

**Solution***Partner*

# 1Q 2008 Business Results & Outlook

May 2008



**The business results for the 1st quarter of 2008 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.**

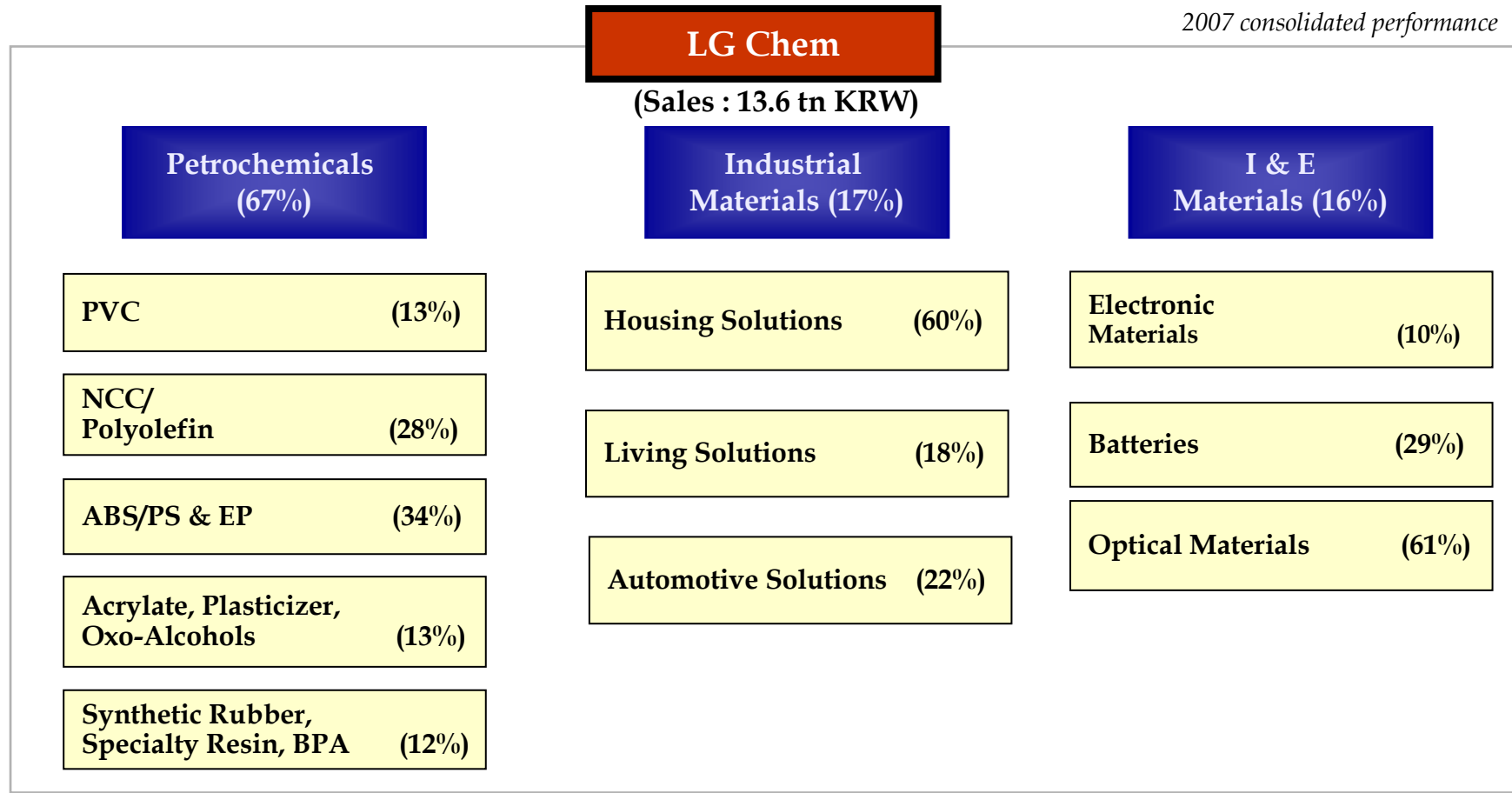
**Forecasts and projections contained in this material are based on current business environments and management strategies, and they may differ from the actual results upon changes and unaccounted variables.**

