Future for you

LG Chem, Ltd.

June 2006

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LG group hierarchy

As of 2005 Fiscal year (Consolidated base)

( ) : The numbers of companies

(KRW tn, %)

LG corp. (137)	Sales	OP
	62	3.3

Chemicals

LG Chem (20)	Sales	OP	Shares
	11	0.8	<34>

- LG Petrochem <40>
- LG DOW PC <50>
- SeeTec <50>
- :

LG H & H * (5)	Sales	OP	Shares
	1	0.07	<34>

LG Life Science	Sales	OP	Shares
	0.2	0.04	<30>

Chemicals group(26)	Sales	OP
	12	0.9

Electronics

LGE (96)	Sales	OP	Shares
	44	1.7	<35>

- LG Philips-LCD <38>
- LG Innotek <70>
- :

Electronics group(96)	Sales	OP
	44	1.7

Telecommunications and Services

LG Telecom	Sales	OP	Shares
	3.5	0.4	<37>

DACOM (9)	Sales	OP	Shares
	1.7	0.2	<31>

- Powercomm (45)
- :

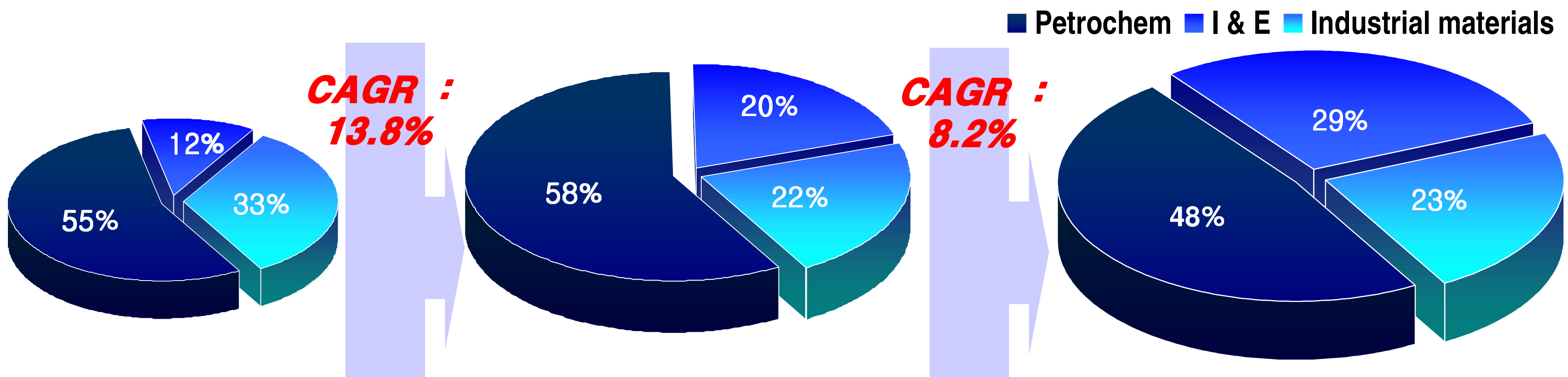
T & S ** group(10)	Sales	OP
	5	0.6

Others

- LG CNS <66>
- LG Nsys <100>
- LG Siltron <51>
- LG MMA <50>
- Serve One <100>

* Household and Healthcare
** Telecommunications and Services

2002 : KRW 5.7 tn **2006(E) : KRW 9.5 tn** **2010(E) : KRW 13.0 tn**



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)

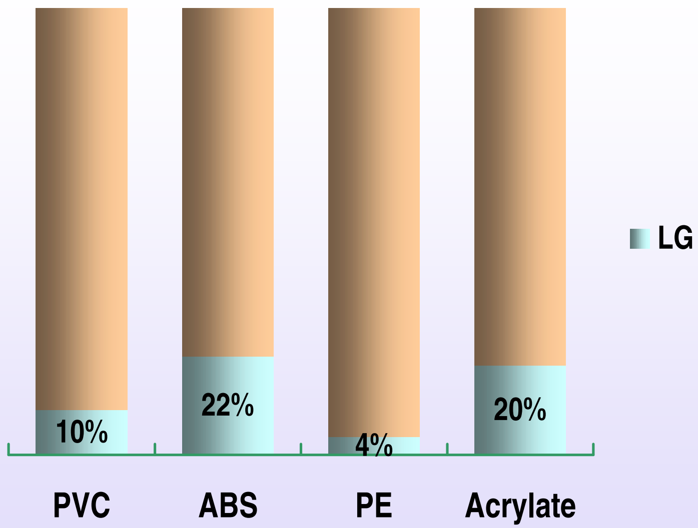
Petrochemicals : PVC, Plasticizer, ABS/PS, Acrylate, PO, EP, Specialty resin, NCC, Synthetic rubbers

