

SolutionPartner

2Q 2007 Business Results & Outlook

2007. 7. 18



The business results for the 2nd quarter of 2007 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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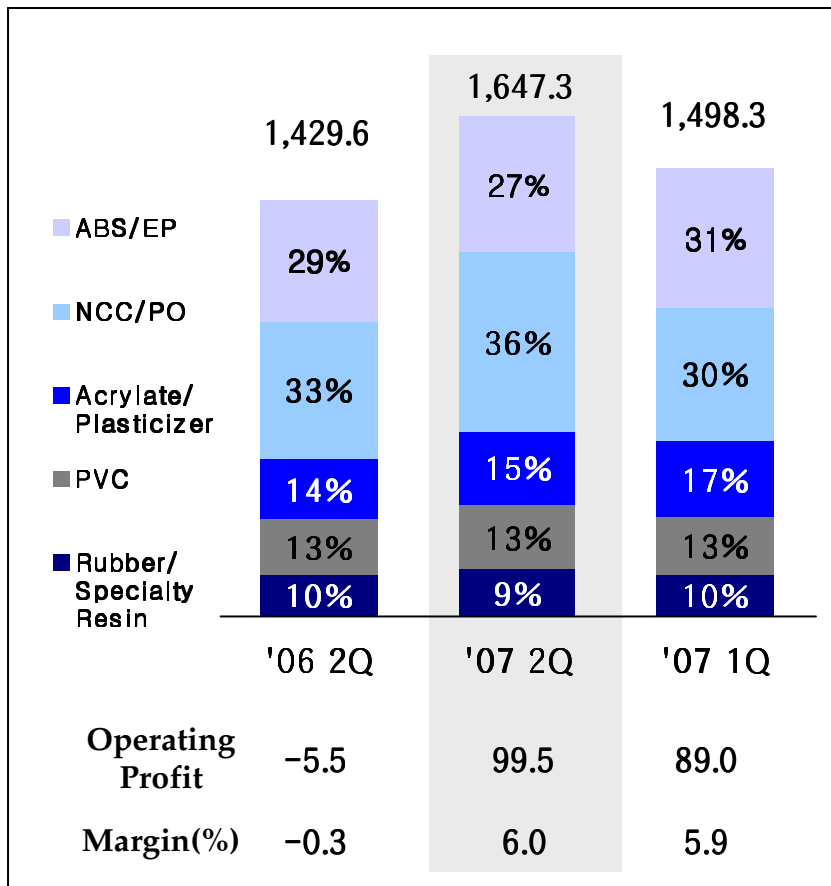
(Unit : KRW bn)	Non-Consolidated				Consolidated			
	'06 2Q	'07 2Q	'07 1Q	YoY	'06 2Q	'07 2Q	'07 1Q	YoY
Sales	2,272.5	2,644.9	2,380.0	16.4%	2,850.7	3,383.7	3,040.5	18.7%
Operating Profit	48.1	162.6	127.0	238.0%	88.5	292.1	258.1	230.1%
(%)	(2.1)	(6.1)	(5.3)		(3.1)	(8.6)	(8.5)	
Recurring Profit *	46.5	217.6	155.8	368.0%	67.2	292.2	238.7	334.8%
(%)	(2.0)	(8.2)	(6.5)		(2.4)	(8.6)	(7.9)	
Equity Method Gains	14.6	58.4	47.3	300.0%	2.7	1.9	3.1	△29.6%
Net Income	45.1	236.7	113.0	424.8%	45.1	236.7	113.0	414.4%
Total Net Income	-	-	-	-	61.8	280.8	164.4	354.4%