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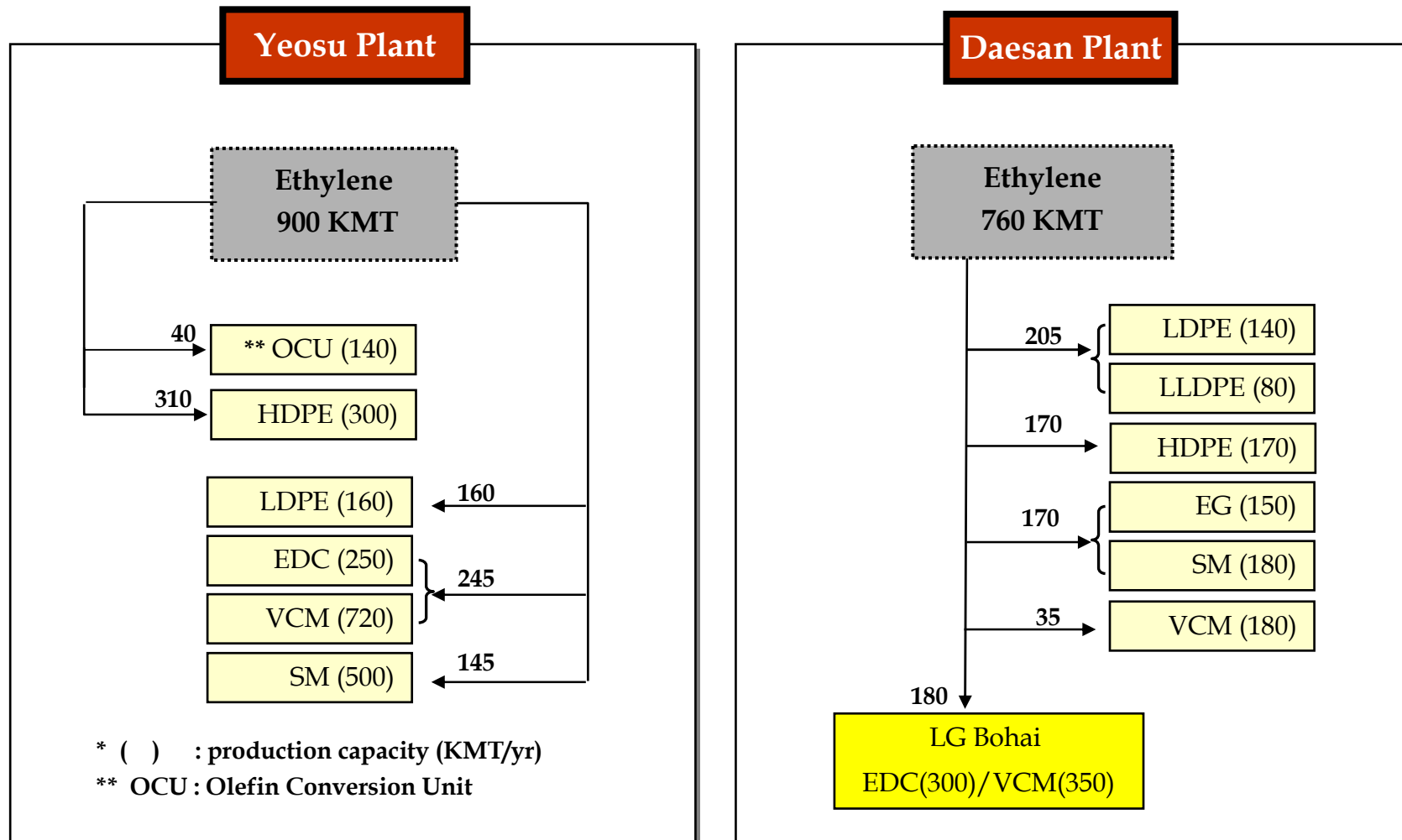
# Business Portfolio