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)

Market position

Petrochemicals



• **Domestic and Chinese market share in 2005**

Industrial materials

• **Dominant No.1 market share in the domestic market**

- Building & decorative Materials (60%)
- Automotive components (30%)

• **Globally competitive products (Global market share)**

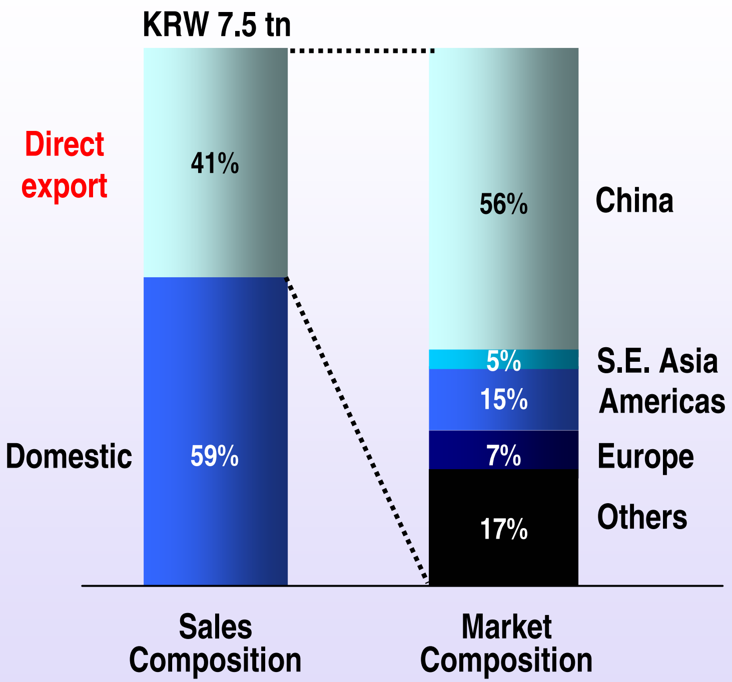
- High-gloss sheet (12%)
- HI-MACS (Artificial marble) (15%)

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

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

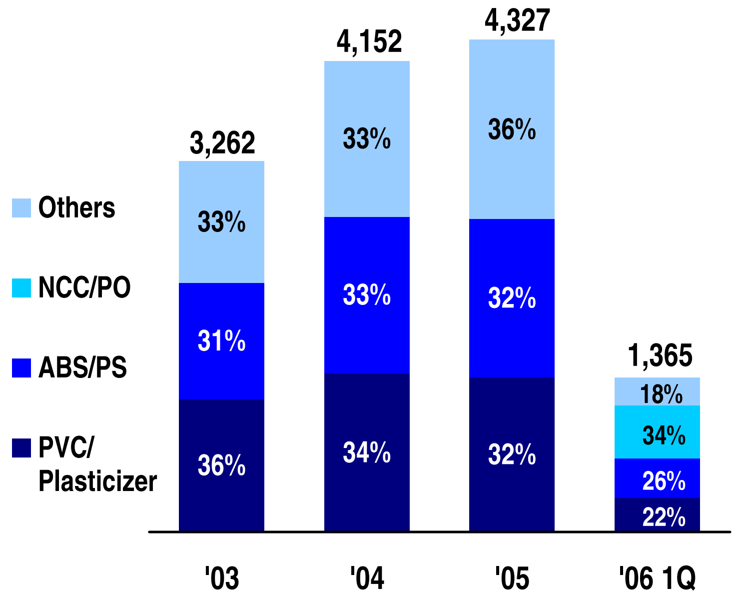
(Unit : KRW bn)	'03	'04	'05	'06 1Q
Assets	5,835	6,897	7,291	7,325
(Cash and equivalents)	334	528	608	325
Liabilities	3,618	4,196	4,221	4,369
(Borrowings)	2,314	2,576	2,615	2,491
Shareholder's Equity	2,217	2,701	3,070	2,956
Total Liabilities / Equity (%)	163	155	138	148
Net Debt / Equity (%)	104	95	85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

