

Future for you

LG Chem, Ltd.

June 2006

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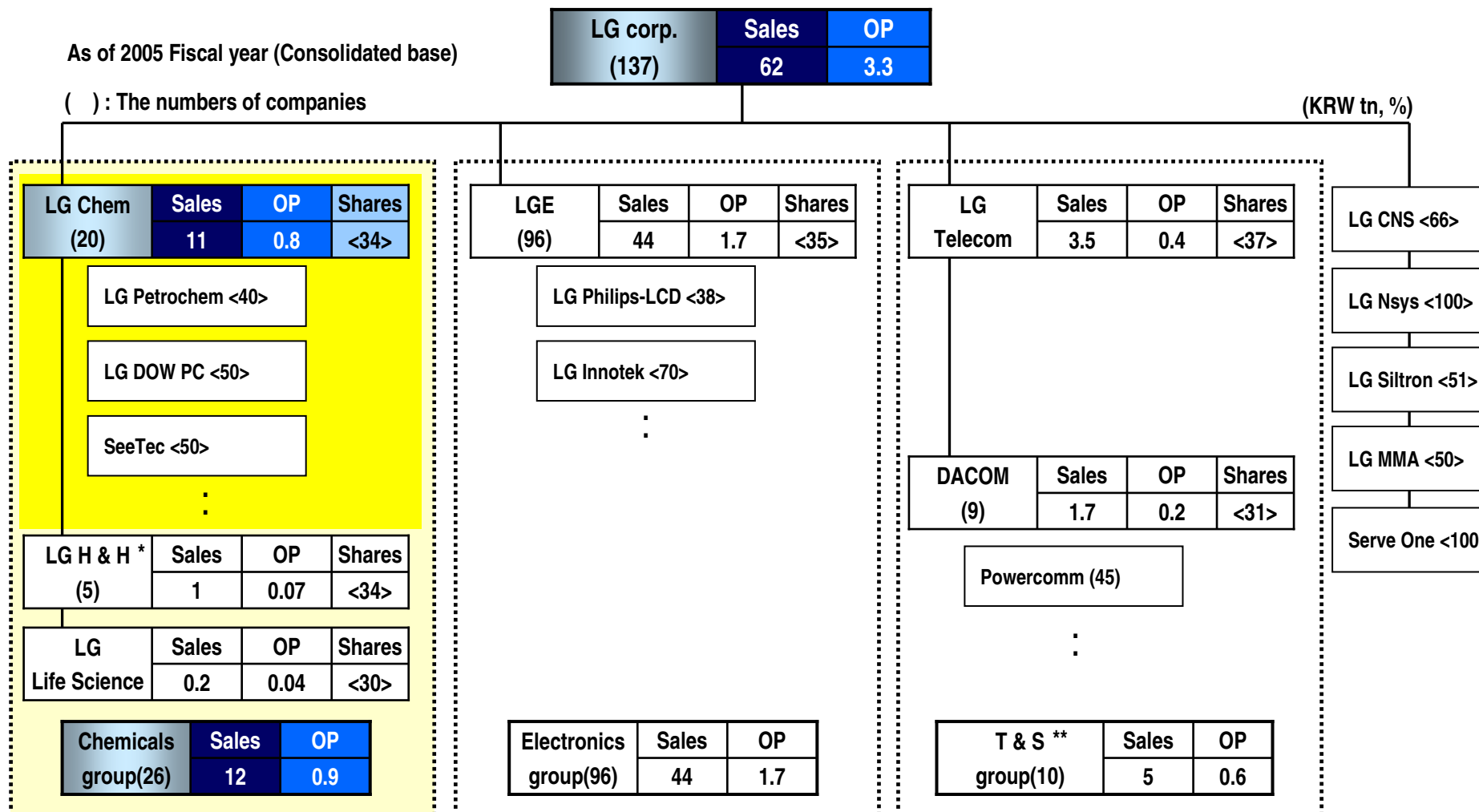
I . General overview

LG group hierarchy

As of 2005 Fiscal year (Consolidated base)

() : The numbers of companies

(KRW tn, %)