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

	Non-Consolidated		Consolidated	
(Unit : KRW bn)	'06	'07 2Q	'06	'07 2Q
Assets	5,806.5	6,082.0	7,638.5	8,103.0
(Cash and equivalents)	115.8	134.0	387.2	462.4
Liabilities	3,189.3	3,133.6	4,360.7	4,470.0
(Borrowings)	1,585.3	1,549.6	2,412.1	2,396.0
Shareholder's Equity	2,617.2	2,948.4	3,277.8	3,633.0
Total Liabilities / Equity (%)	121.9	106.3	133.0	123.0
Debt / Equity (%)	60.6	52.6	73.6	66.0
Interest Coverage Ratio	3.8	6.1	5.9	9.9
ROE (%)	12.6	26.8	14.5	25.8
ROA (%)	5.6	12.6	6.2	11.3
EBITDA	866.0	549.9	-	-

Business results

(Unit:KRW bn)



Analysis

• Analysis(2Q)

- ▣ Increase of PVC price and restructuring efforts resulted remarkable improvement in profitability
 - PVC : U\$ 854('07 1Q)→ 928('07 2Q)
- ▣ Strong margin for Oxo-Alcohol maintained
- ▣ Seasonal demand and entering into value-added overseas markets resulted solid performance for Synthetic rubber/Specialty resin

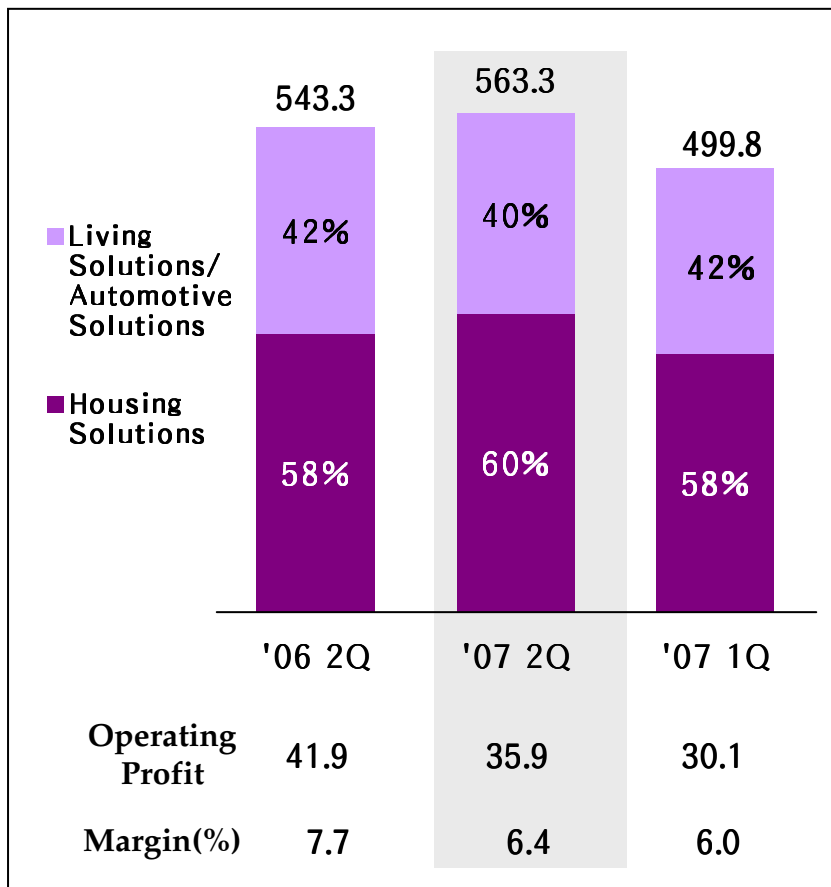
• Outlook

- ▣ Expecting margin improvement for ABS, PVC backed by strong demand and stabilization of raw material prices
- ▣ Continuous supply shortage of Oxo-Alcohols
- ▣ End of useful life for existing Deasan plant assets (2H depreciation : 70bn ↓)

Business results

Analysis

(Unit:KRW bn)



• Analysis(2Q)

- ▣ Improvement in Housing Solutions (HS) sales and margin from seasonal demand (QoQ)
- ▣ Declined margin in Living Solutions (LS) by high costs of raw materials and KRW depreciation (YoY)
- ▣ Kitchen furniture and BIPV* successfully launched