Ⅲ. Business performance

Petrochemicals

Business results

(Unit : KRW bn)



	'03	'04	'05	'06 1Q
OP	228	370	311	28
Margin	7.0%	8.9%	7.2%	2.0%

Analysis & Outlook

• Analysis

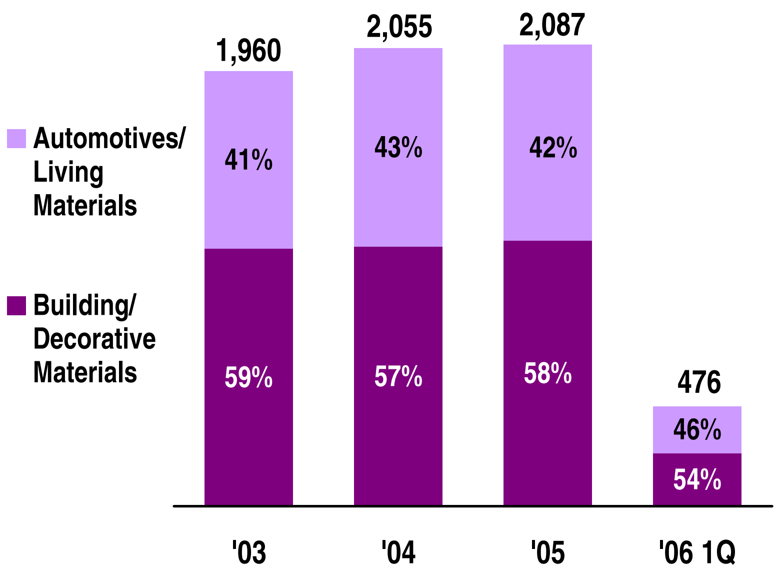
- Passed the peak of petrochemical cycle
  · 3Q 2004 ~ 1Q 2005
- Strong crude oil
  · High cost structure in down stream chemicals from late 2005
- Capacity expansion in China
  · Severe competition with Chinese carbide PVC
- Delaying Middle-East expansion plan

• 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)



	'03	'04	'05	'06 1Q
OP	163	110	140	27
Margin	8.3%	5.3%	6.7%	5.8%

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

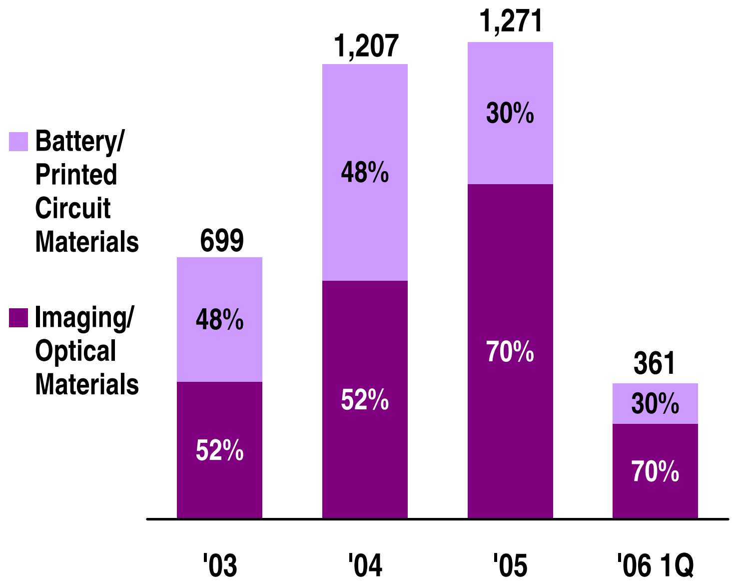
• Outlook

- 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

I & E materials

Business results

(Unit : KRW bn)



	'03	'04	'05	'06 1Q
OP	96	43	54 *	11
Margin	13.8%	3.6%	4.2%	2.9%

* 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

(Unit : KRW bn)