* Household and Healthcare

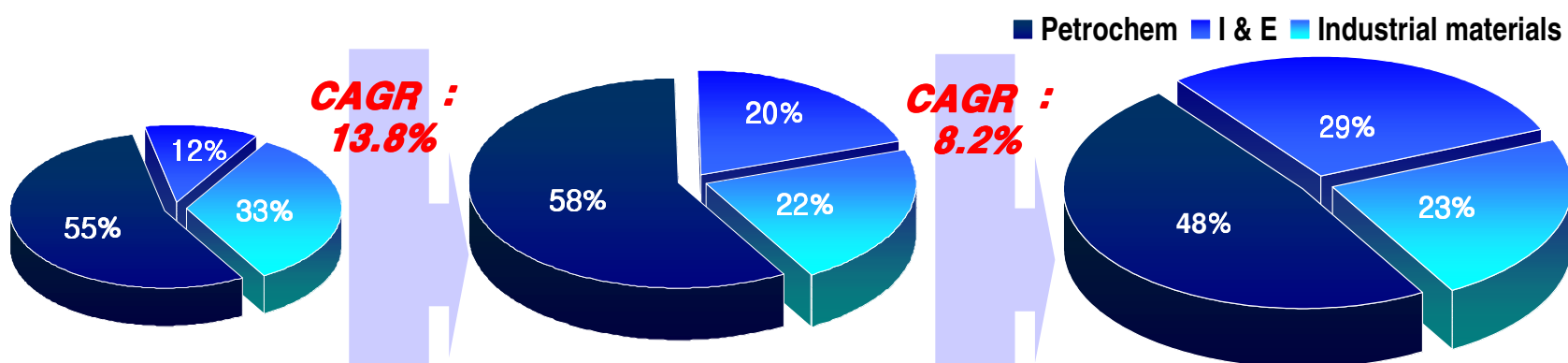
** Telecommunications and Services

Business portfolio

2002 : KRW 5.7 tn

2006(E) : KRW 9.5 tn

2010(E) : KRW 13.0 tn



**CAGR :
13.8%**

**CAGR :
8.2%**

**Main
growth
engine**

Business	CAGR
ABS/PS	10%
PO *	40%
Batteries	46%
Polarizer film	61%

* LG Daesan included in 2006

Business	CAGR
3E materials *	190%
Batteries	20%
Polarizer film	24%
PDP filter	27%
Color filter PR	40%

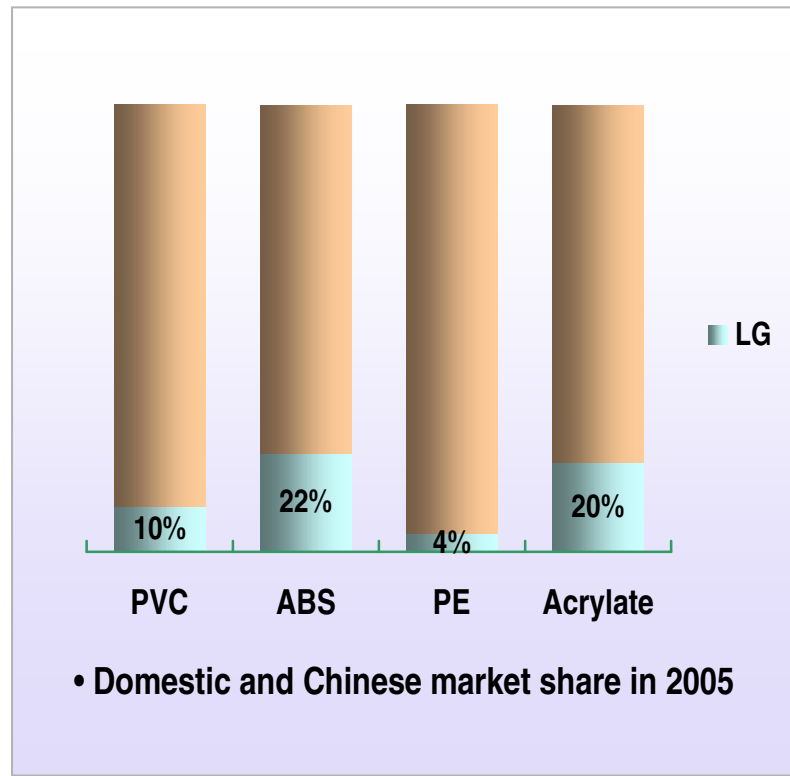
* 3E (Energy, Environment, Electronics)

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), Imaging materials (Color filter photo resist)

