

Solution*Partner*

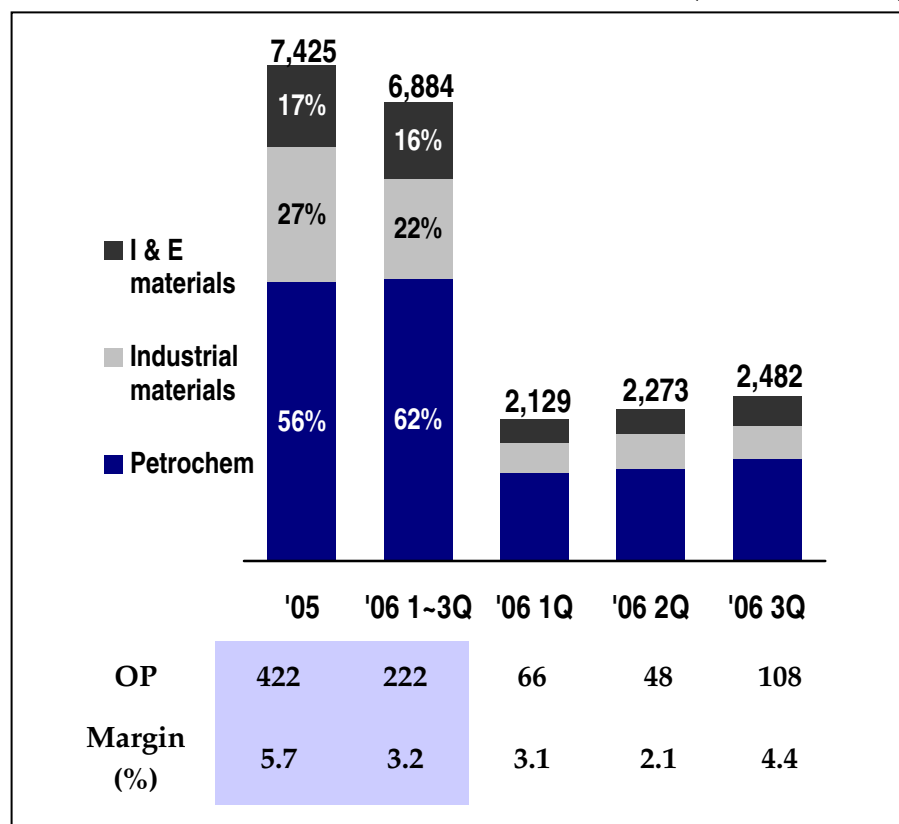
LG Chem, Ltd.

November 2006



Business results

(Unit : KRW bn)



Analysis & Outlook

• Analysis

▣ Poor performance of petrochemical divisions (1H)

- Strong raw material vs. weak polymer products

(Unit:US\$/MT)	1Q	2Q	3Q	Nov
Naphtha	551	617	616	533
Ethylene	1,060	1,090	1,331	1,075
Propylene	969	1,069	1,280	1,160
PVC	775	798	910	805
ABS	1,384	1,480	1,586	1,582
LDPE	1,111	1,199	1,364	1,248