		'05	'06 1Q
LGPC	Sales	1,989	513
	Operating Profit	242	42
	(%)	(12.1)	(8.2)
	Net Income	193	34
Overseas*	Sales	1,305	323
	Operating profit	37	16
	(%)	(2.8)	(5.0)
	Net Income	27	13

(Unit : KRW bn)

		'05	'06 1Q
LGPC	Assets	1,040	1,045
	Liabilities	226	280
	Equity	814	765
Overseas*	Asset	908	1,070
	Liabilities	525	669
	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

Borrowings

(Unit : KRW bn)

	Balance '05	Balance '06 1Q	Balance Changes	'06 (P)
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%)
CP	100.0	100.0	-	120.1
CB	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

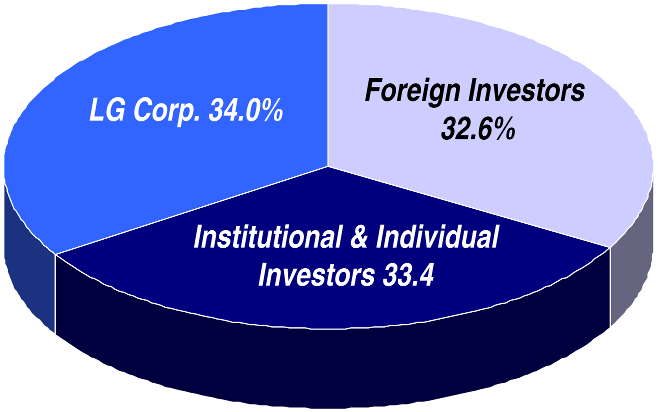
Cash Flow

(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 information

Shareholders



Common Stock as of May 15, 2006

Market Cap.

(Unit : KRW)

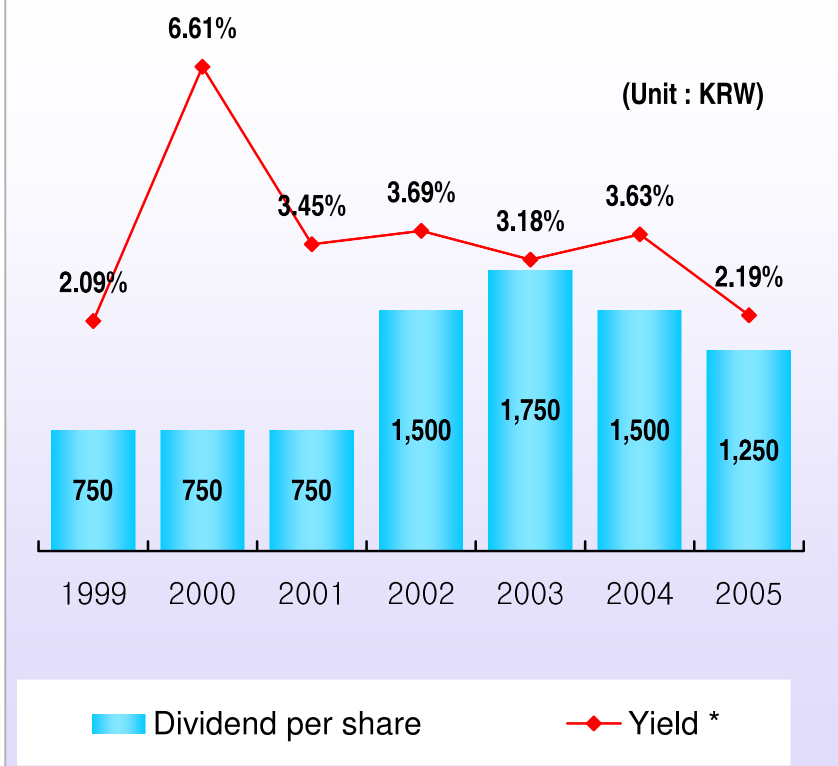
	No. of Shares	Dec 31, '05	May 15, '06	
		Price	Price	Market Cap
Common	64,425,064	57,000	40,500	2,609 bn
Preferred	8,661,251	40,000	27,800	241 bn
Total	73,086,315			2,850 bn