Petrochemicals



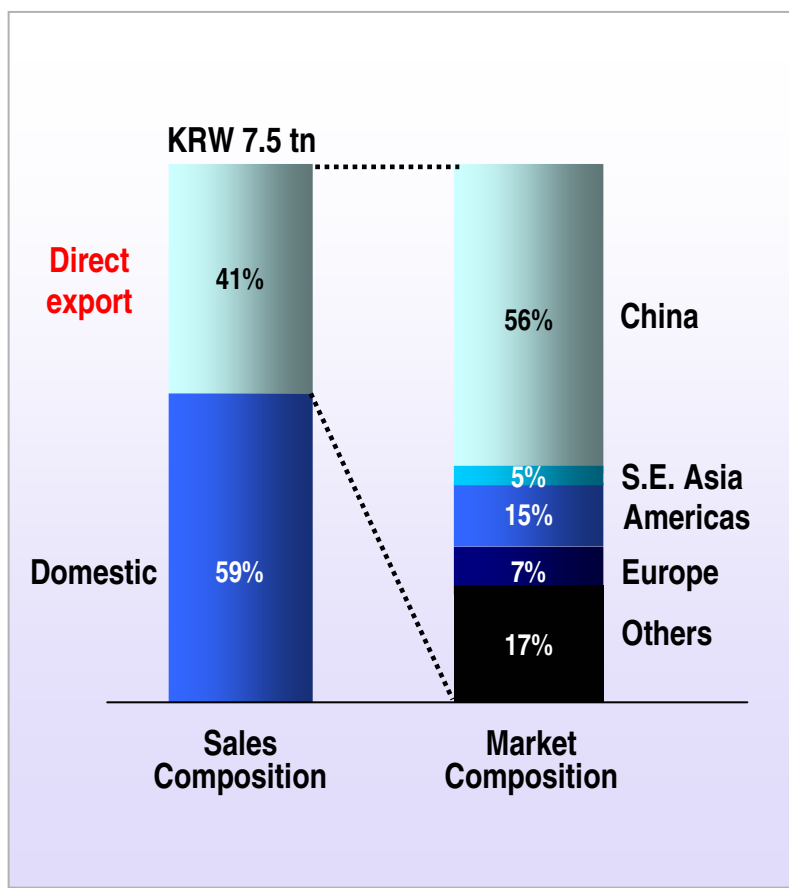
Industrial materials

- **Dominant No.1 market share in the domestic market**
 - Building & decorative Materials (60%)
 - Automotive components (30%)
- **Globally competitive products (Global market share)**
 - High-gloss sheet (12%)
 - HI-MACS (Artificial marble) (15%)

I & E materials

- **Global market share**
 - Rechargeable batteries : Note Book PC (7%), Handset (8%)
 - Polarizers for TFT-LCD : 23 %
 - PDP filter : 14%, Color filter photo resist : 6%

Sales contribution by market



Target markets

• Petrochemicals

- PVC : North/South America, Africa, EX-CIS
- ABS : China
- PO : China, Africa, South America

• Industrial materials

- Housing solutions : Domestic No1 player
- Living solutions / HI-MACS / Automotive solutions
- North America & China

• Information & Electronic materials

- Batteries : Global top tier makers
- Note book PC : Dell, H/P, (Toshiba)
- Handset : Sony-Ericsson, LGE, (Motorola)
- Polarizer Film : LG-Philips LCD, BOE, AUO, CMO, Other Taiwan & Chinese panel makers

II . Financial highlights

Non-consolidated

Income statement

(Unit : KRW bn)	'03	'04	'05	'06 1Q
Sales	5,672	7,127	7,425	2,129
Operating Profit	474	523	422	66
(%)	(8.4)	(7.3)	(5.7)	(3.1)
Recurring Profit	483	720	468	99
(%)	(8.5)	(10.1)	(6.3)	(4.7)
Equity-method Gains	145	311	210	29
Net Income	362	536	400	69

Balance sheet

(Unit : KRW bn)	'03	'04	'05	'06 1Q
Assets	4,762	5,679	5,593	5,667
(Cash and equivalents)	257	414	189	134
Liabilities	2,947	3,484	3,155	3,271
(Borrowings)	1,706	1,980	1,865	1,731
Shareholder's Equity	1,815	2,195	2,438	2,396
Total Liabilities / Equity (%)	162	159	129	137
Net Debt / Equity (%)	94	90	77	72
ROE (%)	21	27	17	11
EBITDA	750	877	794	198
CAPEX	841	570	502	113