2007 consolidated performance



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

# Vertical Integration (Ethylene)

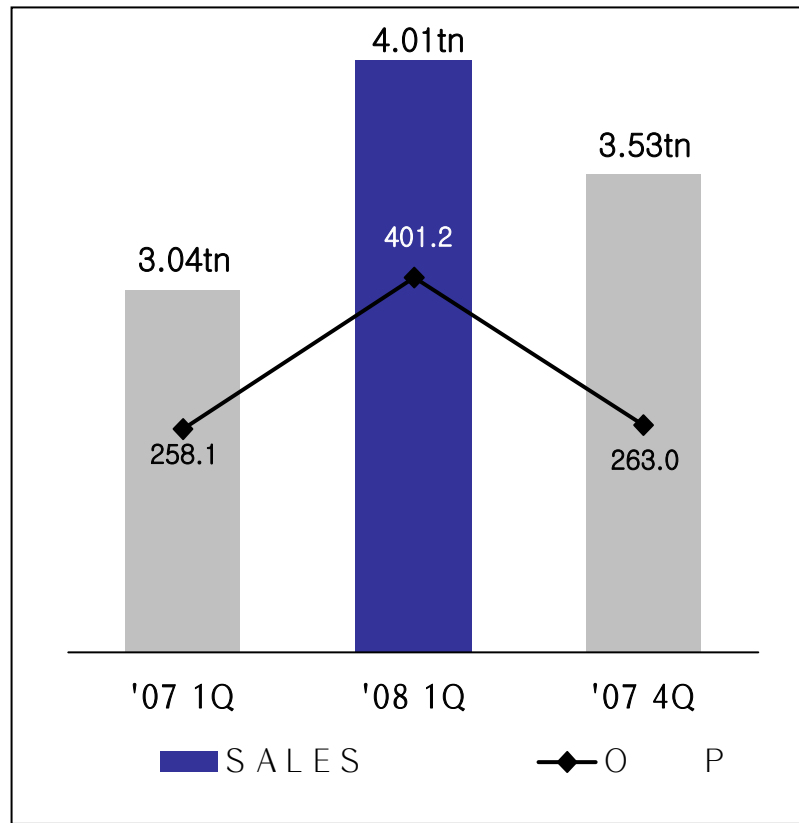


Forecasted ethylene balance in 2008

# Quarterly Business Results

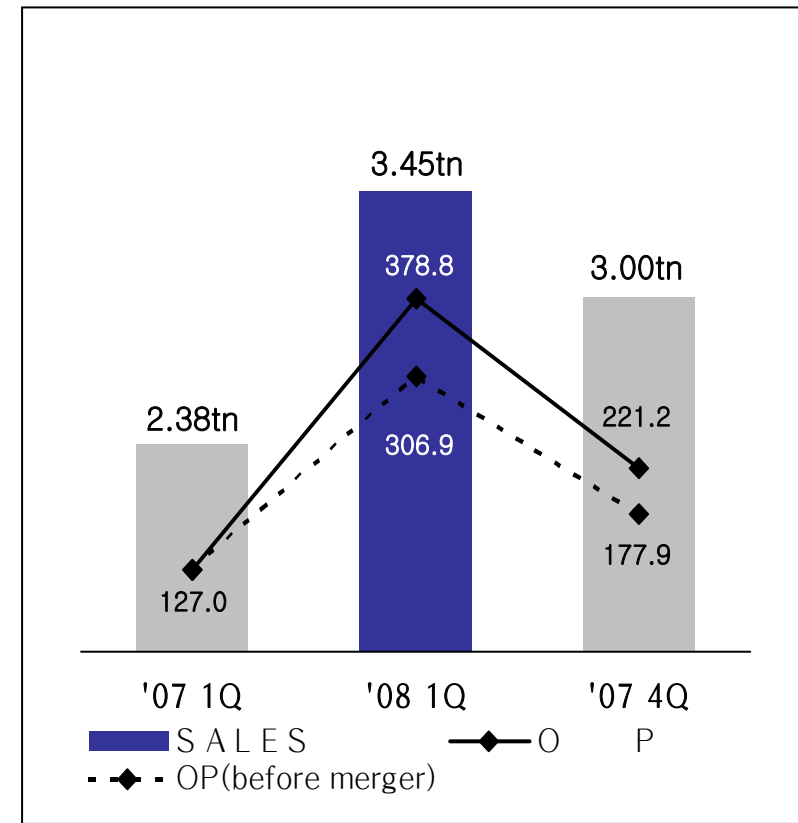
## Consolidated

(Unit:KRW bn)



## Non-Consolidated

(Unit:KRW bn)



(Unit : KRW bn)	Consolidated				Non-Consolidated			
	'07 1Q	'08 1Q	'07 4Q	YoY	'07 1Q	'08 1Q	'07 4Q	YoY
<b>Sales</b>	3,040.6	4,014.0	3,534.7	32.0%	2,380.0	3,448.1	3,003.8	44.9%
<b>Operating Profit</b>	258.1	401.2	263.0	55.4%	127.0	378.8	221.2	198.3%
(%)	(8.5)	(10.0)	(7.4)		(5.3)	(11.0)	(7.4)	
<b>Recurring Profit</b>	238.7	356.6	202.3	49.4%	155.8	351.8	177.3	125.8%
(%)	(7.9)	(8.9)	(5.7)		(6.5)	(10.2)	(5.9)	
Equity Method Gains	3.1	2.3	-1.6	-25.8%	47.3	11.5	10.0	-75.7%
<b>Net Income</b>	113.0	256.1	125.9	126.6%	113.0	256.1	125.9	126.6%

