SolutionPartner

LG Chem, Ltd.

March 2007

LG Chem

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LG group hierarchy

As of 12/31/2006 (Consolidated)

( ) : The numbers of subsidiaries

(KRW tn, %)

LG corp. (137)	Sales	OP
	64	1.5

Chemicals group

LG Chem (20)	Sales	OP	Holding Company%
	12	0.7	<39>

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

LG H & H * (5)	Sales	OP	Holding Company%
	1	0.09	<34>

LG Life Science	Sales	OP	Holding Company%
	0.2	0.009	<30>

Chemicals group(26)	Sales	OP
	13	0.9

Electronics group

LGE (96)	Sales	OP	Holding Company%
	46	0	<35>

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

Electronics group(96)	Sales	OP
	46	0

T & S group

LG Telecom	Sales	OP	Holding Company%
	3.9	0.4	<37>

LG DACOM (9)	Sales	OP	Holding Company%
	1.2	0.2	<31>

- LG Powercomm (45)
- :

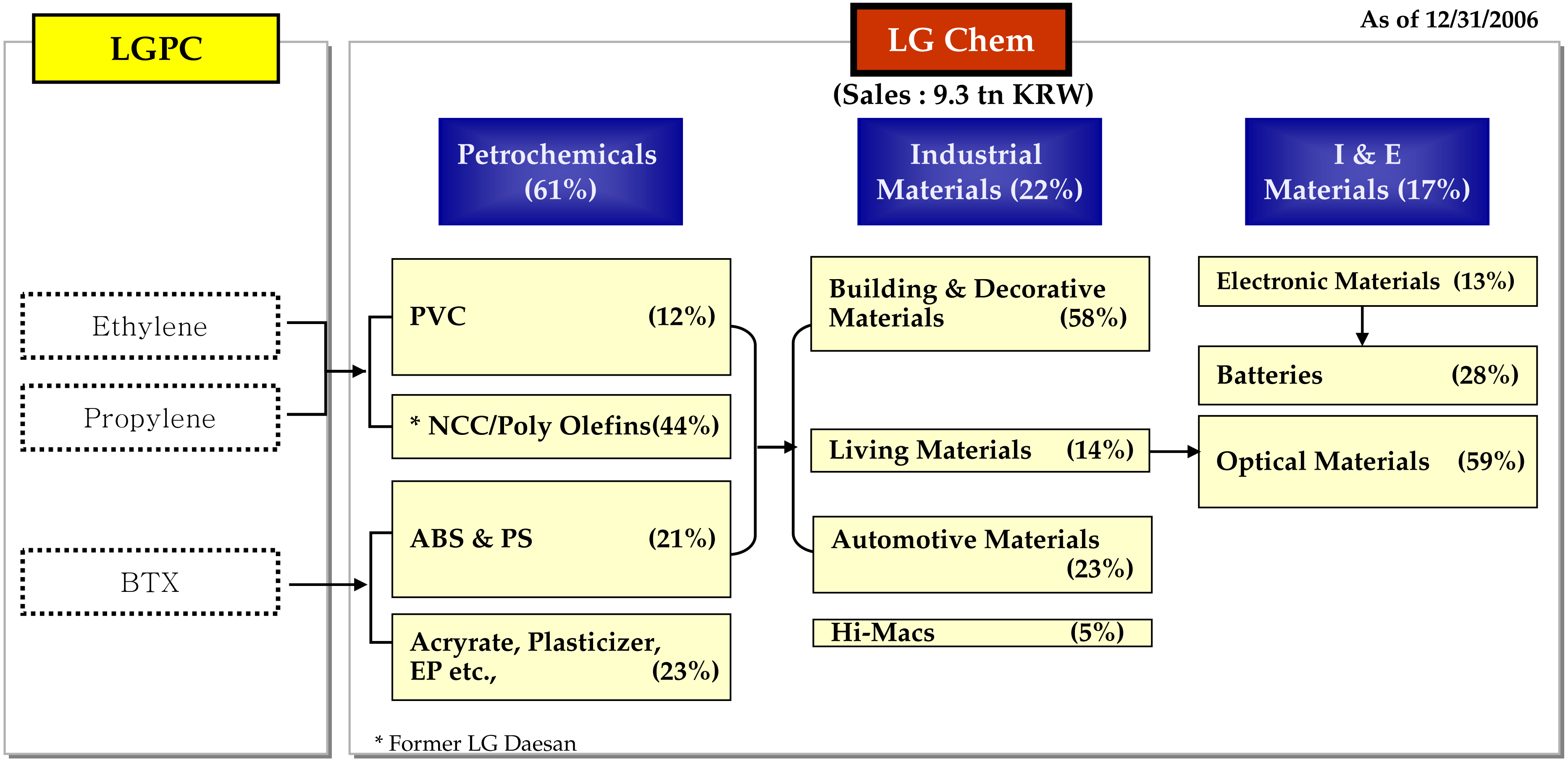
T & S ** group(10)	Sales	OP
	5	0.6

Others

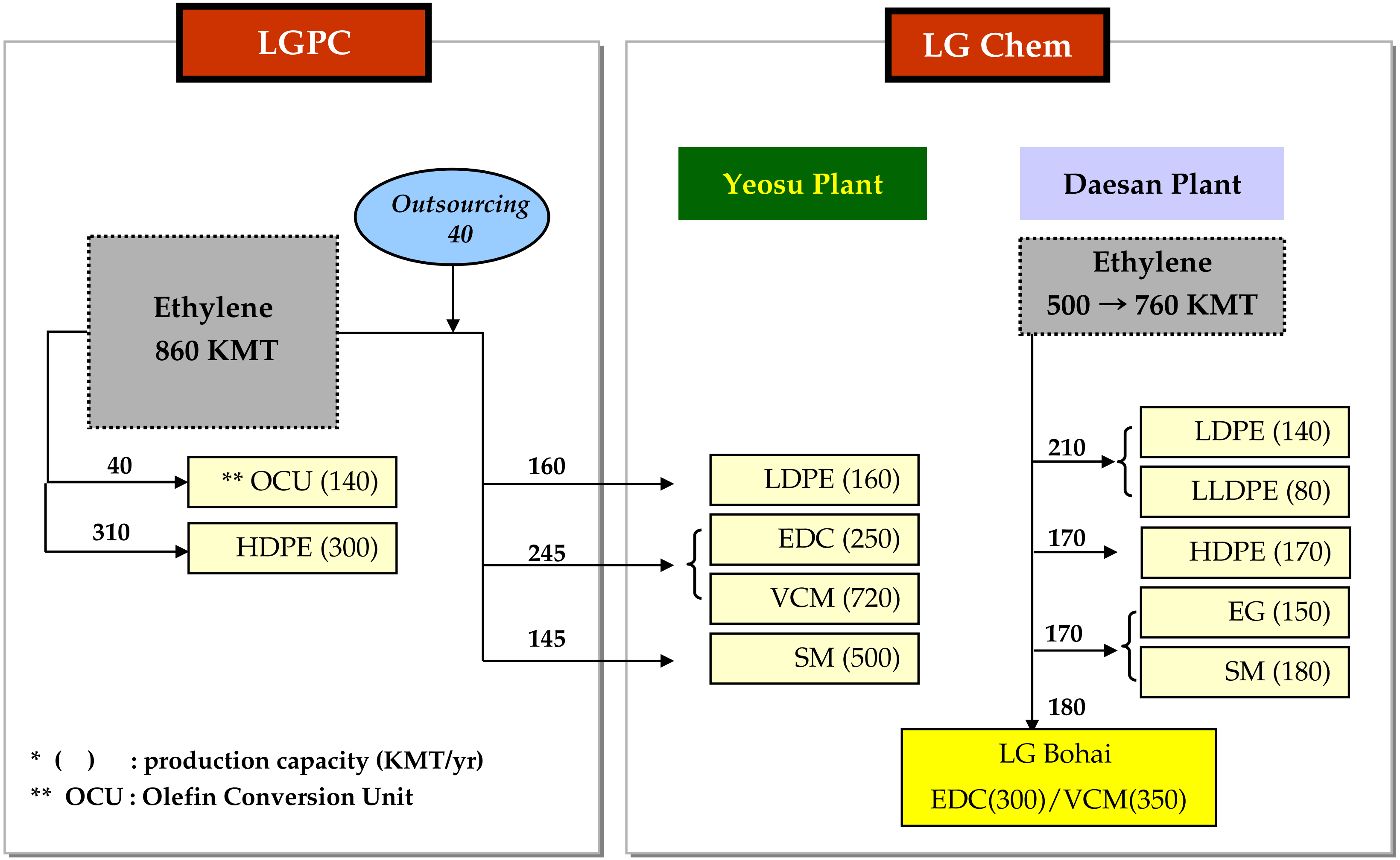
- LG CNS <66>
- LG Nsys <100>
- LG Siltron <51>
- LG MMA <50>
- Serve One <100>