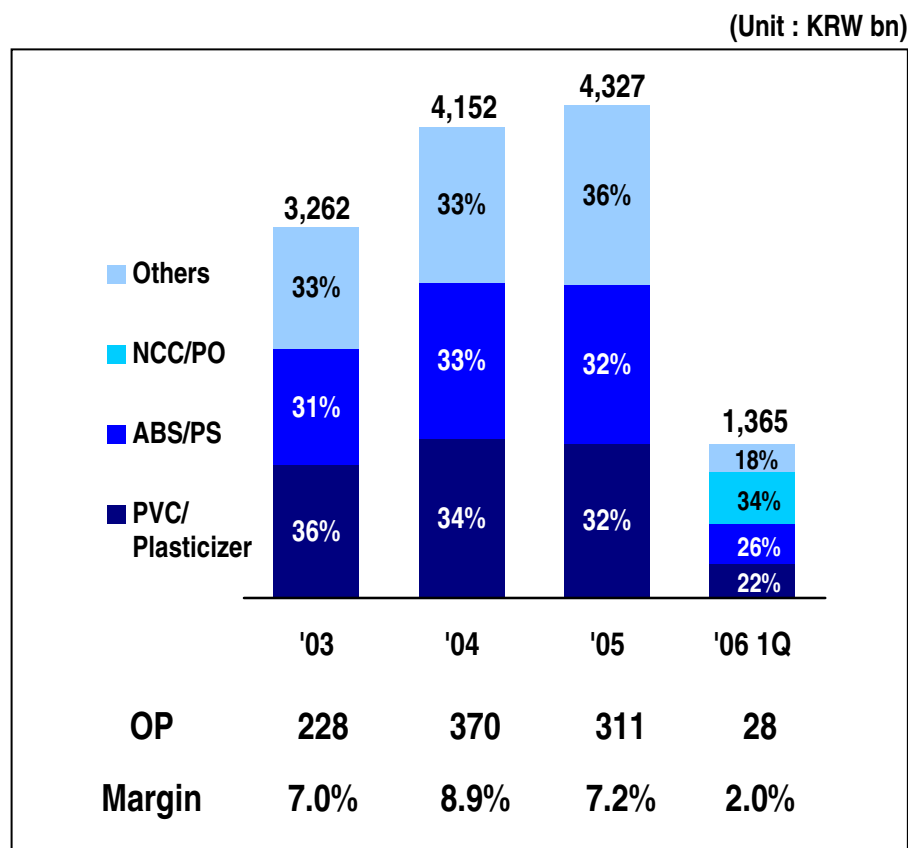
Income statement

(Unit : KRW bn)	'03	'04	'05	'06 1Q
Sales	6,897	8,817	10,785	2,635
Operating Profit	673	890	841	141
(%)	(9.8)	(10.1)	(7.8)	(5.3)
Recurring Profit	601	936	718	145
(%)	(8.7)	(10.6)	(6.7)	(5.5)
Equity-method Gains	72	188	△5	0
Net Income	362	538	402	69

Balance sheet

(Unit : KRW bn)	'03	'04	'05	'06 1Q
Assets	5,835	6,897	7,291	7,325
(Cash and equivalents)	334	528	608	325
Liabilities	3,618	4,196	4,221	4,369
(Borrowings)	2,314	2,576	2,615	2,491
Shareholder's Equity	2,217	2,701	3,070	2,956
Total Liabilities / Equity (%)	163	155	138	148
Net Debt / Equity (%)	104	95	85	84
ROE (%)	21	28	19	13

Business results



Analysis & Outlook

• Analysis

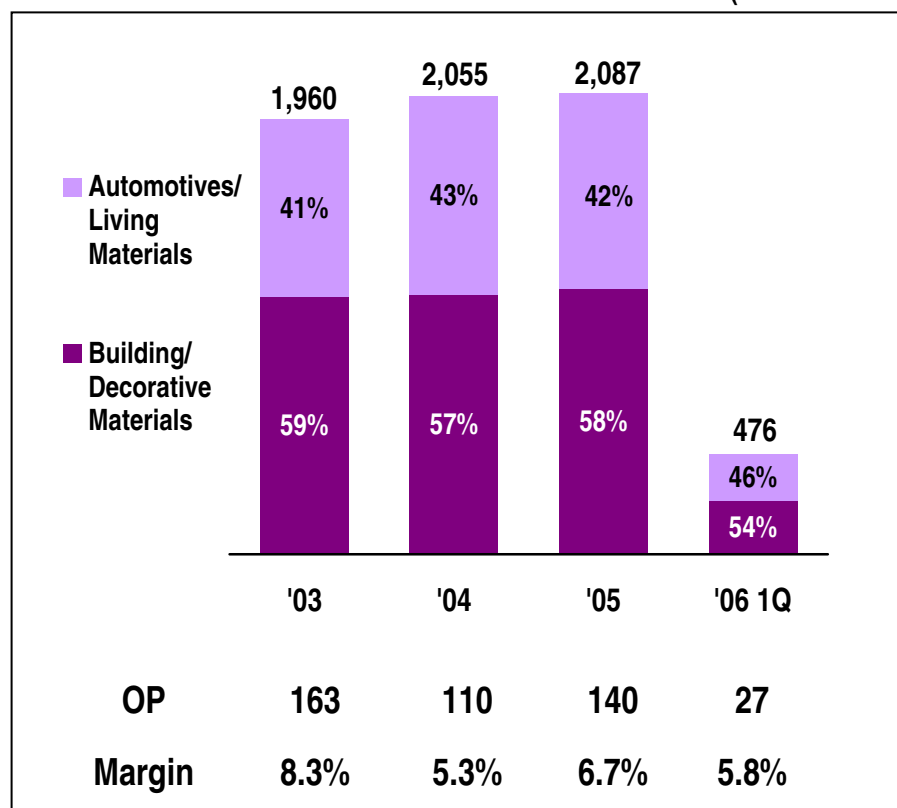
- Passed the peak of petrochemical cycle
 - 3Q 2004 ~ 1Q 2005
- Strong crude oil
 - High cost structure in down stream chemicals from late 2005
- Capacity expansion in China
 - Severe competition with Chinese carbide PVC
- Delaying Middle-East expansion plan