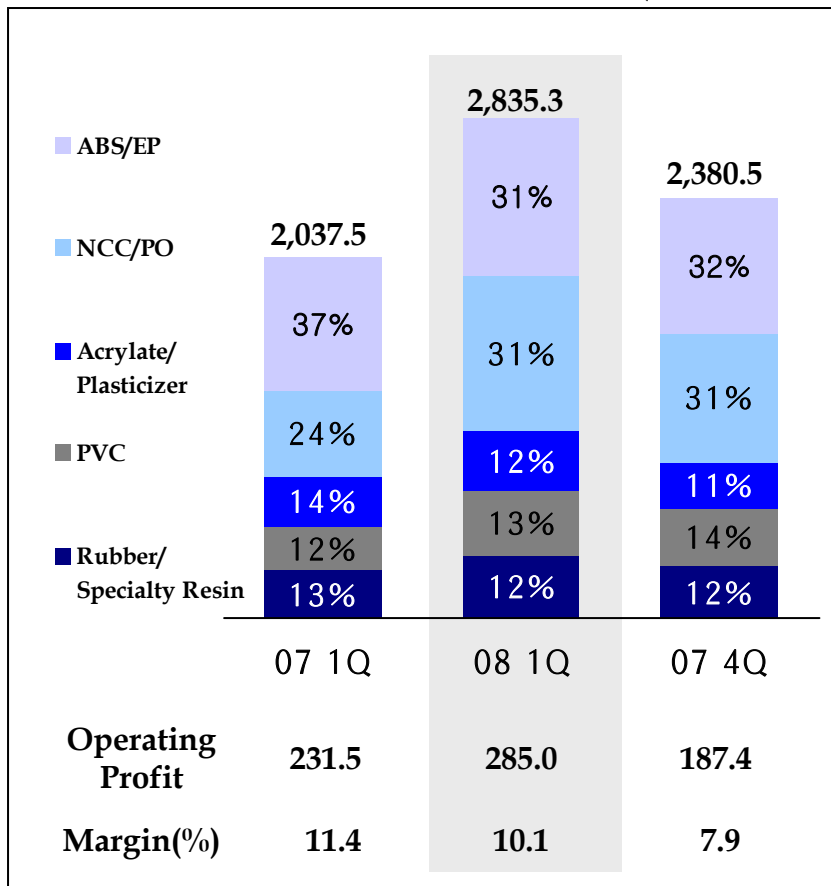
\* Recurring Profit stands for "Profit from continuing operations before income tax"

(Unit : KRW bn)	Consolidated		Non-Consolidated	
	'07	'08.1Q	'07	'08.1Q
<b>Assets</b>	8,550.8	8,785.2	7,050.0	7,228.0
(Cash and equivalents)	590.5	411.4	466.4	323.5
<b>Liabilities</b>	4,506.8	4,445.3	3,171.8	3,065.5
(Borrowings)	2,367.9	2,312.6	1,361.6	1,252.1
<b>Shareholder's Equity</b>	4,043.9	4,339.9	3,878.2	4,162.5
<b>Total Liabilities / Equity (%)</b>	111.4	102.4	81.8	73.6
<b>Debt / Equity (%)</b>	58.6	53.3	35.1	30.1
<b>Interest Coverage Ratio</b>	10.1	13.0	10.0	21.9
<b>ROE (%)</b>	22.8	24.5	23.3	27.5
<b>ROA (%)</b>	10.3	11.9	11.3	15.1
<b>EBITDA</b>			1,227.2	481.6



## Business results

(Unit:KRW bn)