* Household and Healthcare

** Telecommunications and Services

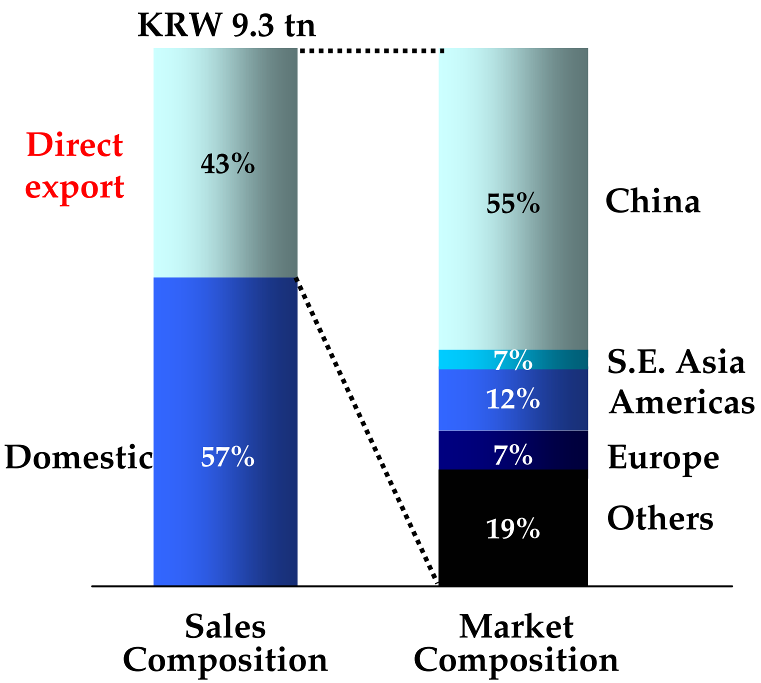


- ◆ **Petrochemicals** : PVC, Plasticizer, ABS/PS, Acrylate, PO, EP, Specialty resin, NCC, Synthetic rubbers
- ◆ **Industrial materials** : Housing solutions (PVC window frame, Floorings), Living solutions, Automotive solutions, HI-MACS
- ◆ **I & E materials** : Rechargeable batteries, Optical materials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



Forecasted ethylene balance in 2008

Sales contribution by market



Target markets

- **Petrochemicals**
  - PVC : North/South America, Africa, Russia
  - ABS : China
  - Poly Olefin : 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)	'04	'05	'06
Sales	**7,127**	**7,425**	**9,302**
Operating Profit	**523**	**422**	**334**
(%)	(7.3)	(5.7)	(3.4)
Recurring Profit	**720**	**468**	**395**
(%)	(10.1)	(6.3)	(4.2)
Equity-method Gains	311	210	106
Net Income	**536**	**400**	**319**

Balance sheet

(Unit : KRW bn)	'04	'05	'06
Assets	**5,679**	**5,593**	**5,807**
(Cash and equivalents)	414	189	116
Liabilities	**3,484**	**3,155**	**3,189**
(Borrowings)	1,980	1,865	1,586
Shareholder's Equity	**2,195**	**2,438**	**2,617**
Total Liabilities / Equity (%)	**159**	**129**	**122**
Net Debt / Equity (%)	**90**	**77**	**61**
ROE (%)	**27**	**17**	**13**
EBITDA	**877**	**794**	**866**
CAPEX	**570**	**502**	**591**

Income statement

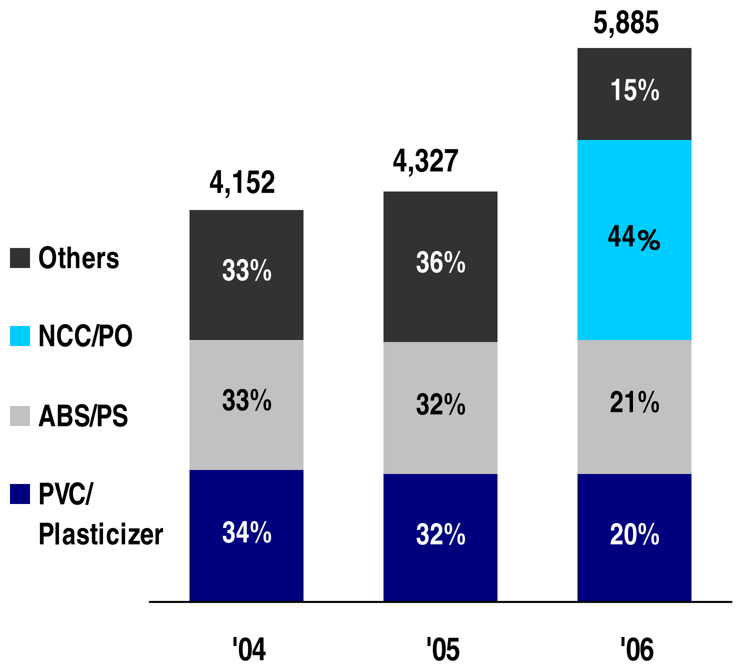
(Unit : KRW bn)	'04	'05	'06
Sales	**8,817**	**10,785**	**11,632**
Operating Profit	**890**	**841**	**676**
(%)	(10.1)	(7.8)	(5.8)
Recurring Profit	**936**	**718**	**636**
(%)	(10.6)	(6.7)	(5.5)
Equity-method Gains	188	-5	-9
Net Income	**538**	**402**	**329**