• Outlook

- Possibility for voluntary adjusting utilization in 2H
- Relatively soft sentiment of front-line industry
- Weak margin in up-stream business, weaker in down-stream

Business results

(Unit : KRW bn)



Analysis & Outlook

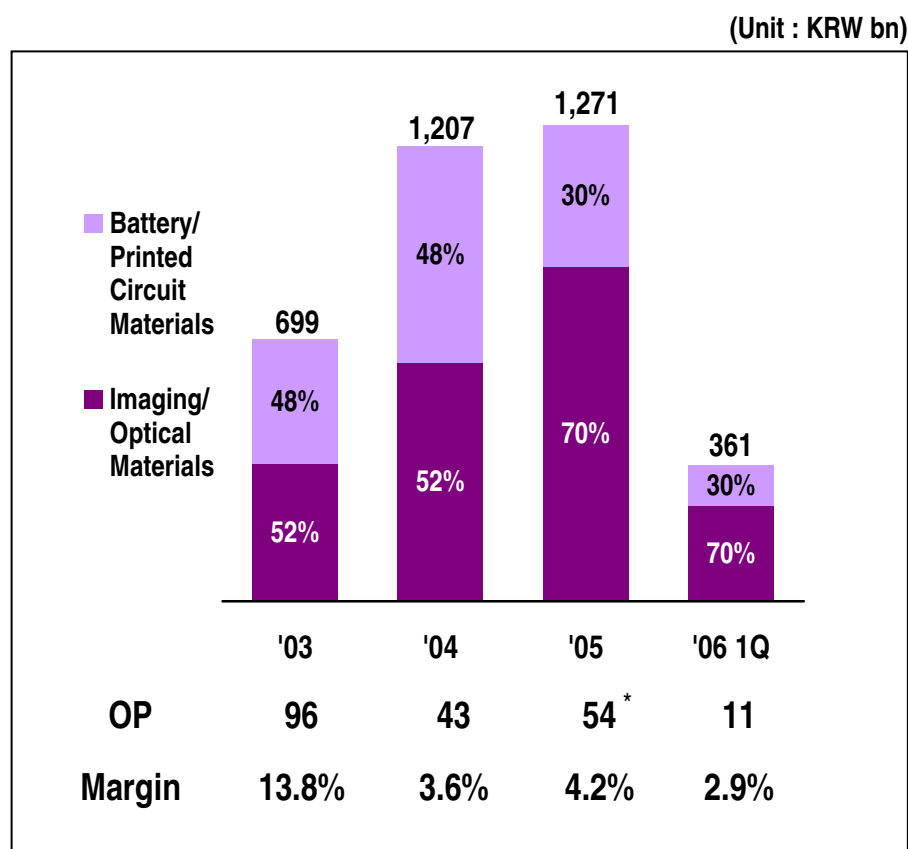
• Analysis

- Hitting the bottom in the 4Q 2004
- Improved product-mix
 - Value-added window frame (balcony window frame)
 - Automotive skin
- Business paradigm transformation
 - Increased manufacturing out-sourcing proportion

• Outlook

- Slow but continuous recovery in domestic economy
- Maximizing the profit by changing manufacturing-oriented business into channel-oriented
- Pursuing the 3E business such as high-functional films

Business results



* Excluded one time expense (Approximately KRW 80billion)

Analysis & Outlook

• Analysis

- Volume growth for LPL and the large-sized TV polarizer
- Focusing on quality stabilization and increasing long-term contract volume in battery business
- Special expense (KRW 80 billion) from battery recall in 2005

• Outlook

- Strong front-line industries
 - Market growth : Note-Book PC 13%, Handset 10%, Display 25%
- Continuous price pressure for LCD and PDP components
- Remarkable growth of PDP filter and Color filter photo resist
 - PDP filter (80% ↑), Color filter photo resist (82% ↑) (YoY)

Business performance (Divisional)

Appendix

(Unit : KRW bn)