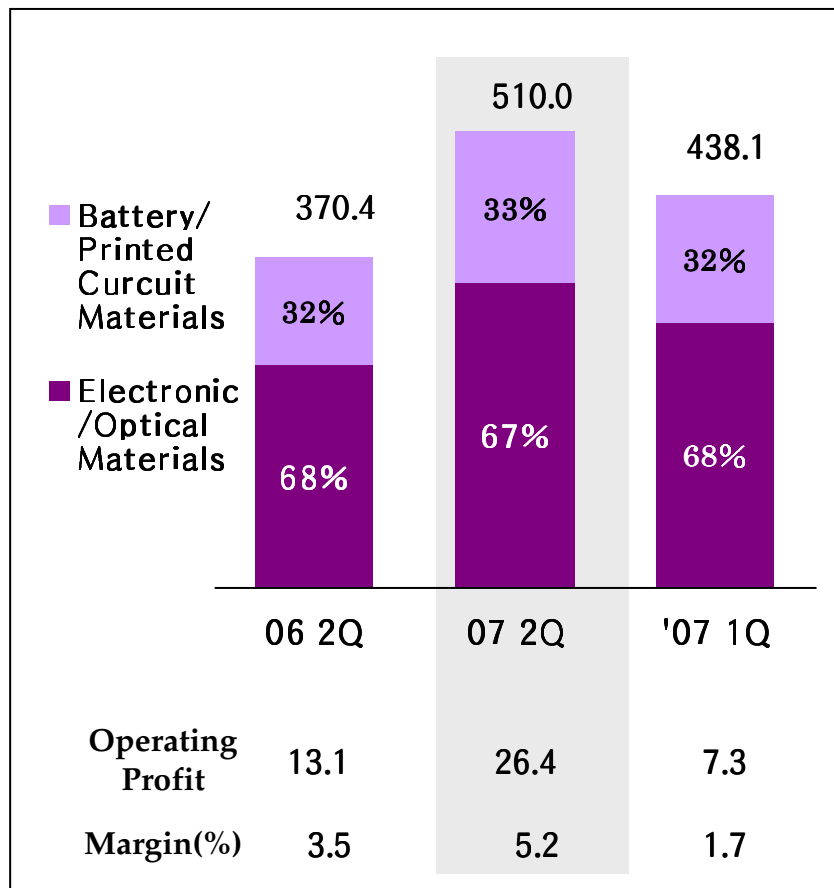
• Outlook

- ▣ Sustain margin in HS even though vacation period slightly affect in sales
- ▣ Reducing total cost and business restructuring in progress

* BIPV (Building Integrated Photovoltaic)

Business results

(Unit:KRW bn)



Analysis

• Analysis(2Q)

- Battery : Big improvement
 - Cylindrical : Fully utilized by strong PC makers' demand
 - Prismatic : Continuously improved
 - Polymer : Maintained full utilization
- Electronic & Optical : Sales & margin Improvement
 - ASP drop decelerated
 - Continuously improved productivity (speed up stretching process by 20%)

• Outlook

- Battery : Close to BEP
 - Cylindrical : Expect better profitability due to extended usage of specialty cathode (low cobalt)
 - Prismatic : More focus on developing top tier customers
 - HEV : Expedite to commercialize
- Electronic & Optical : Continuous improvement
 - Expect growth in LCD market
 - Taiwan market : Increase sales of TV type (Expanded line :August)

Subsidiaries' Results & Outlook

Business results

(Unit: KRW bn)

		'06 2Q	'07 2Q	'07 1Q
LG Petro- chemical	Sales	450.3	639.5	602.5
	Operating Profit (%)	11.2 (7.8)	90.3 (14.1)	126.2 (21.0)
	Net Income	9.5	67.0	94.5
* Overseas	Sales	353.6	514.9	403.7
	Operating profit (%)	21.1 (6.0)	33.0 (6.4)	18.0 (4.5)
	Net Income	12.6	25.9	13.0

* Figures exclude marketing subsidiaries.