## Analysis

### • Analysis

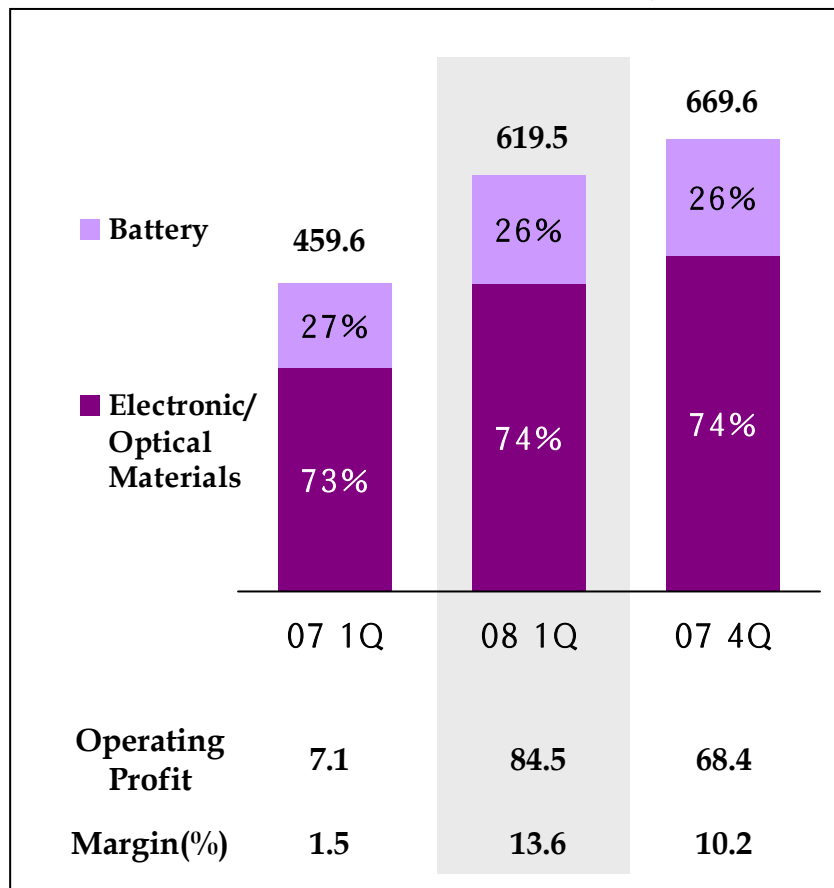
- ▣ PO : Merger synergy offset naphtha cost hike
- ▣ ABS/PVC : Margin improvement as a result of entering up cycle
- ▣ Synthetic Rubber / BPA / Oxo-Alcohol : Continuous strong margin
- ▣ Beneficiary of USD appreciation due to high export exposure

### • Outlook

- ▣ High oil price is expected to continue
- ▣ Strong Seasonal demand should result in solid performance going forward.

### Business results

(Unit:KRW bn)



### Analysis

#### • Analysis

##### ■ Electronic & optical

- Increased sales & earnings in polarizer due to strong LCD demand
- Strong Japanese yen resulted in additional profit improvement

##### ■ Battery

- Cylindrical : Tight supply/demand balance from strong demand in notebook PC market
- Prismatic : Increased utilization

#### • Outlook

##### ■ Electronic & optical

- More positive LCD market condition from 2Q
- Winning market share in LCD TV polarizer in Taiwan & China