		2005					2006				
		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				2,129.1
Operating Profit		141.4	85.6	92.1	102.6	421.7	65.8				65.8
Petrochemicals		1,160.7	1,050.5	1,069.5	1,046.5	4,327.2	1,364.8				1,364.8
	PVC/Plasticizer	382.2	335.7	348.5	354.7	1,421.1	310.4				310.4
	ABS/PS	391.0	347.4	366.1	346.1	1,450.6	366.3				366.3
	Poly Olefin	148.1	130.6	133.6	133.0	545.2	319.2				319.2
	Acrylates	139.6	130.3	115.9	111.4	497.1	108.4				108.4
	EP	78.6	78.6	80.7	85.0	322.8	78.0				78.0
	Specialty Resin	70.5	74.7	71.6	64.2	281.0	68.1				68.1
	NCC	-	-	-	-	-	324.3				324.3
	Synthetic Rubber	-	-	-	-	-	64.5				64.5
	Operating Profit	116.4	69.0	73.7	51.9	311.0	27.5				27.5
Industrial Materials		495.0	535.5	518.3	537.7	2,086.5	476.0				476.0
	Building/Decorative	293.8	332.7	327.4	314.2	1,268.0	253.7				253.7
	Living/Automotive	227.9	237.8	220.9	248.8	935.3	224.1				224.1
	Operating Profit	27.5	36.3	39.3	36.9	140.0	27.4				27.4
I & E Materials		282.1	277.0	319.9	392.4	1,271.3	361.2				361.2
	Battery/PCM	90.0	69.6	86.3	132.7	378.6	108.6				108.6
	Imaging/Optical	192.0	207.8	234.4	261.8	896.0	254.8				254.8
	Operating Profit	△1.4	△19.1	△20.5	15.2	△25.8	10.5				10.5

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

Business performance (Subsidiaries)

Appendix

		'05	'06 1Q			'05	'06 1Q
(Unit : KRW bn)				(Unit : KRW bn)			
LGPC	Sales	1,989	513	Assets	1,040	1,045	
	Operating Profit (%)	242 (12.1)	42 (8.2)	Liabilities	226	280	
	Net Income	193	34	Equity	814	765	
Overseas*	Sales	1,305	323	Asset	908	1,070	
	Operating profit (%)	37 (2.8)	16 (5.0)	Liabilities	525	669	
	Net Income	27	13	Equity	383	401	

* Figures is the sum of overseas manufacturing subsidiaries'

CAPEX Plan

Appendix

(Unit : KRW bn)

		'04 Results	'05 Results	'06 Plan	'06 1Q
Petrochemicals	New/Expansion	11.8	23.7	127.4	5.9
	Maintenance	52.7	69.1	81.3	15.8
	Equity Investment	6.6	41.2	28.5	-
	Total	71.1	134.0	237.2	21.7
Industrial Materials	New/Expansion	4.9	17.1	42.8	0.7
	Maintenance	42.7	49.1	44.8	14.6
	Equity Investment	25.7	3.5	10.1	-
	Total	73.3	69.6	97.7	15.3
I & E Materials	New/Expansion	160.7	147.4	168.2	38.4
	Maintenance	31.8	39.0	36.5	7.5
	Equity Investment	35.6	20.5	14.5	8.2
	Total	228.1	206.9	219.2	54.1
Common Expenses	New/Expansion	22.0	-	2.5	1.7
	Maintenance	42.0	88.0	86.1	16.8
	Equity Investment	133.0	3.2	3.4	2.9
	Total	197.0	91.3	92.0	21.4
Total	New/Expansion	199.4	188.2	340.9	46.7
	Maintenance	169.2	245.2	248.7	54.7
	Equity Investment	200.9	68.5	56.5	11.2
	Total	569.5	501.8	646.1	112.6

Borrowings & Cash Flow

Appendix

Borrowings

(Unit : KRW bn)

	Balance			'06 (P)
	'05	'06 1Q	Changes	
Total	1,865.4 (100%)	1,731.0 (100%)	△134.4	1,766.0 (100%)
KRW Currency	1,529.8 (82%)	1,345.5 (78%)	△184.3	1,359.8 (77%)
C P	100.0	100.0	-	120.1
C B	1,300.0	1,100.0	△200.0	1,220.0
Others	129.8	145.5	15.7	19.7
Foreign Currency	335.6 (18%)	385.5 (22%)	49.9	406.2 (23%)
FRN	187.4	248.9	61.5	233.0
Others	148.2	136.6	△11.6	173.2
Short-term	845.2 (45%)	752.6 (43%)	△92.6	573.1 (32%)
Long-term	1,020.2 (55%)	978.4 (57%)	△41.8	1,192.9 (68%)

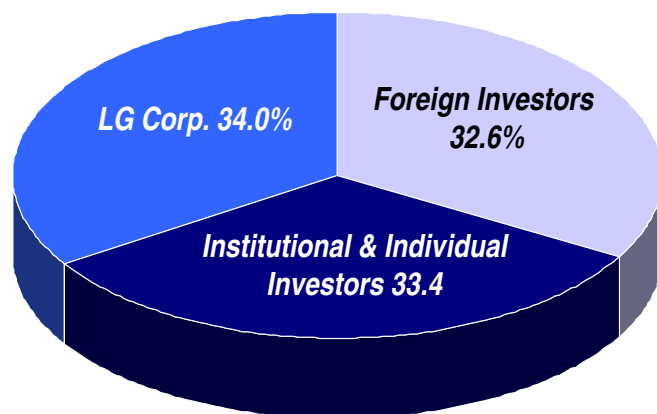
☞ The % is calculated to total borrowings
Discounts of bond is not included