- Maintenance shut down in Yeosu for 3 weeks in 2Q 2006

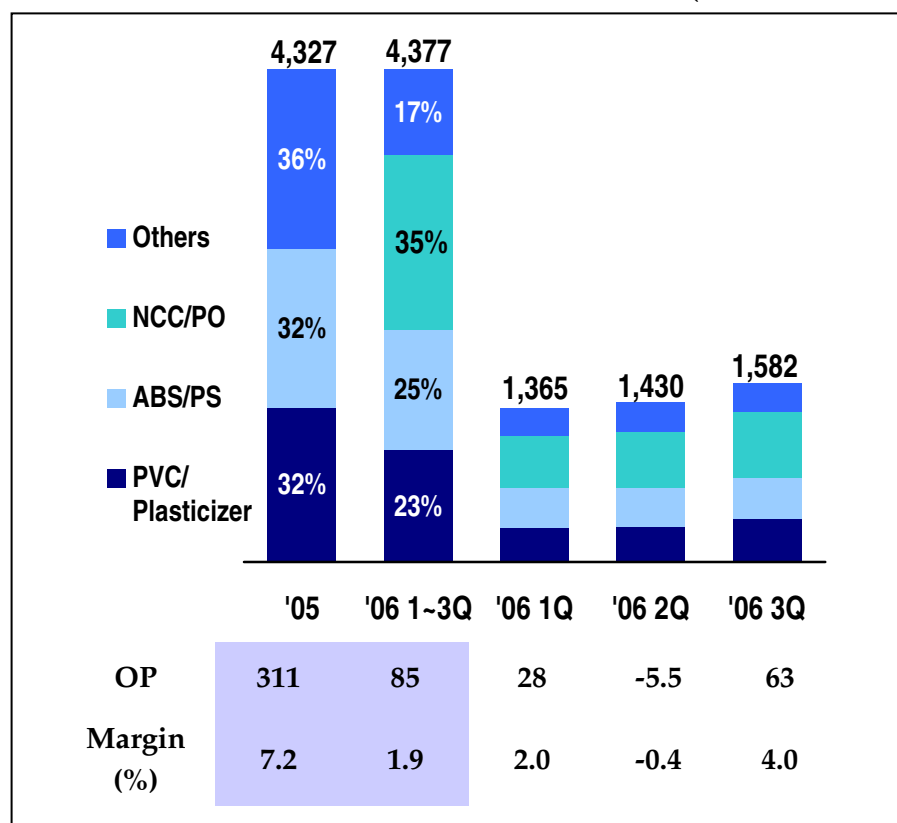
• Outlook

▣ Overview of 4Q is the same as 3Q

- Petrochemicals : no big change
- I & E materials : steady improvement
- Industrial materials : weak seasonal demand

Business results

(Unit : KRW bn)



Analysis & Outlook

• Analysis

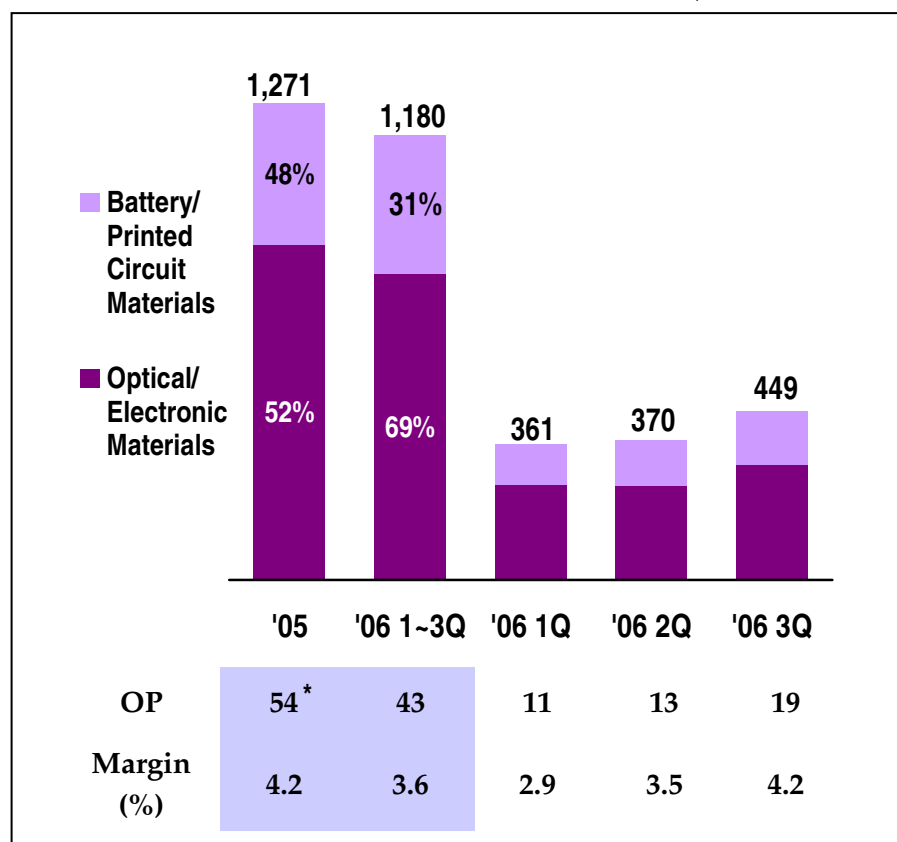
- ▣ Strong crude oil price caused high input cost structure in down-stream chemicals
- ▣ Maintenance shut down in Yeosu for 3 weeks in 2Q 2006
- ▣ Sales and margin expanded due to seasonal demand in 3Q