Analysis & Outlook

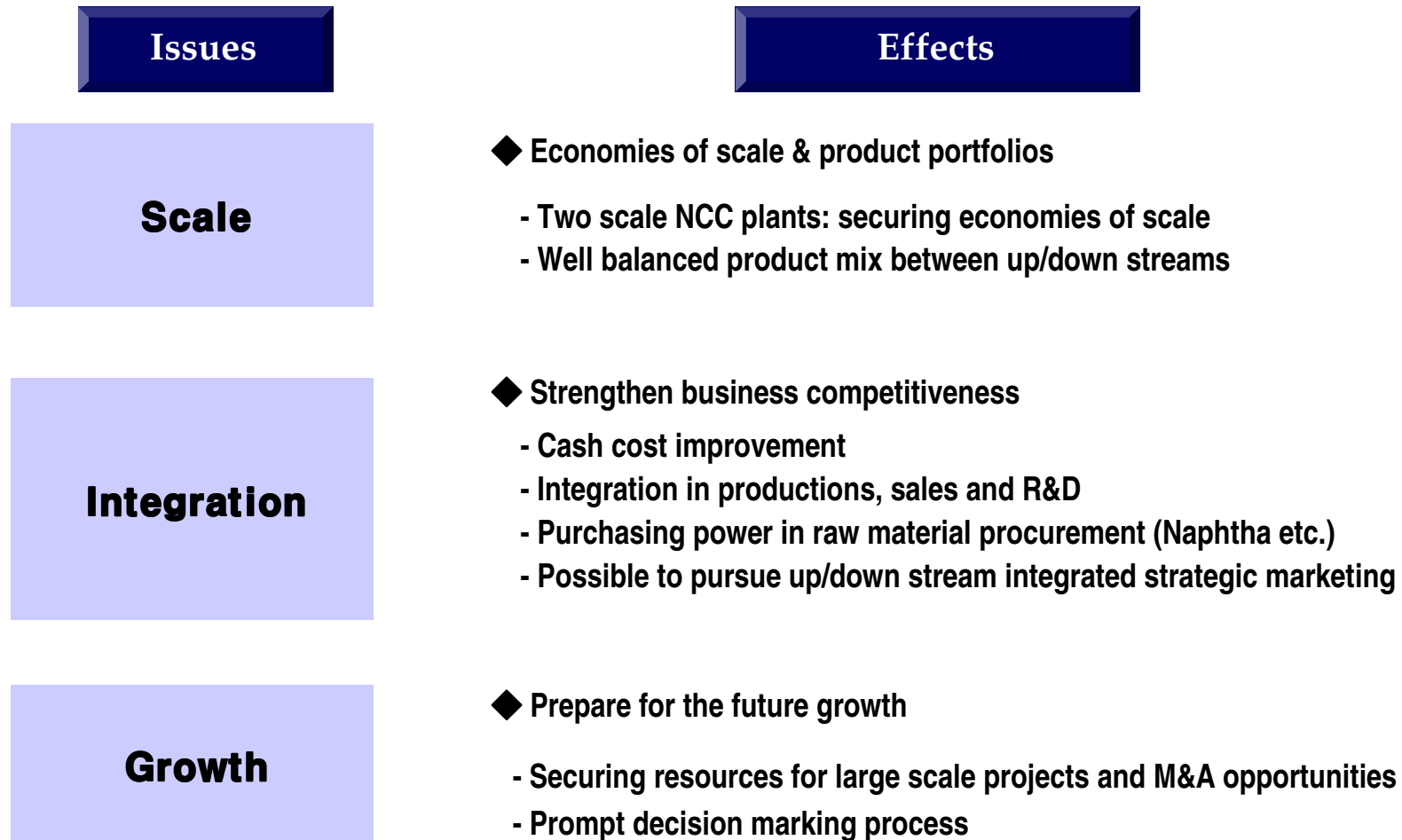
■ LG Petrochem

- High Naphtha price lowered NCC profitability
- BPA continued to show strong margin