Balance sheet

(Unit : KRW bn)	'04	'05	'06
Assets	**6,897**	**7,291**	**7,640**
(Cash and equivalents)	528	608	392
Liabilities	**4,196**	**4,221**	**4,351**
(Borrowings)	2,576	2,615	2,389
Shareholder's Equity	**2,701**	**3,070**	**3,289**
Total Liabilities / Equity (%)	**155**	**138**	**132**
Net Debt / Equity (%)	**95**	**85**	**73**
ROE (%)	**28**	**19**	**15**

Business results

(Unit : KRW bn)



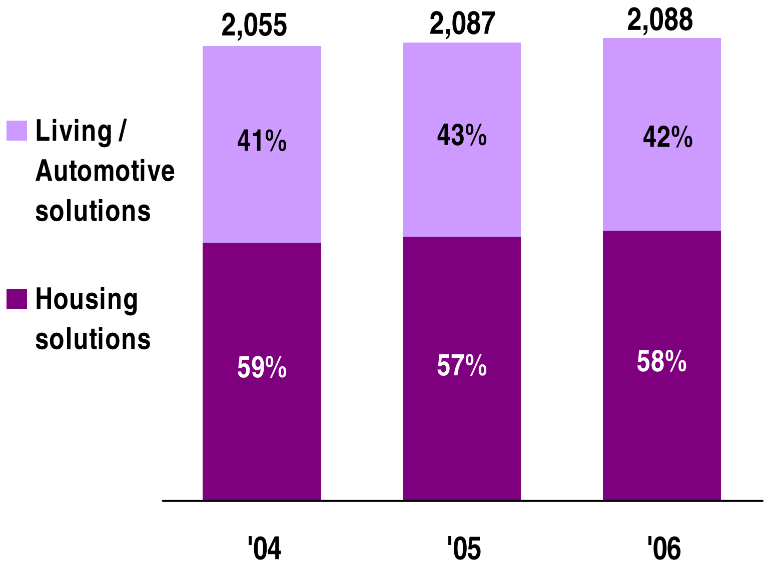
	'04	'05	'06
OP	370	311	170
Margin	8.9%	7.2%	2.9%

Analysis

- **Analysis (2006)**
  - ▣ Sales growth by the merger of LG Daesan Petrochem
  - ▣ Disappointing margin in 1st half, due to strong crude oil and large scale of maintenance shut down
  - ▣ Recovery started in 2nd half backed by soft crude oil
  - ▣ Continued Chinese carbide PVC makers' expansion
- **Outlook ('07 1H)**
  - ▣ Weak crude oil making positive influences on petrochemical business
  - ▣ Large scale NCC T/A in FE Asia expected during 1Q~2Q
  - ▣ Expecting Iran projects(2,300KMT) delayed until 2008
  - ▣ Continuing shortage of Oxo-alcohols supply (Octanol, Butanol)

Business results

(Unit : KRW bn)



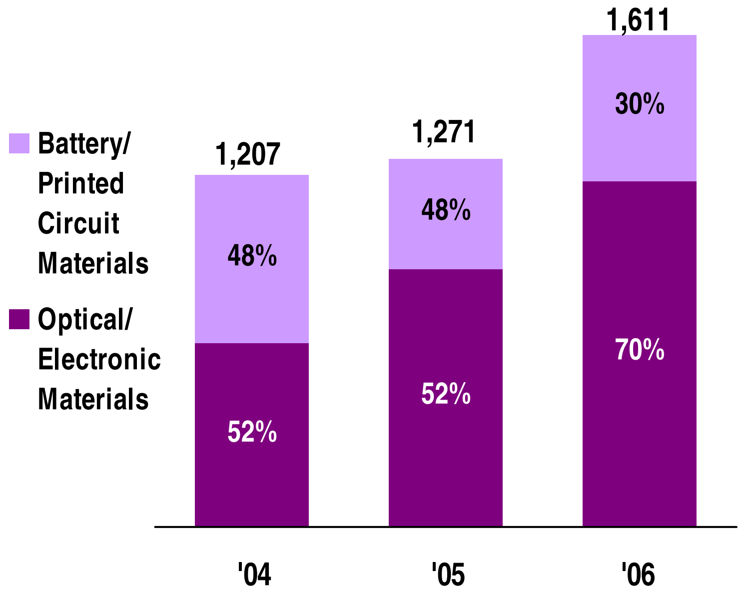
	'04	'05	'06
OP	110	140	118
Margin	5.3%	6.7%	5.6%