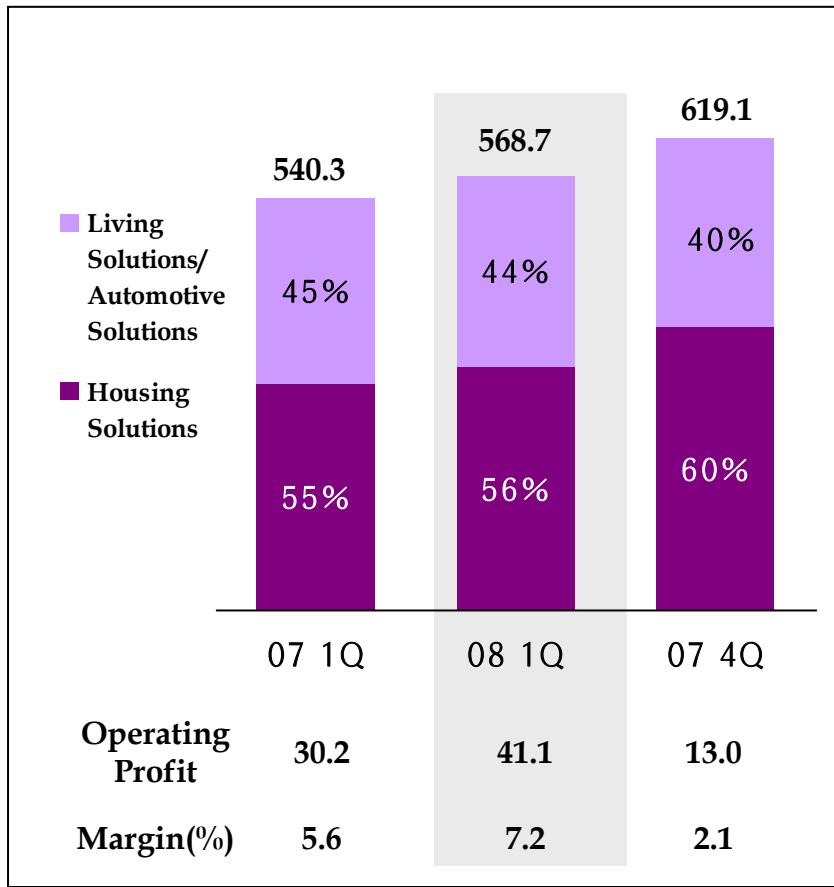
##### ■ Battery

- Cylindrical : Continuous growth
- Prismatic : Supply to new top-tier customers

## Business results

## Analysis

(Unit:KRW bn)



### • Analysis

- Total cost reduction through restructuring
  - Integration/scrapping of low profit businesses
- Expanded sales of high value added products

### • Outlook

- Solid performance expected in 2Q backed by peak seasonal demand
- Expectation of easing real-estate regulations from the new government

(Unit : KRW bn)

	2007					2008				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	3,040.6	3,383.6	3,565.9	3,534.7	13,524.8	4,014.0				
Operating Profit	258.1	292.0	374.1	263.0	1,187.2	401.2				
<b>Petrochemicals</b>	<b>2,037.5</b>	<b>2,299.5</b>	<b>2,396.2</b>	<b>2,380.5</b>	<b>9,113.7</b>	<b>2,835.3</b>				
NCC/PO	482.7	630.0	696.4	726.8	2,535.9	884.4				
Synthetic Rubber/ Specialty Resin	271.8	296.6	323.5	295.7	1,187.6	352.9				
PVC	248.4	301.0	315.2	325.7	1,190.3	369.7				
ABS/EP	756.2	790.1	792.8	769.9	3,109.0	891.2				
Acrylate/Plasticizer	278.4	281.8	268.3	262.4	1,090.9	337.0				
<b>Operating Profit</b>	<b>231.5</b>	<b>217.4</b>	<b>288.8</b>	<b>187.4</b>	<b>925.1</b>	<b>285.0</b>				
<b>I &amp; E Materials</b>	<b>459.6</b>	<b>530.4</b>	<b>595.4</b>	<b>669.6</b>	<b>2,255.0</b>	<b>619.5</b>				
Optical/Electronic	337.4	384.8	437.5	504.3	1,664.0	462.3				
Battery	126.7	153.9	168.7	175.2	624.5	164.4				
<b>Operating Profit</b>	<b>7.1</b>	<b>31.0</b>	<b>63.7</b>	<b>68.4</b>	<b>170.2</b>	<b>84.5</b>				
<b>Industrial Materials</b>	<b>540.3</b>	<b>615.8</b>	<b>559.6</b>	<b>619.1</b>	<b>2,334.8</b>	<b>568.7</b>				
Building/Decorative	296.4	349.8	327.4	373.0	1,346.6	320.4				
Living/ Automotive	245.3	268.0	234.0	248.4	995.7	250.3				
<b>Operating Profit</b>	<b>30.2</b>	<b>40.0</b>	<b>28.6</b>	<b>13.0</b>	<b>111.8</b>	<b>41.1</b>				

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

(Unit : KRW bn)

	2007					2008				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	2,380.0	2,644.9	2,766.6	3,003.8	10,795.3	3,448.1				
Operating Profit	127.0	162.9	252.5	221.2	763.6	378.8				
<b>Petrochemicals</b>	<b>1,498.3</b>	<b>1,647.3</b>	<b>1,742.8</b>	<b>1,905.5</b>	<b>6,793.9</b>	<b>2,396.6</b>				
NCC/PO	376.3	491.2	569.9	682.1	2,119.5	884.4				
Synthetic Rubber/ Specialty Resin	153.2	168.2	184.7	237.7	743.8	346.6				
PVC	206.3	229.3	220.0	238.8	894.4	259.4				
ABS/EP	495.1	489.3	511.5	496.2	1,992.1	583.3				
Acrylate/Plasticizer	267.4	269.3	256.7	250.7	1,044.1	322.9				
<b>Operating Profit</b>	<b>89.0</b>	<b>99.5</b>	<b>170.9</b>	<b>151.8</b>	<b>511.2</b>	<b>261.6</b>				
<b>I &amp; E Materials</b>	<b>438.1</b>	<b>510.0</b>	<b>590.1</b>	<b>601.6</b>	<b>2,139.8</b>	<b>611.0</b>				
Optical/Electronic	311.1	359.3	425.6	428.7	1,524.7	445.3				
Battery	131.5	159.0	175.3	182.7	648.5	173.2				
<b>Operating Profit</b>	<b>7.3</b>	<b>26.4</b>	<b>56.8</b>	<b>61.4</b>	<b>152.0</b>	<b>79.5</b>				
<b>Industrial Materials</b>	<b>499.8</b>	<b>563.3</b>	<b>505.1</b>	<b>571.5</b>	<b>2,139.7</b>	<b>517.6</b>				
Building/Decorative	291.5	339.7	316.2	364.8	1,312.2	311.9				
Living/ Automotive	209.8	225.5	190.7	209.0	835.1	207.7				
<b>Operating Profit</b>	<b>30.1</b>	<b>35.9</b>	<b>24.1</b>	<b>11.2</b>	<b>101.2</b>	<b>38.6</b>				