■ Overseas Subsidiaries

- LG YX sustained solid performance thanks to strong domestic (China) market demand
- Due to rising PVC price LG Dagu became profitable

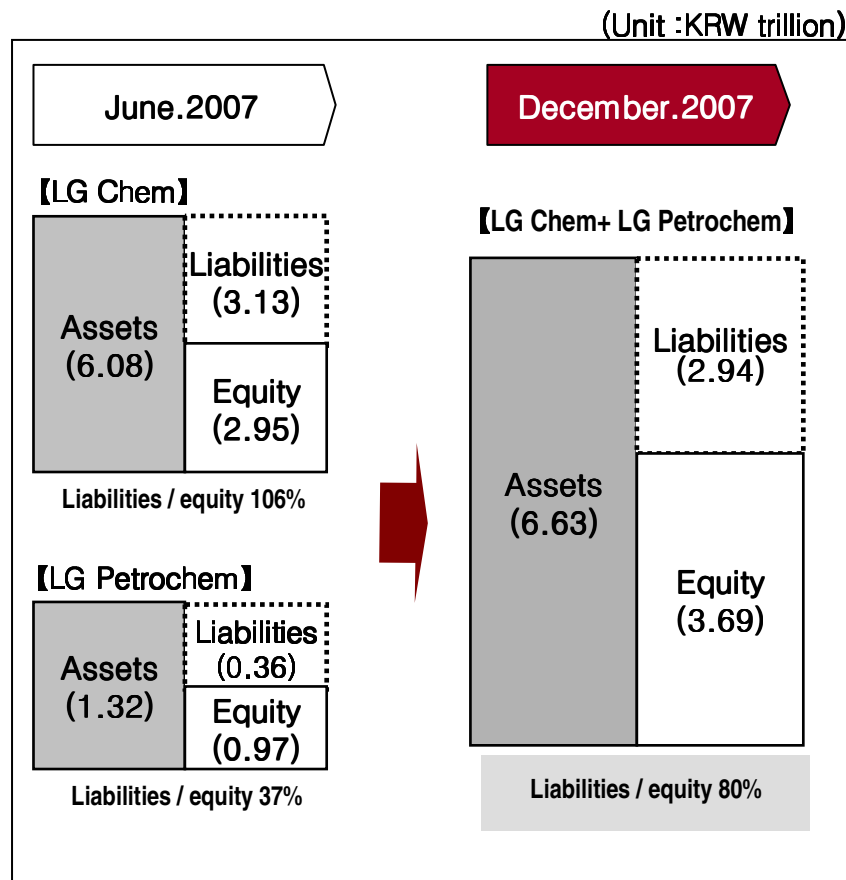
Strengthen economies of scale & business competitiveness and prepare for the future growth



Positive effects on financial structure

Financial structure

Effects



◆ Improve financial structure

- Total Liability/Equity : June '07 106% -> Dec '07 80%
- Pay down 300 KRW billion of borrowings with LG PC's cash balance
- Securing investment cash for large scale projects

◆ Save financial costs with improved credibility

- Expect higher credit rating score
- Long-term, low interest financing with integrated financial transaction

◆ Increase shareholder's value

- Minimize number of new shares
(New shares will not be issue on 40% of LG Chem's stock and 10.21% of treasury stock)
- Revaluation on the asset of LGPC