Analysis

- **Analysis (2006)**
  - **Increased advertising expenses 12bn YoY**
    - · Launching master brand Z:IN
  - **Declined sales and margin by auto maker's strikes**
    - · AMS Sales 9.5% ↓ Margin 32%↓YoY
  - **Promoting premium/ environmental friendly products**
    - · Wallpaper, Kitchen furniture, Bathroom units
- **Outlook ('07 1H)**
  - **Expecting construction industry rebound by government driving new town plan**
  - **Continuing business paradigm transformation**
    - · Shifting from in-house manufacturing to out-source
    - · Pursuing total cost competitiveness

Business results

(Unit : KRW bn)



	'04	'05	'06
OP	43	-26	49
Margin	3.6%	-2.0%	3.5%

Analysis

- **Analysis (2006)**
  - ▣ **Gradual recovery in rechargeable batteries**
    - · Cylindrical & Polymers : drastic improvement
    - · Prismatic : Delay in securing major customers
  - ▣ **Polarizers**
    - · Sales increased to Taiwan customers (120%↑YoY)
    - · ASP pressure and Yen depreciation contracted profitability
- **Outlook ('07 1H)**
  - ▣ **Strong demand for cylindrical and polymer battery**
  - ▣ **Focusing on Taiwan LCD market**
  - ▣ **Steady growth in Color Filter Photoresist**

Basic strategies

Petrochem
- Maximizing cash flow from the current business

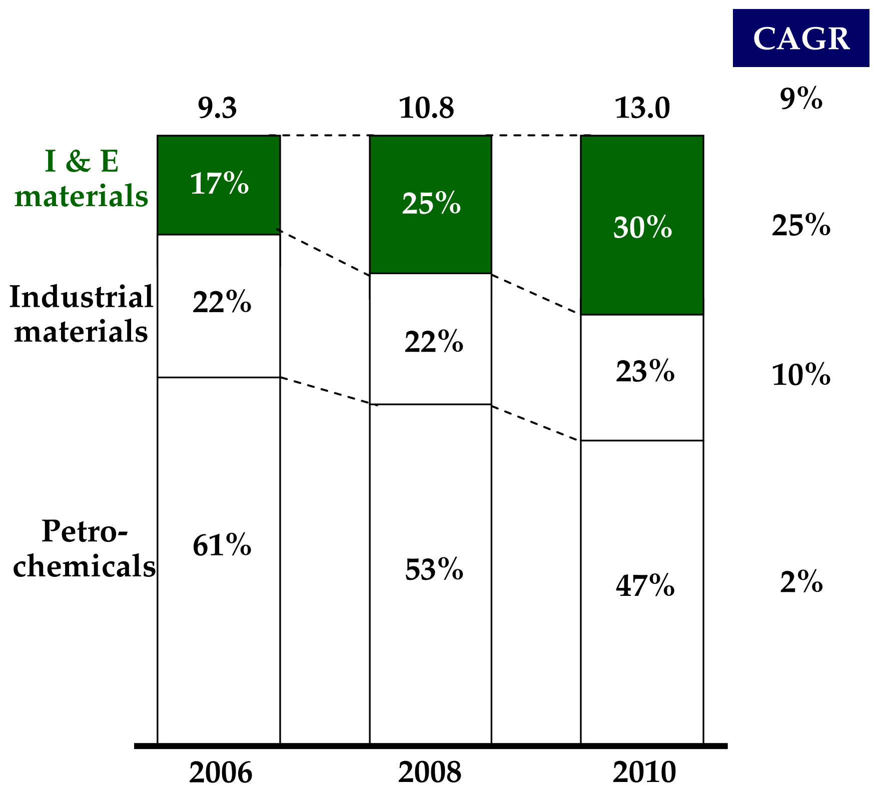
Industrial Materials
- Shifting high-functional product-mix
- Clarifying long-term business model

Battery
- Normalizing the business first
- 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)



Overall performance will be recovered in 2nd half 2007

Business Plan

(Unit: KRW bn)

	Non-Consolidated	Consolidated
Sales	9,700	11,200
Divisional Sales		
Petrochemicals	5,680	6,900
Industrial Materials	2,155	2,374
I&E Materials	2,068	2,086
CAPEX	672	834

Action Plan

▣ **Strengthening Petrochemicals business competitiveness by Daesan NCC expansion**
- Capacity : Ethylene 500 → 760 kMT, Propylene 250 → 380 kMT

▣ **Completing the deprecation of existing Daesan plant (O/P ↑ 70bn)**
- Depreciation expenses(E) : 185bn('06) →115bn('07) →45bn('08)

▣ **Polarizers**
- Internalization of raw materials : P-Film etc.
- Taiwan post-processing line (1.8mn Set/month, Aug.)
- Poland post-processing line (1.8mn Set/month, Mar.)