• Outlook

- ▣ Olefins prices will come off backed by stabilizing oil & naphtha, end of NCC TA season, and capacity expansions
- Stable NCC margin in 4Q due to naphtha price drop

Business results

(Unit : KRW bn)



* Excluded one time expense (Approximately KRW 80billion)

Analysis & Outlook

• Analysis

Battery

- Strong seasonal demand boosted sales volume to Dell & HP
- Increase of utilization for cylindrical & polymer batteries

Optical & Electronic materials

- Continuous ASP cut pressure
- Yen depreciation : op margin (↓ 5%P)
- Sales growth to LPL & Taiwan (2Q vs 3Q ↑ 30%)

• Outlook

Battery

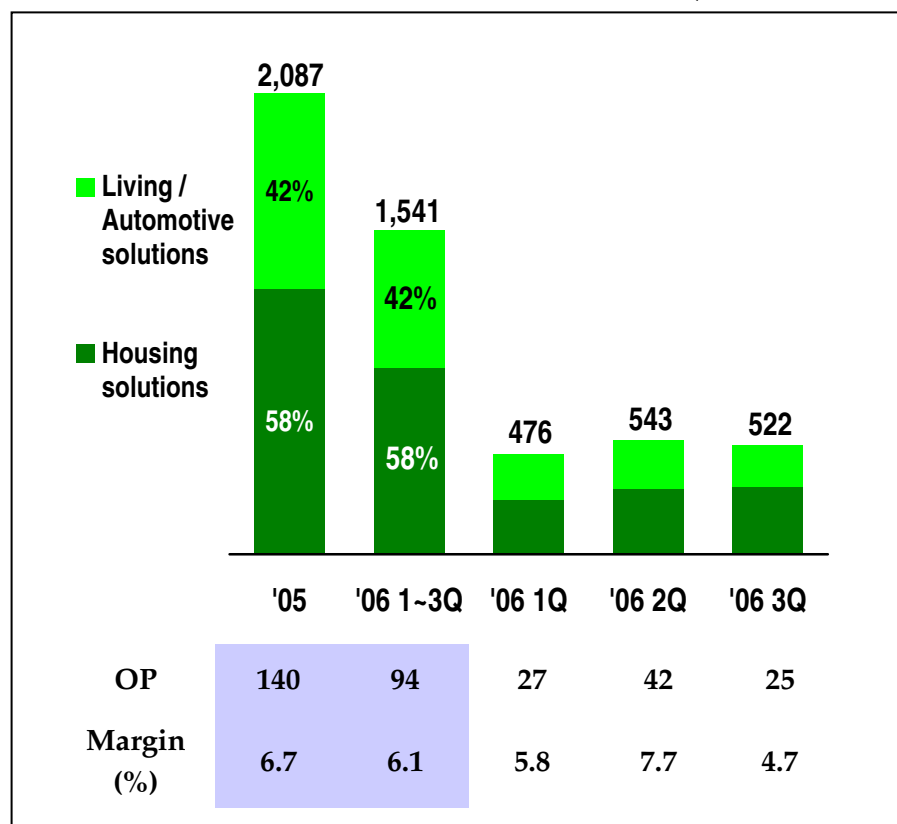
- High seasonal demand (Oct, Nov)
- Positive impact from Sony's recall

Optical & Electronic materials

- Increase in sales volume to Taiwan market
- Continuous growth of PDP Filter and Color filter photo resist business

Business results

(Unit : KRW bn)



Analysis & Outlook

• Analysis

- ▣ Improved product-mix
 - Balcony window frame, Automotive skin
- ▣ Business paradigm transformation
 - Shifting from in-house manufacturing to out-source
- ▣ Sales and margin declined in Automotive materials by the strikes in auto industry (3Q 2006)

• Outlook

- Housing solutions**
 - ▣ Seasonal weakness in demand
 - ▣ Developing Russian market (window profile)
- Living solutions**
 - ▣ Overseas market : stable sales growth
 - ▣ Domestic market : weak seasonal demand