(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			5,025.0
Operating Profit	65.6	48.1	107.1	112.3	333.9	127.0	162.6			289.9
Petrochemicals	1,364.8	1,429.6	1,582.2	1,508.2	5,884.8	1,498.3	1,647.3			3,145.6
NCC/PO	498.4	495.8	567.7	561.0	2,122.9	483.5	637.4			1,120.9
Synthetic Rubber/ Specialty Resin	132.6	149.1	142.2	146.1	570.0	153.2	168.2			321.4
PVC	187.5	197.7	231.2	210.4	826.8	206.3	229.3			435.6
ABS/EP	440.0	436.9	453.6	454.5	1,785.0	495.1	489.3			984.4
Acrylate/Plasticizer	206.9	216.0	248.6	238.5	910.0	267.4	269.3			536.7
Operating Profit	27.5	-5.5	62.9	85.1	170.0	89.0	99.5			188.6
Industrial Materials	476.0	543.3	521.6	546.9	2,087.8	499.8	563.3			1,063.2
Building/Decorative	253.7	314.1	323.3	321.4	1,212.5	291.5	339.7			631.2
Living/Automotive	224.1	231.7	200.4	227.2	883.4	209.8	225.5			435.3
Operating Profit	27.4	41.9	24.5	24.0	117.9	30.1	35.9			66.0
I & E Materials	361.2	370.4	448.5	430.6	1,610.7	438.1	510.0			948.1
Battery/PCM	108.6	120.8	142.6	135.7	506.3	143.8	171.6			315.4
Optical/Electronic	254.8	253.3	309.5	298.2	1,197.1	298.8	346.8			645.6
Operating Profit	10.5	13.1	18.9	6.1	48.7	7.3	26.4			33.7

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

Borrowings

(Unit : KRW bn)

	Balance			'07 (P)
	'06	'07 2Q	Changes	
Total	1,585.3 (100%)	1,549.6 (100%)	-35.7	1,578.5 (100%)
KRW Currency	1,269.2 (80%)	1,178.9 (76%)	-90.3	1,206.5 (78%)
C P	25.0	52.0	27.0	-
C B	1,080.0	880.0	-200.0	1,080.0
Others	164.2	246.9	82.7	126.5
Foreign Currency	316.1 (20%)	370.7 (24%)	54.6	372.0 (23%)
FRN	213.9	278.0	64.1	269.7
Others	102.2	92.7	-9.5	102.3
Short-term	465.9 (29%)	462.6 (30%)	-3.3	386.2 (24%)
Long-term	1,119.4 (71%)	1,087.0 (70%)	-32.4	1,212.3 (76%)

☞ The % is calculated to total borrowings

Cash Flow

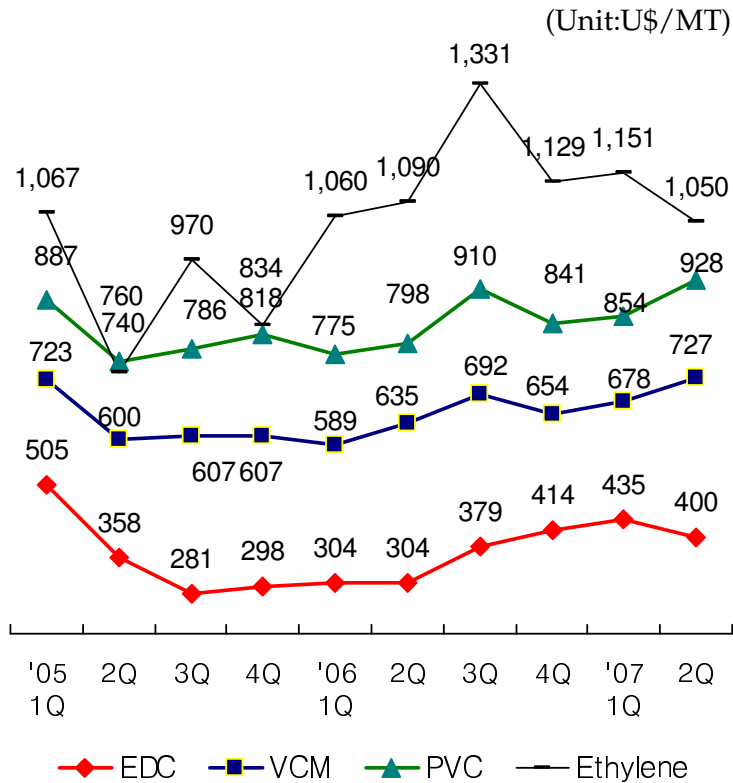
(Unit : KRW bn)