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

## Borrowings

(Unit : KRW bn)

	Balance			'08 (P)
	'07	'08.1Q	Changes	
<b>Total</b>	<b>1,361.6</b> (100%)	<b>1,252.1</b> (100%)	<b>-109.5</b>	<b>1,315.2</b> (100%)
<b>KRW</b>	<b>1,033.2</b> (76%)	<b>974.4</b> (78%)	-58.8	<b>1,000.2</b> (76%)
<b>Currency</b>				
C P	-	-		-
C B	780.0	630.0	-150.0	660.0
Others	253.2	344.4	91.2	340.2
<b>Foreign</b>	<b>328.4</b> (24%)	<b>277.7</b> (22%)	-50.7	<b>315.0</b> (24%)
<b>Currency</b>				
FRN	234.6	218.2	-16.4	225.0
Others	93.8	59.5	-34.3	90.0
<b>Short-term</b>	<b>366.9</b> (27%)	<b>157.6</b> (13%)	-209.3	<b>529.9</b> (40%)
<b>Long-term</b>	<b>994.7</b> (73%)	<b>1,094.5</b> (87%)	99.8	<b>785.3</b> (60%)

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

## Cash Flow

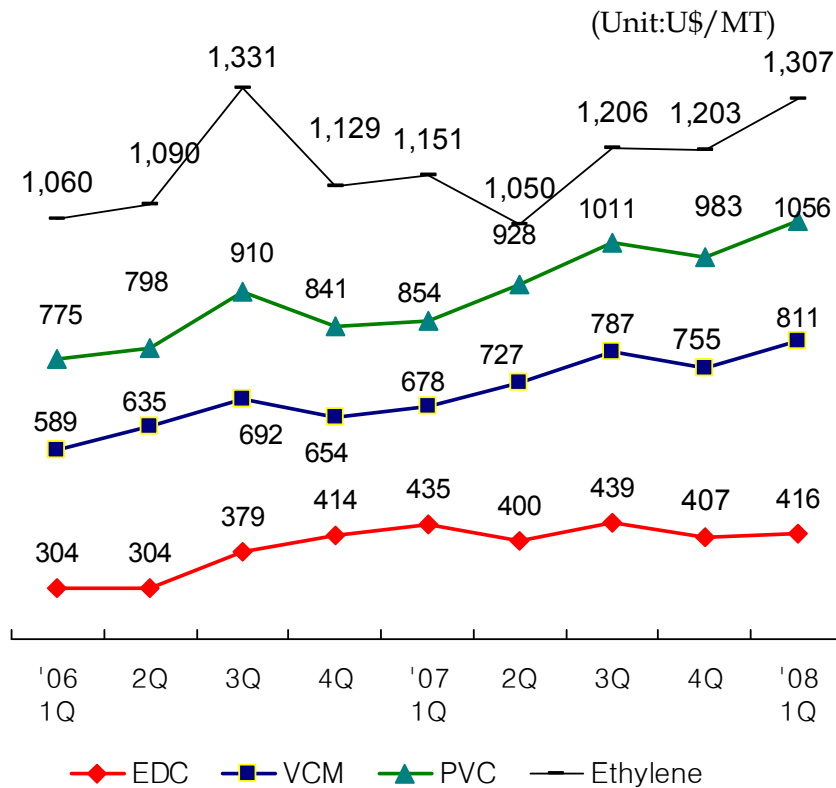
(Unit : KRW bn)