▣ **Others**
- Reduce inefficient PVC production lines
- Polymer type– Nanjing plant expansion (1.0mn Cell/month, Sep.)
- Russia : window frame & US : automotive skins

Cash Flow

(Unit : KRW bn)

Item	Amount
Cash-in	**860**
Net Income, etc.	420
Depreciation	440
Cash-Out	**853**
CAPEX	672
Working Capital	-37
Dividend, etc.	218
Balance	**7**

CAPEX

(Unit : KRW bn)

	Item	Amount
	CAPEX	**672**
	New / Expansion	383
	Maintenance	263
	Equity	26
Divisional	Petrochemicals	258
	Industrial Materials	115
	I&E Materials	184
	Common	115

Key Investment

(Unit : KRW bn)

- ▣ Petrochemicals (Daesan NCC Revamping, etc.) 188
- ▣ I&E materials (polarizer, etc.) 143
- ▣ Industrial materials (DPF, etc.) 52

Business performance (Divisional)

(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**	**2,272.5**	**2,482.5**	**2,418.0**	**9,302.1**
Operating Profit	**141.4**	**85.6**	**92.1**	**102.6**	**421.7**	**65.6**	**48.1**	**107.1**	**112.2**	**333.9**
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**
PVC/Plasticizer	382.2	335.7	348.5	354.7	1,421.1	310.4	322.2	395.3	379.8	1,407.7
ABS/PS	391.0	347.4	366.1	346.1	1,450.6	366.3	359.4	381.0	381.8	1,488.5
Poly Olefin	148.1	130.6	133.6	133.0	545.2	319.2	316.3	361.1	353.4	1,350.0
Acrylates	139.6	130.3	115.9	111.4	497.1	108.4	113.8	114.2	98.2	434.6
EP	78.6	78.6	80.7	85.0	322.8	78.0	81.1	76.0	76.1	311.2
Specialty Resin	70.5	74.7	71.6	64.2	281.0	68.1	74.7	68.7	63.2	274.7
NCC	-	-	-	-	-	324.3	335.8	377.7	364.7	1,402.5
Synthetic Rubber	-	-	-	-	-	64.5	74.4	73.4	83.0	295.3
Operating Profit	**116.4**	**69.0**	**73.7**	**51.9**	**311.0**	**27.5**	**-5.5**	**62.9**	**85.1**	**170.0**
Industrial Materials	**495.0**	**535.5**	**518.3**	**537.7**	**2,086.5**	**476.0**	**543.3**	**521.6**	**546.9**	**2,087.8**
Building/Decorative	293.8	332.7	327.4	314.2	1,268.0	253.7	314.1	323.3	321.4	1,212.5
Living/Automotive	227.9	237.8	220.9	248.8	935.3	224.1	231.7	200.4	227.2	883.4
Operating Profit	**27.5**	**36.3**	**39.3**	**36.9**	**140.0**	**27.4**	**41.9**	**24.5**	**24.0**	**117.9**
I & E Materials	**282.1**	**277.0**	**319.9**	**392.4**	**1,271.3**	**361.2**	**3,704**	**448.5**	**430.6**	**1,610.7**
Battery/PCM	90.0	69.6	86.3	132.7	378.6	108.6	120.8	142.6	135.7	506.3
Optical/Electronic	192.0	207.8	234.4	261.8	896.0	254.8	253.3	309.5	298.2	1,197.1
Operating Profit	**-1.4**	**-19.1**	**-20.5**	**15.2**	**-25.8**	**10.5**	**13.1**	**18.9**	**6.1**	**48.7**

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

Business performance (Subsidiaries)

	(Unit : KRW bn)	'05	'06
LGPC	Sales	1,989	2,195
	Operating Profit	242	259
	(%)	(12.1)	(11.8)
	Net Income	193	191
Overseas*	Sales	1,305	1,533
	Operating profit	37	65
	(%)	(2.8)	(4.2)
	Net Income	27	42

	(Unit : KRW bn)	'05	'06
LGPC	Assets	1,040	1,019
	Liabilities	226	258
	Equity	814	761
Overseas*	Asset	908	1,255
	Liabilities	525	806
	Equity	383	449

* Figures is the sum of overseas manufacturing subsidiaries'

CAPEX Plan

(Unit : KRW bn)

