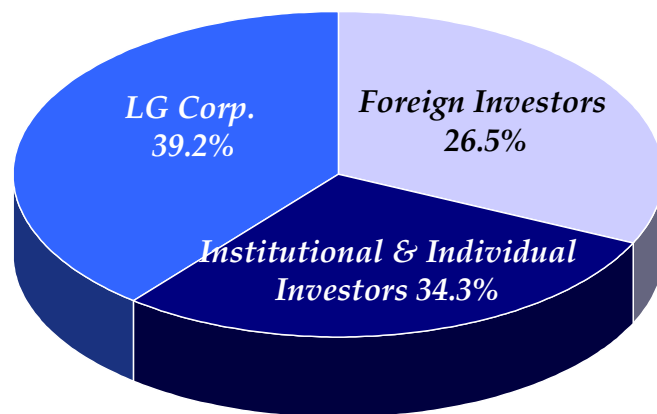
☞ The % is calculated to total borrowings
Discounts of bond is not included

Cash Flow

(Unit : KRW bn)

	'06	'07 1Q
Beginning	317.0	115.8
Operating/Investing	115.8	106.4
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
Financing	-370.9	-27.7
Borrowings Changes	-279.9	-27.7
Dividend	-91.0	-
End	115.8	194.5

Shareholders & Market Cap



Common Stock as of May 25, 2007

(Unit : KRW)

	No. of Shares	May 25, '07	
		Price	Market Cap
Common	64,425,064	63,000	4.0 tn
Preferred	8,661,251	33,200	0.3 tn
Total	73,086,315		4.3 tn

Par value : KRW 5,000

GDR Info.

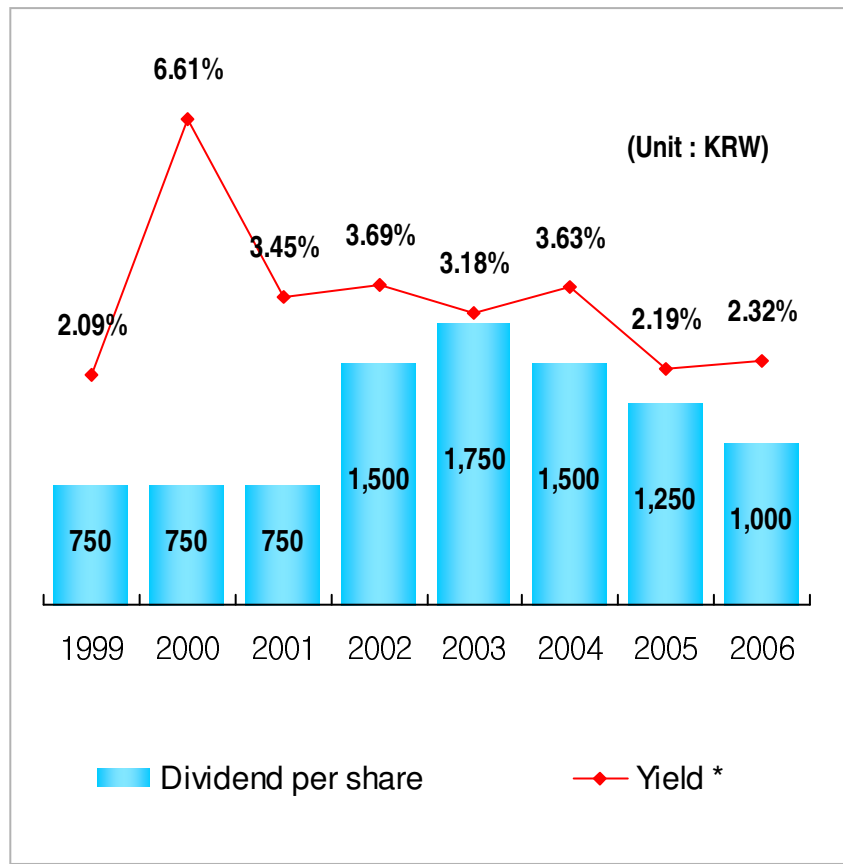
Listed in LSE
144A GDR
Reg.S GDR

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

(Unit : KMT/Yr)