	'07	'08.1Q
<b>Beginning</b>	<b>115.8</b>	<b>466.4</b>
<b>Operating/Investing</b>	<b>647.2</b>	<b>126.6</b>
Net Income	686.2	256.1
Depreciation	436.5	96.9
Working Capital	-459.0	-94.8
CAPEX	-483.7	-105.9
Others	467.2	-25.7
<b>Financing</b>	<b>-296.6</b>	<b>-269.5</b>
Borrowings	-223.7	-109.5
ABS refund		-160.0
Dividend	-72.9	-
<b>End</b>	<b>466.4</b>	<b>323.5</b>

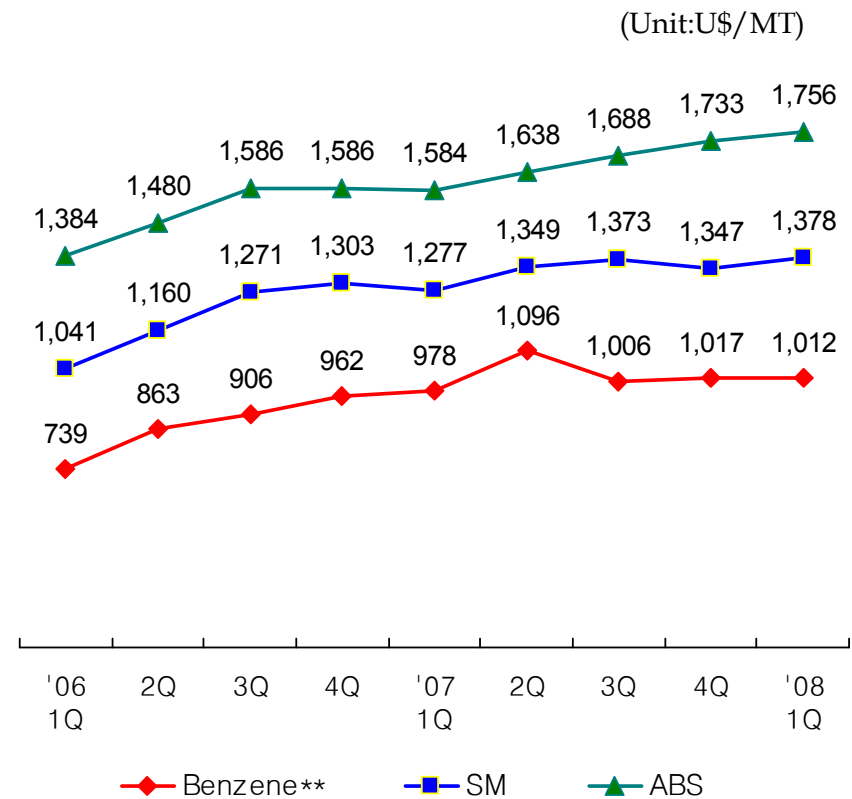
(Unit : KRW bn)

		'06 Results	'07 Results	'08 Plan	'08 1Q Results
Petrochemicals	New/Expansion	118.2	142.2	155.6	37.3
	Maintenance	83.6	68.2	94.8	13.4
	Equity Investment	39.0	16.4	3.0	
	<b>Total</b>	<b>240.8</b>	<b>226.7</b>	<b>253.4</b>	<b>50.8</b>
I & E Materials	New/Expansion	121.9	41.9	231.4	18.5
	Maintenance	37.6	35.9	44.7	12.4
	Equity Investment	8.2	12.0	33.6	
	<b>Total</b>	<b>167.8</b>	<b>89.8</b>	<b>309.6</b>	<b>30.9</b>
Industrial Materials	New/Expansion	14.5	10.3	32.2	2.7
	Maintenance	56.4	56.5	59.7	12.5
	Equity Investment	9.9		11.6	-
	<b>Total</b>	<b>80.8</b>	<b>66.8</b>	<b>103.6</b>	<b>15.2</b>
Common Expenses	New/Expansion	-	0.7	3.8	
	Maintenance	87.1	99.6	134.7	8.9
	Equity Investment	14.0		-	0.2
	<b>Total</b>	<b>101.1</b>	<b>100.3</b>	<b>138.5</b>	<b>9.1</b>
Total	New/Expansion	254.6	195.1	422.9	58.5
	Maintenance	264.7	260.2	334.0	47.2
	Equity Investment	71.2	28.4	48.2	0.2
	<b>Total</b>	<b>590.5</b>	<b>483.7</b>	<b>805.1</b>	<b>105.9</b>

## Vinyls



## Styrenics



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

\*\* Average of FOB Korea price