		'04 Results	'05 Results	'06 Plan	'06 Results
Petrochemicals	New/Expansion	11.8	23.7	127.4	118.2
	Maintenance	52.7	69.1	81.3	83.6
	Equity Investment	6.6	41.2	28.5	39.0
	Total	**71.1**	**134.0**	**237.2**	**240.8**
Industrial Materials	New/Expansion	4.9	17.1	42.8	14.5
	Maintenance	42.7	49.1	44.8	56.4
	Equity Investment	25.7	3.5	10.1	9.9
	Total	**73.3**	**69.6**	**97.7**	**80.8**
I & E Materials	New/Expansion	160.7	147.4	168.2	121.9
	Maintenance	31.8	39.0	36.5	37.6
	Equity Investment	35.6	20.5	14.5	8.2
	Total	**228.1**	**206.9**	**219.2**	**167.8**
Common Expenses	New/Expansion	22.0	-	2.5	-
	Maintenance	42.0	88.0	86.1	87.1
	Equity Investment	133.0	3.2	3.4	14.0
	Total	**197.0**	**91.3**	**92.0**	**1,011**
Total	New/Expansion	199.4	188.2	340.9	254.6
	Maintenance	169.2	245.2	248.7	264.7
	Equity Investment	200.9	68.5	56.5	71.2
	Total	**569.5**	**501.8**	**646.1**	**590.5**

Borrowings & Cash Flow

Appendix

Borrowings

(Unit : KRW bn)

	Balance '05	Balance '06	Changes	'07 (P)
Total	**1,865.4** (100%)	**1,585.5** (100%)	△279.9	**1,578.5** (100%)
KRW Currency	**1,529.8** (82%)	**1,269.4** (80%)	△260.4	**1,262.4** (80%)
C P	100.0	25.0	△75.0	20.0
C B	1,300.0	1,080.0	△220.0	1080.0
Others	129.8	164.4	34.6	162.4
Foreign Currency	**335.6** (18%)	**316.1** (20%)	△19.5	**316.1** (20%)
FRN	187.4	213.9	26.5	213.9
Others	148.2	102.2	△46.0	1,022
Short-term	**845.2** (45%)	**466.1** (29%)	△379.1	**386.2** (24%)
Long-term	**1,020.2** (55%)	**1,119.4** (71%)	99.2	**1,192.3** (76%)

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

Cash Flow

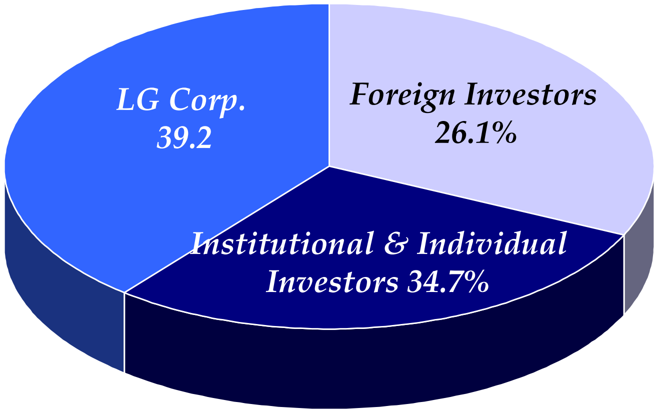
(Unit : KRW bn)

	2005	2006
Beginning	**413.7**	**371.0***
Operating/Investing	**23.2**	**115.8**
Net Income	400.3	328.8
Depreciation	344.5	502.2
Working Capital	-209.7	-178.5
CAPEX	-501.9	-590.5
Others	-10.0	53.9
Financing	**-247.5**	**-370.9**
Borrowings	-137.5	-279.9
Dividend	-110.0	-91.0
End	**189.4**	**115.8**

* Beginning of '06 includes LG Daesan's cash balance (KRW 185 bn) as a result of merger

Stock information

Shareholders & Market Cap



Common Stock as of February 28, 2007

(Unit : KRW)

	No. of Shares	February 28, '07	
		Price	Market Cap
Common	64,425,064	43,500	2.8 tn
Preferred	8,661,251	23,750	0.2 tn
Total	73,086,315		3.0 tn

Par value : KRW 5,000

GDR Info.

Listed in LSE
144A GDR
Reg.S GDR

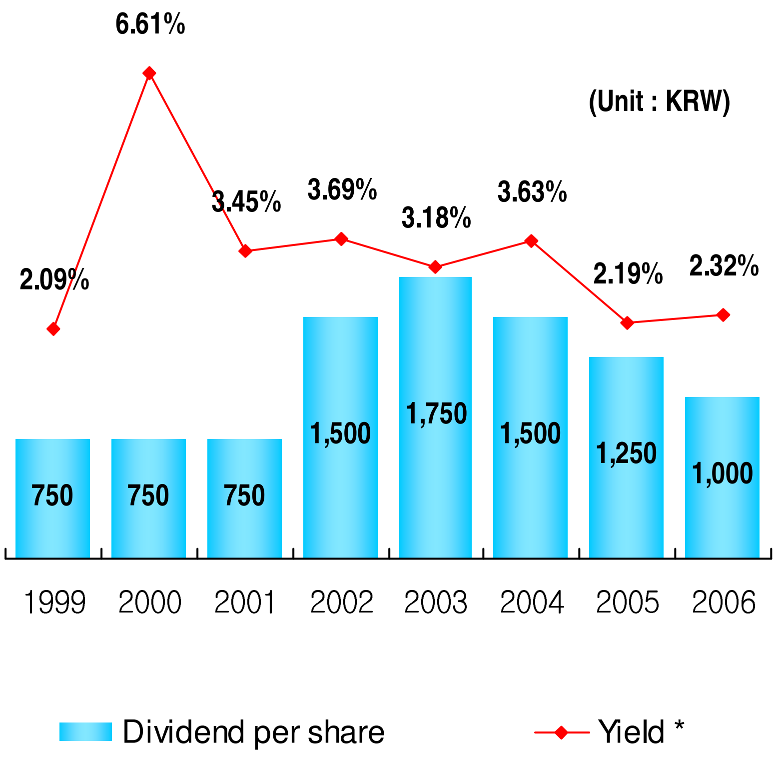
ORD:GDR Ratio: 1:2
Exchange: PORTAL
Ticker: LGCLY US
ISIN: US5019551085