Cash Flow

(Unit : KRW bn)

	'05	'06 1Q
Net Income	400.3	65.6
Depreciation	344.5	125.9
Investment	△501.8	△112.6
Working Capital	△214.6	△139.9
Dividend	△110.0	-
Others	219.1	195.4
Borrowing Increase	△137.5	△134.4

Shareholders



Common Stock as of May 15, 2006

Market Cap.

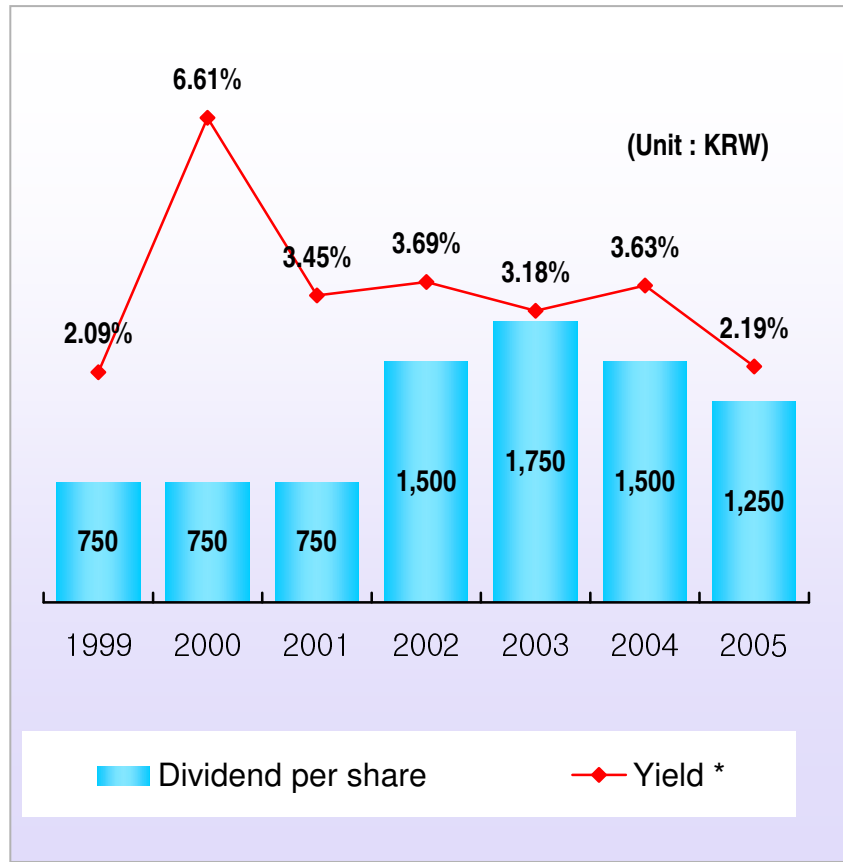
(Unit : KRW)

	No. of Shares	Dec 31, '05	May 15, '06	
		Price	Price	Market Cap
Common	64,425,064	57,000	40,500	2,609 bn
Preferred	8,661,251	40,000	27,800	241 bn
Total	73,086,315			2,850 bn

Par value : KRW 5,000

** Treasury stock : 610,538 shares (as of May 15, 2006)*

Dividend History



* Yield was calculated based on the year-end price of common stock

Dividend Policy

Expected Dividend =
Approximately 30% × Adjusted Net-income *

$$\alpha$$

* Adjusted Net-income =	
+	Net-income
+	Dividend revenues
-	Equity-method gains
-	Legal reserves

Production capacity by product

Appendix

(Unit : kMT/Yr)

Item	Region	'04	'05	'08	'10
PVC	Yeosu	560	560	560	560
	Daesan	200	200	200	200
	China	350	350	400	400
	Total	1,110	1,110	1,160	1,160
VCM	Yeosu	720	720	720	720
	Daesan	190	190	190	190
	China	0	0	400	400
	Total	910	910	1,310	1,310
EDC ¹⁾	Yeosu	250	260	260	260
	China	0	0	330	330
	Total	250	260	590	590
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