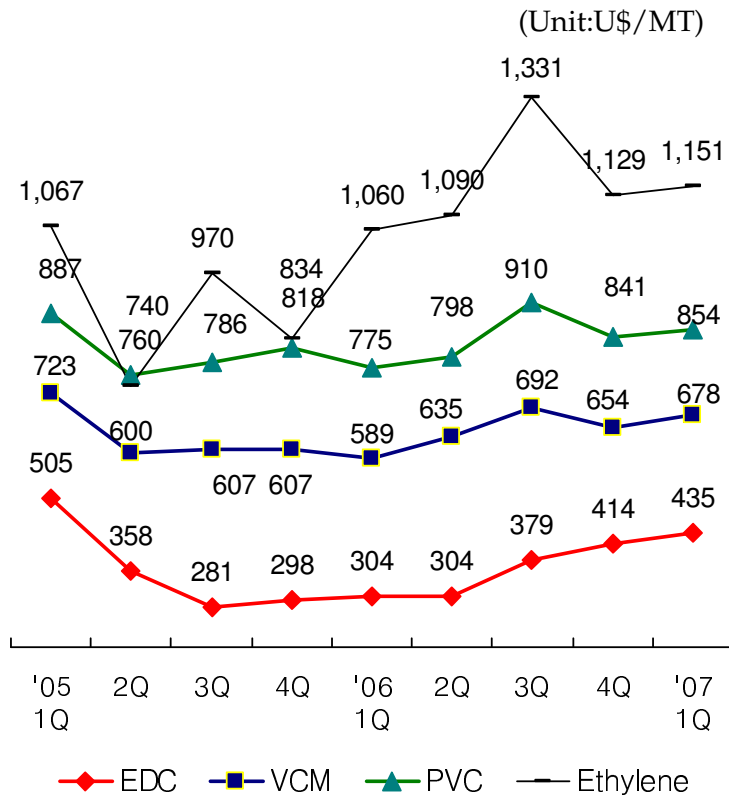
Item	Region	'04	'06	'08	'10
PVC	Yeosu	560	560	550	550
	Daesan	200	200	200	200
	China	350	350	360	400
	Total	1,110	1,110	1,110	1,150
VCM	Yeosu	720	720	720	720
	Daesan	180	180	180	180
	China	0	0	360	400
	Total	900	900	1,260	1,300
EDC ¹⁾	Yeosu	250	260	260	260
	China	0	0	320	360
	Total	250	260	580	620
NaOH ²⁾	Yeosu	200	200	200	200
	China	0	0	260	260
	Total	200	200	460	460
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

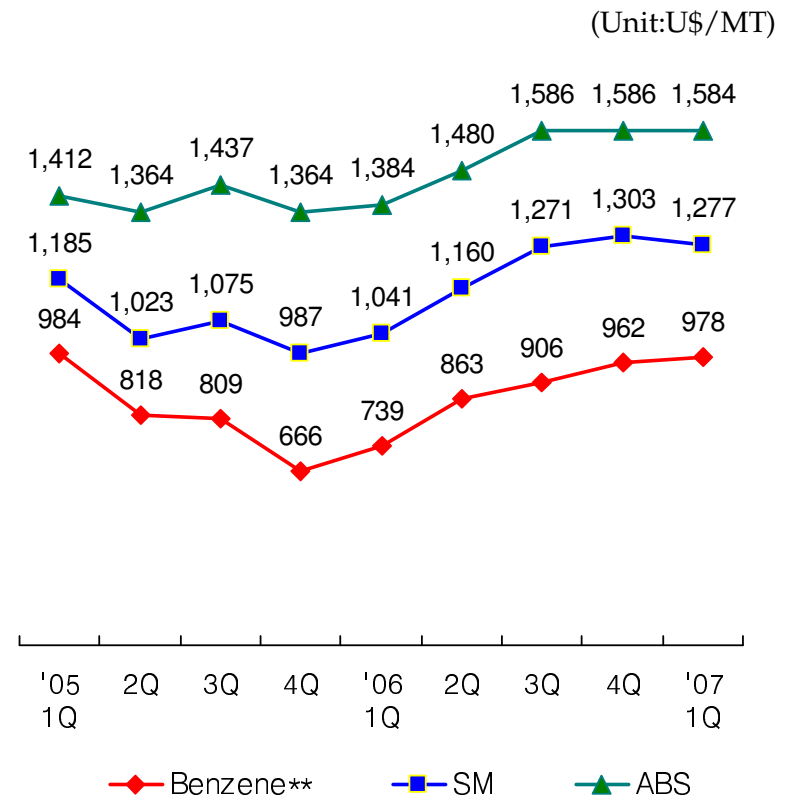
2) Dry basis

Item	Region	'04	'06	'08	'10
ABS	Yeosu	550	550	550	550
	Ningbo	300	300	450	450
	India	0	0	0	80
	Total	850	850	1,000	1,080
PS	Yeosu	210	210	140	140
	India	80	80	80	80
	Total	290	290	220	220
EPS	Yeosu	84	84	84	84
	India	16	16	16	16
SM	Yeosu	500	500	500	500
	Daesan	150	150	170	170
	Total	650	650	670	670
Acrylic Acid	Korea	160	160	160	240
	Overseas	0	0	0	0
	Total	160	160	160	240
Oxo-A	Korea	295	295	295	295
Rubber	Korea	116	185	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 *Vice Chairman & President of LG Corp.	During his tenure
CEO	Kim, Bahn-Suk	B.Eng. (Chemical Engineering), Seoul National Univ. CEO of LG Petrochemical, CEO of LG Daesan Petrochemical *President & CEO of LG Chem	During his tenure
CFO	Cho, Suk-Jeh	B.A. (Business Administration), Busan National Univ. Executive Vice President, CFO of LG Corp. *Executive Vice President & CFO of LG Chem	Re-elected
Independent Director	Oh, Ho-Soo	B.A. (Law), Yonsei Univ. Chairman of the Korea Securities Dealers Association *Chairman of Investus Global Corp.	Re-elected
Independent Director	Lee, Young-Moo	Ph.D. (Polymer Engineering), Univ. of North Carolina Senior researcher of 3M *Professor, Division of Applied Chemical Engineering & Bio Engineering, Han yang Univ.	Re-elected
Independent Director	Kim, Kon-Sik	Ph.D. (Corporate law), Univ. of Washington Independent director of SK Telecom *Professor of Law, Seoul National Univ.	Re-elected
Independent Director	Ahn, Sang-Hyung	Ph.D. (Industrial Administration), Carnegie Mellon Univ. Independent director of LG Petrochemical *Dean, College of Business Administration, Seoul National Univ.	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