Par value : KRW 5,000

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

Dividend policy

Dividend History



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

Dividend Policy

Expected Dividend =

Approximately 30% × Adjusted Net-income*

+

α

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

Production capacity by product

(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*

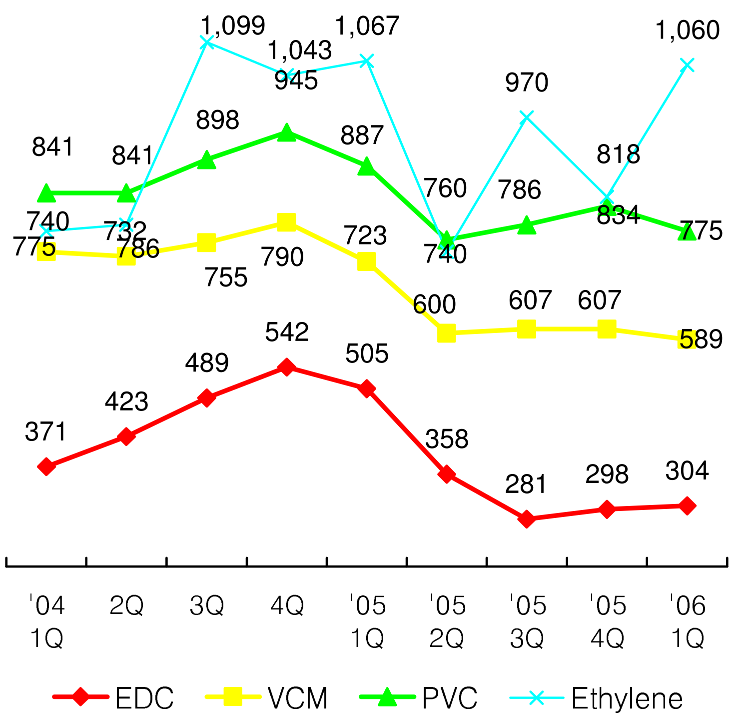
Item	Region	'04	'05	'08	'10
ABS	Yeosu	560	560	560	560
	Ningbo	330	330	500	500
	India	0	0	0	100
	Total	890	890	1,060	1,160
PS	Yeosu	210	210	140	140
	India	80	80	80	80
	Total	290	290	220	220
EPS	Yeosu	84	84	84	84
	India	16	16	16	16
SM	Yeosu	500	500	500	500
	Daesan	150	150	170	170
	Total	650	650	670	670
Acrylic Acid	Korea	160	160	240	240
	Overseas	0	0	0	0
	Total	160	160	240	240

Product price & Raw materials

Appendix

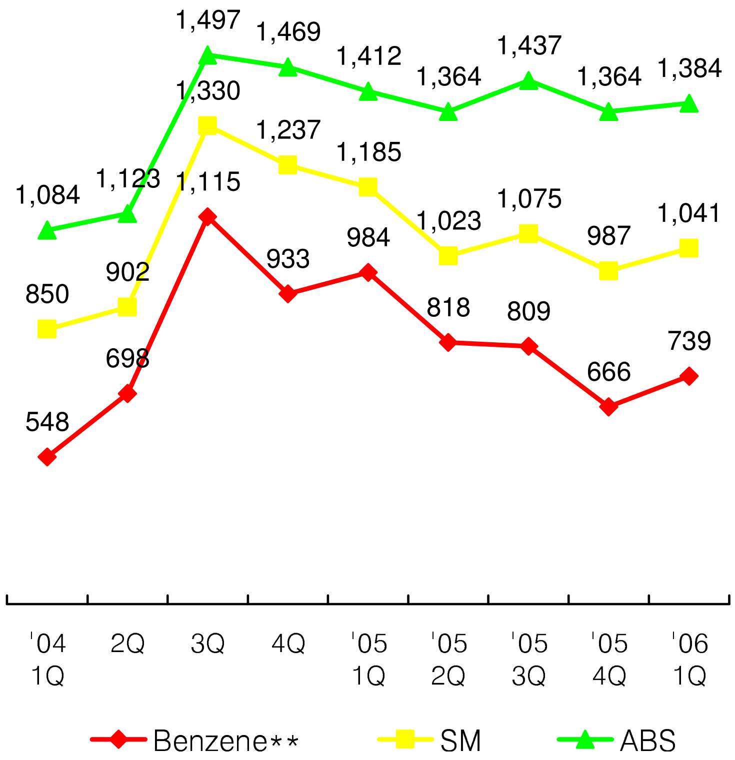
Vinyls

(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

BOD Members

	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