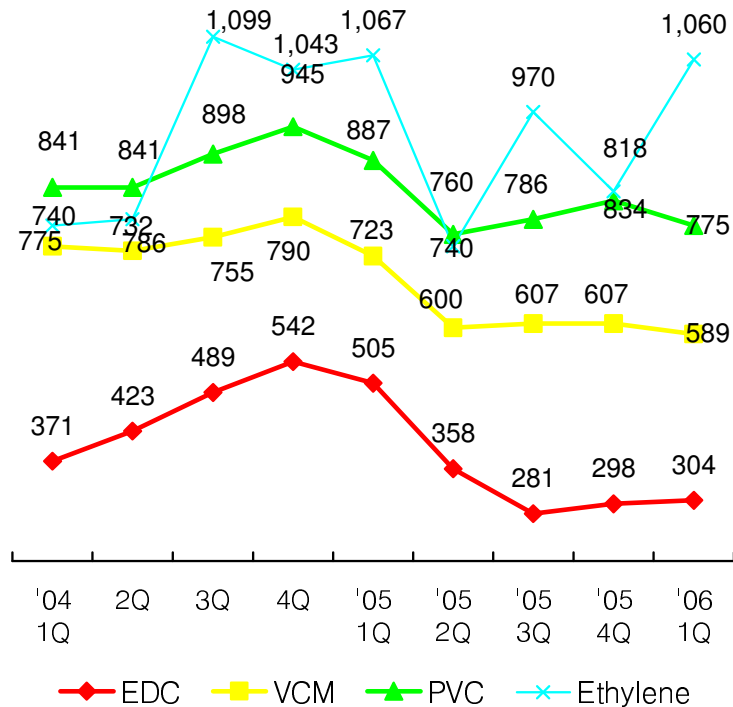
1) Direct Chlorination Only

2) Dry basis

Item	Region	'04	'05	'08	'10
ABS	Yeosu	560	560	560	560
	Ningbo	330	330	500	500
	India	0	0	0	100
	Total	890	890	1,060	1,160
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	240	240
	Overseas	0	0	0	0
	Total	160	160	240	240

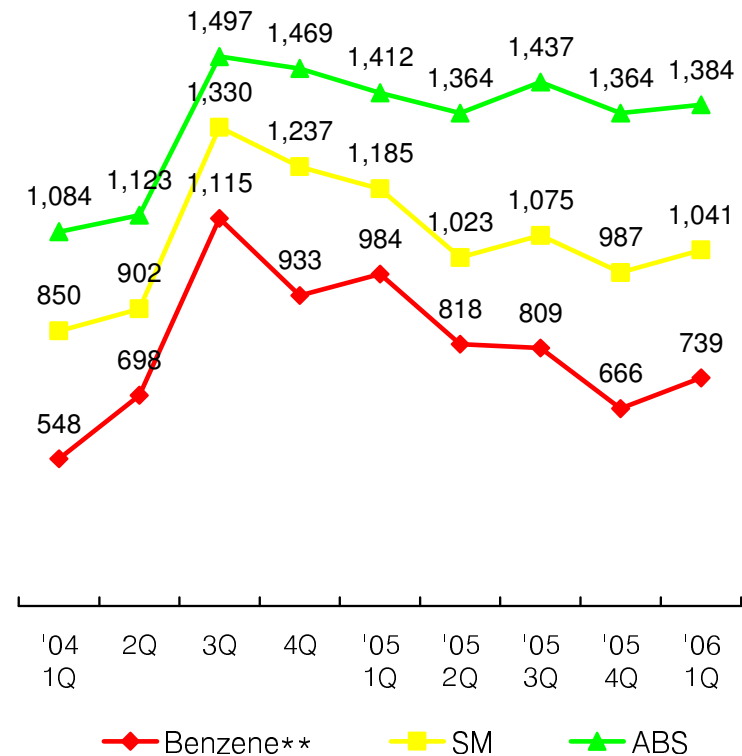
Vinyls

(Unit : US\$ / MT)



Styrenics

(Unit : US\$ / MT)



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

** Average of FOB Korea price

BOD Members

Appendix

	Name	Career	Remark
Chairman	Kang, Yu-Sig	BA (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	BA (Chemical Engineering), Seoul National Univ. CEO of LG Petrochemical, CEO of LG Daesan Petrochemical *President & CEO of LG Chem	Newly Elected
CFO	Cho, Suk-Jeh	BA (Business Administration), Busan National Univ. Executive Vice President, CFO of LG Corp. *Executive Vice President & CFO of LG Chem	During his tenure
Independent Director	Oh, Ho-Soo	BA (Law), Yonsei Univ. Chairman of the Korea Securities Dealers Association *Chairman of Investus Global Corp.	During his tenure
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.	During his tenure
Independent Director	Kim, Kon-Sik	Ph.D. (Corporate law), Univ. of Washington Independent director of SK Telecom *Professor of Law, Seoul National Univ.	During his tenure
Independent Director	Ahn, Sang-Hyung	Ph.D. (Industrial Administraion), Carnegie Mellon Univ. Independent director of LG Petrochemical *Dean, College of Business Administration, Seoul National Univ.	Newly Elected