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 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	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

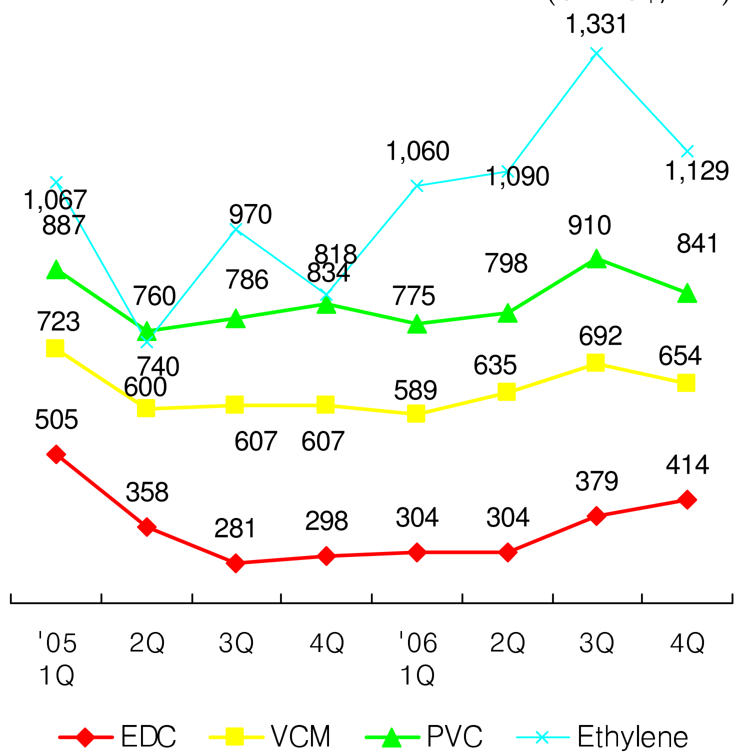
2) Dry basis

Item	Region	'04	'05	'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

Product price & Raw materials

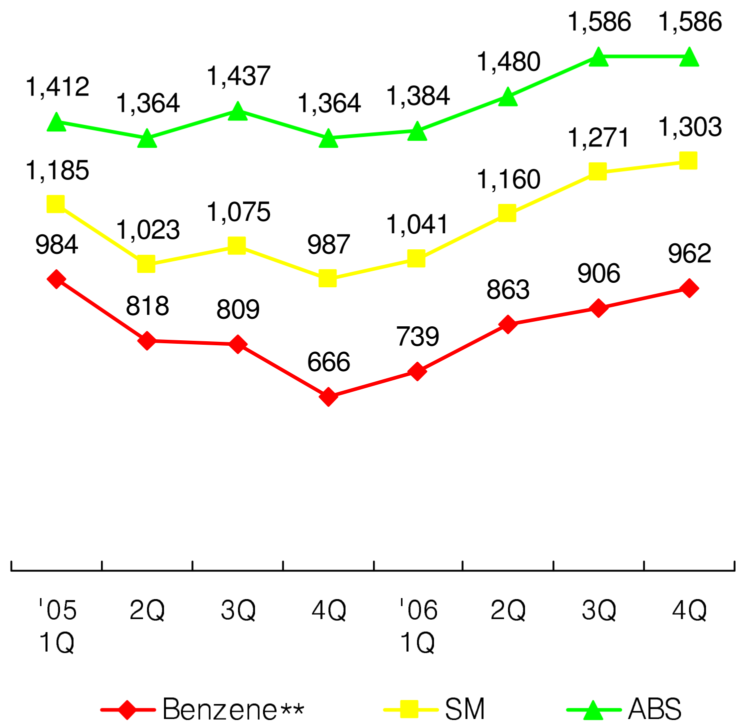
Vinyls

(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**	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