	'06	'07 1H
Beginning	371.0	115.8
Operating/Investing	115.8	126.8
Net Income	318.8	349.7
Depreciation	502.2	246.2
Working Capital	-178.5	-95.6
CAPEX	-590.5	-277.1
Others	63.9	-96.4
Financing	-370.9	-108.6
Borrowings	-279.9	-35.7
Dividend	-91.0	-72.9
End	115.8	134.0

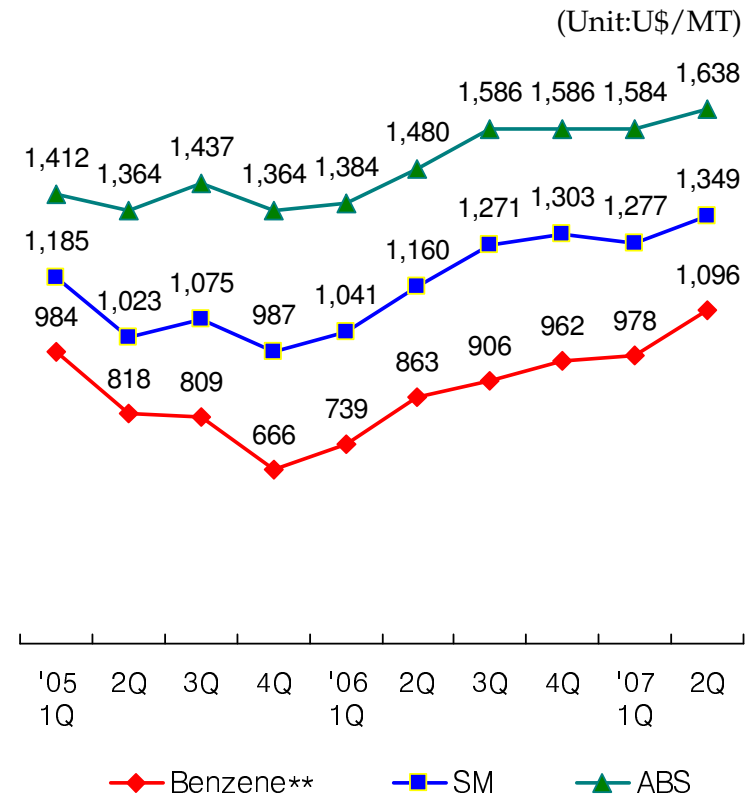
(Unit : KRW bn)

		'05 Results	'06 Results	'07 Plan	'07 1H
Petrochemicals	New/Expansion	23.7	118.2	180.6	94.0
	Maintenance	69.1	83.6	59.8	31.4
	Equity Investment	41.2	39.0	7.5	13.8
	Total	134.0	240.8	247.9	139.2
Industrial Materials	New/Expansion	17.1	14.5	44.9	6.8
	Maintenance	49.1	56.4	53.1	25.9
	Equity Investment	3.5	9.9	9.7	-
	Total	69.6	80.8	107.7	32.7
I & E Materials	New/Expansion	147.4	121.9	150.2	20.9
	Maintenance	39.0	37.6	33.2	17.3
	Equity Investment	20.5	8.2	8.5	4.6
	Total	206.9	167.8	191.9	42.8
Common Expenses	New/Expansion	-	-	7.5	-
	Maintenance	88.0	87.1	116.5	62.4
	Equity Investment	3.2	14.0	-	-
	Total	91.3	101.1	124.0	62.4
Total	New/Expansion	188.2	254.6	383.2	121.7
	Maintenance	245.2	264.7	262.6	137.0
	Equity Investment	68.5	71.2	25.7	18.4
	Total	501.8	590.5	671.5	277.1

Vinyls



Styrenics



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

** Average of FOB Korea price