Business strategies

Strategies

Petrochem

- Maximizing cash flow from the current business

Industrial Materials

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

Battery

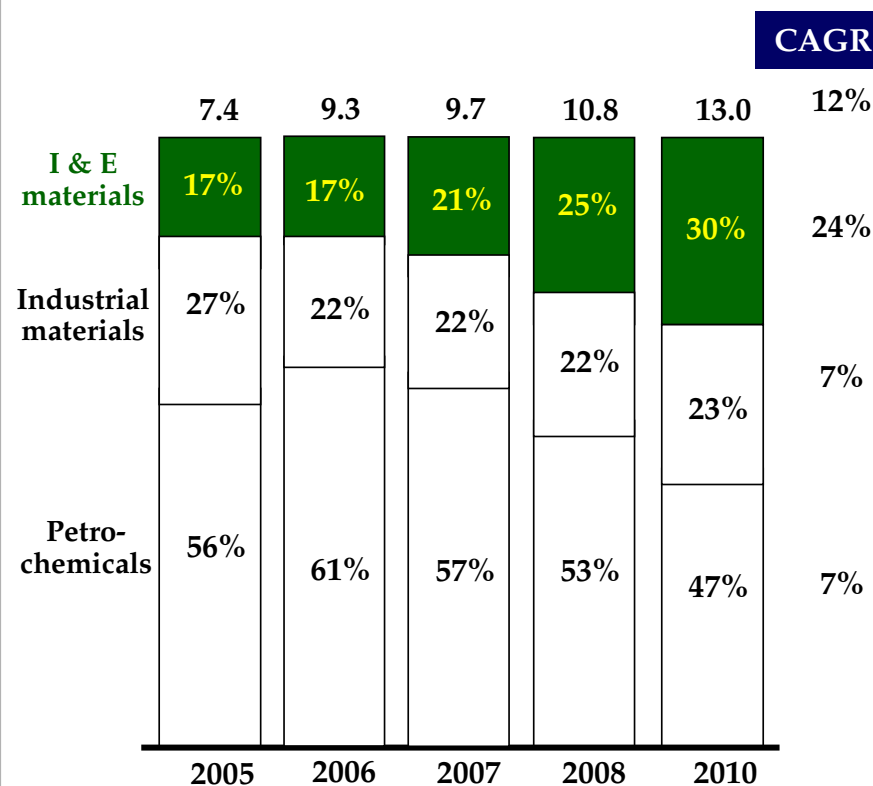
- Normalizing the business first
- For longer-term, enhancing competitiveness by internalizing raw materials and promoting mid-large sized batteries

I&E Materials

- Actively developing new business for the future growth

Long-term target

(Unit: KRW tn)



Strategies

❑ Pursuing performance oriented R&D

- Strengthen IT & electronic material research
- Improve R&D efficiency through selective resource allocation

❑ Extending R&D flexibility

- Active R&D outsourcing to secure core capabilities
 - Display, energy, nano-tech, etc.,
- Strengthen R&D network
 - Utilizing overseas R&D bases and out-side technology channels

Action plans

Display

- Enlarge functional film business by applying coating, adhesion, processing technology

Clean energy

- Co-development for mid-large sized battery
- Focusing on basic materials of solar cell and fuel cell

I&E Materials

- Cost-cut by internalizing key raw materials

Petrochem

- Developing high margin specialties

Financial highlights

Non-consolidated

Income statement

(Unit : KRW bn)	'03	'04	'05	'06 1~3Q
Sales	5,672	7,127	7,425	6,884
Operating Profit	474	523	422	222
(%)	(8.4)	(7.3)	(5.7)	(3.2)
Recurring Profit	483	720	468	297
(%)	(8.5)	(10.1)	(6.3)	(4.3)
Equity-method Gains	145	311	210	78
Net Income	362	536	400	235

Balance sheet

(Unit : KRW bn)	'03	'04	'05	'06 1~3Q
Assets	4,762	5,679	5,593	5,848
(Cash and equivalents)	257	414	189	171
Liabilities	2,947	3,484	3,155	3,297
(Borrowings)	1,706	1,980	1,865	1,717
Shareholder's Equity	1,815	2,195	2,438	2,551
Total Liabilities / Equity (%)	162	159	129	129
Net Debt / Equity (%)	94	90	77	67
ROE (%)	21	27	17	13
EBITDA	750	877	794	622
CAPEX	841	570	502	416